

DRAGONS' DEN

BBC

SUCCESS
from pitch to profit

'Business lessons are brought to life through the insights and strategies of myself, the Dragons and the Entrepreneurs.'

Richard Farleigh

A LESSON IN SALES AND MARKETING: LING VALENTINE AND LINGSCARS.COM

Ling Valentine had been running her business Lingscars.com for about five years by the time she appeared before the Dragons in February 2007. With an entertaining and spirited pitch that managed to crack smiles on even the most stony of Dragon faces, Ling displayed charm and enthusiasm as well as a truly unique eye for marketing techniques. Her personality and skills led to both Richard Farleigh and Duncan Bannatyne offering to buy equity in her company, but that was only the start of the drama.

The story of Ling's career is fascinating: 'I was stuck in China as just another one of the 1.2 billion people competing for a thin slice of a small cake, so, having completed my BSc in Applied Chemistry, in 1996 I went to Finland to continue my studies,' she explains. While in Helsinki, Ling met future husband and business partner Jon through an early version of an internet chat room. Eventually, Ling flew to England for a visit and they drove around Europe together to meet other friends they had met through the same websites. 'Of course,' says Ling, 'we fell in love and that was that!'

After a protracted period of wading through red tape, Ling moved to Britain. While Jon ran a contract hire business, she

returned to university and obtained an MSc in Environmental Protection. Finally, a move to Newcastle saw the pair decide to set up their own business and Lingscars.com was born. In simple terms, Ling offers individuals or businesses the opportunity to rent brand new cars over an extended period of time – usually between one to three years, with a mileage constraint built into the agreement. Ling scours car dealerships herself and showcases the best deals that she can find on her cluttered, blinking but delightful website that emphasises friendliness and approachability rather than corporate facelessness and difficult jargon.

The service has many advantages. Customers do not need significant finance to be able to use a brand new car for a few years, there is plenty of choice thanks to Ling's own research and there are attractive bonuses such as free road-tax for the duration of the contract. Quite apart from all that, Ling provides a personal and honest touch that many people clearly find refreshing and reassuring – a fact qualified by over 600 letters and emails of recommendation on the site.

It is Ling herself who is the focus of the branding of the company. 'Everyone always told me I have a weird character,' she explains. 'I am quite forceful and if I want something I just get it. So I thought: there are no Chinese birds selling cars in the UK, so why not simply market myself as a unique concept? I like to have fun and that is what is missing from car sales. I am confident enough that my service is quite simply the best in the UK, so I stuck my name and my head on the website!'

Ling has become justly well known for her bizarre and hugely inventive promotional ideas. The most famous, which Ling showcased in the Den, is her nuclear missile truck. ‘It was really down to Tony Blair and George Bush,’ she says. ‘They were making so much of the “weapons of mass destruction” and I thought – I can do better than that! So I imported an ex-People’s Liberation Army nuclear decontamination truck from China. It’s lovely. It cost me £3,500 in total, plus VAT. It arrived on a boat from Shanghai.’ Together, Ling and Jon built a missile and branded it with Ling’s head and the name of the business. ‘I parked it in Sedgefield and pointed it west, towards George Bush,’ adds Ling triumphantly. ‘When I finally had to move it I received hundreds of letters and e-mails from people saying they missed it!’ The Angel of the North, it seems, has some competition.

‘I live inside my website,’ says Ling. ‘It is everything to me. I really wanted the most thought-provoking, useful and entertaining car website in the UK. Being from China, freedom of speech is important to me, so I went out of my way to tell the truth to customers without the waffle. The first thing I did was provide accurate car stock information and clear pricing, because so many other websites simply do not provide these most basic facts. To communicate with customers I employed the same device that Jon and I used when I was living in Finland – instant web chat. I made it a rule from day one that customers could talk to me live on the website and this is extremely popular.’

In the past Ling offered a free lunch, distributed Chaiman Mao

Little Red Books in exchange for poetry from customers, and made short videos in which her sister Shan road-tested various cars for the benefit of viewers. Naturally, the series was named *Chop Gear* and it featured Shan in a Chinese People's Liberation Army uniform explaining the features and advantages of different cars – most importantly, how many Chinese takeaways can fit snugly into the boot. 'BMW have never forgiven me for that,' smiles Ling. It is a site voted one of the Top 100 sites in the world by *FHM* magazine.

In 2006, Ling was the winner of the Women in Retail category at the North East Entrepreneur of the Year awards. 'I share this honour with Duncan Bannatyne who won the equivalent male award in the past,' says Ling proudly.

On returning from a trip to China Ling began to prepare her presentation for the Dragons. 'I wanted a small investment as my business does not eat cash but I was also looking for help with a five-year business plan and an exit strategy. So, having read Duncan's book and researched Richard's success in this area, I focused on these two Dragons,' explains Ling. Most importantly, though, she was determined to make a very special impression: 'Having fun was a real aim of mine. It's pointless to bore the socks off the viewers. I really wanted to entertain the Dragons because I knew I would have a much easier time if they were laughing!'

Many entrepreneurs enter the Den dressed for the occasion in suits or other appropriate business wear. Ling, of course, was never likely to let standard protocol obstruct her own individuality and, armed with visual aids depicting her website and her nuclear missile,

Ling faced the Dragons in combat trousers, a bright orange shirt and a Mongolian fur-trimmed body warmer. The panel were therefore immediately aware that this particular presentation was going to be a little different. ‘I really thought Peter Jones would moan, but he never mentioned my clothes,’ laughs Ling.

Ling began by directing the Dragons towards the photo of her branded missile truck, a useful ploy to engage their interest as quickly as possible. She then began to explain the nature of her business: ‘Contract hire is a very cheap way to run a brand new car. In the US more than 20 per cent of cars are purchased this way, while in the UK it is less than 1 per cent. On my website people can choose the car they want and if they have good credit history the car will be delivered to them. Easy. On average I sell £1 million worth of cars per month and I have made over £100,000 in gross profit in each of the last two years.’ Ling then asked for £50,000 for a 5 per cent share in the company, adding that the money would be put towards more marketing schemes, and claimed that by 2010 that initial investment would be worth £400,000.

That was pretty much the end of a succinct and confident pitch, but, her eyes once again on effective publicity, Ling utilised an idea from her website: ‘You can trust me that I have good marketing skills and I’d like to remind you of your British saying: “There is no such thing as a free lunch,”’ at which point she handed out free packets of noodles, all branded with Ling on the back, to each of the Dragons. Some looked delighted while one or two, it has to be said, looked rather bemused by it all.

Peter Jones led the Dragons into launching an investigation into her missile truck. Duncan clearly felt empathy when Ling said that the council had ordered her to move it: ‘Yeah, councils can be like that,’ he replied ruefully.

Richard obtained some information about the function of the website and discovered that Ling takes commission from the car dealers. ‘I’ve got to say congratulations,’ he said. ‘The profit is quite low but the turnover is fantastic.’ Clearly, Richard was considering an offer. Peter clarified some details on Ling’s monthly profit, discerning that in 2006 she was making a monthly gross profit of approximately £10,000.

Theo was a little more stringent, however, and it was at this point that things began to unravel. Ling explained, a little uncertainly: ‘My net profit in 2005 is £70,000. I left it in the business and then in 2006 I used £25,000 of that money for the marketing. I can’t do any marketing without the money.’ But Theo was still unsure as to the exact details.

‘On your audited accounts did you actually show £70,000 before tax and then pay corporation tax on that?’

‘I think I paid about £5,000 quarterly on tax. The thing is that I don’t do the books.’ Theo was distinctly unimpressed and at this answer he exploded in indignation.

‘You come here asking for money saying you don’t do the books, how do you expect me to give you money if you don’t know what you’re making?’

This small exchange was almost like setting off a roll of

dominos. Ling protested that her business was clearly making money and was still going strong after five years, but Peter was unmoved and was even a mite sarcastic in his response: 'Your lack of business nous is terrifying. You can't even tell me how much you're making over three years. Can you imagine me giving you £50,000 now and asking what you spent the money on? "Oh I dunno, I bought another missile." You haven't got a full understanding and appreciation of your business. That's my problem. I'm out.' Very quickly Theo expressed his admiration for Ling's abilities but admitted that he was not prepared to invest either.

Deborah, frustrated by Ling's ability to present any plausible financial answers, arrived at the same conclusion as her colleagues: 'You have a lot of what it takes to be a successful entrepreneur but I couldn't work with you because you can't give a straight answer,' she explained. 'For me you've absolutely lost credibility. I'm very disappointed.' Deborah, too, withdrew from any possible bidding.

Ling, however, feels their questioning was unfair: 'At the time, Lingscars.com was a partnership. Consequently, I did not have any corporation tax figure or audited accounts. It's quite impossible for a partnership to provide these and it was unfair of Theo to demand them just to make me look like I did not know how much money I was earning.'

Three down and two to go and it appeared that Ling's appealing pitch had perhaps championed style over substance. Richard, not for the first time, was about to buck the trend. 'I think you're a good

business person,' he began. 'You've created a good business with great turnover and you have a good reputation. I have an issue with the valuation, but just to get things moving I'd like to offer you half the money, but it's going to be a completely different valuation to what you're talking about. I would like to offer you £25,000 for 20 per cent.' This was well short of the kind of investment to equity ratio that Ling was looking for, but she remained quiet as Duncan weighed in. Clearly charmed, the Scottish millionaire felt that Lingscars.com could grow into a nice business and matched Richard's offer.

Ling had been looking for £50,000 for 5 per cent – here was an offer of £50,000 for a whopping 40 per cent. Ling did not blink as she refused the offer. The effect was immediate. Theo laughed, Peter gasped and Duncan replied, in disbelief: 'You're turning us down?' It was another example of Ling's headstrong belief in herself and the business. Staring Duncan right in the eye she uttered a line that is now immortalised on her website, where she glories in her encounter in the Den:

'Well, Chinese eat Dragons for breakfast! I would say 5 per cent each, 10 per cent in total.'

Richard was once again measured in his response and between himself and Duncan an improved deal for 30 per cent of the company was tendered. To the incredulity of the Dragons, Ling remained completely unmoved. 'Thank you. I refuse it.' Theo, perhaps surprised that Duncan and Richard had even made such an offer, could contain himself no longer:

'Ling – think about it. It's a fantastic offer. It's an unbelievable

offer. Take their money.’ Deborah concurred and for a moment it looked as if Ling had a real dilemma on her hands, but she didn’t. She thanked them again and she refused them again and retreated back down the stairs.

Explaining her decision, Ling says: ‘All I could think about was that I could get that cash in 30 seconds from the bank for no equity stake, and that I could not face giving away a third of my business for that. I had a proven business and they had no risk! After the Den I had some regrets, mainly wondering if I had lost out from not working with Duncan and what I had potentially lost from Richard’s end-game expertise, but since my episode aired I have been incredibly busy.’ Indeed, her appearance sparked immediate interest: ‘Web visits on the night of the broadcast were over 5,000 people, and the next day it was over 10,000. I spent the whole night trying to stop my server crashing!’

While her madcap nature may have stunned and perhaps even put off some of the Dragons, it is easy to see why Duncan Bannatyne and Richard Farleigh were interested in Ling’s business. Both of these Dragons place plenty of stock in the people that they are working with. Clearly both Richard and Duncan could see that with a little more guidance and advice, Ling could take her business to a new level.

Even without such guidance, though, Ling’s business has continued to grow. She has plundered her appearance on the show for more positive publicity; her company is being used as a business project for A-Level students; she has bought an old London

Routemaster bus which she uses as a kind of mobile promotional tool at large events up and down the country and her website has been voted best non-franchised site by *Automotive* magazine. Turnover has more than doubled and Ling is confident she will exceed £200,000 in commission income at the end of 2007. She has turned down at least ten investment offers and has valiantly fended off advances from large competitors who have taken a distinct interest in her business. 'I don't want to bleed overheads on fancy salaries, perks and overheads. I have remained totally focused on the needs of the customer.'

Business has been booming: 'Since the show I have been working from 6 am to 8 pm and I have been offered more and more cars to sell as my customer base has grown. I have increased the number of premium car brands I rent (at discount prices) and have had offers of other business opportunities.' One deal Ling has completed is an agreement that sees her refer customers to a particular car insurance company in exchange for a monthly fee. In keeping with her commitment to keep costs low, Ling uses this cash to help subsidise the deals on her website.

Ling freely admits that her antics have made her unpopular in some circles, but she refuses to be distracted by abusive e-mails and anti-competitive pressure from within the motor industry: 'Overheads in the new car industry are sickeningly high, and I simply remove these costs for my customers. I ignore complaints from manufacturers and dealers and take all my advice from my customers,' she insists. With her business continuing to bloom and

INSIDE THE DEN

her innovative promotional ideas stretching to offering customers free cash (Chinese Yuan sent in the post), perhaps in time Ling may even force Richard into regretting not caving in to her demands.

