**Startup 101 Session 6**

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**Energizer**

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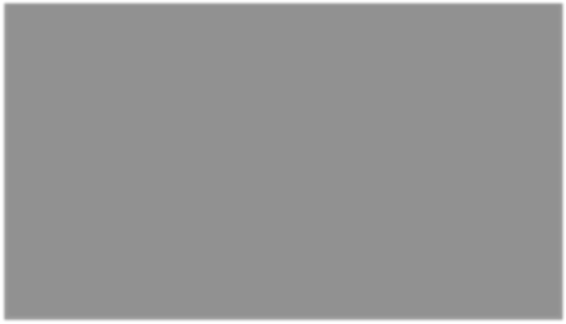
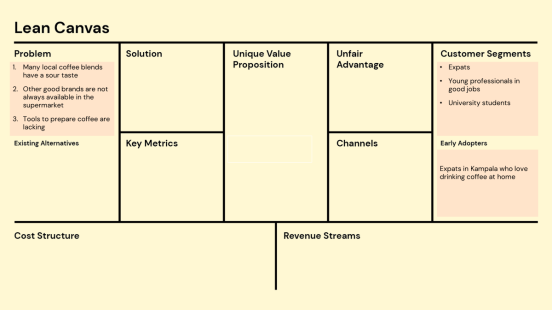
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**Customer Segments**

| What problem do they have? | **Segment 1:** | **Segment 2:** | **Segment 3:** |
| --- | --- | --- | --- |
| 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 |  |  |  |

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**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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**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**

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**Competitor Analysis**

*Fill the template with the competitors for your idea.*

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

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**The Solution Template**

**What is the solution: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**How does it solve the identified problems?**

| **Identified problems** | **How does your solution address them?** |
| --- | --- |
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**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 |

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**Financials**

• Your business must be viable

• You must know your numbers

• Write down all your expenses and income in a simple excel sheet

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**Let’s do easy Financials** • **Cost** = Money flowing out of your business

• **Revenue** = Money coming in your business

• **Profit** = Revenue – Costs

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**Revenue Streams**

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

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**Revenue Streams**

Subscription Commission through connecting buyer and seller

Direct Sell



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**Input Pricing**

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1. Know your cost of production

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

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**Next, we look at costs**

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

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**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

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**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

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**Your costs per product**

| **Expenses per product** | **Cost in Tshs** |
| --- | --- |
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|  |  |
| 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)*

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**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

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**Your other monthly costs (operational costs)**

| **Regular expenses per month** | **Cost in Tshs** |
| --- | --- |
|  |  |
|  |  |
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|  |  |
|  |  |
|  |  |
|  |  |
| Total cost per month | = |

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**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.



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

Monthly costs =

Nr of customers you need to sell to:

=

Profit per product =

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**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

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**Channels** make sure that customers know about you



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**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

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**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

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**BelDeluxe Channel 1**

1. Direct sales through direct whatsapp messages



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**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.

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**BelDeluxe Channel 3**

3. She sells via the online shop Omwoleso



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**BelDeluxe Channel 4** 4. She is present during market days.

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**BelDeluxe Channel 5**

5. She started partnerships with bridal shops / 

exhibitions etc. where her target group hangs out

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**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

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**How to get your first customers**

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**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!

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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

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**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)

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**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

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**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.

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**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

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**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

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**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

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**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**

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**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**

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**Pitch-Deck Structure How it works**

**Unique Value**

**Competitive**

**Title Slide**

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

**Market Size**

Is there a large enough

market today or in the future?

**Problem**

What's wrong with how things are done now?

**Business Model & Financials**

Revenue

model, costs,

pricing

**Solution**

How are you solving the problem you have outlined?

**Go-to-Market Strategy**

Sales

& marketing model

Briefly and clearly show how the solution will work (don’t get

technical)

**Traction &**

**Status Quo**

Where are you at right now? Any customers yet?

**proposition**

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

**The Team**

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

**Advantage**

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

**The Ask**

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

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**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

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