



A CASE STUDY FOR UNDERSTANDING THE STARTUP ECOSYSTEM IN KENYA

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INTRODUCTION

Africa's Talking is a Kenya-based mobile solutions firm integrating reliable two-way SMS, voice and USSD functionality across African mobile providers. The firm offers bulk SMS, short codes, premium SMS, USSD, MMS and customized mobile messaging solutions for individuals, businesses and developers.

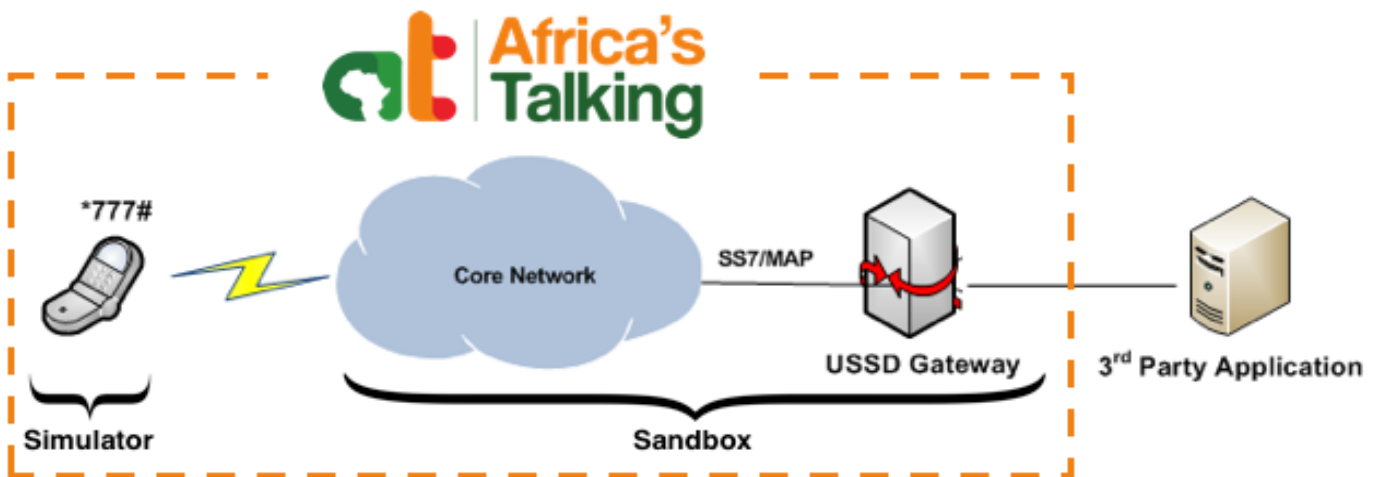
With the API developers, it can connect a short code, use an alphanumeric sender id, and send SMS messages across Kenya.

Africa's Talking was established in 2010 by Eston Kimani and Samuel Gikandi, two MIT graduates, to explore applications that enhance the growth and use of information technology in and for Africa. Based out of Nairobi, Africa's Talking's cloud-based software platform virtualizes telco infrastructure

It provides unified access via its API to a robust and growing community of over 20,000 software developers in Africa and serves over 1,000 fast-growing digital companies, enabling them to create real-world applications faster and more efficiently.

A scalable platform enables, the company to service both the one-person shops, developers, startups and large companies, to embed messaging, voice, and video communications into their apps, allowing them to better connect with their mass market customers.

From SMS services that help farmers improve crop yields to voice APIs that connect women to nearby family planning clinics, Africa's Talking's simple APIs enable businesses to build robust and value-additive digital



HOW IT STARTED: THE GROWTH STORY



Gikandi moved back to his native Kenya in 2012, leaving behind a successful finance career in the United States and Hong Kong to start a homegrown business—using his computer science degree from the Massachusetts Institute of Technology.

Although he started building an e-commerce platform, he made a critical adjustment.

"We realized that people just aren't online," Gikandi says.

No one was paying attention to software developers, and Gikandi and his team were one of the first to simplify services for them. Changing their focus, Gikandi and his partners built entire software systems from scratch. It meant navigating a relatively complicated and sometimes inflexible telecom industry, meeting various technical and regulatory requirements, and sometimes

Developing months-long relationships with mobile-network operators before reaching agreements.

By 2020, the number of people with mobile devices was expected to grow to nearly three-quarters of the population, according to GSMA, an international trade association.

Between 2012 and 2018, Africa's Talking went from 5 people in one country using one mobile operator to a staff of more than 60 people, over 17,000 developer accounts, and 20 mobile operators across six countries. As of April 2018, the firm was operating in Kenya, Malawi, Nigeria, Rwanda, Tanzania, and Uganda.

By 2022, the firm had expanded further, with operations across 20+ countries in



ESTON KIMANI
CO-FOUNDER,
AFRICA'S TALKING



"No one was paying attention to software developers, and we were one of the first to simplify services for them"

SAMUEL GIKANDI
FOUNDER, CEO,
AFRICA'S TALKING

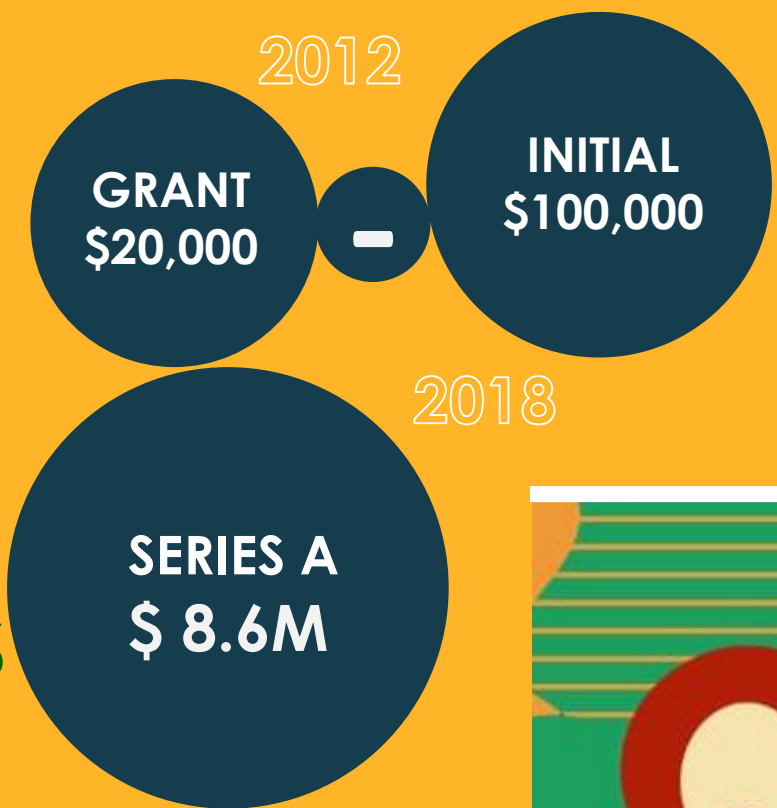
FUNDING: HOW MUCH HAS BEEN RAISED AND WHO ARE THE INVESTORS

HOW MUCH HAS BEEN RAISED ?

At the onset of the startups, the founders contributed \$100,000 to start-off the business. The capital was raised from the founders savings and donations from friends and family.

In 2012, Africa's Talking won a \$20,000 grant from a competition they were involved in. This was a seed round.

In 2017, Africa's Talking raised an undisclosed series A amount from the International Finance Corporation. More recently in 2018, they raised \$8.6M Series A



WHO ARE THE INVESTORS ?

Currently, Africa's Talking has 5 investors (Orange Ventures, IFC Venture Capital Group, Social Capital, IFC, and Better Ventures.

5 INVESTORS HAVE
INVESTED IN
AFRICA'S TALKING

AFRICA'S TALKING
RAISED \$8.6M SERIES
A FUNDING
IN 2018



AFRICA'S TALKING: IMPACT, AT LABS, PARTNERS, STRATEGY AND MORE



AFRICA'S TALKING LAUNCHED AT LABS

IN 2019 leveraging its network, expertise, and infrastructure to help entrepreneurs create impactful companies in the shortest possible timeframe.

With Africa's Talking and AT Labs, Samuel Gikandi's goal is to support the African continent by tapping into its most valuable resource: its people.

Gikandi says the program will take a small stake in the companies it supports. But he also wants to incentivize founders to give back to AT Labs once they've succeeded.

AT Labs is building on Africa's Talking's momentum to co-create new products and develop them into businesses.

The vision is to empower start-ups, corporations, and government agencies across the continent with the ability to solve their most important innovation problems and co-build products to satisfy demand gaps in their markets.

Entrepreneurs in the incubation program will get a salary and access to Africa's Talking's day-to-day needs. AT Labs pays them a salary, hires for them, gives them legal advice, gives them business development, and gives them accountants and an office.

IN ITS EARLY STAGES, AFRICA'S TALKING PARTNERED WITH TELECOMMUNICATIONS COMPANIES IN KENYA.

These telecom companies include Safaricom, Airtel, and Telkom in Kenya. Africa's Talking currently has a wide array of users of its services, including some leading companies.

Apart from telecom companies, Africa's Talking has worked and continues to work with some of the large fintechs in Kenya.

AFRICA'S TALKING PARTNERS

Tala : A financial technology company that aims to build a financial system that works for everyone.



Branch is the world's leading personal finance app that provides access to instant loans with no physical documentation.

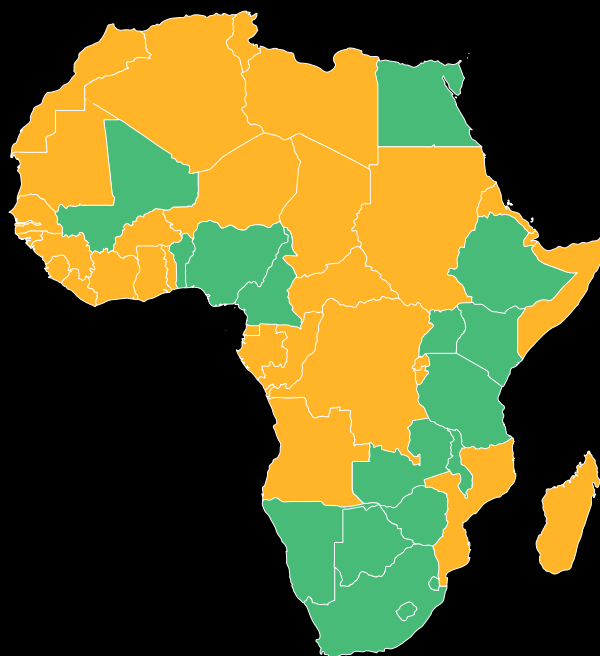


Echo-Mobile provides a user-friendly Software-as-a-Service (SaaS) platform that enables African organizations to engage, influence, and understand their target audiences.

JUMO is a financial technology company that partners with banks, MNOs, and other e-commerce players to deliver progressive financial choices to customers in emerging markets across Africa and Asia.

COUNTRY PRESENCE
PRESENT IN MORE THAN
20 COUNTRIES IN
AFRICA

(as shown by the green colored countries on the right)





THE STRATEGY

Africa's Talking services has attracted not only small start-ups but also larger corporations looking for ways to reach customers without having to invest in a specialized team. One such company is CEVA Limited, a fintech services firm that is using the platform to provide micro-insurance to customers in Kenya, Nigeria, and Tanzania.

"They give an entire service layer we need, with the added advantage that they give us the entire bouquet," says CEVA Managing Director Yatin Mehta, referring to text-messaging, mobile money, and other services. By contrast, he says, other companies "only offer bits and pieces." The ability to obtain a wide range of services from a single provider reduces CEVA's costs "drastically."

In Kenya, CEVA partnered with one of the country's top insurance companies, CIC Insurance, to provide life insurance via mobile phone. The service is bundled with talk time, so for every USD 1 spent on airtime, users are awarded USD 4.20 of life insurance.

Africa's Talking's strategy is straightforward: it buys airtime in bulk at a discount price from a distributor, paying 92 cents on the dollar. Africa's Talking and CEVA sell the airtime at market price and, for six cents, buy insurance from CIC. The leftover two cents are split for profit. The companies don't expect to make a profit until the insurance is widespread. They have attracted about 10,000 customers in three and a half months, and see a promising future ahead.

Tailoring business strategy to Africa's reality is key. "How do we build this platform and make Africa look more like one entity and not just a bunch of small markets all over the place?" says Gikandi. "We have to keep evolving. We want to remain the brand that developers go to when they want to effectively communicate and scale across Africa."



PRODUCTS

SMS: Users can send effective text communication to their customers when they need it. Africa's Talking easy-to-use and reliable SMS APIs provide a wide variety of ways for users to add text messaging to their mobile and web applications



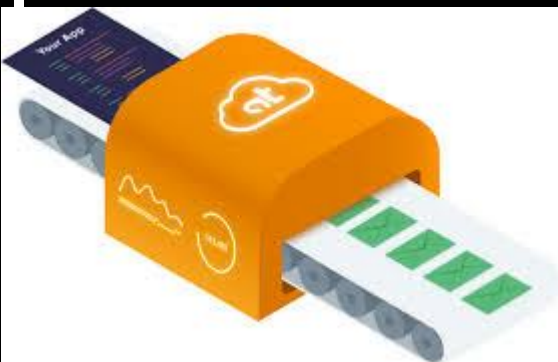
USSD: Users can build real time interactive experiences for their customers, that is accessible on both feature and smartphones. Easily integrate the firm's simple and reliable USSD API and start delivering scalable solutions



Airtime: Airtime distribution services are offered to mobile subscribers with instant notifications on delivery or failure. Using the Airtime APIs attracts discounts on every transaction, saving money for users



Voice: Clients can take advantage of fully web based voice infrastructure and deploy fully fledged services without the need for expensive physical equipment



FUTURE OUTLOOK: LOOKING INTO THE FUTURE FOR AFRICA'S TALKING

WHAT ARE OUR PLANS GOING FORWARD

Going forward, Africa's Talking has the mission of ensuring that the developer community in Africa is successful at creating, growing and sustaining great business through their solutions. This way, Africa's talking will continue to support the viable entrepreneurial ecosystem in Africa.

They are looking to launch a customer database to help developers create applications.

Additionally, Gikandi is seeking to establish a women foundation to help attract more women into tech in Africa. This will be achieved via the AT Labs.

Lastly, Africa's Talking is seeking to establish closer ties with telcos and achieving direct connectivity across all the 54 African countries.



**"OUR MISSION IS TO ENSURE
THE DEVELOPER COMMUNITY
IS SUCCESSFUL IN CREATING ,
GROWING AND SUSTAINING
GREAT BUSINESSES THROUGH
OUR SOLUTIONS."**

**SAMUEL GIKANDI
FOUNDER, CEO,
AFRICA'S TALKING**



KEY LEARNINGS: CHALLENGES, RECOMMENDATIONS

WHAT CHALLENGES YOU HAVE FACED DURING YOUR JOURNEY AS A FOUNDER?

The most prominent challenge faced by Africa's Talking during their early years was **the Lack of Local Capital**. **According** to the founder, there's an acute shortage of funding in the ecosystem as startups cannot raise funds at the seed stage.

Investors are most times unwilling to invest. **Loan access** has also been cited by the founder as a prominent challenges especially with the banks they bank with. Banks are unwilling to provide uncollateralized loans to startups hence hampering growth.

Africa's Talking has faced challenges with **talent retention** especially for talented workers with in-depth knowledge of the field.

WHAT RECOMMENDATIONS DO YOU PROPOSE ?

In dealing with the challenges that face the Kenyan Startups ecosystem, the founder proposes first, the **integration of technology** in school curricula at all levels to build foundational knowledge.

Second, the environment should allow tech businesses to **easily access local capital** from institutions such as banks either through encouraging the provision of uncollateralized loans or securing loans by banks to startups.

Lastly, there should be more **mentorship programs** in the ecosystem facilitated by the key players in the ecosystem.



“If we can have the best developers
building in Africa, it won't be long
before they're **building for Africa**”



Sam Gikandi |
CEO, Africa's Talking

