Introduction to

Investing and Scaling in Cote d’Ivoire

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DIGITAL COLLECTIVE AFRICA

1. Introductions

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Digital Collective Africa

Digital Collective Africa is a collective of African investors, incubators, accelerators, founders who aim to support early-stage startups. We work together on projects to limit frictions and offer more transparency within the ecosystems. We believe in the power of the collective to leverage individuals' talents. We act at ecosystem level to standardize investment processes and offer best practices (gender diversity, governance toolkits...), provide educational content and regulation overviews for early-stage founders and access to market data on African unknown markets for all ecosystem stakeholders.

Sendemo

Sendemo is a research-based consultancy firm with a focus on African entrepreneurial and innovation ecosystems. It originated as a research project across 13 ecosystems in the continent to build strong convictions and a good understanding of local ground context. Sendemo's scope of expertise includes leading ecosystem assessment and system-level advisory, the design of market expansion strategies for investors and scale ups, open innovation and venture building. Grounded in research and investigation, Sendemo's work is at the frontier between advisory, research and advocacy.

Timothy Motte is the founder of the realistic optimist and writes about our now globalized startup scene, with fascinating deep dives about frontier markets around the world.

2. Mapping of the stakeholders of the country

Risk Capital

Government

Universities

Corporates

SSO

Entrepreneurs

Key indicators (worldwide ranking)

- Ranks 29 for starting a business (World Bank)
- Ranks 48 in access to credit (WB)
- Ranks 49 on logistics performance (GII)
- Ranks 15 in ICT services imports
- Ranks 16 in labor productivity growth

- Ranks 99 in the rule of law
- Ranks 122 and 121 in education and tertiary education
- Ranks 124 in knowledge creation
- Ranks 120 on Scientific and technical articles/bn PPP$ GDP (GII)
- Ranks 107 in exports complexity (GII)

3. Analysis

Cote d'Ivoire is open for business

Cote d'Ivoire has been the region's economic engine for decades (8.2% growth rate since 2012). Historically liberal and open to foreign investments, the country relies mainly on a strong agriculture industry (cocoa, coffee and cashew), a growing industrial sector and a supportive financial industry to drive its economic growth. A strong and sophisticated network of local and international corporations drives a consistent demand for B2B service startups operating in the region, especially in fintech (Julaya, Push (ex-Panelys Cash), Cinetpay…). The country's favorable business/investor legislation is nicely complemented by the availability of diverse funding sources for startups. However, factors such as bureaucracy, corruption, and cross-border trade complexity stain the otherwise enabling business environment.

Finally, the country suffers from a lag between its macro economic performance and its human development indicators, the weak education system being the prime example of such. As a result, the ecosystem's human capital pool is hindered, simultaneously reducing both the demand for and supply of potential innovation. This human capital issue has also severely constrained the number of "local" founders operating in the ecosystem and their ability to grow from concept to a growing business. Most projects don't find the resources to support their growth at pre-seed and seed stages, although they might survive through grants for some time. The ecosystem in Cote d'Ivoire is organic and unstructured, but very dynamic and heterogeneous. Among francophone neighboring countries, it is undoubtedly the country where startups expand the most and home to regional success stories across a wide range of industries (fintech, agritech, logistics, healthtech, edtech, mobility…).

While the business framework is conducive to investments, some cycles of political instability in the past and the geopolitical context in the region represent underlying systemic risks. The lack of ecosystem structure and guidance makes it hardly predictable in the long term, while its dynamism is strongly fed by the country's overall economic growth. A test & learn, flexible approach is suggested for a first move in the country.

4. Hot industries, exits & market scaling use cases

Fintech

Enablers

1. Mobile money penetration - 78% of the population
2. Favorable framework, sophisticated and supportive financial industry.
3. Infrastructure stack on APIs now allows for further development (Hub 2, Paystack...)
4. Strong demand for fintech products and services from corporates in a range of industries (financial services, agriculture, logistics, transportation...)

Main Market Opportunities for Startups

1. Omnichannel payment aggregation platforms (Julaya, Djamo...) allow users (B2B/B2C) to manage their daily payments combining different options from a single user interface.
2. Cross-border payment infrastructure for ecommerce applications (Cinetpay). Despite the regional agreements and single currency, moving money, goods or people across borders in West Africa remains a struggle.
3. Consumer financial services, insurance products especially, are still unevenly spread among the population.

Main startups to watch

djamo

Djamo: Consumer finance app for the unbanked

Julaya

Julaya: Neo-bank for businesses (medium and large)

CinetPay

CinetPay: Payment gateway for e-merchants, aggregating multiple payment options

4. Hot industries, exits & market scaling use cases

Agritech

Enablers

1. World's 1st producer of cocoa (1.2 million t = 45% of the world's production) and cashew nuts:
    - 25% of the country's GDP.
    - Employs +50% of the population.

2. Rural connectivity: rural internet / smartphone penetration and satellite connectivity (nano-satellites constellations are perfectly adapted to agritech connectivity needs).

3. Low sophisticated industry with a lot of inefficiencies along the value chain.

Main Market Opportunities for Startups

1. Resources optimization (water consumption, yield performance enhancement, waste valorization).

2. Process optimization (production, storage, distribution).

3. Product transformation / shelf life extension.

4. Data focus services (climate decision making, trading, insurance & banking...).

Main startups to watch

Jool: Drones for precision agriculture in Cote d'Ivoire

Cool Lion: Off-grid cold chain solutions for agriculture

HD Rain: Real time weather data and forecasting

Data 354: Data engineering startup that builds data models to support the decision-making in many fields, including the development of an AI biomass estimation model to support agroforestry

Retail

Enablers

1. Mobile (165%) and internet penetration (50-65%).
2. Logistics infrastructure (GII ranks 49th).
3. Consuming middle class (GDP/ capita is $2500, c.2 times Sénégal and neighboring francophone countries).

Main Market Opportunities for Startups

1. High demand for consumer products.
2. Market is educated after 5-6 years (taking pictures and selling online, ordering and paying online, delivery process...).

Main startups to watch

Anka: SaaS ecommerce platform focus on african-based craft and clothing

Coin Afrique: Ecommerce platform for used cars

Jumia: Leading ecommerce platform for consumer goods

5. Major Announcements in 2023

Exits pathways in the country

- Panelys acquisition of IT4dev
- Panelys Cash acquired (Push)
- Opening of the M Studio
  - Venture studio: 10 startups launched in one year
  - Friendly VC community:
  - Became the ecosystem's shaker and federator in just one year
- Startup Act promoted at VivaTech 2023
- Multiple initiatives from public institutions, but no clear strategy and effort concertation / structuration

6. Market expansion use case

Lapaire

Description of the model

Lapaire was born six years ago from the observation that the eyewear retail stores operating in Africa only focused on the upper consumer class while the demand for eyewear peaks at 500 million people on the continent, leaving a huge part of the population unable to afford them.

Through a strict financial rigor and a streamlined operational model, Lapaire manages to offer a wide range of eyewear products for the African middle and bottom class that can't afford insurance for its glasses, nor the luxury products available in the market.

The rationale behind their market expansion

Lapaire's mission was panafrican from the start. After two successful years in Kenya, Lapaire wanted to expand to West Africa and chose a strategic financial partner to do that, Saviu Ventures, a VC operating in the region who fell in love with the simplicity in the business and operating model. From this moment, Lapaire established an ambitious growth thesis: prove to investors, suppliers and customers that, despite all African countries being different, their business model remains replicable in different market environments.
And this mission has taken Lapaire in underlooked countries such as Uganda, Burkina Faso, Togo, Benin or Mali, with a lot of surprises and a lot of learnings.

How did they manage successfully?

1. **Reading and understanding the markets**
   Lapaire has been very rational at every stage of its development. Firstly, the choice of Kenya and Côte d'Ivoire was motivated by their regional weight, their relatively strong middle classes and their ability to serve as a launchpad in the region. Then, where everyone else saw a lower GDP per capita and logistical problems, Lapaire saw Burkina Faso and Uganda as countries with fundamental assets: a less well-served upper class customer base with much less competition. The result is a higher average shopping basket in these countries than in Cote d'Ivoire or Kenya.

2. **A lean and cost sensitive approach to market expansion**
   From the start, Lapaire adopted a very lean management style that reflected in the way they approached their market expansions. No comprehensive market studies, no sophisticated master plan. In Burkina Faso, it all started with a facebook page with one single offer and a phone number. This allowed Lapaire to test the market's appetite, understand who would be their customers and get their first orders. And it went on with minimum investments until getting a market confirmation in numbers. The first shops opened by the company were always very small shops in less desired locations prior to moving up. The same lean approach is reflected in their organizational model, with the use of part-time consultants to assist with the scaling of the business rather than fighting for expensive talents with other startups.

3. **A constant adaptation of the organizational model**
   A few lessons to be learned as well from the evolutions of Lapaire's operational model. Firstly, Lapaire was always convinced how local and specific African markets are. And the more Lapaire grew, the more it needed to deepen its local expertise, and adapt its organization accordingly. First of all regionally, the growth in francophone countries that quickly outpaced East Africa forced Lapaire to switch from having one single regional office gathering a regional director and all support functions to several country managers, with the support functions centralized regionally (marketing, finance, HR, communication...). Then in each country, Lapaire's organic growth naturally led it to expand from the capital city to other regions, requiring more and more local knowledge and contextualization in the business management and operations. In terms of organization and governance, that translates with all support functions becoming centralized at a continental level and each country being fully independent in the management of its P&L and free to request the support it needs from the support functions at its own request only.

The key lessons to remember

1 Finding the right talent can decide of a success or failure

Jérôme Lapaire, Lapaire's founder, has gone through a lot of human-related issues when it comes to scaling across African countries and testifies "finding the right talent at the right moment is the most critical part to ensure the success of a market expansion". And there does not seem to be a miracle recipe to that, with recruitment agencies that are not a guarantee of success while remaining expensive for a startup. Investors and other supporting partners can prove very impactful in providing:

- Access to key expertise (full time or not) to fill the gaps in the labor market and support the growth of their portfolio companies.
- HR and organization expertise to help deal with complex HR issues.

2 Investor relation - understanding the customers and the market environment is key, as well as being an operational growth partner

Having supportive investors who know the market and were able to dedicate some time to work hands-on with the founders has been key to the success of Lapaire. This is expressed at different levels and time. Knowing the specific moments of the year in which the demand is lower or understanding the specific challenges (cultural for example) that the founder is facing directly impacts the relationship of trust between the founder and his partner. Investors in these countries need to build a transparent relationship with their portfolio founders and be dedicated to the success of each of them, whether it is by opening access to markets, providing resources and expertise, granting access to other investors or financial partners...

The key lessons to remember (cont)

3 A few counter-intuitive findings along the way

- Markets with the lowest GDP per capita proved to be the highest average basket.
- Less is more. Adopting a frugal approach to market testing often proves less expensive and more true than traditional market research.
- It is cheaper and more efficient for Lapaire to have each country manage its own supply rather than centralizing the supply chain on a continental or even regional level. Despite having one single source of supply, the exact same catalog across 7 countries and obvious economies of scale, **the tax and logistics burden of moving products and money across African borders is too high, even within economic regional agreements (ECOWAS).**

7. Cote d'Ivoire-specific investor advice

Senegal-specific investor advice

For this part, we tapped into the knowledge of Saviu, a key actor in the Ivorian startup scene. They act as an early-stage VC and a growth partner in the region. Here are the two, overarching tips they had for investors considering Senegalese startups.

1. Adapted due diligence: Many founders in Cote d'Ivoire are made of expats, repats and diaspora members coming back to the country. If the majority of them already have the language and the codes to be heard and understood by VCs (storytelling, pitch deck), it is not the case of local founders, but this has nothing to do with founder quality. For foreign VCs, it is important to overcome this, and rather focus on understanding the opportunity, the business fundamentals and KPIs, as well as the team's experience.

2. Build local partnerships: Saviu's main advice to foreign investors is to look at building local partnerships and start by co-investing with partners already implanted locally in the ecosystem to understand the market, understand the consumers and understand the daily obstacles that founders may find. It is also critical to adopt a regional approach given the size of the deal flow in single ecosystems, and partnerships are needed for this as well. Afric'Invest also adopted this partnership approach very successfully in their expansion from Tunisia to other parts of the continent. Whether you are a VC or PE fund more focused on SMEs than tech startups, the business environment, the nature of the demand and the very local context bear the same importance to the success of your portfolio companies.

3. Help founders grow and expand: Foreign investors must understand that building and growing a business in these regions is more difficult. Founders often need to build the enabling infrastructure and engage in activities that do not fit the traditional asset-light and very scalable software-inspired model from Silicon Valley. There are a set of common pitfalls and obstacles that founders in the region will face. The main one being the difficulty to hire talents, at scale. Several scale-ups in the region like Djamo or Gozem start building academies to train people and build the human capital that they need. It is important to understand this and adapt its posture from being the investor to whom founders are accountable to becoming a true partner for growth. That means being more patient when needed, providing advice and resources to help founders when they need it and even if not expected and being supportive all the way through the exit.

8. Investor Landscape

VC's

Saviu

- Investment thesis: VC fund launched in 2018 focus on tech or tech-enabled early-stage companies in Africa, with a keen focus on francophone West Africa. Hands-on approach to support hand-picked entrepreneurs and be a growth partner.
- Major investments: Julaya, Anka, Waspito, Lapaire, Paps, Tajiri, Rubyx...

M Studio

- Investment thesis: Venture studio / VC focus on creating and supporting digitally-enabled early stage ventures in francophone Africa, that leverage mobile for underserved and informal markets
- Major investments: Tajiri, Djoli, Doo, Lonya...

LoftyInc Capital

- Investment thesis: VC focus on fast growing tech businesses in Africa. 3rd fund currently operational and 14 exits to date. Recently opened an office in Cote d'Ivoire.
- Major investments: Andela, Flutterwave, Wave, RelianceHealth, Touch and Pay, Anka, Paps...

Cathay AfricInvest Innovation Fund

- Invests in early to growth stage startups based in or focused on Africa. Seed tickets up to $1m and growth comprised between $1-10m, in a range of industries (fintech, agritech, edtech, mobility, energy, healthtech...)
- Major investments: GoMyCode, Aerobotics, Boomplay, Palmpay, Heetch...

PE

Afric'Invest

- Investment thesis: Panafrican PE fund born in 1994 in Tunisia with the ambition to build the investment infrastructure in Africa. In now has 11 offices across Africa, Paris and Washington. Invests in SMEs and large corporates through different funds, some sector-agnostic and others sector-focus.
- Major investments: Instadeep, Paylogic, LeWagon, MFS Africa, Moove...

Proparco

- Investment thesis: Attached to french DFI AFD, focus on investing and financing the private sector. Regional direction for West Africa is based in Abidjan. Acts as a PE fund that can support from startups to large infrastructure projects with demonstrated impact. Offer debt (80%), equity or credit warranty to finance institutions. Also acts as a fund of fund and invested in 12 african VCs. Launched the Fuzée fund ($6.5m) targeting pre-seed entrepreneurs, and manages Digital Africa, that includes Bridge, a credit facility for startups.
- Major investments: Partech, Janngo, Teranga Capital...

Comoé Capital

- Investment thesis: Half Private equity and half VC. Comoé Capital backs entrepreneurs and SMEs driven by impact - the fund was created by private entrepreneurs and impact-driven institutions like I&P.
- Major investments: Etudesk, Studio Kä, Ivoire bio fruits

9. Practical Sheet

The M-Studio's VC friendly community

To assist VCs that are new to the region in their exploration of the Ivorian market, the M-studio has established what they call the VC friendly community, currently counting 27 VCs and still growing.

Concretely, the M-studio offers an actual physical spot in their brand new office in Abidjan. They have put together a list of the active members of the ecosystem and offer to facilitate meetings and networking sessions. M-studio is becoming the ecosystem orchestrator that was missing in Cote d'Ivoire and would be happy to answer your questions.

To join the VC friendly community, feel free to email:

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Legal partners

Asafo

Deloitte

EY

ESP partenaires

I&P Conseil

Recruitment Agencies

AfricSearch

- Recruitment agency for executives in Africa

Greysearch

- Recruitment agency based in Abidjan in Cote d'Ivoire

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