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Venture Building Series

Topic 3: Early Stage Shaping





**The
97
Fund**

By Innovation Village ©

OVERVIEW

The 97 Fund managed by **Ortus Africa Capital**, is an Open-end Investment Vehicle (HoldCo) (“the Vehicle”) that builds and invests in high growth early stage companies. **The 97 Fund adopts a Venture Builder + Fund model.**

Sectors Covered:

Fintech, Health, Transport and Logistics, Supply Chain, Insuretech, Energy, AgTech, EdTech, Tourism, Manufacturing, Media and Creative Arts.

Region(s) Covered:

Domiciled in Uganda with East Africa coverage and potential for jobs of the future at scale amongst women and youth.

The 97 Fund takes an active, hands on approach that leverages our entrepreneurial and early stage expertise.

At The 97 Fund we help entrepreneurs to increase their chance of success by applying extensive operational knowledge and providing access to networks, capital and funding.

<https://covid19.cda.ug/>



Young
Africa
Works

Brief: The Mastercard Foundation’s new strategy, Young Africa Works, outlines how, over the next decade, it will focus on finding solutions to the youth employment challenge and reducing poverty in Africa.

Role: Vehicle setup; Anchor Investor (Covid19 Relief Fund)



Brief: The Innovation Village is a destination entrepreneurs call home. Their purpose is to deliberately grow innovation by putting in place a platform that challenges assumption, ignites thought and questions status quo.

Role: Pipeline Sourcing; Venture building support

PARTNERS



Brief: Ortus Africa Capital is a an Advisory and Investments firm, building Africa’s largest multi-assets alternatives investments platform.

Role: Investment management and operations; Compliance; Venture building; Pipeline sourcing and screening



Brief: The Kampala Angel Investment Network (KAIN) gathers innovators, entrepreneurs and Angels under the mutual objective of bringing IDEAs to life.

Role: Pipeline Sourcing; Co-Investment partners

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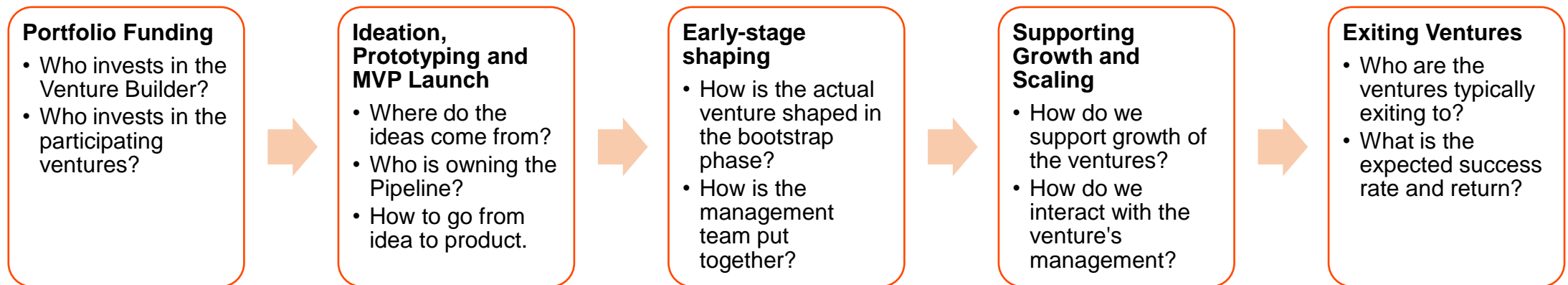
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Recap, Venture Building Series #1: The Venture Building Approach

Venture building is a business and product development approach that enables an organization to create new products, services and processes from scratch.

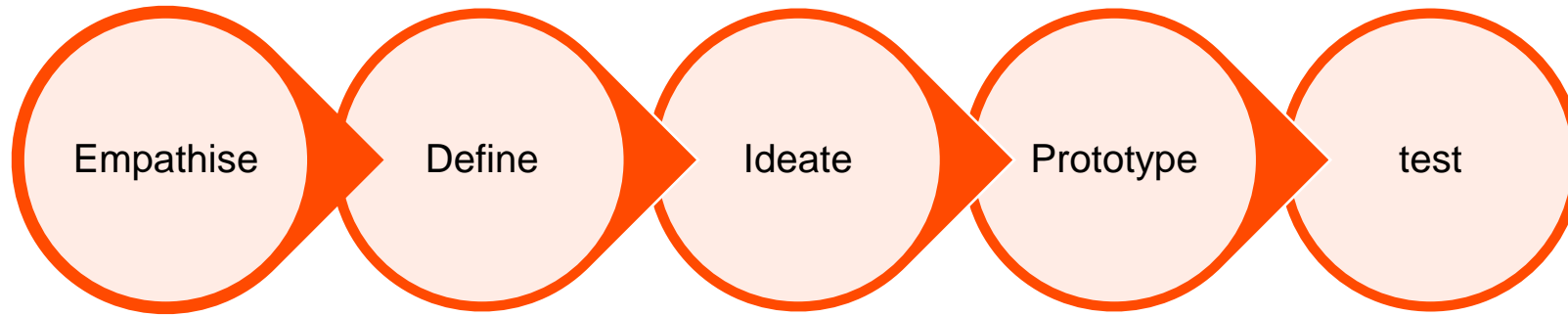
A Venture builder, also called a startup studio, startup factory, or venture studio - an organization dedicated to systematically producing new companies using their own ideas and resources, which they help grow and succeed.

Venture Builders take the following approach:



Recap, Venture Building Series #2: Ideation, Prototyping and MVP Launch

The Design Thinking Process



- Researching and observing in field studies – and watching, engaging with and listening to your users.

- Goal is to construct a meaningful and actionable problem statement.

- Coming up with ideas by breaking your problem statement into smaller actionable pieces.

- A simulation or sample version which enables you to test your ideas and designs.

- Once you've created a prototype, you'll need to put it in front of real users.

The minimum viable product (MVP) is that version of a new product or service which allows a team to collect the maximum amount of validated learning about customers with the least effort.

What is Early Stage Shaping?

Early stage shaping basically refers to the fundamental structure and model of a business or venture.

Venture Builders either hire a management team or external consultants to work with the ventures to help them refine and align their business models to their target market and geography through achieving **product-market fit** and **problem-solution fit**.

This is vital because until that point, you don't know whether or not what you are building solves a real problem that a large enough market has.

Without clarity on this, you could continue investing in building something that is not commercially viable.



A. Product - Market Fit

Product/market fit means being in a good market with a product that can satisfy that market. It tells an entrepreneur the scope of the problem they are trying to solve and how well their product or service is solving that problem.

To achieve product-market fit, a venture needs to undertake the following:



Customer Segmentation



Understand your Customer's Needs



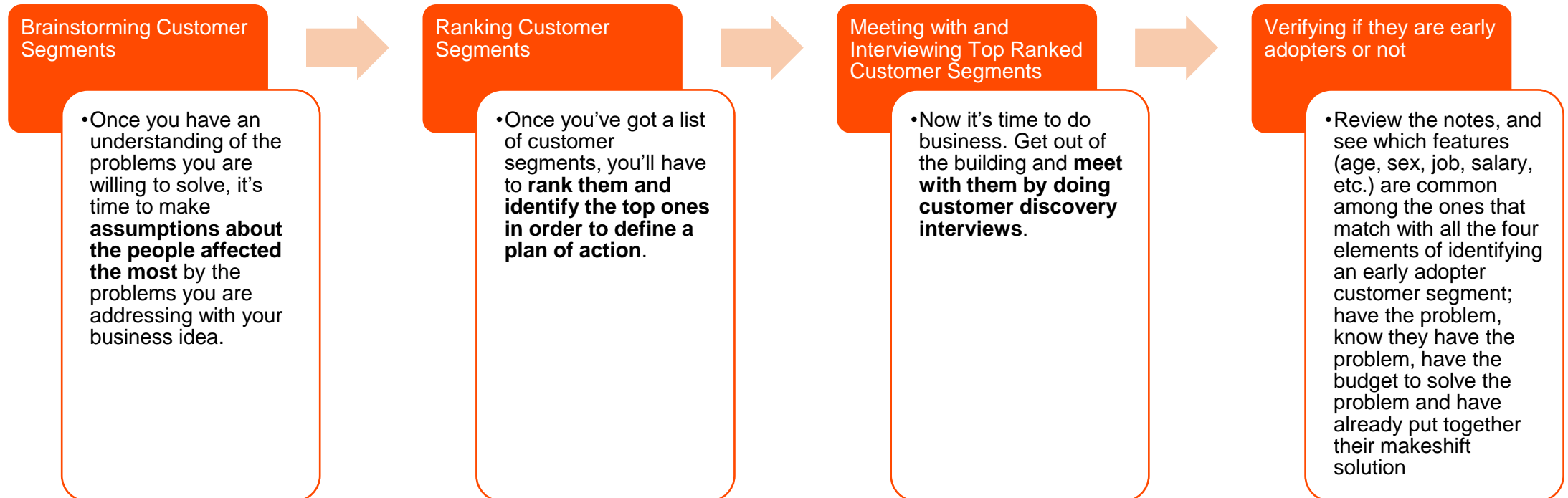
Have a winning Value Proposition

A. Product - Market Fit

Customer Segmentation

Early adopters are the first step in the quest for product-market fit. Any successful startup has started focusing on one market at a time, starting from what is called a beach-head. By winning domination in that market, they use it as a springboard to expand to the adjacent ones, adjusting at every step; the whole product concept, the positioning of the product, the marketing strategy, and choosing the most appropriate distribution channel and pricing.

Identifying early adopter involves:



A. Product - Market Fit

Understanding Your Customer's Needs

After having identified the target customer segment, it's time to investigate their needs.

One of the cheapest, fastest and most informative things to do at this stage is to meet with customers through customer discovery interviews until you keep hearing the same things from customers. Meeting with customer is an invaluable source of insights, **much more valuable than a survey.**

Besides, as entrepreneurs, our job is to meet and pitch to customers all the time, we'd be better off to start earlier rather than later.

Questions to avoid when validating customer pain points

- Do you think it's a good idea?
- Would you buy this product?
- How much would you pay for it?
- Would you pay \$XX for a product that did this?

Questions to use when validating customer pain points

These are the steps to effectively validate pain points:

- I. Elaborate the problems you are willing to solve, one by one. While doing that, put them in context so that the customer can relate to them;
- II. Ask them to show you how they currently solve each problem;
- III. Let them talk about what they love and hate about it;
- IV. Ask which other tools/approach they are using;
- V. Ask how did they find out about the current solution;
- VI. Ask them how much they pay for it;
- VII. Ask them what happens if they fail to solve each problem;

A. Product - Market Fit

A winning value proposition

After having identified a target segment of customers and having explored their needs, it's time to define a winning value proposition.

A value proposition is a statement that defines why you are different and worth getting attention. It includes:

- the target segment
- the key problem
- the key benefit your customers are going to get
- the special and unique way you will deliver it

A good template is “We help (who?) achieve (what benefit?) by doing (the special and unique way the new business/new product is doing it)”.

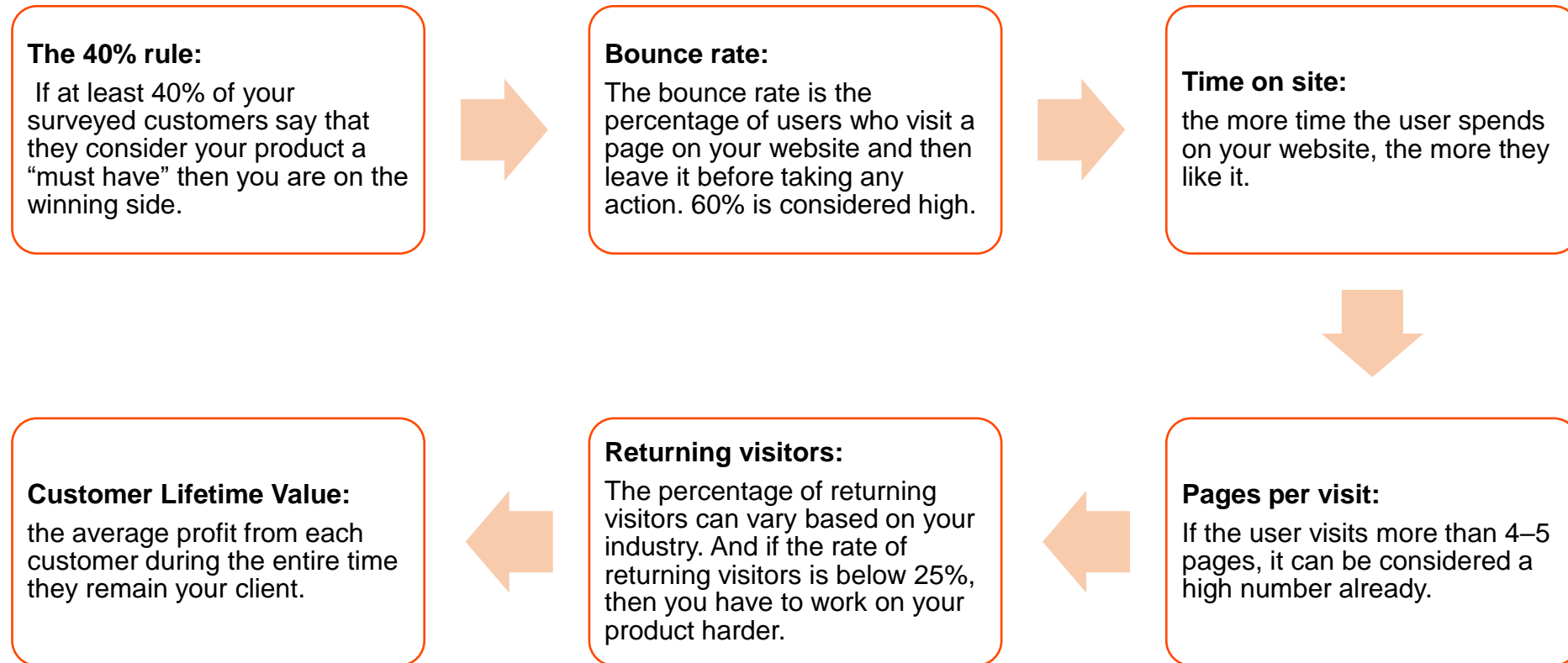
Example Value Proposition: Pagely – *“We help the world’s biggest brands scale and secure WordPress”*



A. Product - Market Fit

Measuring Product – Market Fit

Measuring the product/market fit consists of six major steps.



A. Product - Market Fit

Case Studies

How Slack and Dropbox achieved product-market fit



- Slack's story is one of winning the 'customer' part of the equation.
- By tightening the feedback loop as much as possible, they were able to accomplish a few things: boost user satisfaction, iterate on the product faster, get buy-in sooner.
- Bringing product and customer close together was also helpful for distribution: sell to teams and then have those satisfied users sing your praises to the company at large.



- Dropbox Founder, Drew Houston, made his now-famous four minute explainer video and shared it on the ranking news aggregator site of the time, Digg. Their beta waitlist rocketed from 5,000 to 75,000 overnight.
- Second: Dropbox started a viral referral campaign. The campaign rewarded existing users additional storage space for sharing the service on social media, email or by having their friends sign up.
- Again, Dropbox found another great distribution channel that led right to an existing audience. By incentivizing their users, the social proof provided acted as a natural draw for people to try out the service.

B. Problem-Solution Fit

The problem-solution fit is the stage at which a startup business has a core group of happy and reference-able customers.

Reaching a problem-solution fit means that:

- ✓ You have already built an MVP (minimum viable product),
- ✓ You have found your early adopters (people to use your MVP),
- ✓ You have managed to solve a problem that your early adopters have,
- ✓ You have managed to charge enough for your solution so that users are happy.

B. Problem-Solution Fit

How to Measure Problem-Solution Fit

- To measure problems-solution fit, you need to conduct problem-solution interviews.
- To understand whether or not you've reached a problem-solution fit, you need to get personal; you need to jump on calls and let your customers tell you how they feel.

What are some common problem-solution fit questions?

Most critical questions to ask:

- What do you think of [product]?
- Would you say that [product], helps you with [their problem]?
- What do you think of the pricing of [product]?
- How often do you use it (and why)?
- What prevents you from using it more (and why)?
- How likely is it that you would recommend this product to your friends or colleagues?
- How would you feel if you could no longer use [product]?

Questions that focus on the optimization of the product:

- What is the best (and most useful) feature in your opinion?
- What would make you tell your friends about it?
- What do you think are some missing features?
- What motivates you to keep using [product]?
- What is the hardest part of using [product]?
- How can we improve [product]?
- Most of these questions can be used in other stages as well.

B. Problem-Solution Fit

When to Pivot or Persevere

You measure the problem-solution fit to find out when to Pivot or Persevere.

Persevere means that you are on the right path, that your customers are happy with your product, and are willing to stick with it.

Pivot means that the feedback you collected shows that your early adopters are either

- i. Unsatisfied with your product, but they want to keep using it because it solves their problem; or
- ii. Uninterested about your product, since they have other needs to cover.

In case of (i), you need to work on your features, and product experience.

In case of (ii), you **need to change your strategy**.



Why you should undertake a product-market and problem-solution fit

Deep dive into customer insights

- Important to get your user feedback and customer insights right at the get-go. It helps you get a better understanding of how specific your product can fit the market, what exactly the pain points are that your product can address, and which is a better platform and market to focus on.

Get your approach right

- The most important and key area of product-market fit strategy is to figure out what kind of an approach would you like to use when targeting your customers.

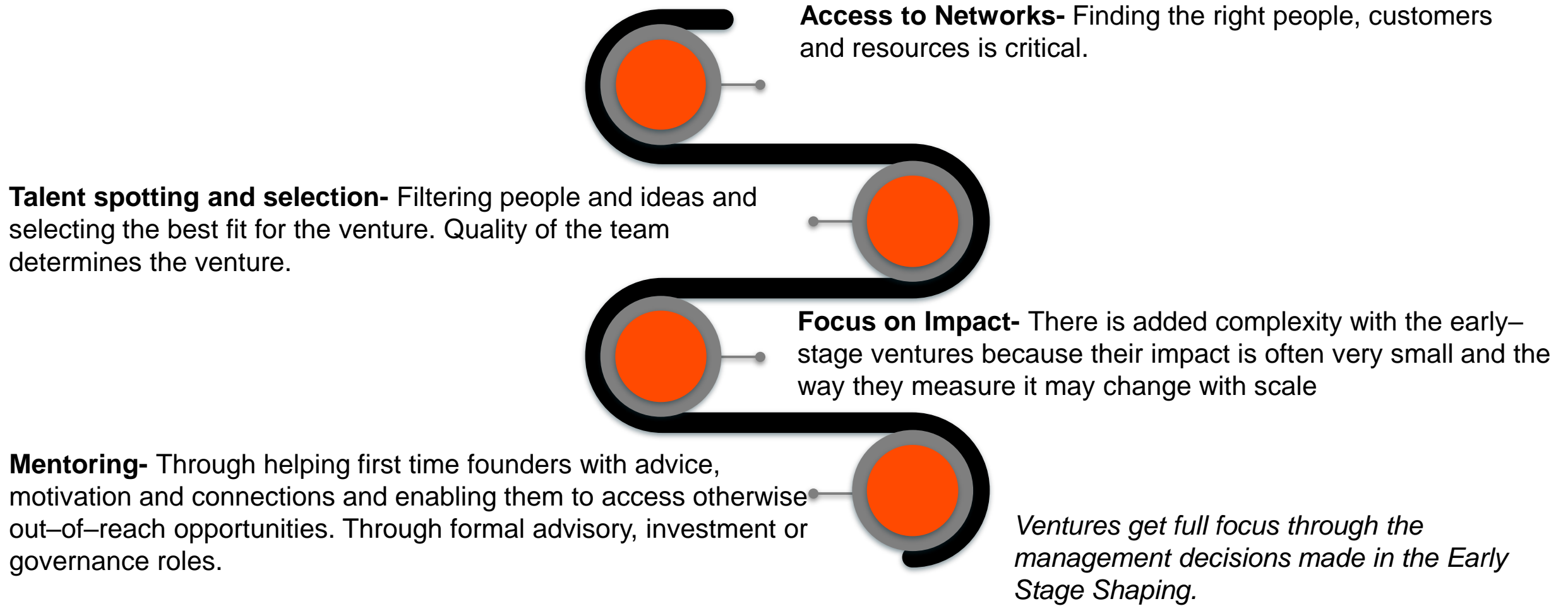
Find the right stories to address your market

- Helps you identify with your customers by finding out what their stories are, connecting with them and finding out exactly how their problem is specific and different from others.

Business Model Vs Business Plan

- Helps you figure out your cost structures, customer acquisition channels, revenue streams, and revenue models, and keep evaluating them with the status quo in the market.
- If need be, challenge the status quo on occasions. It helps you stay fresh and valid in the market.

Importance of Early Stage Shaping



Conclusion

- For a startup, meeting a few metrics is not enough to achieve market traction. Your product should have a high or extremely high degree of product/market fit. So, it's important to understand whether you are just solving a problem or you are eliminating a huge burden from the users' shoulders.
- Your product should be life-changing, and it should excite people! Think about the difference between "Nice" and "Wow!" And keep that in mind every time you build your next product.
- The Venture Builder model takes a high-touch, high-exposure approach to early-stage investment. Since Venture Builders build teams around ideas and provide resources, office space, and development tools to their teams, they create a fundamentally different risk profile across their portfolio. For this reason, it is important for Venture Builders to focus their attention on the management of businesses.



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NEXT SESSION – Date TBC

TOPIC 4: SUPPORTING GROWTH AND SCALING



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