

## “I’m hopeful about emerging companies entering the world of venture capitalbacked start-ups”

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**Twiga Foods is a B2B marketplace platform that sources produce - initially only bananas - from farmers at above-market prices and delivers them to retailers at below-market prices, accomplished through technology and economy. Core values have provided guidance in building this business differently and in its context. Today, Twiga is Kenya’s largest logistics-serviced seller of fresh produce.**

# PS&D

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Three years ago, on the stage of an international pitch competition, I stood in front of judges and a thousand entrants with a single PowerPoint slide of a banana, which simply stated “This is a Banana”. Its simplicity got a big laugh.

A few months prior to this event, Peter Njonjo and I had launched Twiga Foods: a B2B marketplace platform that sources produce from farmers at above-market prices and delivers them to retailers at below-market prices. Vendors no longer have to walk to large-scale open-air markets at 4 am; instead, we deliver better-quality products, at lower prices, to their doorsteps. Farmers can stock their products on

Twiga, and have a persistent and predictable market partner. We accomplished this through technology and some economics rules. The reason prices were high is that the retail sector is very fragmented – 96% of African commerce occurs in SME shops. The way to solve this was to get a number of retailers onto a single platform for just one product to start: bananas. For farmers, this meant a reliable market in an agricultural sector that is rife with market uncertainty.

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The service proved extremely popular, and has now scaled beyond bananas. Today, Twiga is Kenya's largest seller of fresh produce, as we have become the digital commodities market we set out to build, with logistics as a service beneath. In a country where 42% of consumer spending is on food, it's a massive problem to tackle.

I've always wondered what a venture capital LP meeting would be like for a VC when they explain that they are investing in a Nairobi-based company that, on the outside, looks like a techbased banana distributor. Africa's challenges and opportunities are remote from the realities of most VCs and LPs: thus, these could look strange to the world's venture capitalists. Bridging this gap is the core job of an early-stage CEO.

## **TACKLING PROBLEMS**

Not only do Africa's venture-backable challenges look different from what many VCs are used to, its most successful venture companies also look strange to many VCs. Entrepreneurs cannot easily satisfy preconceived notions of venture-backed businesses, while solving problems in a scalable and sustainable (and profitable) way. This is why so many international companies and well-funded cookie-cutter models have failed on this continent: these businesses have been removed from their contexts.

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So, I would like to explain how our core values – Own Your Your Problems, We Sell Bananas, and Be Good – are guiding us in building a business differently and fully in its context.

## **OWN YOUR PROBLEMS**

"Own your Problems" is fundamental to the Twiga business design: we do not outsource core business functions. That would simply be too risky at this point. We do not easily trust outsiders, consultants, brokers, contractors: in our experience they will let you down more often than not. While it is great to have ecosystems where you can outsource 50% of your work to preexisting providers, I have a giant list of examples showing that is not the case here. Hence, if you can control it, control it.

Buy assets: When we started, finding a lorry to lease in Nairobi meant walking down the highway, picking them out of a queue and negotiating. Over time, we learned that it was easier and more capital efficient for us simply to buy vehicles. We have found as we have scaled that more options have emerged to take them off our balance sheet. Fadi Ghandour, founder of Aramex and one of our board members, gave me some good advice on this: ‘Whatever the finances say, you’re going to be the one managing the vehicles.’

The “buy high, sell low philosophy”: We made a commitment early on to pay farmers more and sell to vendors for less. This meant customer acquisition was not a challenge, but our ability to execute on our promise was. Choose your battles carefully, and be sure of winning them. Know your unique selling point (USP), and use it.

Make oneself redundant: For Twiga there is not a preexisting talent pipeline. Nobody had built Twiga before. We are one of the few organizations where making oneself redundant is a key performance indicator. We try to grow people into new layers of management that are always ready. Making oneself redundant is how to grow the organization.

## **BE GOOD**

Where the easy thing to do is the wrong thing to do, do the right thing. While we have faced challenges in the near term, I am thankful we have stuck to this. The first few years of a start-up can be an experience of dodging ethical bullets concerning who invests, who you hire and how you work with government. The company you decide to be when you are small is the company you will be when you are big.

Get arrested: This does not have to be literal, but for us it has been. Several of our senior managers, myself included, have been arrested for defending our staff when they do what is right, generally in refusing a shakedown or a bribe. Take the opportunities to stand for what is ethically right, and that way of working will stick as one of the core cultural stories in your business. As your business grows, your reputation will grow for being a good actor, you will get friends in high places who support your vision, and ethical challenges will become less of a problem.

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Create trust: I was once asked whether Twiga was not just the biggest “broker.” Reflecting on it, I realized our biggest USP is being a trusted, good, formal, actor in a market full of informality and uncertainty. What separates us from brokers is we are only interested in the farmers and buyers who want to build long, lasting relations with us, and we design our products around them. In a market full of traders, we are the only ones waking up every day asking how we can make food cheaper.

Kenyan-only hiring: While at times controversial with investors, this principle has been essential in building Twiga. It is hard to call yourself good when you are allowing global inequalities into your business. Foreign developers earning more than locals is not only unfair, but it also creates resentment in your company, and resentment is the single biggest corroder of culture. As we prepare to go international, we will necessarily become international, but the principle of not reflecting inequalities that breed resentment will not.

## WE SELL BANANAS

When in the African eCommerce space players were aiming for tens of thousands of stock-keeping units (SKUs), our banana revenue alone made us one of the largest tech commerce players in Kenya. While we are doing more than bananas now, it is worth keeping in mind that the average Kenyan household buys only about 50 different consumer products a month. To build a unicorn in Africa – a relatively small consumer economy – you had better be in a segment with a lot of spending.

Say no: We are good at saying no as an organization. Lots of people want to partner with us, use us to distribute their products, to build things on our platform, to photo op with us, and so on. We are not easily distracted from our core objective of selling bananas. I was once given the academic advice, “Early in your career, say something specific about something specific, and once you do that, you can say it all.” The same holds for business, do something specific about something specific, and a few years down the line you can do it all.

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No advertising: We do not make markets, we make them more efficient. Eyeballs in Kenya are extremely expensive relative to user spend. We have focused on keeping our acquisition cost low (a direct visit and a crate of free produce), our acquisition rate high (92%), and our payment rate short (one delivery). Your USP should be evident without massive spend to convince people.

Stand and deliver: Every Monday, Twiga managers send a pre-read on what they accomplished the previous week, what they will accomplish in the current week, what help they need to get it done, and any topics they would like to discuss.

I do this once a month in a board meeting, and spend my weeks helping our managers accomplish their ‘stand and delivers’. It is painful, time consuming, often disappointing, but will make you a much better company. The job of a CEO is to create pressure, while at the same time creating safety, two seemingly opposed goals. I do this by being rigorous on structure, but soft in person. Your board needs to do likewise. The repeated check-ins will help to ensure that nobody gets off the core mission; for us, selling bananas.

Our pathway is not the only pathway to success, and we have miles to go. Hence, I am extremely hopeful about the hundreds of emerging companies in this market who will be entering the world of VC-backed start-ups to both create value for investors and, more importantly, build meaningful things for our communities.