

Developing a Compelling Business Case

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Agenda

Introduction



What do Investors (& EFINA) look for?



Tools for Developing a Viable Business Model



Designing a Value Proposition



Approaching Risk Analysis and Mitigation



Planning key activities, Designing Metrics



Working through the numbers



What is the objective of the workshop?



Open up some insight about how business case reviewers think



In order to help you to achieve success in the EFinA RFP 6 application process



And provide some tools to help you with building new ideas into business propositions for investors in the future

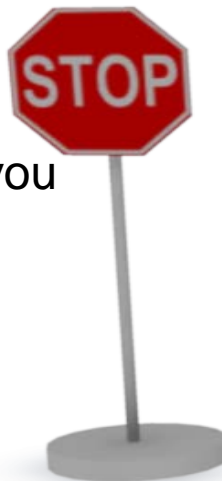
It's not a gift!

Applying for grant funds from EFINA is just like applying for funds from an Investor

Implications?

- Investors receive lots of applications in their inbox
- They need to understand your pitch quickly from the WRITTEN MATERIAL you provide
- They are using the material to see how you think

Really important that before you sit down to fill the application form in that you have a clear coherent picture of what you want to say



This workshop is about helping to work through this process

Terminology Exercise

Customer Segment

Value Proposition

Solution

Business Case

Business Model

Business Plan

Metrics & KPIs

Risk and Uncertainty

Critical Success Factors,
Key Activities

WE NEED A COMMON LANGUAGE

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What aim does the RFP have?

- **RFP process is about helping investors to understand better what makes your business tick**
 - the problem
 - the target market
 - the proposed business solution
 - the go to market strategy
 - project risk mitigation
 - the team
- **The RFP is a sales document, your pitch**
 - the due diligence process is rigorous
 - can be a long courting process
 - no cheque on first review!

First things first: Grab their attention by describing what you are offering

- **What is the primary purpose of your proposal? What does it do?**
- **Who are your target customers/users?**
 - Determines many elements of your business strategy...
- **What is the significance of what you are offering to the prospective customer?**
 - Walk me through a day in the life before, and a day in the life after
 - Vitamin vs Painkiller
 - Key benefits summarised
- **Who are the competitors?**
 - Try to identify similar companies to yours, really ask yourself if you're completely new
 - This can anchor the discussion around something people already know about
- **What's unique about your offering?**
 - This sets up the long-term vision for the company
 - Starts the conversation about what makes your business sustainable over time

This is outlining your VALUE PROPOSITION

How succinct can you make your message?

- The elevator pitch:
 - Can you explain it to me quickly if you grab me on a walk to my car?
 - Can you design a Facebook box ad for what you offer?
 - Try to force it into a sentence

Our _____
Products and Services

help(s) _____
Customer Segment

who want to _____

_____ Jobs to be done

by _____ and a customer pain
verb (e.g., reducing, avoiding)

and _____ and a customer gain
verb (e.g., increasing, enabling)

(unlike _____ **)**
competing value proposition

MORE LATER IN THE WORKSHOP!

What do they ask themselves next?

- Is the purpose worthy?
- Is the target audience right?
- Is the value proposition valuable enough to customers?
 - Really want **painkillers** not **vitamins**
- Is it the right kind of business/idea for the focus areas?
- What is particularly unique about this proposal/business?
- Is the business plan based on the Value proposition
 - Value Proposition is the Cornerstone of everything
- How far has the business progressed to date?

3 Stages of Business Development



Do I have a problem worth solving?



Have I built something people want?



How do I accelerate growth?

On Paper



In the Market



In the Bank

3 Stages of Business Development

Investors like projects with traction - so like to invest where (1) is passed and (2) must be well underway at least. An ideal investment will be ready for stage (3).

Stage 1 – Product/Solution Fit Evidence:

- You need to demonstrate in the RFP that you have worked on this prior to applying, and have a very clear & precise understanding.
 - This is why detailed questions are asked about the customers you plan to target & the problem you want to solve for that target customer.










Stage 2 – Product/Market Fit Evidence:

- You need to demonstrate in the RFP that you have at least started to work on this, and ideally have some mitigation in place by having tested your assumptions.
 - This is why the RFP asks detailed questions about your Customer Value Proposition, your Agent Value proposition, what you propose to charge, and how you plan to reach your target customers.
 - You also need to look to provide evidence that you have tested your model: your existing results, and/or evidence of the problem being solved in similar markets elsewhere.

Stage 3- Plan to achieve scale:

- You need to demonstrate how you plan to achieve this via the RFP Risk Analysis, Workplans, Financial plans, Operating plans...

Elements that make up a great Business Proposal

- | | | | |
|-----------------------|--|-------------------|---|
| Vision Statement |  | Go to Market Plan |  |
| Problem Description |  | Operating Plan |  |
| Market |  | Financial Plan |  |
| Product Solution |  | Team |  |
| Competitive Landscape |  | | |

...These map to the EFINA RFP Document & Templates!

Elements that make up a great Business Proposal

Vision Statement



Executive Summary for your proposal

Must be specific and SMART!

Keep it short, a teaser

WRITE IT LAST!

highlights key points prior to a more methodical breakdown of the RFP

Elements that make up a great Business Proposal

Problem Description



Describes:

- Who are the customers
- The customer pain points

Remember that Agents experience pain, they are your users – when responding to Window 1, you need to articulate their problems that you are addressing

Elements that make up a great Business Proposal

Market



EFInA have some specific project eligibility constraints in the RFP material...

Describes:

- The addressable market overall
- The planned market to be addressed during the project term

Need to have thought through this for the business case spreadsheet:

- What % over the project and what long term
- This will form the basis for a coherent financial plan!

Elements that make up a great Business Proposal

Product Solution



Describes:

- Overall plan to address the customer pain
- This is about creating the **VALUE PROPOSITION**, mapping pain points with solutions
- Better to do some things well than to try to tackle too much
- Need to consider your Pricing as part of this equation

The workshop goes into more detail on these items later...

Elements that make up a great Business Proposal

Competitive Advantage:

Something that cannot be easily copied or bought

Describe:

- Competitors Today
- Competitors in the future
- **How will you defend your position in future?**
- might not have the answers if early stage, but needs to be in view as something to be thought about

Competitive Landscape



Elements that make up a great Business Proposal

Describes:

- Your strategy to get your message to customers
- Your planned routes to customers
- Your planned partnerships
- Plan for how these element create a coherent story via the financial and operating plan

Go to Market Plan



Elements that make up a great Business Proposal

- Investor wants to see how you plan to schedule the removal of risk from the business
- Plan to actively remove 1 key element of risk with each step forward
- Link your KPIs, Milestones and Success factors to removing risk
- All of these elements need to be personalised to your project, to demonstrate how well you understand your strategy

Operating Plan



The RFP is asking you answer this via:

- Risks, Success Factors, KPIs
- Workplan

The workshop goes into more detail on mitigating risk & designing metrics and workplans later...

Elements that make up a great Business Proposal

Describes:

- Where you incur costs alongside your operating plan (when those costs will be incurred)
- Where you make revenues, alongside your performance metrics & operating plans (when those revenues will be forthcoming)
- Must include: Assumptions you have made to design the figures
- Need to have a view on when the business will break even

Financial Plan



Elements that make up a great Business Proposal

This is a REASONABLENESS TEST:

- Does the overall story hold together in a way that makes sense?

Reviewers will really test your understanding and ability to put together something coherent:

Eg: If customer acquisition cost is \$500 but the expected revenue over their lifetime is \$100 – the business model is not good!

Financial Plan



The RFP is asking you answer this via:

- Financial Spreadsheet

The workshop goes into more detail on creating the financial spreadsheet later...

Elements that make up a great Business Proposal

- You need to demonstrate commitment to the project
- There needs to be a project owner that is accountable
- The project also needs:
 - Business sponsorship
 - Administration & Operations support
 - Sales & Marketing expertise, with field experience
 - Financial Management
- If the full team isn't in place just yet – say it!
 - Candid discussion is better
 - The core nucleus is essential at this point

Team



Investor is sizing you up as someone to work with for the next 2 years

What extra for an EFinA Grant in addition...

Following creating of a coherent overall financial plan, there are some extra hurdles:

- An explanation on how the grant funds will be spent and what will be funded by the grantee
- Evidence that the grantee can provide matched funding and also support the service beyond the period of the grant
- An operating plan based on quarters, with clearly identifiable milestones by which the progress of the project can be monitored, both by EFinA and the grantee
 - Funds release will be linked to milestone achievements and evidenced progress & spending reports
 - Milestones should aim to progress the project by removing an element of project risk

Summary

- **Make it easy for the assessors to understand by leading them through your story**
 - Exactly what you want to do
 - How you intend to do it
 - The benefits to the customer
 - How long it will take
 - How much it will cost
 - And why they should believe you can do it
- **Catch the reviewer's attention**
 - by really understanding your Value Proposition – what you are offering.
 - Try to describe your value proposition in a single sentence
 - This needs to be the cornerstone of the whole submission
- **You should avoid:**
 - Non-specific general claims and vague thought processes
 - Statements which cannot be substantiated
 - Incomplete project plans – we recognise that they may change over the course of the project, but there must be an updated plan at all times
 - Unrealistic financial modelling or modelling that doesn't tie together with your operating plan – your plan needs to coherently link together
 - falling in love with YOUR solution
- **Partnering** with companies with complementary skills will be looked upon favourably

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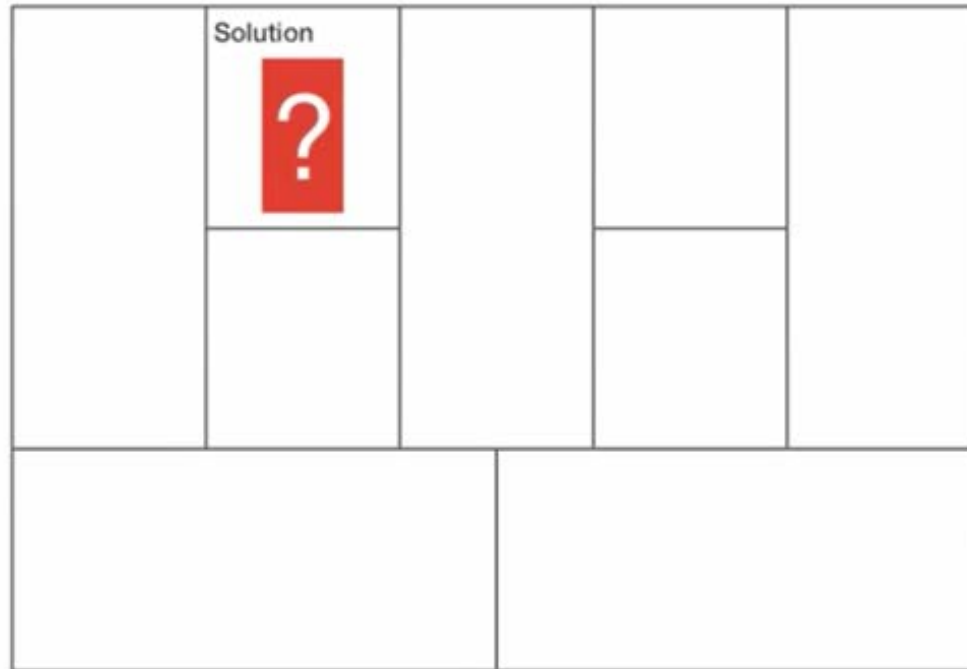
Planning key activities, Designing Metrics



Working through the numbers

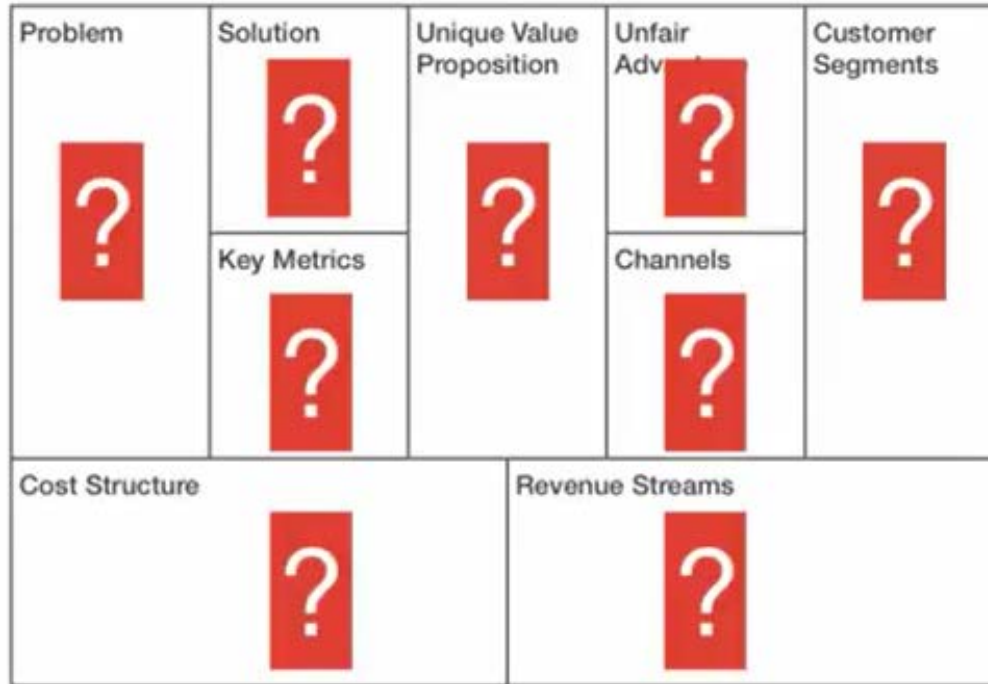


What is the product?



Your “solution” is **NOT** the product

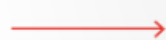
What is the product?



Your **business model** is the product



On Paper



In the Market



In the Bank



Introducing the Business Model Canvas

<p>Problem 2</p> <p>What is the problem you are trying to solve?</p> <p>Existing Alternatives <i>How are the problems solved today? Who are the competitors?</i></p>	<p>Solution/Key Activities 4</p> <p>How do you propose to solve the problem? Think through the full lifecycle...</p>	<p>Unique Value Proposition 3</p> <p>Clear, compelling message that states why you are different and worth paying attention</p> <p>High Level Concept In a single sentence...</p>	<p>Competitive Advantage 9</p> <p>Something that cannot be easily bought or copied</p>	<p>Customer Segment 1</p> <p>List your target customers and users</p> <p><i>Think about characteristics of early adopters...</i></p>
<p>Cost Structure 7</p> <p>What are the most important costs inherent in our business model? Which key resources are most expensive? Which key activities are most expensive</p>		<p>Revenue Streams 6</p> <p>What value are our customers willing to pay for? What do they currently pay for? How much does each revenue stream contribute to overall revenues?</p>		
<p>Key Metrics 8</p> <p>List the key numbers that tell you how your business is doing</p>		<p>Channels 5</p> <p>How do we reach our customers?</p> <ul style="list-style-type: none"> - Awareness - Delivery - After-Sales 		

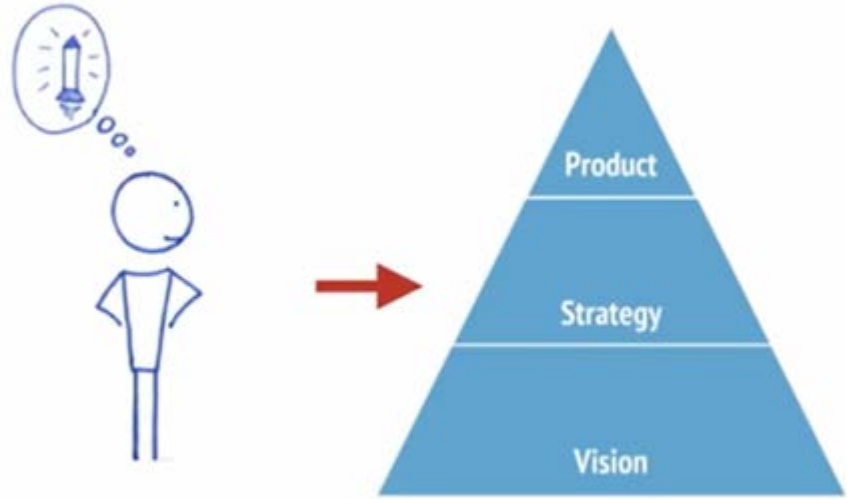
<https://leanstack.com>

<http://www.businessmodelgeneration.com/canvas/bmc>

How does this help?

It creates something short to get started:

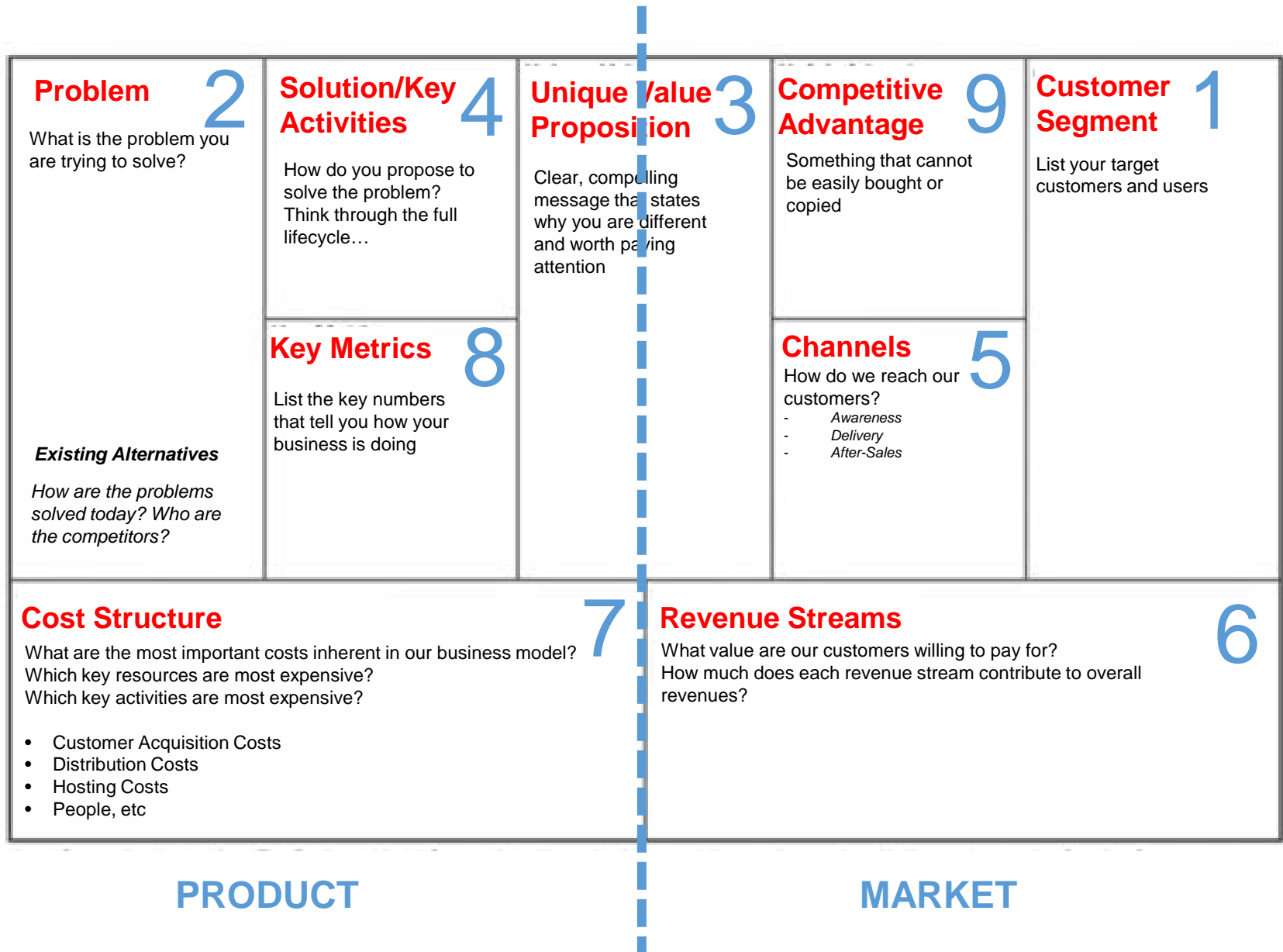
- captures critical assumptions
- without this overall view, temptation is a lot of focus on the solution box
- Allows you to formulate an implementation strategy
- Gets you to think about rough figures



Don't rush up the pyramid!!

From the strategy and rough figures on revenues/costs/assumptions it is then possible to build a fuller spreadsheet model for the RFP

Product-Market Fit



What is business innovation?

Innovation can come from changing any of the areas in the canvas:

- Imagine a brand new product or service
- Come up with a new value proposition based on a new partnership
- Build on your existing activities & resources – including skill-base, patents, infrastructure
- Dramatically alter your cost structure to lower prices
- Leverage your existing relationships and channels to offer customers a new value proposition
- Change your pricing structure
- Find a different part of the customer journey to focus your proposition around
- Look beyond functional jobs and instead create value by fulfilling more important social and emotional job

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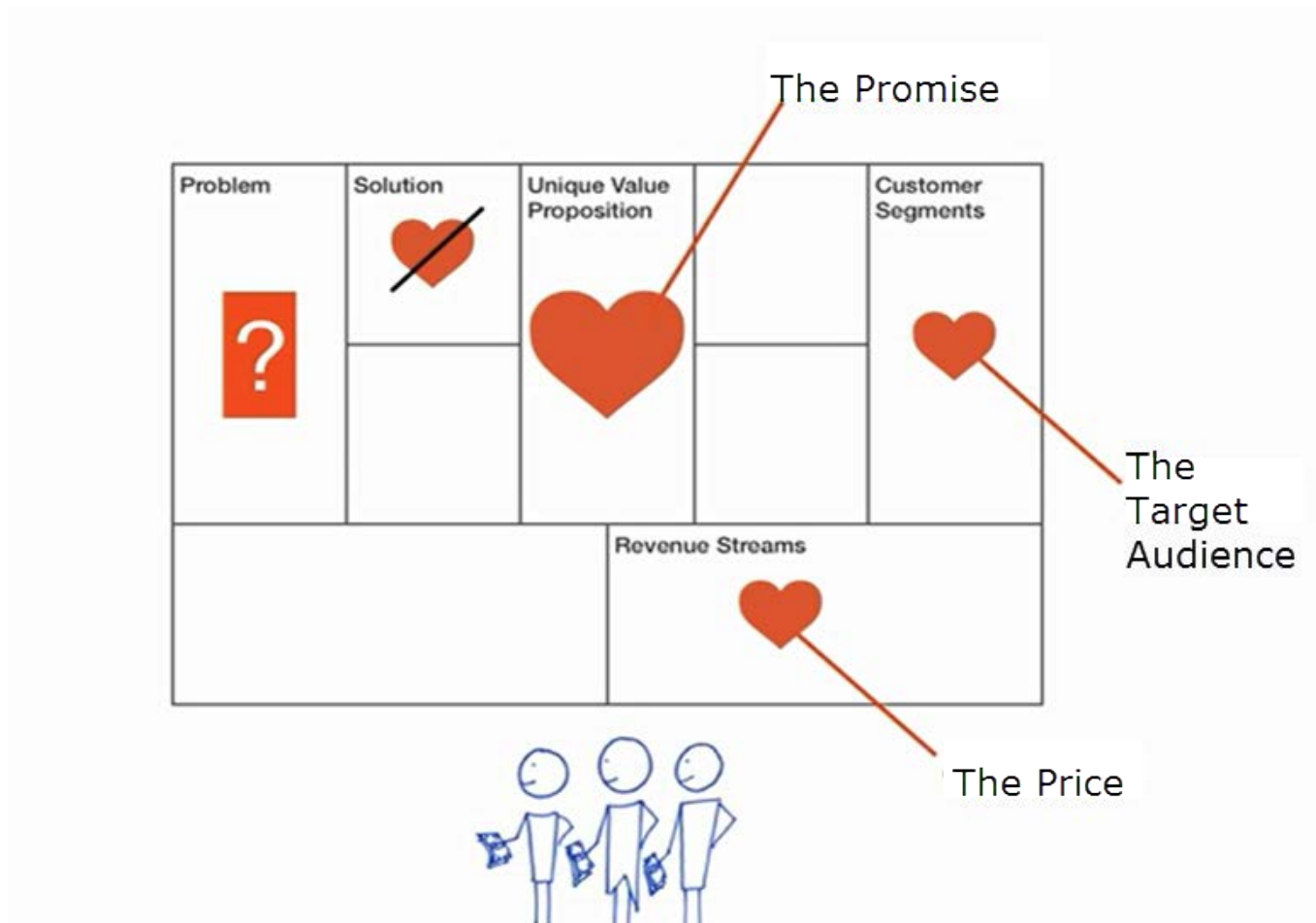
Planning key activities, Designing Metrics



Working through the numbers



Customers are buying your proposition, not your solution



Your value proposition is what grabs their attention

Value Proposition Design

- 1) Write down the service you want to offer the customer
- 2) Next – try to express why that will relieve the customer's pain
- 3) Next – try to express how they will use it
- 4) Prioritise the pain relievers and gain creators – they're not all equal
- 5) Why should they believe it works?
 - de-risk the proposition for the customer
 - Nb: when agents are the customers they'll want to see the business case showing how the agent will make money, in order to believe!

The Agent Business Case forms part of the Value Proposition

The agent return must be competitive with his other stock items for the business to be worthwhile. For example, in a small grocery store trading 24 days per month:

Monthly Sales & Revenue	Airtime	Groceries	Mobile Banking Cash In
days of stock held	4	18	6
No of sales per day	20	32	10
Average value of a transaction \$	1.00	5.00	20.00
Revenue from sales %	5%	10%	2%
Cost of sales per month \$	456	3,456	4,704
Cash tied up in stock \$	76	2,592	1,176
Revenue per month \$	24	384	96
Return on investment per month	32%	15%	8%

It is improbable that the agent in this model would offer DFS

Note that cost of e-money [bank deposits, clearing time, replenishment by customer withdrawal, etc] has not been factored in this model so the net agent return will be rather lower than shown

Case study – Part 1

- You are a bank
- You are introducing the first ever cheque books in the country

Using the business model canvas, let's tackle:

- 1) Problem
- 2) Customer Segment
- 3) Unique Value Proposition
- 4) Solution

And now that we've thought it through....

...is this easier to create?

Our _____
 Products and Services

help(s) _____
 Customer Segment

who want to

 Jobs to be done

by _____ and a customer pain
 verb (e.g., reducing, avoiding)

and _____ and a customer gain
 verb (e.g., increasing, enabling)

(unlike _____)
 competing value proposition

Revenue Streams, Channels & Costs

- A product is not viable until we have revenue
- A product is not viable if the Revenue stream is not designed with the target customer in mind
- A product is not viable if we can't reach our customers
- To reach our customers we will incur cost
- It is important that our customer acquisition cost can be offset by the overall lifetime value of that customer!
- Using the canvas:
 - The canvas helps to get a high level view of key costs and revenue streams, to think through the strategy – tells us if there is a viable business
 - You may have multiple hypotheses – this might be a systematic way to discuss them, and your plan to work out which route to go?
 - Later this will form the starting point for deeper dive financial planning for the RFP response...

Case study – Part 2

- You are a bank
- You are introducing the first ever cheque books in the country

Using the business model canvas, let's tackle:

- 5) Channels
- 6) Revenue Streams
- 7) Cost Structure

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What is Risk?

Risk versus Uncertainty



A state of uncertainty where some of the possibilities involve a loss, catastrophe, or other undesirable outcome.

The lack of complete certainty, that is the existence of more than one possibility.

Creating a successful business is fundamentally about Risk Mitigation. Investors look closely at your attitude to risk mitigation: the risks you perceive you face, and how you plan to tackle them.

Relevant Risks

In your risk assessment, your risks should be:

- Specific to your project
- Credible
- Actionable

Your risk assessment should **not** contain vague & generic risks



Specific Risks

- Logistics issues
- Supplier issues
- Partnerships break down
- Costs are higher than expected
- The technology won't scale
- The business processes won't scale
- In-house skill set



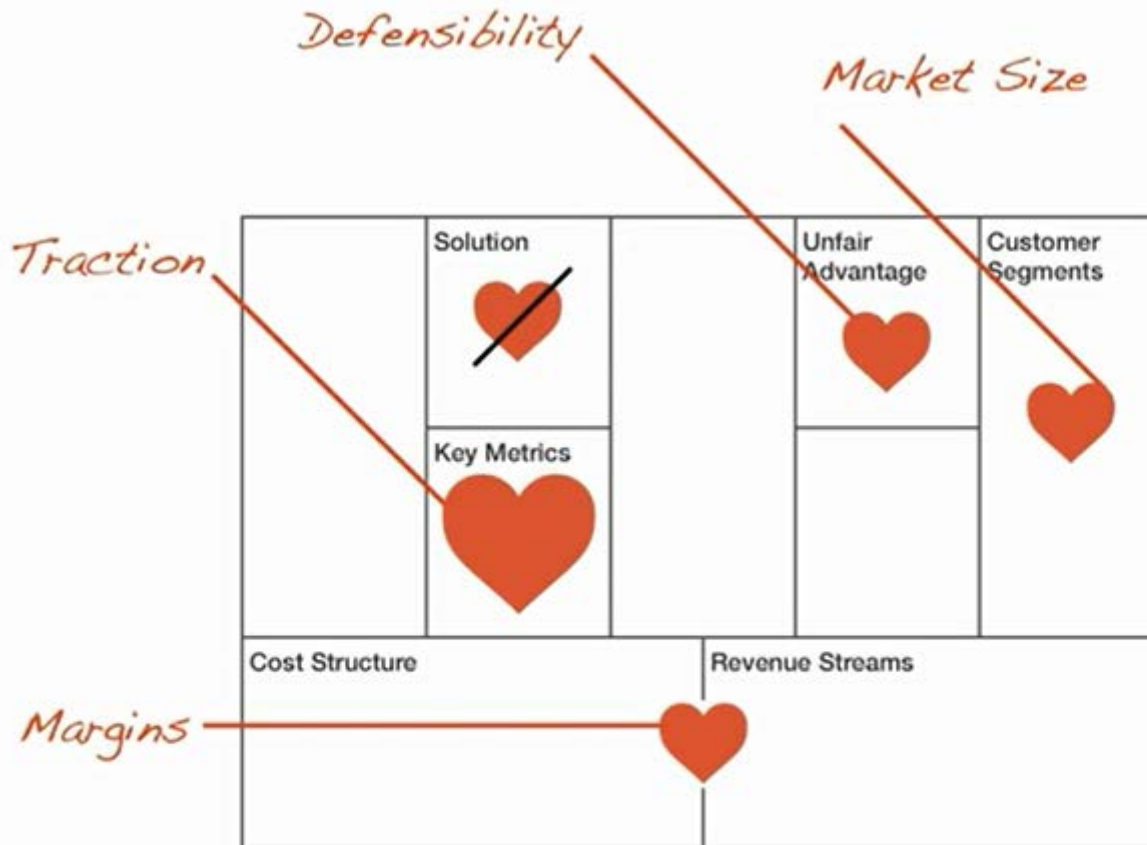
Vague/Generic Risks

- Political Instability
- Regulatory Changes
- Terrorist Attack

=> many of these are instead about Business Continuity Planning?

What are investors looking for?

That you are actively reducing risk in these areas...



Investors care about traction over **everything else**.

- Venture Hacks

Looking more closely at risk

3 types of risk:

1) **Product Risk: Getting the product right**, including resources you need to build it, and pricing it correctly

2) **Customer Risk: building a scalable path to customers**

3) **Market Risk: Building a viable Business**

- Existing Alternatives – your true competition today
- Margins for viability of your model
- Metrics, for measuring traction
- Competitive advantage story, to defend your business in the future

Prioritising Risks –

Step 1: understanding the 3 stages of developing a new proposition



Do I have a problem worth solving?



Have I built something people want?



How do I accelerate growth?

Different risks become important to mitigate at different points in the development

Need to identify what's riskiest for right now and work to mitigate that as soon as possible...

Stage 1 Risk Areas – do I have a problem worth solving?

Problem	Solution	Unique Value Proposition	Unfair Advantage	Customer Segments
1 Product Risk	Key Metrics		Channels	2 Customer Risk
Existing Alternatives				Early Adopters
3 Market Risk				2 Customer Risk
Cost Structure		Revenue Streams		

- 1) **Product Risk**
Getting the product right
- 2) **Customer Risk**
Building a scalable path to customers
- 3) **Market Risk**
Building a viable Business

You need to demonstrate in the RFP that you have worked on this prior to applying, and have a very clear & precise understanding.

This is why detailed questions are asked about the customers you plan to target & the problem you want to solve for that target customer.

Stage 2 Risk Areas – have I built something that people want?



- 1) **Product Risk**
Getting the product right
- 2) **Customer Risk**
Building a scalable path to customers
- 3) **Market Risk**
Building a viable Business

You need to demonstrate in the RFP that you have started to work on this, and ideally have some mitigation in place by having tested your assumptions.

This is why the RFP asks detailed questions about your Customer Value Proposition, your Agent Value proposition, what you propose to charge, and how you plan to reach your target customers.

You also need to look to provide evidence that you have tested your model: your existing results, and/or evidence of the problem being solved in similar markets elsewhere.

Stage 3 Risk Areas – how do I scale?

Problem	Solution 1 Product Risk	Unique Value Proposition	Unfair Advantage 3 Market Risk	Customer Segments
Existing Alternatives	Key Metrics 3 Market Risk		Channels 2 Customer Risk	Early Adopters
Cost Structure		Revenue Streams 3 Market Risk		

1) Product Risk

Getting the product right

2) Customer Risk

Building a scalable path to customers

3) Market Risk

Building a viable Business

You have proven your solution at small scale. The risks you are dealing with now are:

- 1) How can I optimise my margins?
- 2) How can I scale out my channels to reach more customers?
- 3) How am I going to ensure I have a viable business in 2 years time? (mitigating risk from competition by establishing competitive advantage)

Evidence of Risk Understanding in the RFP

- 1) You need to know if you're in stage 2 or 3
- 2) You need to provide evidence of your risk assessment & risk mitigation strategy for your current situation and how/when you plan to get to stage 3 over the course of the grant period if you are currently in stage 2
 - Can be done using the process described
 - Discuss milestones and critical success factors, key activities – these are effectively demonstrating the project is moving forwards and the risk is reducing.
- 3) Workplan – structured to show key activities during each quarter.
 - Some of these activities should be around prioritised risk mitigation.

Exercise – Part 3

- You are a bank
- You are introducing the first ever cheque books in the country

Lets look at the:

- Risk Matrix
- Milestones for Risk Mitigation

What about risks you don't know you don't know?

- Talk to advisors about your project
- You need to give them **good context**
- Ask what they think

- Listen to their initial reactions as a 3rd party:
 - Don't jump to defend, this is not a reflection on you!
 - This demonstrates an external 3rd party's perception of your business and how they prioritise your risk
 - Triage what they're saying in the same brainstorming exercise above

- It's still your job to own the risk!
 - Decide for yourself what to do.

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Completing the EFINA Cost Template

- The EFINA template has 4 sections:
 - **Workplan** – *outlines the plan to complete a QUALITY project within a given amount of TIME and in compliance with a set BUDGET*
 - **Milestones** - *a significant stage or event in the development of something*
 - **Project Budget** – *estimate of income & expenditure for a set period of time [the grant duration]*
 - **Projected P&L** – *financial statement that summarises the REVENUES, COSTS & EXPENSES incurred during a specific period [the five year plan]*

Developing Workplan & Milestones

Suggested template completion process:

1. Decide upon your milestones and when you want to reach them
2. Develop a workplan that details how you can REALISTICALLY achieve each milestone
3. Review your milestones based upon the workplan
 - Test your thinking, find the missing elements
 - Are you considering/ mitigating risks
 - Add some items and change some dates if you need to
4. No plan is perfect and plans change over time, but **you have to start with a plan**

**You must have a business owner of that plan
checking on progress and adjusting the plan as necessary
This person must be responsible and accountable**

Example DFS Business Case: Milestones

Project Name: NIGERIA'S FIRST EVER CHEQUE BOOK

No	Milestone	Delivery Date	Q1			Q2			Q3			Q4			Q5			Q6			Q7			Q8		
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
1	Confirm partners participation & resource	01/02/15	█																							
2	Confirm supply of books to bank branches								█	█																
3	Branding confirmed						█																			
4	Marketing activity agreed							█																		
5	Bank staff trained								█																	
6	Fraud & Risk signed off											█														
7	Regulator advised / all ok												█													
8	Cheque books printed/ await personalisation													█												
9	Testing all business processes complete														█											
10	Media booked																									
11	LAUNCH																									
12	Marketing campaigns																									
13	Secondary source of cheque books confirmed																									
14	Secondary distribution channel confirmed																									
15	Business processes updated																									

The milestones are NOT the KPIs
they are the actions that will deliver the KPIs

Example DFS Business Case: Workplan

Activity #	Activity	Task	Q1			Q2			Q3			Q4		
			1	2	3	4	5	6	7	8	9	10	11	12
Activity 1	Confirm supply of books to bank branches													
Activity 1 - Task 1		shortlist potential cheque book printers & evaluate	█	█										
Activity 1 - Task 2		select preferred cheque book supplier			█									
Activity 1 - Task 3		negotiate cost and service level			█	█	█	█						
Activity 1 - Task 4		shortlist distribution logistics provider & evaluate			█	█								
Activity 1 - Task 5		select preferred cheque book supplier					█							
Activity 1 - Task 6		negotiate cost and service level					█	█	█	█				
Activity 1 - Task 7		sign contracts with both parties								█				
<i>(Insert additional rows)</i>														
Activity 2	Business processes available													
Activity 2 - Task 1		Confirm team structure	█	█	█									
Activity 2 - Task 2		Assign Business Analyst to BPs			█									
Activity 2 - Task 3		Draft BPs			█	█	█	█						
Activity 2 - Task 4		Socialise BPs with those effected & update							█	█				
Activity 2 - Task 5		Full set of BPs available								█				
Activity 2 - Task 6		Test BPs									█	█		
Activity 2 - Task 7		Revise and retest as needed											█	
Activity 2 - Task 8		BPs signed off by all departments												█

The workplan shows how you will reach your milestones

Metrics – what you need to know about your performance

Design your own metrics

- **Personalised** to your project, and its timescales over the course of the project, that demonstrate:
 - Traction
 - Product-Market fit – gives value to the chosen customer segment
 - Viability
- Your decisions regarding your target metrics should be evident as actions in your workplan to hit those goals
- Define each term unambiguously, as to how your metrics will be calculated – **UPFRONT!**
- Expect to refine these alongside EFINA as part of the DD process
- You **MUST** be able to measure your metrics with system data rather via survey – be explicit about what & how you will measure. For example:

How do you know how many women are using your service? How do you know how many of your agents are women? How do you know whether your agents are rural?

Exercise – Part 4

- You are a bank
- You are introducing the first ever cheque books in the country

Using the business model canvas, let's tackle:

8) Key metrics

9) Competitive advantage

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Developing the Budget and P&L

Suggested template completion process:

1. Start by creating the project Business Case to get a “bottom up” indication of revenue potential
 - provides the income numbers for your project budget and your projected P&L
2. Based upon your workplan, get costings for each item and activity to be undertaken
 - Provides the expenditure numbers for budget/ P&L
3. Create a project budget showing income & expenditure
 - May not break even during the grant duration
4. Create a P&L by extending the assumptions about income & costs

**All assumptions and costs need to be reviewed regularly
These are WORKING DOCUMENTS**

Agent Business Case Assumptions

LIST YOUR ASSUMPTIONS

CREATE YOUR BUSINESS CASE

SENSITIVITY TEST ASSUMPTIONS

ADJUST YOUR BUSINESS CASE

Monthly Sales & Revenue	Airtime	Groceries	Mobile Banking Cash In
days of stock held	4	18	6
No of sales per day	20	32	10
Average value of a transaction \$	1.00	5.00	20.00
Revenue from sales %	5%	10%	2%
Cost of sales per month \$	456	3,456	4,704
Cash tied up in stock \$	76	2,592	1,176
Revenue per month \$	24	384	96
Return on investment per month	32%	15%	8%

* 24 day month

Mobile Banking Cash In	Base Case	Reduce amount of stock holding	Increase revenue per transaction	More transactions per day
days of stock held	6	3	6	6
No of sales per day	10	10	10	20
Average value of a transaction \$	20.00	20.00	20.00	20.00
Revenue from sales %	2%	2%	3%	2%
Cost of sales per month \$	4,704	4,704	4,656	9,408
Cash tied up in stock \$	1,176	588	1,164	2,352
Revenue per month \$	96	96	144	192
Return on investment per month	8%	16%	12%	8%

Example DFS Business Case: Assumptions

VOLUME	YEAR 1	YEAR 2	YEAR 3
CUSTOMERS			
ADDRESSABLE SUBS	44,750,000	47,750,000	50,750,000
TARGET CUSTOMERS	1,800,000	5,000,000	9,000,000
% of all subs	4.0%	10.5%	17.7%
- % ACTIVE CUSTOMERS	75%	75%	75%
- TOTAL ACTIVE	1,350,000	3,750,000	6,750,000
AGENTS			
TARGET AGENTS	4,500	12,000	20,000
- new agents/month	375	625	667
- customers/agent	402	417	450
TRANSACTION PER CUSTOMER			
- deposit	1.15	1.55	1.93
- send to reg	0.21	0.59	1.01
- send to unreg	0.94	0.96	0.91
- % withdraw by ATM	10%	10%	10%
- reg Agent withdrawal	0.19	0.53	0.91
- reg ATM withdrawal	0.02	0.06	0.10
- unreg Agent withdrawal	0.94	0.96	0.91
- airtime top up	0.48	1.08	1.68
- pay bill	0.04	0.18	0.28
- buy goods	0.02	0.15	0.25
Total transactions/customer	3.99	6.05	7.98

AVERAGE TRANSACTION CHARGE	
- deposit	0
- send to reg	50
- send to unreg	150
- reg Agent withdrawal	50
- reg ATM withdrawal	100
- unreg Agent withdrawal	0
- airtime top up	8.0%
- pay bill	50
- buy goods	50

AVERAGE TRANSACTION VALUE	
- deposit	4,169
- send to reg	2,750
- send to unreg	2,750
- reg Agent withdrawal	2,700
- reg ATM withdrawal	2,700
- unreg Agent withdrawal	2,750
- airtime top up	250
- pay bill	4,583
- buy goods	2,083

Sample DFS Business Case: Transaction Revenue & Direct Costs

GROSS TRANSACTION REVENUE	YEAR 1	YEAR 2	YEAR 3
- deposit	-	-	-
- send to reg	43,653,090	882,143,158	3,139,995,702
- send to unreg	423,410,120	4,061,087,430	8,368,156,728
- reg Agent withdrawal	145,547,592	1,413,640,012	3,060,351,062
- reg ATM withdrawal	8,730,618	176,428,632	627,999,140
- unreg Agent withdrawal	-	-	-
- airtime top up	38,987,589	636,285,486	2,085,923,609
- pay bill	12,546,790	256,302,095	852,740,160
- buy goods	6,074,182	225,479,527	781,847,239
TOTAL TRANSACTION REVENUE	678,949,981	7,651,366,339	18,917,013,640

AGENT TARIFF

- deposit	1.0%
- reg Agent withdrawal	0.7%
- reg ATM withdrawal	1.0%
- unreg Agent withdrawal	0.7%
- airtime top up	2.0%

TOTAL AGENT COMMISSION	YEAR 1	YEAR 2	YEAR 3
- deposit	130,945,892	1,931,019,658	5,976,240,907
- reg Agent withdrawal	14,850,781	300,105,102	1,068,226,538
- reg ATM withdrawal	2,357,267	47,635,731	169,559,768
- unreg Agent withdrawal	54,337,632	521,172,887	1,073,913,447
- airtime top up	9,746,897	159,071,371	521,480,902
TOTAL AGENT COMMISSION	212,238,470	2,959,004,749	8,809,421,562

Example DFS Project Budget

Expense Heading	Detail	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Total
Please enter text to the blue cells only		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	Expenses
EfInA Grant Expense	Hardware X	100,000								\$100,000
	Hardware Y					75,000				\$75,000
	Software Licenses		35,000					35,000		\$70,000
	Technical support		25,000	10,000	10,000	10,000	10,000			\$65,000
	Training materials				20,000					\$20,000
Sub-Total		\$100,000	\$60,000	\$10,000	\$30,000	\$85,000	\$10,000	\$35,000	\$0	\$330,000
Marketing & Advertising Expenses	Marketing materials				50,000					\$50,000
	Media					45,000		30,000		\$75,000
	Local champion salary				25,000	25,000	25,000	25,000	25,000	\$125,000
	Loyalty bonuses						5,000	10,000	15,000	\$30,000
Sub-Total		\$0	\$0	\$0	\$75,000	\$70,000	\$30,000	\$65,000	\$40,000	\$280,000

The budget shows HOW you plan to spend to meet your milestones

- Broken down by activity
- Broken down by EfInA grant vs other funding

Example DFS Projected P&L

	Year 1	Year 2	Year 3	Year 4	Year 5
Please enter text to the blue cells only					
Income * do not include MMU Fund grant as income					
Transaction revenue	500,000	800,000	1,320,000	2,178,000	3,593,700
Registration fees	50,000	80,000	132,000	217,800	359,370
F Sub-total Income	550,000	880,000	1,452,000	2,395,800	3,953,070
Cost of Sales					
Agent commission	220,000	352,000	580,800	958,320	1,581,228
agent onboarding	20,000	5,000	5,000	5,000	5,000
agent maintenance	22,000	35,200	58,080	95,832	158,123
customer care	40,000	64,000	105,600	174,240	287,496
(Insert additional rows above as necessary)					
G Sub-total Cost of Sales	302,000	456,200	749,480	1,233,392	2,031,847
H Gross Profit (F-G)	248,000	423,800	702,520	1,162,408	1,921,223
Expenses					
Marketing & Advertising Expenses	75,000	105,000	250,000	125,000	100,000
Administration Expenses	150,000	200,000	225,000	250,000	300,000
Other Operational Expenses (Including IT Equipment and maintenance costs)	200,000	135,000	150,000	175,000	200,000
Capital Expenses	100,000	35,000	35,000	35,000	35,000
Other Overheads 2	20,000	30,000	35,000	40,000	45,000
(Insert additional rows above as necessary)					
I Sub-total Overhead Expenses	545,000	505,000	695,000	625,000	680,000
J Profit Before Tax (H-I)	-297,000	-81,200	7,520	537,408	1,241,223

The P&L shows what you cash flow will look like

- During the grant period
- In the longer term

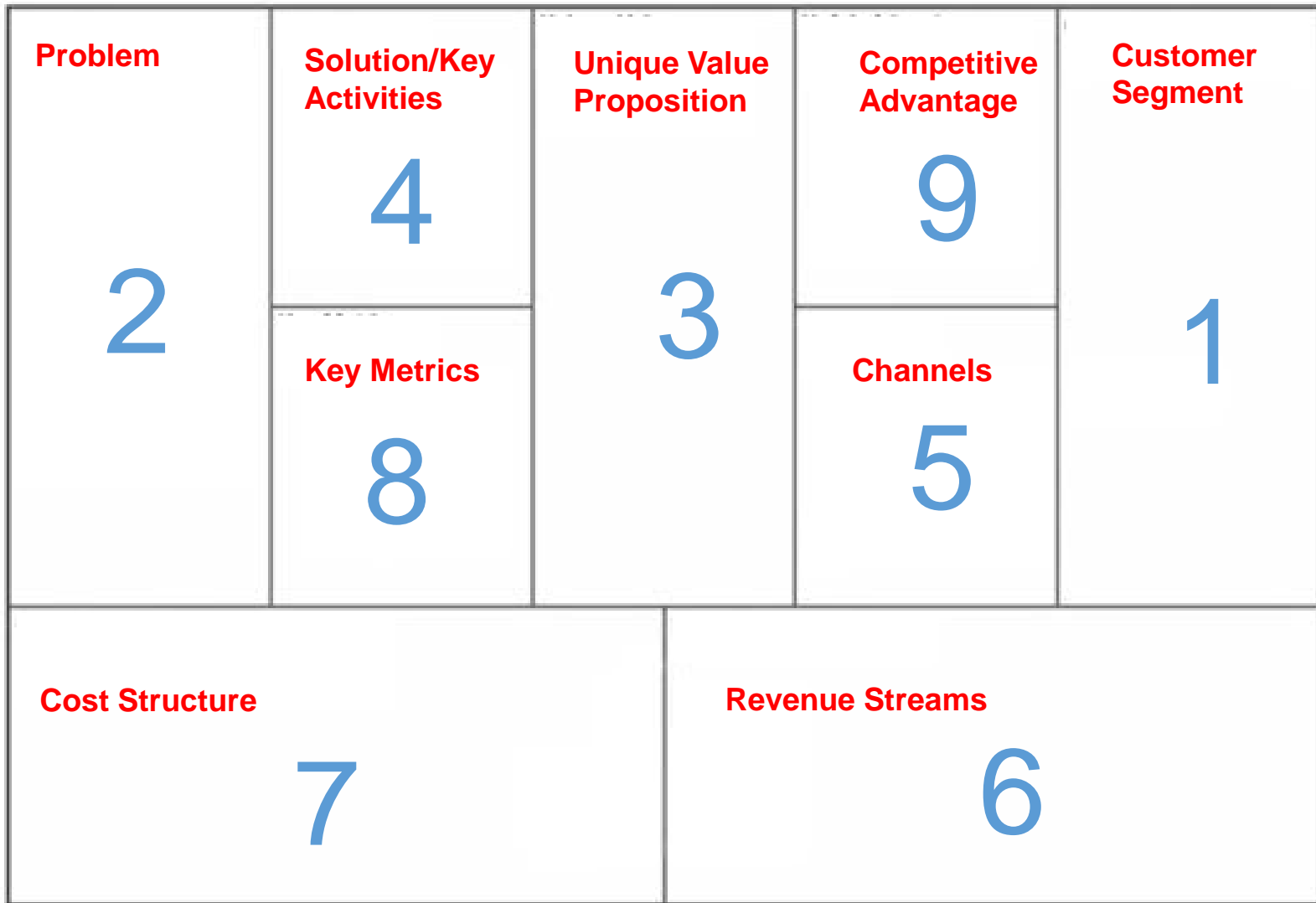
Constructing your RFP

- You need a coherent and consistent picture
- Based on the best available information you have to demonstrate it is a serious business initiative.
 - So if you've designed an incentive, expect to see evidence of it in the cost structure
 - If you've designed agent reward scheme, expect to see it in the cost structure
- The plans may change as the project develops, and the quarterly reviews are to keep track of changes and check that the project is still on track
- The goal is to demonstrate:
 - you have a VIABLE, scalable business at the end of the grant award,
 - and/or a business that has made sufficient progress that no further grant assistance is needed - the business is able to approach VC or other Investors for further funding.
- **Once you understand the overall business case revenues & costs, there be an exercise to determine what grant funds will be allocated towards**

Any Questions?

Appendix – tools to help business model creation

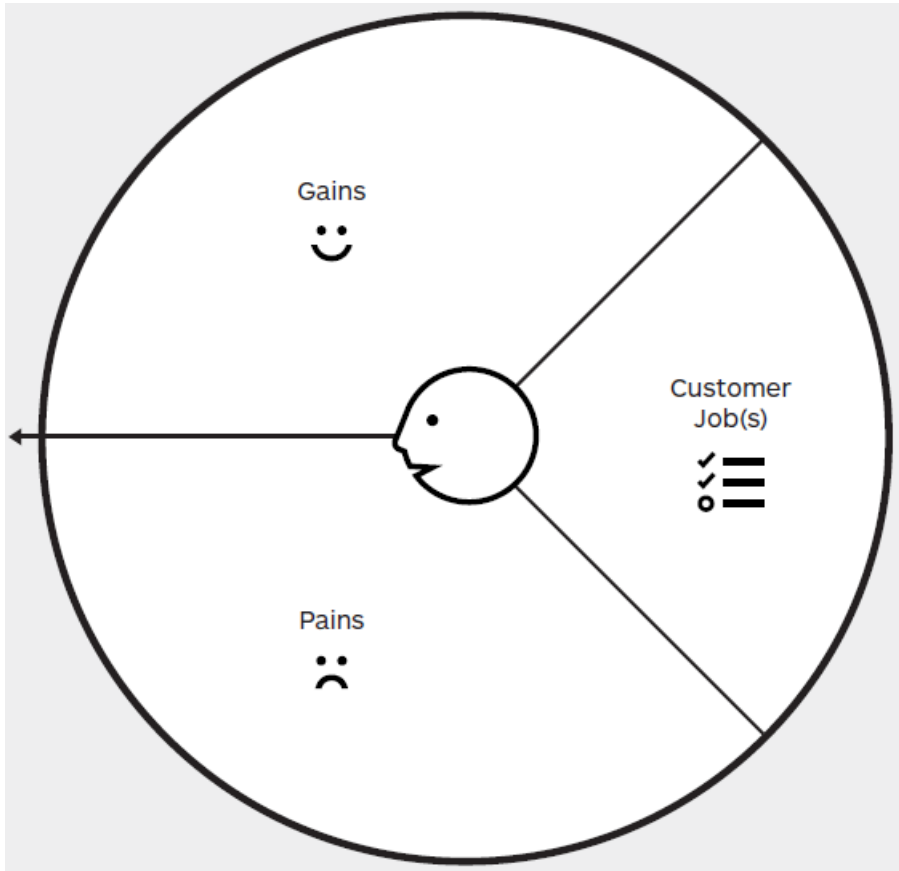
The Business Model Canvas



<https://leanstack.com>

<http://www.businessmodelgeneration.com/canvas/bmc>

Profiling your customer



Write down what jobs your customer needs to get done

Next try to define why those jobs are hard to do, or not getting done

- These are PAINS

Next try to define why those jobs will benefit the customer

- These are GAINS

Prioritise the pain and gains
– they're not all equal

To help identify – “Day in the life”

- Walk through a day in the life of your customer before your service is available
- Visualise how that will change...

Problem Statement Definition – 5 Whys test

Ask yourself “why is this a problem” 5 times, to really try to understand the customer’s root pains & motivation to try your proposition

Sharing photos and videos is hard

1. WHY is this a problem

It’s time-consuming.

2. WHY is this a problem

There are lots of baby pictures.

3. WHY is this a problem

Organizing and uploading takes time.

4. WHY is this a problem

Parents have no free time.

5. WHY is this a problem

There is lots of external demand from family.

Brainstorming exercise to triage risks

- Write your top 10 risks on a post-it note
- First: triage the risks by **when** they will matter in your development stages:
 - When will the risk have the greatest impact?
 - stick them on the round bubble
- Next you place each risk in the quadrant on the right hand side:
 - First based on HOW LIKELY the risk will come true
 - Second based on the impact of the risk coming true
- Jot down your 1-line mitigation plan on the board too – how you might solve or address that risk

