

## Business Life

# Escape from German tradition

### Entrepreneurship

Carlo Kölzer's foreign exchange trading platform found a new niche in Frankfurt's financial services sector, writes **James Wilson**

Carlo Kölzer remembers December 2002 as a nadir in his entrepreneurial career. With the holidays approaching and lively crowds thronging Frankfurt's Christmas market, he was about to tell the 11 staff at 360T, the foreign exchange platform he set up two years before, that the business had run out of money. "I didn't know how I was going to pay people but I could not tell them that because they would have quit," says the German entrepreneur, now aged 38. "Just then, we managed to get one small financing round done and got another €110,000 together to survive."

In the wake of the dotcom bubble's collapse, raising funds was a struggle. "We had to go to friends, parents, friends of parents, getting €50,000 here or there... It was embarrassing [but] it was a question of our survival," says Mr Kölzer.

**'If you are trying to gain traction as quickly as possible, all that paperwork on your desk is not the priority'**

He says he led a very "basic life". "You see your friends rising up the ranks in banks or consultancies and getting 30 days' nice holiday, and you are... sleeping on friends' floors between the dog and the TV. You ask yourself: 'Did I make the right choice?'"

360T, which set up above a Greek restaurant, today has 110 employees and operates in 19 countries, where it sells connections to its trading platform to banks, asset managers and corporate customers. The company handles €50bn (\$72bn) of foreign exchange and money market trading daily and counts 26 of the top 30 German blue-chips among its corporate customers, which use the platform to manage their currency dealing.

Speaking in its smart offices on the fringe of Frankfurt's banking district – a television screen displays 24-hour news in the lobby – Mr Kölzer looks the model of a confident young media entrepreneur in his suit and open-necked white shirt.

Expansion has brought a new set of challenges. "The internet gives companies the ability to be small but become global very quickly – of course, the flipside is that they face global competition very quickly," says Mr Kölzer, who is now CEO.

Mr Kölzer's entrepreneurial spark was ignited during his career working in the audit office at Dresdner Bank. Foreign exchange was usually traded through traditional person-to-person telephone contact, but Dresdner wanted to overcome some of the operational risks of that situation – such as numbers getting mixed up in hurried conversations – with an online trading system.

Mr Kölzer spotted an opportunity when he realised that corporate customers – which usually dealt with five or 10 different banks – would prefer an open system to which numerous banks had access.

Raising some venture capital and money from private individuals, he set up the company with two friends from university, one of whom brought



**Salesman-in-chief:** Carlo Kölzer says that he initially had to sell the company himself, persuading airline Lufthansa (below) to become its first customer

Martin Leissl

in another friend as chief technology officer.

"It is difficult to say why you become an entrepreneur," he says. "There is maybe something that you want to do yourself and then a window of opportunity comes along – in this case the new economy – which makes it easier to turn an idea into a business. A couple of years earlier, it would not have seemed so easy."

His choice of venture was unusual in Germany, where the archetypal business involves engineering expertise honed through generations. Moreover, the German financial industry is conservative, says Mr Kölzer – "not a typical playground for entrepreneurs".

In 2001, Lufthansa, the German airline, became 360T's first customer when his company was, as Mr Kölzer puts it, little more than "three people, a laptop and a PowerPoint presentation". Mr Kölzer personally convinced the airline that 360T would be a reliable partner. "When you are an entrepreneur, you become a sales guy without even realising... you are selling to anyone who walks through the door, even potential staff. You sell yourself to get talent, then you sell yourself to your first customer... After six months I realised I was a 24-hour sales guy."

While 360T caught the tail-end of the technology boom and had backing from KfW, the German development bank, it was never as lavishly funded as some famously money-burning dotcoms – which led to the financing squeezes of 360T's early years.

There were further problems too. The founders realised only belatedly that the company and its directors had to be accredited by BaFin, the German financial regulator. A suitable board member had to be brought in to 360T for four years until Mr Kölzer and others could gain accreditation, while 360T's balance sheet had to be rejigged to make it appropriate for a financial services company. KfW had to convert debt into equity.

"I was 27, 28 and, yes, maybe...

naive not to explore all the implications," Mr Kölzer says. "If you are young and trying to gain traction for your company as quickly as possible, all that paperwork on your desk is not the priority. But, with hindsight, it helped us to get our corporate governance right."

360T went into profit in 2004. Mr Kölzer declines to reveal the turnover but says it is in the "mid-double-digit millions". Further growth, he says, will come from developing more user segments – asset managers, for exam-

ple, are an increasingly important target – as well as branching out into other tradeable products, such as precious metals. Some companies also use a "white-label" version of the platform for internal operations.

In 2007, 360T opened offices in New York and Mr Kölzer is spending more time in the US.

"To enter the US market from a place like Germany, which is not exactly famous for rewriting the rules of the game in financial services, means you really need to work hard," he says. "Relationships help you become part of that community. It is always easier to go through a door than a brick wall." In an attempt to forge more contacts, he has joined the American Institute for Contemporary German Studies, a think-tank associated with Johns Hopkins University.

### Journey from naive to experienced founder

Carlo Kölzer's tips for would-be entrepreneurs:

- **It is the customer's opinion that counts.** "You know when you go to a wedding and the DJ is playing the music he likes and not what the audience wants? Remember your [business] has to be designed with the customers' needs in mind, even if you might prefer it differently."
- **Like Warren Buffett, only do things you understand.** "Some trends in our market have created a buzz for a few months but we have stuck to what we believe the strategy should be."
- **Long-term success comes from keeping your business fair.** "There are business models in foreign exchange dealing that seem to favour one side or the other – the market makers or the market takers – but in my view you cannot treat clients asymmetrically. It will not be sustainable."
- **You make your own luck as an entrepreneur.** "You have to be prepared, work hard and give something the chance to happen. We tried hard and we used the network we had – all the openings we could find."

Showing that new opportunities can spring from unexpected places, a meeting in the US led to Mr Kölzer joining the board of a Berlin start-up, Orderbird, which produces an application for restaurants to take orders electronically.

He says there is a "real entrepreneurial scene" in Germany's capital. "The cost of living is low, it is hip, so you attract lots of young people – you can really feel things happening. I think over the next 10 years we will see companies founded in Berlin getting much more visibility."

At Orderbird, says Mr Kölzer, "it is interesting to see these guys who are 10 years younger – the age I was when I started – with all this enthusiasm. I would never stop that but my role is to ask questions... That way they do not have to fall into the same water that I fell into."

Despite his new role at Orderbird, Mr Kölzer is far from ready to step back from 360T.

Being an entrepreneur, he muses, is like playing multiple levels of a computer game. "Sometimes you get tired... then you are fully on again and you take the next challenge," he says. "At the moment, it is full steam ahead."

