StartHub

Startup 101
Session 6

Energizer

Lean Canvas

2. Problem	4. Solution	5. Unique Value Proposition	9. Unfair Advantage	1. Customer Segments
Existing Alternatives	7. Key Metrics	High Level Concept	6. Channels	Early Adopters

8. Cost Structure	3. Revenue Streams

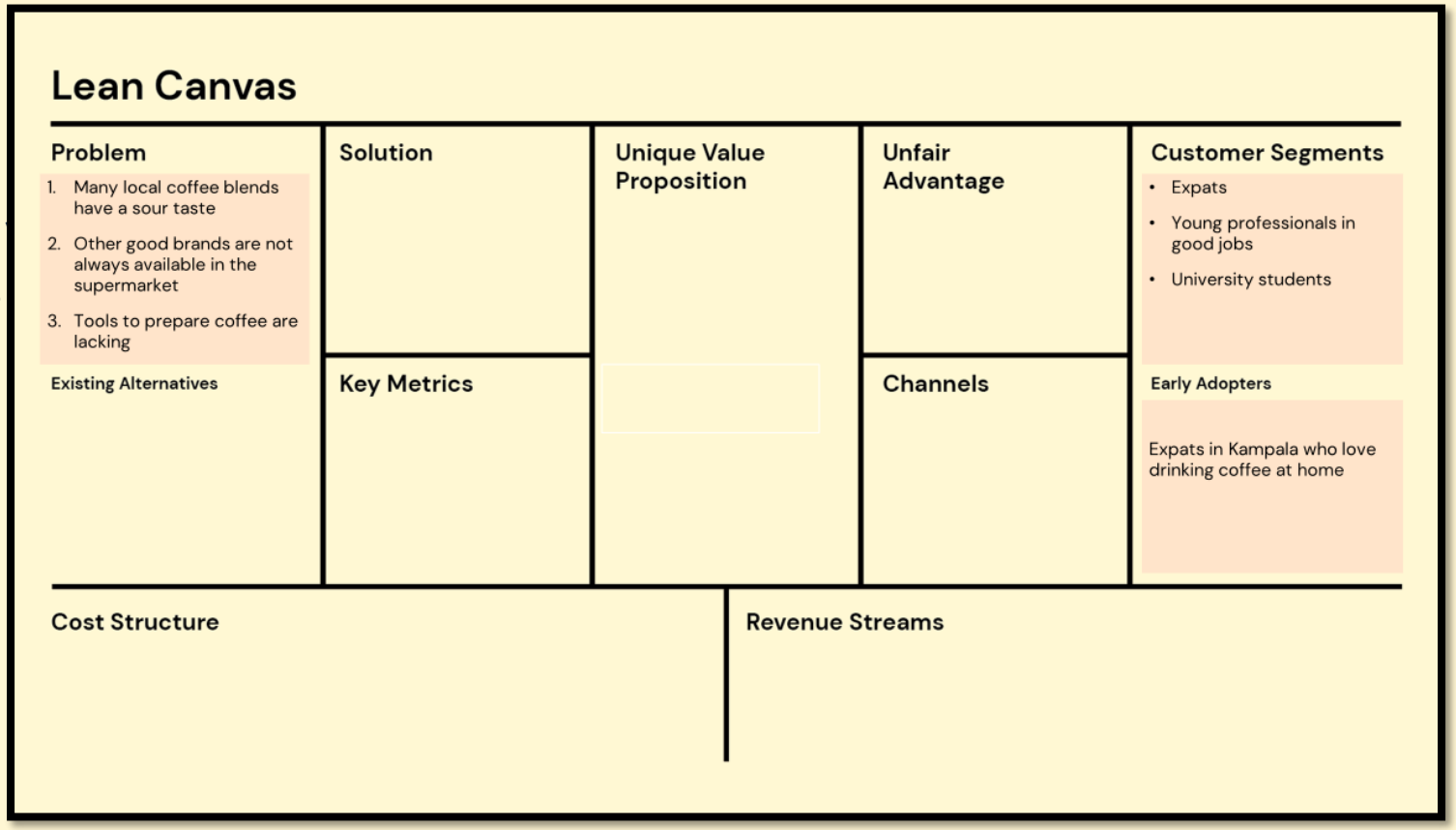
Customer Segments

	Segment 1:	**Segment 2:**	**Segment 3:**
What problem do they have?			
Why would they want your product?			
What characterizes them? (demographic, psychographic, geographic, behavioral, needs, preferences, motivations)			
Name of one real person / company in your network that fits the description			

Problem

Write the top 1 – 3 problems you think **adopter segment** on your Lean Canvas.

Write them in the order of magnitude.



Competitor Analysis

To prevail over your competitors, you have to understand their **strengths, weaknesses** and what is unique about their product that customers are buying from them.

We have created a competitor analysis template to help you with this.

The results from the analysis will help you design well your solution and find exactly where and how you can add value to the customer

Use the template provided to perform your competitor analysis

Competitor Analysis

Fill the template with the competitors for your idea.

Competitor	What are they doing?	Who do they sell to?	Price	What do they do badly?	What do they do well?
Jumia Groceries	*Selling groceries online*	*Individuals*	*5000 – 10,000 delivery fee*	*Long delivery times*	*Website is working well; well known; huge variety of products*

Solution

At this point you know...

- The problem in detail
- The customer very well
- The existing alternative solutions

You should be able to...

- Determine clearly what product/service you are offering that solves your customers pain entirely.

To structure your solution, we have a template for you.

The Solution Template

What is the solution: _____

How does it solve the identified problems?

Identified problems	How does your solution address them?

The Solution Template

What is the solution: *E-Commerce coffee platform*

_____

How does it solve the identified problems?

Identified problems	How does your solution address the problems?
1. Many local coffee blends have a sour taste	1. Variety of different coffees with clear description of flavours
2. Other good brands are not always available in the supermarket	2. Coffee always accessible as we buy directly from the manufacturer
3. Tools to prepare coffee are lacking	3. Tools and explanations for preparing coffee available

Financials

- Your business must be viable
- You must know your numbers
- Write down all your expenses and income in a simple excel sheet

Let’s do easy Financials

- **Cost** = Money flowing out of your business
- **Revenue** = Money coming in your business
- **Profit** = Revenue – Costs

Revenue Streams

= how do you earn money? How much do you charge? What exactly do you charge for?

Revenue Streams

Subscription

NETFLIX

Commission through connecting buyer and seller

airbnb

Direct Sell

Fill now your **revenue streams** in your Lean Canvas + **actual prices in UGX**

Lean Canvas

Problem

1. Many local coffee blends have a sour taste
2. Other good brands are not always available in the supermarket
3. Tools to prepare coffee are lacking

Existing Alternatives

- Buying favorite local brands (e.g., Gorilla Coffee) in bulk when available
- Importing favorite coffee from their home-countries
- Drinking less coffee

Solution

Key Metrics

Unique Value Proposition

Unfair Advantage

Channels

Customer Segments

- Expats
- Young professionals in good jobs
- University students

Early Adopters

Expats in Kampala who love drinking coffee at home

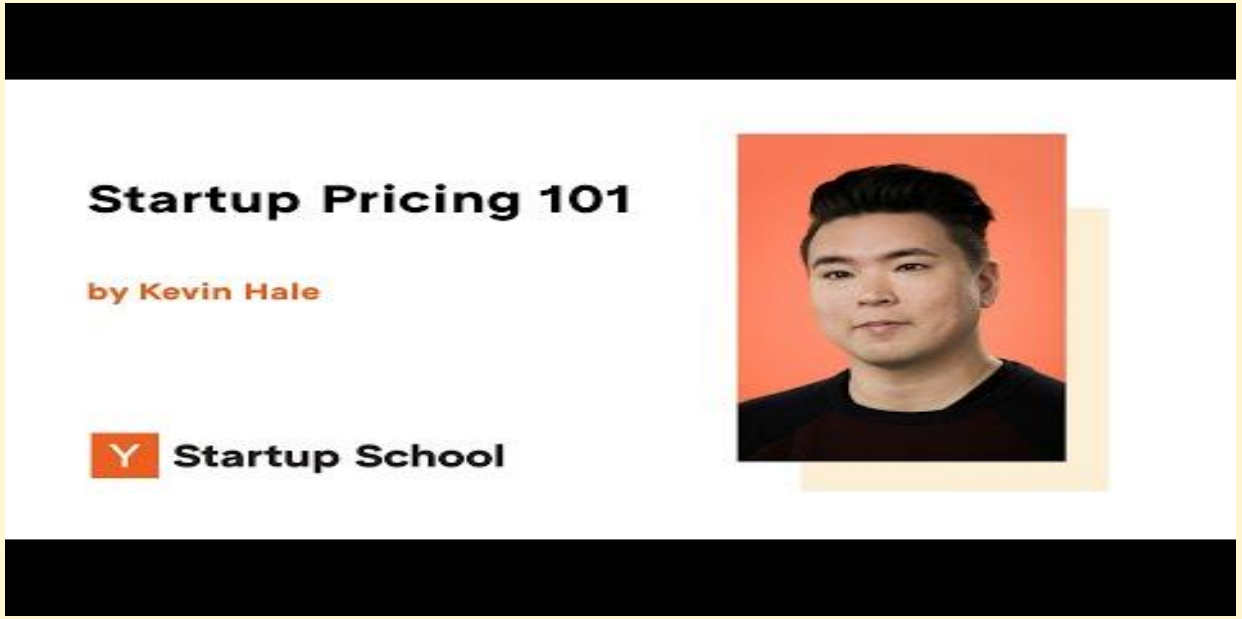
Cost Structure

Revenue Streams

Sale of 500g coffee = USD 6

Sale of coffee equipment = 40 % product margin

Input Pricing



1. Know your cost of production
2. Find out the "perceived value" of your product. This differs from customer to customer.

Next, we look at costs

We differentiate between **costs per product** & "**other monthly costs / operational costs**“.

Cost per product (variable cost)

= all expenses to serve **one customer** / produce **one product unit**

e.g.

To produce 500g of packed coffee we need:

- Cost of raw materials (coffee) = 2 USD
- Packaging per packed coffee =0.2 USD

Cost per product for IT solutions

= in most cases you have an initial investment (developing the IT solution), but once it is developed, it doesn't matter if 20 or 2000 customers are using the product

This means: in most cases your cost per product = 0 USD

Your costs per product

Expenses per product	Cost in Tshs
Total cost per product	=

Revenue per product (= price at which you sell)

Profit margin per Product (= Total cost – revenue)

If you charge a percentage, take an Tshs amount you think you will be earning on average per customer (e.g. 2000 Tshs / 5 % commission)

Other (fixed) costs

= other costs are all expenses which you have on a regular basis and cannot be directly linked to 1 product / service unit.

For example:

- Rent
- Electricity
- Salaries
- Transport
- Airtime & Data

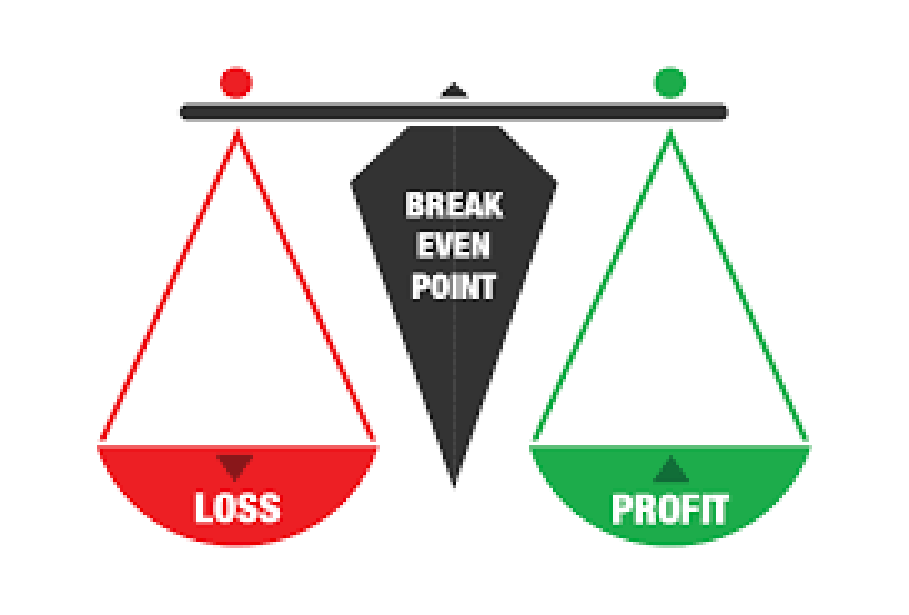
Your other monthly costs (operational costs)

Regular expenses per month	Cost in Tshs
Total cost per month	=

Calculate your break-even point

Your break-even point is the point when your money coming in is equal to all money going out.

It is very important to know, how much you need to sell to reach break-even. This informs your strategy and business success.



Your break-even (you are neither making a loss or a profit)

Monthly costs =

Profit per product =

=

Nr of customers you need to sell to:

Why its important

- **Prices**- If your analysis shows that your current price is too low to enable you to break even in your desired timeframe, then you might want to raise the item's cost.
- **Materials-** Are the cost of materials and labor unsustainable?
- **New products-** Before you launch a new product, take into account both the new variable costs as well as the fixed ones, like design and promotion fees.
- **Planning-** When you know exactly how much you need to make, it's easier to set longer-term goals.
- **Goals-** If you know how many units you need to sell or how much money you need to make to break even, it can serve as a powerful motivational tool for you and your team

Channels make sure that customers know about you

Potential channels

- **Direct sales** (this is the most important when starting!)
- Website
- Whatsapp status
- Whatsapp direct messages
- Other social media
- Email
- Phone Calls
- Partnerships with retail partners / other relevant companies / Institutions
- Paid adverts
- Referrals

Case Study 1: Bel Deluxe

The Product:
Sleepwear made from silk

The target customer:
Urban working middle-class women in Kampala

The Founder: Belinda Esaete, StartHub Alumni

BelDeluxe Channel 1

1. Direct sales through direct whatsapp messages

Hi Laura!

I've recently started Bel Deluxe - a company focused on improving sleep for busy women like you. 😊
We are offering high quality sleep wear made from silk which makes you neither feel too cold nor too warm, but just perfect.

I thought you might be interested in trying out product.

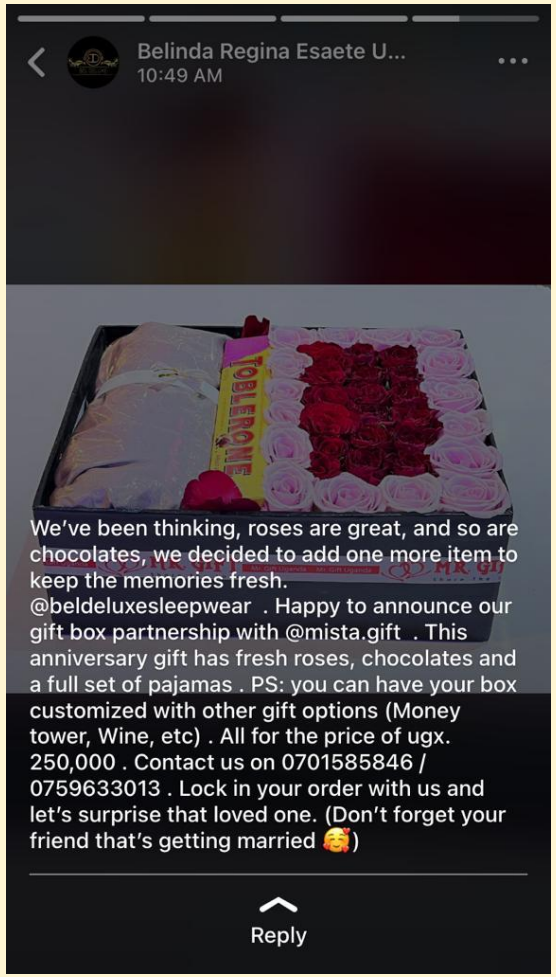
Can I send you some pictures of our latest collection?

5:38 pm ✓

BelDeluxe Channel 2

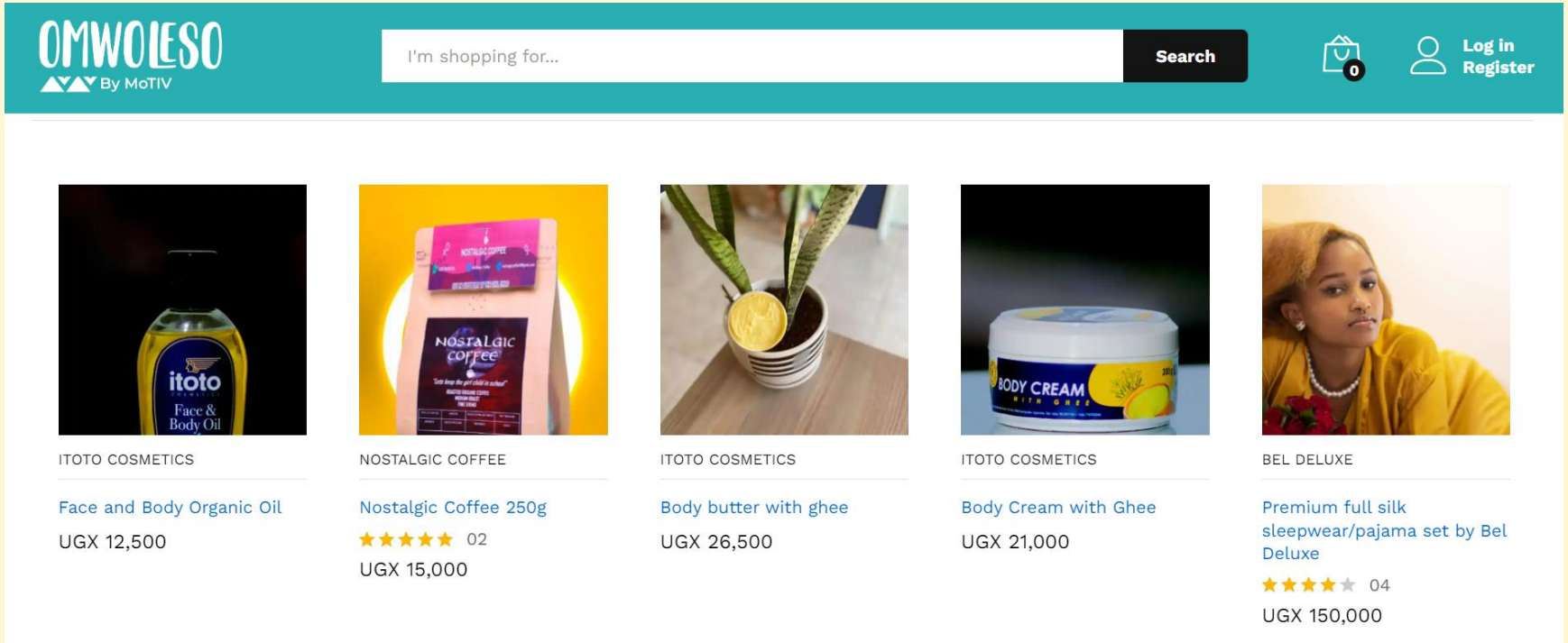
2. Whatsapp status

Belinda continuously shares pictures of her collection and new developments on her status and keeps her product on top of potential buyers' heads.



BelDeluxe Channel 3

3. She sells via the online shop Omwoleso



BelDeluxe Channel 4

4. She is present during market days.

BelDeluxe Channel 5

5. She started partnerships with bridal shops / exhibitions etc. where her target group hangs out

Unfair Advantage (Competitive Advantage)

The Unfair Advantage is about a specific part of your company, product or service that your competitors can't just get or copy. It can be looked from 5 areas and need to be carefully analyzed before claiming any one of them.

Founders- 1 out of 10 of the experts in the world (or at least in your region)

Market- 20% growth per year (should be just an additional advantage)

Product- 10 times better than all competitions(cheaper, faster, better)

Acquisition- zero CAC

Monopoly- Potential to monopolize the market as you grow (Network effect and Market places)

Note: Its not to be confused with UVP unless the advantage is directly related to product/service

How to get your first customers

Core lessons

1. The people who have the problem you identified should be your first customers => try to sell to them.

2. Handpick your first 10 customers => think through your network. Who are the first 10 people you can sell your product or service to?

3. Find customers who are ready to buy now & sell now!

Deliver **world class** experience ★★★

- Once your customer buys, make sure they receive the product or service immediately and your product or service is **great**
- **Be on time,** be responsive
- If your customer has a complaint, **apologize & fix it** for them
- **Follow-up** on them and hear how to product or service has been so far

Increase Retention

- Retention = customers come back
- Offer a great experience so they come back
- Follow up with them on a regular basis, keep sending them updates
- Send them other products that they might also like and that can go well with their previous (upsell)

Increase Referrals

- Ask people directly for referrals
- Give people vouchers for other people (e.g. your friend will get 10 % off) so they are happy to refer you

Key Metrics

Every business has certain metrics that provide insight into how it is performing. There are so many metrics and different ways to find these metrics. For this session, lets simply look at them from the different stages through the Pirate Funnel Method

Awareness – How many people you reach out to?

Acquisition – How many people visit your website?

Activation – How many people take the important first step? (wowed by the UVP maybe)

Revenue – How many people become paying customers?

Retention – How many people make a repeat purchase?

Referral – How many people refer a friend?

It is not always about the part that goes towards the customer, because if you depend on staff, for example NPS can also be a very important metric for your business.

Market Size

Knowing your potential market size/share is important because it helps you understand

1. If the market is big enough to start your business on
2. How much potential revenue can be earned from this particular market
3. If there still will be opportunities to earn revenue from this market in the future

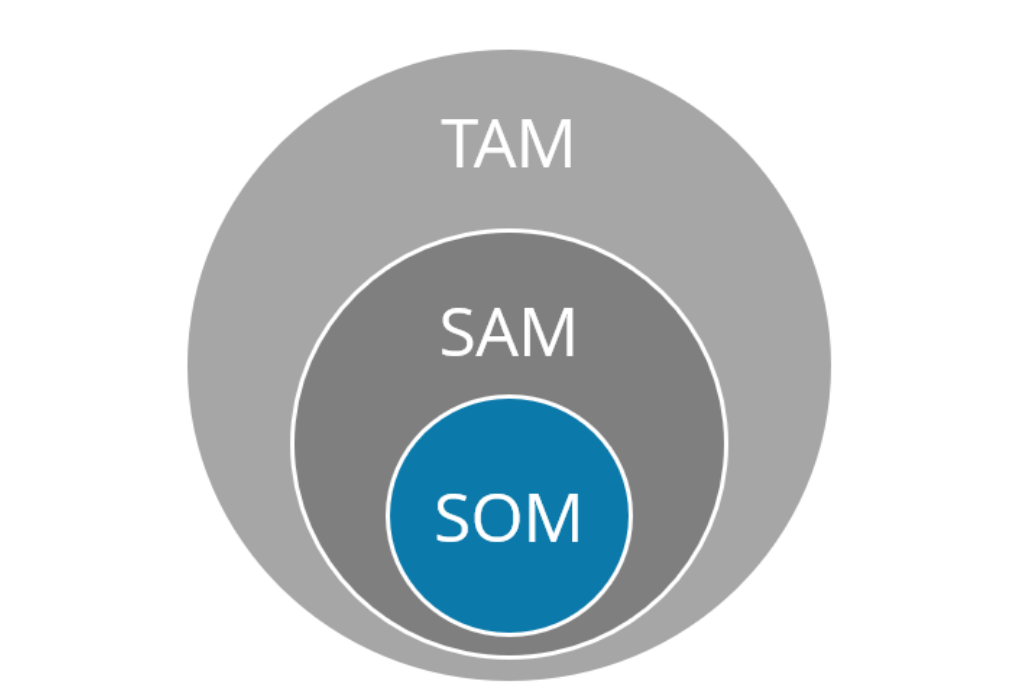
Let's Look at three metrics that can help us determine the Market size

Market Size

TAM (total addressable market) is the entire market size figure that your product has the potential to access in the long run.

SAM (serviceable available market) is the segment of the TAM that is targeted by your product/service

SOM (serviceable & obtainable market) is the SAM subsegment that you can realistically reach and capture



Calculating Market Size

To calculate your market size, you need to know/estimate **the average value** of your product/service that you will get from each customer per year, that is, how much money one customer brings in from using your product/service for an entire year

TAM size = Number of all customers in your market x Average value

SAM size = Number of Targeted customers in the market x Average value

SOM size = Number of customers that can realistically be acquired x Average value

Market Size/share Kawu Example

Example:

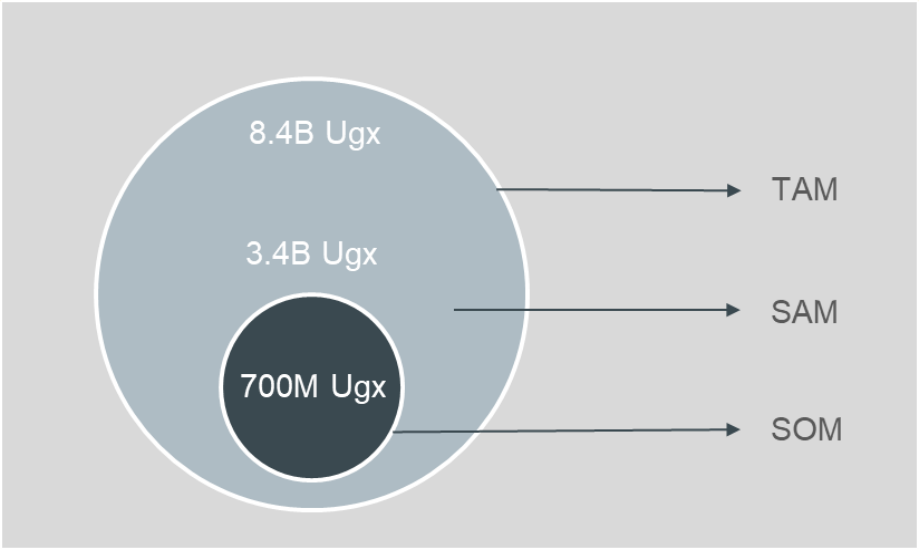
1. KAWU's TAM is 1.2+ Million secondary school students enrolled in a year
2. Their SAM is 488+k boarding school students all over Uganda
3. And SOM is 100+k boarding school students from Schools in Kampala alone
4. If each student purchases 1 KAWU smart card at 5k ugx and makes transactions worth 2k ugx only per year, then the average value from each student is 7k per year

TAM Size = 1.2+M x 7k= 8.4+B ugx

SAM Size = 488+k x 7k= 3.4+B ugx

SOM size = 100+k x 7k= 700+M ugx

Thus, KAWU market size/share is 700+ Million ugx



Market Size/share Kawu Example

Example:

1. KAWU offers its services to Secondary school students in Uganda
2. There are 1.2+ Million secondary school students enrolled in a year
3. Their Target Customer is the 488+k boarding secondary school students enrolled in a year in Uganda
4. After further research, they have found out that they can realistically reach approximately 20.5% of the targeted students from boarding schools in Kampala alone. This means 100k+ students
5. If each student purchases 1 KAWU smart card at 5k ugx and makes transactions worth 2k ugx only per year, then the average value from each student is 7k per year

Thus, KAWU market share= 488k x 20.5% x 7k = 700+ Million ugx

StartHub Africa

Pitch-Deck Structure

Title Slide

Company name, logo, and one-liner outlining what you do

Problem

What's wrong with how things are done now?

Solution

How are you solving the problem you have outlined?

How it works

Briefly and clearly show how the solution will work (don't get technical)

Unique Value proposition

What is the unique reason customers will choose your product over other alternatives?

Competitive Advantage

What insight do you have that makes it impossible for your competitors to beat you in the market

Market Size

Is there a large enough market today or in the future?

Business Model & Financials

Revenue model, costs, pricing

Go-to-Market Strategy

Sales & marketing model

Traction & Status Quo

Where are you at right now? Any customers yet?

The Team

Why are you the best & right people to do this?

The Ask

What are you asking for and how will it be spent?

Check out

Work on your Lean canvas to best understand your business flow and Keep refining your Pitch Decks until Pitch day on 23th June 2023