Nigeria Ecosystem Predictions

Endeavor
NIGERIA

2020 Ecosystem Predictions

The end of each year is an ideal period for actively reflecting on personal and professional outcomes, as well as making predictions and plans for the upcoming year. At Endeavor, we spend a lot of time thinking about the promise of entrepreneurship for Nigeria, but also the challenges our ecosystem faces as we move towards a sustainable model for startup formation, support, growth and productivity. We are excited for the potential for this generation of entrepreneurs to transform the economic landscape of our country, but also keenly aware that the challenges we face will require innovation and the ability to harness the digital opportunities before us.

The Idea

At the end of 2019, we asked a small group of people in the entrepreneurship ecosystem in Nigeria to share their predictions for 2020. We consider these predictions to be an inspiring challenge and a learning opportunity; to read what key doers, builders and thinkers are focused on, hopeful for and/or worried about. These predictions will explore how our ecosystem evolves in character and sentiment, beyond tracking investment numbers or looking at things retrospectively.

About Endeavor

Established in 1997, Endeavor is leading the global high-impact entrepreneurship movement to drive economic growth and job creation by selecting, mentoring, and accelerating the best high-impact entrepreneurs around the world. To date, Endeavor has screened more than 60,000 individuals and selected more than **2,000 founders** leading over **1,200 scale-up companies.** With support from Endeavor's worldwide mentor network, Endeavor Entrepreneurs have created over 3 million jobs, generate more than **$20 billion** in revenue each year, and inspire future generations to innovate and take risks, building strong entrepreneurship ecosystems in growth markets. Headquartered in New York City, Endeavor currently operates in 35+ growth markets throughout Africa, Asia, Europe, Latin America, the Middle East, and North America.

Endeavor launched its Nigeria office in 2018 to select and support the best founders of companies at the scale-up and growth stage, who recognise a responsibility to pay-it-forward and multiply their impact in Nigeria's entrepreneurship ecosystem. There are now **11 Endeavor Entrepreneurs** leading 7 companies in our portfolio.

Jason Njoku

Founder & CEO, IROKO

Mantra:

"Impose ta chance, serre ton bonheur et va vers ton risque."

Prediction:

2020 will be more focused on how our African tech community will need to shift their attention from pitch decks and term sheets, to revenue generation and liquidity events.

2019 was a bumper year for fundraise announcements. Fine. Businesses need investment to scale and grow and having gone through the investor merry-go-round on many occasions over the last decade or so, I'm fully aware of the pitfalls and copious amounts of energy required to take a deal over the final hurdle. It is immediately obvious why so many start-up founders fixate on raising cash; as a market, we have been relatively starved of capital, compared to our tech brethren in the US, in Europe, in Asia and even in the Middle East, so we have found it harder to accelerate as quickly as them. We are also operating in hostile markets where we need to expel considerable resources [time and money] in educating our potential market and bringing them on the journey. One prediction I have is that people will need to get serious about what exactly "the market" is. Almost every single pitch deck that graces my inbox tells me about Nigeria's 180m population - that this is their addressable market. It isn't. It really isn't, and once we collectively become more realistic about what and who the market is, and how we connect with it, we'll be able to start levelling the playing field and get on with what's needed.

But for me, 2020 will be more focused on how our African tech community—as disparate as it is—will need to shift their attention from pitch decks and term sheets, to revenue generation and liquidity events. Liquidity events are like gold dust in the market, which may also be why investors have, historically, been slow to cut serious cheques; they want to know what their exit strategy is, on what terms and under what time frames. We exited ROK in 2019, after a five year incubation period and millions of dollars worth of investment. It was painstakingly planned and was many months, perhaps years, in the making. It wasn't easy, required serious negotiation and, importantly, patience. But we were able to close on the deal as we were able to demonstrate that we had built a community of people willing to pay for content. As companies mature, they need to move from cost-per-acquisition [CPA] to average revenue per user [ARPU]—obsessing about how they can build a community around their product, be it consumer or business, and ensure said community continues to love it enough to keep coming back [and paying] for more. This is what we did with ROK and we were in a strong position to navigate a pretty compelling liquidity event. In order for there to be more liquidity events, we need to ensure that hard earned revenue, turnover and growth is what African start-ups are known for, not simply their ability to [finally] raise international capital.

Odunayo Eweniyi

Co-founder & COO, PiggyVest

Mantra:

"Aim very high, work very hard, care very deeply".

Prediction:

2020 will be all about Mergers and Acquisitions in our ecosystem, especially in the fintech space. "Customer is King" will take on new meaning as more companies across several tech-enabled sectors rise, offering products with slimmer to no differentiators, and fighting for customers and users within the same segment.

Being a part of something from the start is not something that I take for granted, and this ecosystem and this particular wave of startups is one that I cherish. I joined in 2013, and it's been quite the journey. Why am I saying this? It's growing now. We've gone from the very nascent stage, not without casualties, to this maturing stage where we're now attracting incredible attention and investment. And we know that there's a natural progression to these things.

My big prediction for 2020? I have a couple.

1. Majorly that 2020 will be all about Mergers and Acquisitions in our ecosystem, especially in the fintech space. I'll even go so far as to say that there will be at least two M&A deals in the Nigerian fintech space. M&As are indicative of growth, in my opinion, not to mention that the current economic climate will make collaboration, in many forms, absolutely compulsory.

2. 2020 will be the year of the consumer. "Customer is King" will take on new meaning as more companies across several tech-enabled sectors rise, offering products with slimmer to no differentiators, and fighting for customers and users within the same segment.

In both cases, there's only one winner. The customers.

Tayo Oviosu

Founder & CEO, Paga

Mantra:

"Capture the opportunity, take no prisoners!"

Prediction:

We will see a new wave of tech entrepreneurs aiming to build sustainable businesses that are solving problems in various sectors outside of financial services (healthcare, retail, fast-moving consumer goods, corporate enterprise, etc.) leveraging appropriate existing technology for their addressable market.

Without a doubt, Nigeria now has a more mature ecosystem than when I launched my business in 2009. There is significantly more support for entrepreneurs and more sharing amongst entrepreneurs. The past decade has also provided us with examples of successes and failures, trends and hype cycles, and other learnings we will collectively take into the teenage years.

Recently, there has been a lot of hype and activity around fintech. This has been mostly due to easy access to APIs and the "sexy" nature of fintech. This trend will pipe down in 2020 as many fintech companies will struggle to build and sustain the ecosystem needed for a fintech to thrive. Where collaboration was once hard to find in the tech ecosystem we will now start to see more collaboration.

My prediction is that we will start to see a new wave of tech entrepreneurs aiming to build sustainable businesses that are solving real problems in various sectors outside of financial services—healthcare, retail, fast-moving consumer goods, corporate enterprise, etc.—leveraging appropriate existing technology for their addressable market. These new startups, unlike predecessors, will be able to piggyback off existing tech solutions from payment services to logistics, and so on, to power their own solutions in order to scale much quicker. Many of these companies will be B2B and might not be "sexy" but they will make strong returns for their founders and investors. We will definitely see a few Dragon companies of this ilk. A Dragon company is one that returns the full value of a fund, not just their investment, to an investor.

I think it is an exciting time for the Nigeria tech ecosystem and I look forward to the magic the new decade will bring to life!

Jessica Hope

Founder, Wimbart

Prediction:

CEOs will be even more focused on building trust through earned media. They will need to become masters of their sector, owning the narrative on the business environment within which they operate [and seek to own]—giving themselves a platform to continue to earn trust from end users. They will also use evolving media platforms as well as the more traditional news outlets.

As the African tech sector heats up, we'll see more companies vying for media attention; for column inches. Not only for share of voice in front of consumers to drive sales, but also to attract investors—both at home and abroad. The market has seen more entrants in key sectors, including logistics, ride hailing, healthtech, B2B e-commerce, edutech to name just a few—they are all competing in what is currently a small [although ever-growing] market. How do they define themselves amongst their competitors? Through increased brand recognition, nuanced and targeted marketing activities, which includes Public Relations.

Over the years, there's been a marked uptake in African CEOs [especially in the tech sector] understanding the power of PR and why it's crucial to define their offering, within their specific market, from early on in their company's history. And we're not simply talking about sending out random press releases on ad hoc occasions; we're talking about developing meaningful and ongoing relationships with journalists, influencers and publications—over a period of time—to ensure a consistency of coverage and deep understanding of a brand, amongst multiple audiences. And not just for coverage's sake; but to build an intentional and meaningful relationship with their audience. This means a move away from prosaic, copy-and-paste content that's dull and out of touch, distributed through the spray-and-pray approach , towards a more focused and calculated narrative and more strategic, personalised distribution. Some CEOs and their Communications Managers still inhabit a world of paying journalists to print generic, messaging-heavy copy. However, as audiences become more media savvy, this approach will only gain credibility amongst those who flick through monthly coverage reports and sign-off on budgets, not those who are the intended recipients - the end users of the company's product or service.

Building trust with the audience is one of the most frequent requests we receive; Nigeria in particular suffers from a trust deficit when it comes to the acquisition of new services and brands, as well as mooney moving hands. This is one of the reasons why CEOs continue to put themselves at the forefront of their brand, because Nigerians tend to associate trust with a figurehead. My prediction for 2020 is that CEOs will be even more focused on building trust through earned media—understanding the power of word of mouth and thirty party endorsement, and harnessing it for business gains. They will need to become masters of their sector, owning the narrative on the business environment within which they operate [and seek to own]—giving themselves a platform from which they can continue to earn trust from end users. They will also use evolving media platforms—podcasts, social media, video content—as well as the more traditional news outlets.

Kola Aina

Founding Partner, Ventures Platform

Mantra:

"The emergent/dynamic strategy might get you so far, but it's the deliberate one that will take you home."

Prediction:

Interventionist regulatory surprises that will shake up the space and require players to change their existing business models and value propositions. Expect legacy banks to truly bring the fight to the Fintechs who are now decoupling traditional banking into stand alone services.

I am not a fan of predictions. They can be hit and miss and then you look like a false prophet. In any case, rather than predict the future, I prefer to focus on building it. But let's have some fun.

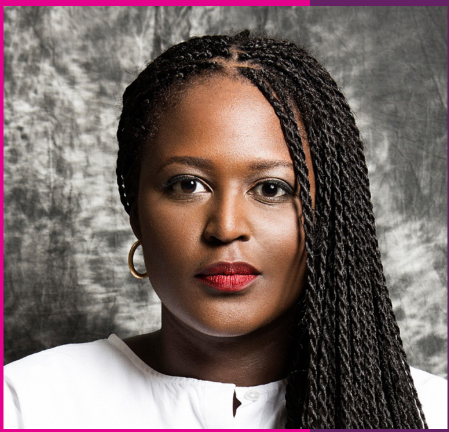
In 2019, fintechs, Jumia, OPay, mobility, and the regulators ruled the news. I reckon that some of these trends will continue to be important through 2020, but I would go off on a limb and predict (after-all this is a prediction note) that 2020 will herald interesting developments in the Fintech landscape that will be largely driven by a few factors, including;

Intense competitive pressures in the sector characterized by growing international interest in the space as evidenced by their taking major strategic stakes in local players. We already saw this in Visa and Mastercards investments in Interswitch, Flutterwave, Paystack and even Jumiapay. Similarly we are likely to see an expansion of green-fields like OPay and Palmpay and even more new well-oiled international entrants in the space.
Interventionist regulatory surprises that will shake up the space and require players to change their existing business models and value propositions—similar to what the CBN did with transfer fees and other transaction fees last quarter—when startups were forced to realize that simply introducing cheaper transfer costs is not a business model.
Expect legacy banks to truly bring the fight to the Fintechs who are now decoupling traditional banking into stand alone services; for example, Piggyvest, Wallet and the many lending platforms. More banks will launch their products just like Standard Chartered did in December. There would also be an increase in remittance products and spin-offs.

Together, these forces are likely to result in significant changes in the architecture of the ecosystem as we know it; with consolidation by way of acquisition and mergers of smaller players as it becomes more difficult to raise capital—with traction benchmarks being re-written and as the larger and faster growing players monopolize available growth capital sources.

These competitive forces should however, be a net benefit for the end users, as we start to see a trend of reduction in transaction charges and a scramble to differentiate and improve overall quality of service with players needing to get more innovative to acquire paying customers in a market with a myriad of alternatives.

This should also propel faster growth in financial inclusion as players find the need to grow market share by going to currently underserved markets (blue oceans), focusing more on use cases and innovating around distribution in ways that work around the low broadband penetration (remains at less than 40%), poor smartphone penetration and pricey mobile data.



Rimini Haraya Makama

Government Affair Director,
Microsoft MEA Emerging Markets

Mantra:

"You only live as long as the last person who remembers you."

Prediction:

There will be deeper technology investments in Nigeria resulting in more growth in the entrepreneurial ecosystem. We will see more international players taking advantage of the talent pool, Nigerian can-do-spirit and high unemployment numbers.

Across the two verticals I'm passionate about—technology and creative industries—two things are top of mind for me in 2020.

Technology

While highly skilled migration for the lower and middle class will continue to rise, there will be deeper technology investments in Nigeria resulting in more growth in the entrepreneurial ecosystem. Increasingly, developed societies are moving away from infrastructure and focusing more on the power of the cloud to grow economies. Globally, the cloud drives digital transformation which in turn has boosted the development of industries, bolstered competitiveness and sustained economic growth – it has become both an enabler and a business.

I believe we will see a similar pattern in Nigeria in 2020, not only will it provide increased efficiency in the delivery of public services but the cloud will continue to create a competitive advantage in favour of small to medium enterprises that drive the Nigerian economy. So far in Nigeria, it has encouraged innovation and allowed the gig economy to thrive. It has also opened access to every part of the world. New markets exist where visas would have previously been a barrier and people can now work remotely because the borders have been removed.

We will see more international players taking advantage of the talent pool, Nigerian can-do-spirit and high unemployment numbers. They will train and upskill; this will have long-term benefits as there will be a tendency for a small percentage to exit and create companies with the skills they have acquired or join other local players. We will also see more BPO and software support services companies being created locally to service the rest of the world. In 2019, Microsoft invested over $100million in Lagos and Nairobi to open its first engineering facility in the continent – developing AI, mixed reality and cognition. Microsoft will also hire over 500 engineers from the local talent pool over the next three years – one of the reasons Microsoft is able to do this is because of the cloud.

Creative Industries

The rise of the unexpected investors/patrons for creative partnerships. A trend which is becoming stronger in the film industry. HNI's are looking for how to diversify their wealth and are now willing to take risks beyond the more traditional methods. There is a growing interest in film; factors like a stronger Nigerian presence at the international film festivals to huge box office numbers for traditional Nigeria cinema with returns are now in the millions weekly. In 2019, Nigeria found itself the topic du jour within the international film award circuit due to a faux pas that piqued an interest in Nollywood – not entirely a bad thing. In 2020, creatives shouldn't shy away from talking about their next big idea because people are listening and taking note of who and where to invest in. However, with more money may come more problems, as not all investors are content to just have their name in the credits, some may want a 'waka pass' and others to influence creative direction which will have an impact on the film, but these are not major challenges and can easily be overcome.

For more information on Endeavor in Nigeria, visit www.endeavornigeria.org

To learn more about Endeavor's global network, visit www.endeavor.org

To read Endeavor's 2018 - 2019 Global Impact Report, click here.

For questions and inquiries, contact us via email: nigeria@endeavor.org

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