

Not all African startups need VC money

By [Tom Jackson](#)

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Not all African tech startups will feel the need to raise VC funding, but those that do must ensure they are adequately prepared for what is a lengthy process.



That is according to panellists speaking during a session on the African investment landscape during last week's [Africa Tech Summit in Kigali](#), which brought together stakeholders from across the continent and beyond.



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Ido Sum is partner of [TLcom](#), which last year [raised a \\$40 million fund](#) for African investments and was among the participants in [Andela's landmark round](#) back in October. He said startups had a decision to make about whether they needed to raise funding at all.

"Not all companies need VC money. There are plenty of good companies that will build without raising. It is the founder's choice," he said.

This was a view shared by Wale Ayeni, who leads the [IFC's VC operations](#) in Africa.



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"The best kind of money you can ever raise is the money you get from customers. That is product validation. I know people who have been able to do big businesses without investment," he said.

Should a startup decide they do require investment, however, they are starting from a position of weakness with funders.

“It is a funder’s market, and I don’t see that changing for a couple of years. That’s unfortunate, but it is what it is,” Sum said, with Ben Peterson, senior partner at [AHL Venture Partners](#), adding that early-stage companies in Africa were “running through a gauntlet”.

Though Ayeni said there was no one set way of raising funding – “There’s no easy advice, there’s no silver bullet, it’s just hustle” – panellists did offer some advice when it came to securing investment.

Sum said it was important to focus on solving a problem and be passionate about the business.

“Try to solve problems you know well and care about. These are very long journeys. There is no quick win in this industry. You must be doing something you care about,” he said.



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Ayeni advised startups operating on a continent where only 25% of people are connected to the internet and where the middle class remains relatively small to focus on the mass market.

“The mass market is the only market in Africa. You have to figure out how to get to that market. Tech is not going to change that. Tech is an enabler, but you must understand the power of the mass market,” he said.

When it comes to actually approaching investors and securing funding, Sum said startups needed to approach it in stages and be aware it usually takes a long time.

“It is a much longer process than you expect. There are lots of logistics behind it. So I would advise starting to prepare well in advance,” he said.

Peterson said startups would be well served by sitting down with someone in the know and getting walked through the entire process of fundraising before they set off on the journey.



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“And I think as you learn more you will see where there are alignments with investors, and the process will become a lot more efficient. You need to find the investors that are focused on your type of business and your type of risk,” he said.

In spite of all the challenges, Peterson believes startups are operating in a market with a myriad of opportunities and one in which investors will increasingly see the value.

“A lot of these markets are going to see incredible, crazy growth. It is going to be a crazy ride. We have to keep in mind that we are just at the beginning, and we are now starting the real acceleration phase,” he said.

ABOUT TOM JACKSON

Co-founder @DisruptAfrica. Tech and business journalist in Africa. Passionate about the vibrant tech startups scene in Africa, Tom can usually be found sniffing out the continent's most exciting new companies and entrepreneurs, funding rounds and any other developments within the growing ecosystem

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