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Startup 101

**Welcome to Session 5**

**Welcome to Week 1**

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**Energizer**

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**Objectives of today**

• Elevator Pitch

• Business Models

• Introduction to Lean Canvas

• Assignment 4

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**Elevator Pitches**

• Each of you has 30-45 seconds to pitch your idea

• The rest of you are investors, you will analyse the businesses and pick 3 great ideas that you are willing to invest in.

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**BUSINESS MODEL**

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**Definition of a Business Model** A business model is a description of how you **CREATE**, **DELIVER**, and **CAPTURE** value.

**CREATE:**

1. Customer segment (for who)

2. Their problems/needs (what)

3. Your solution (how)

**DELIVER:**

1. Value Proposition (what)

2. Cost structure (how does it work for you) 3. Channels (reaching your customers)

**CAPTURE**

1. Revenue streams/model 2. Pricing

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**3 Business Model Archetypes**

Direct Business Model

Indirect Business Model

Marketplace Business Model

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**Direct Business Models **

**How does it work:**

• Sell products (coffee, cake, food etc.) directly to customers

• You need to generate more demand (customers) AND supply (your offering) consistently

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**Direct Business Model**

**Increase demand and be able to supply.**

**Success factors:**

• Grow your customer base consistently (every week!)

• Improve your capacity to deliver quality consistently (enough stock, good quality, expand supply chain, etc.)

• MANY ways to structure revenue streams here: Subscription, licensing, selling goods/services directly, etc.

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**Indirect Business Model** Non-profit ideas

Non-Profits

**How does it work:**

• Users provide time (e.g. are active on platform)

• You find a customer that pays for the time e.g. to put advertisement in front of them • The more time the user spends => the more ads

**How does it work:**

• You provide services to beneficiaries (e.g. training to university students) • The impact you create is so big, that a donor wants to pay for it (you sell impact)

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**Indirect Business Model**

**Deliver massive value to users (time on your website, impact, etc.), then monetize.**

**Success factors:**

Commercial: Value for the users must be big AND to a customer

Non-Profit: You must generate **measurable impact** for your users to convince funders

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**Marketplace Business Model **

**How it works:** enable relevant matches between a demand side and a supply side • You offer value to demand side (e.g. renting out rooms)

• You offer value to supply side (e.g. making money through renting out rooms) • Curate valuable matches (Nice pictures, price, location, getting in touch, airport pickups, etc.) • Take a commission/transaction fee

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**Marketplace Business Model**

**Grow both demand and supply side while curating valuable connections.**

**Success factor:**

• Both sides get value on the platform

• You manage to solve the need of the demand side through relevant matches • Build density: Focus on smaller geographic areas or specific niches to offer high value for the demand side from the start (e.g. start with one part of a city or one city only for airbnb)

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**Business models**

**Everyone shares**: Which business model type do you have and what is important for you to succeed?

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**Intro: Lean Canvas**

• Meet the Lean Canvas - a 1-page business plan for your business

• We are going to use this tool through the entire program

• Don't worry we will work on it step-by-step and by the end of the day, you will have your complete business mapped out

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**Alice Coffee** 

To make it easier, we will use the same example throughout the entire Lean Canvas.

Alice wants to start **a coffee e-commerce business.**

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In any business, we always start with focusing on **who we want to sell to** & which **problem / need** we want to solve for them.

**Why?**

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Most phenomenal start-up teams create businesses that ultimately fail.

Why? They built something that nobody wanted.- Eric Ries

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**Let's focus on**

Target MarketProblem / Need they have

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**Our target group is called customer segments**

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**What is a customer segment?**

A group of people:

1. With similar needs / problems

2. With similar expectation how the product / service should be like

3. There is word of mouth among them (they talk to each-other)

You can further segment based on customer demographics eg. Age, location, income etc. and their spending habits

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**User vs. Customer**

• In some cases, your user and your customer are different

• E.g. Children use video games and learning videos but parents pay for them

• In this case, you have to offer value to both, the user and the customer and consider both in your business model

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**Marketplace BM - Customers**

In case you have a marketplace business model, you have 2 customer sides; and you have to understand both sides, their needs, the value proposition etc. You need to fill **two Lean Canvases.**

Supply: Restaurants need to get value and love your

solution!

Demand: Customers need to get value and love your solution!

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**Alice’s Customer Segments **Expats in Kampala

People who like to drink coffee



Young professionals University students

Break the market, into smaller segments.

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**Your turn**

Identify different **customer segments (= paying)** for your idea. The following guiding questions can help you

• Which individuals would care for your product? • Which companies could you sell to?

• Why would they care if your product is better or cheaper?

1. Brainstorm as many different segments as possible 2. Pick **3 segments** and profile them in the template.

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**Customer Segments**

**Segment 1: Segment 2: Segment 3:**

What problem do they

have?

Why would they want your

product?

What characterizes them?

Name of one real person /

company in your network

that fits the description

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**Fill your Lean Canvas**

• Write the 3 customer segments in your customer segment box on your Lean Canvaswww.starthubafrica.org

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**2. Early Adopters**

= the people who need your product / service most urgently and are ready to pay even when everything is not yet perfect

✓ They have the problem

✓ They can pay

✓ You can reach them

✓ They are unhappy with other solutions

✓ You are excited serving them

**Pick 1 segment from your customer segments** and write it in the early adopter box in your Lean Canvas. During the bootcamp we will only focus on them.

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• Expats

• Young professionals in good jobs

• University students

Expats in Kampala who love drinking coffee at home

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**3. Problem**

• Write the top 1 – 3 problems you think your **early adopter** 

**segment** on your Lean Canvas.

• Write them in the order of magnitude.

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**How to talk to customers / users**

• You will go out and talk to your customers

• So far, everything we have written down about them and their problems are **only assumptions**.

• Through talking to them, we will **either confirm** that we are on the right track **or make change**s, so we don't end up building something nobody wants.

• Let's learn how to do it well!

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**How to talk to users** Watch y-combinator video: https://youtu.be/MT4Ig2uqjTc

Eric is the founder of **Pebble,** who made smartwatches and sold their IP later 

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**Let’s hear from you**

• What did you pick from the video

• Why is it even important speaking to users?

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**Five questions**

1. What is the hardest in doing xy?

2. When was the last time you encountered the problem? 3. Why was it hard?

4. What have you done to solve the problem? 5. What don’t you like about the solutions you have tried?

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**Don'ts**

1. Don’t talk about your idea, learn about their life

2. Talk specifics, not hypotheticals ***(“Would you use xyz…?”*** is not a good question) 3. Listen more than you talk (80 / 20 Rule)

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**Intro & Outro**

**Intro:**

• Keep it casual

• Introduce yourself and why you want to have this conversation (You are working on a new idea, and you are doing research)

• Ask them some easy questions first to break the ice and know a bit of background about them

**Outro:**

• Thank you

• Ask them to take their contact to reach out in case you develop a product / service

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**Assignment 4**

Go talk to your customers either from the elevator pitch or from a new problem-customer that you are super passionate about.

1. Decide on how you will reach your customer segment

2. Phone calls are okay if physical interviews are not possible (if they are outside Dar es Salaam) 3. At the back of your template collect some demographics (gender, age-range, income level, education, location, ethnicity, etc)

4. Use the 5 questions from the video + your own to understand the problem in depth. 5. Get their contact to reach out in case you develop a product / service

6. Use template to document your interviews.

7. Fill the lean canvas on the Customer Segments + Early Adopters and Problem + Existing Alternatives

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**Name + contact What is the hardest in doing**

**xy?**

**When was the last time he/she had the problem?**

**Why was it hard? Which solutions has he/she tried?**

**How much does the solution cost?**

**What don't they like about the solution?**

**Any other relevant insights**