celebrating incubation in africa 2011
Business incubation is a unique and highly flexible combination of business and development processes, infrastructure and people, designed to nurture and grow new and existing small businesses by supporting them through the early stages of development and change.

Adapted from United Kingdom Business Incubation Association (UKBI)
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Today, the Network includes over 300 business incubators in over 85 developing countries, and is still growing. It reaches more than 15,500 small and medium-sized technology and technology-enabled enterprises and it has helped create over 220,000 jobs. Every day, more than 5,000 people from all over the world log on to iDISC, infoDev’s online support center for incubators and technology entrepreneurs (www.idisc.net), seeking assistance, linkages, advice and tools.

In Sub-Saharan Africa, infoDev’s African Incubation Network (AIN) is growing from strength to strength. It now comprises over 40 incubators in over 20 countries. More than a thousand enterprises currently receive assistance. More than 200 companies have graduated, creating 5,000 jobs. We are particularly grateful to the South Africa Enterprise Development Agency, which hosts the AIN Secretariat, for the valuable guidance and leadership it has shown to the AIN.

Our mission is all about creating sustainable companies, growing jobs, fostering sustainable and inclusive development, taking ideas to market and bettering lives. These success stories show us that incubation works, and that Africa has countless thriving entrepreneurs.

infoDev will redouble efforts to help innovators and entrepreneurs in Africa unleash their natural ingenuity, form sustainable enterprises, find the appropriate capital for their endeavors and effectively enter markets. We will create better and better programs for incubators and entrepreneurs. We will use our global network of incubators to track success stories and highlight gaps. We will widen the dialogue on sustainable technology enterprise development, so that the public, private, academic, scientific, R&D and financial sectors work together to populate an effective innovation eco-system in Africa.

infoDev measures its entrepreneurship success not just in knowledge products and projects completed, but in how many jobs we help create. This is a simple but tough indicator that keeps us focused on our mission to help create the innovative and sustainable companies that improve lives.
We all know that Africa faces many challenges, some of which are often viewed as close to insurmountable, giving rise to the Afro-pessimism still prevalent in many minds. In this context, current opinions about the potential role of small enterprises differ widely.

Many observers of the African development scene feel that due to the steady increase in education and urbanization, a significant increase in the quantity and performance of SMEs could be one of the most important channels for grassroots economic development.

However, the development potential of the SME sector is hampered by a wide range of practical obstacles and shortcomings in the business environment. Since we are all aware of these problems, which are the same across the continent, it would be easy to think the massive SME sector across Africa as a busy but essentially stagnant segment of the economy, and not a catalyst for faster growth and economic transformation. But high quality, innovative SMEs have the potential to make the difference we all dream of.

Through incubation, we continue to revitalize the SME sector and make tangible contributions to African growth and wealth. Even though incubation in this continent is still in its infant stage (formalized in South Africa by the establishment of Godisa (STP) in 2004, and infoDev and the African Incubator Network by The World Bank), you can see its results on every page of this book.

I commend the incubation experts, development practitioners, academics, and individuals in the private and public sectors who have worked tirelessly to achieve such success in Africa in just a few short years. Let us celebrate Africa’s business incubation accomplishments to date, and look ahead to its future successes.

Foreword
Michael Reddy
Chairperson: AIN | Secretariat: SABTIA | CEO: Furntech

Many observers of the African development scene feel that due to the steady increase in education and urbanization, a significant increase in the quantity and performance of SMEs could be one of the most important channels for grassroots economic development.
www.idisc.net, is home to more 300 incubators representing over 85 developing countries and emerging markets.

infoDev’s free, online incubator support center, www.idisc.net, is home to more 300 incubators representing over 85 developing countries and emerging markets. iDisc.net represents the regional networks established with infoDev’s support in Africa, Asia & the Pacific, Eastern Europe & Central Asia, Latin America & the Caribbean, and the Middle East & North Africa. This online platform gives incubators the opportunity to learn from a wealth of knowledge and “how-to” tools for successful business incubation and to network with other incubators around the globe.

The online network gathers around core themes in its Global Communities of Practice on Agribusiness, Women-Focused incubation, Youth entrepreneurship and ICT Enterprises. An online Incubator Toolkit provides guidelines on a range of topics, including how to start an incubator, select clients, manage and finance an incubator, monitoring and evaluation, and engaging partners. Network members showcase their incubation statistics and entrepreneur stories through the network directory, articles and monthly newsletters. Members also get the latest information on capacity-building activities and events.

More than 19,000 unique visitors come to iDisc.net every month and more than 2000 subscribe to the newsletter. Make sure your business incubator and entrepreneur stories are heard, and join the free iDisc.net online community today!
Emmanuel has always enjoyed assembling electronic systems, but; “I don’t think I could have started such a business right after university graduation if it had not been for the incubation center”. Started by Emmanuel alone in 2005, Step Technologies now employs 5 full-time staff, 4 part-time staff and 1 student intern.

Step Technologies focuses on providing automated security solutions and security & IT consultancy services to the Ghanaian market. Using the innovative technology Emmanuel developed for his university senior thesis project – remote control of appliances over computer networks – Step Technologies began as an incubatee of the Ghana Multimedia Incubation Center (GMIC) in Accra.

Family Support
The initial financing for Step Technologies was a combination of GMIC and UNDP funding and family support. GMIC and UNDP covered 10% of start-up costs (approx. $600), while the remaining 90% came from loans from Emmanuel’s family. Step Technologies made its first sale in 2006 and broke even in late 2008. Its turnover today is approximately $60,000.

About 80% of Step Technology’s clients come through referrals. The customer approaches the company with its security needs and Step Technologies develops a customized security system solution using a unique combination of various component systems available on the market. Many of these components are imported from China, Australia, or the U.S. In 2011, Emmanuel plans to launch a nationwide advertising campaign to further broaden the company’s customer base.
Innovation in tying different systems together

System integration and customization are what makes Step Technologies innovative: its team of engineers designs each security system to suit the specific needs of each client, migrating existing wired systems onto a wireless platform and integrating different security systems for centralized monitoring and control. Competitors tend to provide single components of a security system without integrating the systems into a comprehensive whole, as Step Technologies does. Tailor-made, “hands-on” systems differentiate Step Technologies from competitors in the market.

Ghana Multimedia Incubation Center

Being part of the Ghana Multimedia Incubation Center has been an unmatchable opportunity for Step Technologies, especially in the early days when it was critical to start building the company’s reputation. Access to infrastructure in a central location is key to successfully starting up a business, and links to GMIC partners, such as UNDP, have helped in business referrals. Step Technologies also benefitted from GMIC’s market surveys and research. These gave the company the information it needs to better understand the Ghanaian market and to effectively position Step Technologies’ products. The future for this innovative technology company is very bright.
Having a support framework in the IT graduate-focused Mekelle incubator was an inspiration for the founders of Yaybe ICT Solutions. Yaybe was founded in 2008 by two entrepreneurs with BSc degrees in software engineering, Samson Tesfaye and Hawaz Tekle. The company specializes in systems design and website development, and also works on network infrastructure design and implementation, providing ICT business consultancy services and training.

Yaybe’s products are available in all local languages and are affordably priced.

How the Mekelle Incubator Helps ICT Start-Ups

At the Mekelle business incubator, Yaybe ICT Solutions used the provided computers, training, loan facilities, office equipment and administration support to successfully start up their business. Yaybe also took full advantage of the incubator’s relationships with public sector organizations and private sector companies to help build a client base.

Samson Tesfaye of Yaybe says the biggest set-up costs were trademark registration and preparing promotional materials, as well as related operational costs. According to the founders, the most important tool for getting Yaybe up and running was access to a stable Internet connection. The local FM radio and Ethiopian Television also helped Yaybe advertise its products to the market.

It took Yaybe ICT Solutions one year to become financially self-sustainable, and in the past year sales have grown by 20%. They have also recruited one technical expert. Yaybe continues to measure its success through its financial status, technical knowledge, the commercialization of that knowledge, team spirit and good will.
Yaybe Opens Up a Nascent Market

Yaybe ICT Solutions plans to apply for a patent for the products already in use, and to remain financially strong in countering obstacles in the patenting process. Challenges for ICT start-ups in the Ethiopian market remain in the lack of infrastructure to commercialize technological inventions and the lack of awareness on the usefulness of ICTs. Local ICT companies like Yaybe spend a lot of time educating potential customers and creating their own market.

To help overcome these challenges, Yaybe introduces their products by giving away free copies and demonstrating the usefulness of their product. The Mekelle Business Incubation Center also runs a local radio program that shows how ICTs are tools for innovation and economic growth. Once a strong footing in the Ethiopian market has been gained, Yaybe will explore opportunities in other African markets.

Mekelle Information Communication Technology Business Incubation Centre (MICT-BIC) was established in January 2008 by Ethiopia Information Communication Technology Development Agency in collaboration with Information Communication Technology Assisted Development (ICTAD), the World Bank and the Regional Bureau of Industry, Trade and Transport and Regional Bureau of Capacity Building.
Washera Multi Media Promotion | Ethiopia
Bahir Dar ICT Business Incubation Centre
Kidus Yohannes | Project and Marketing Manager

Washera produces advertisements and ‘edutainment’ on radio and television such as serials, dramas, documentaries for nonprofit and government clients.

Washera Multi Media Promotion is a promotions company in Bahir Dar, Ethiopia, producing up to the minute promotions for the local market. Washera produces advertisements and ‘edutainment’ on radio and television such as serials, dramas, documentaries for nonprofit and government clients. They also re-sell airtime for advertising and programming, disseminate radio content, and design and produce printed and screen-based outdoor advertising.

Washera’s customers are government agencies, NGOs and companies that sponsor television and radio programs to carry advertising. The government and NGOs often have a public health message, such as HIV prevention. Company clients include hotels and a private hospital.

Washera’s four founding partners pooled their personal savings in 2009 to start the company. They broke even at three months when they won a big outdoor advertising contract. Washera now employs 12 people, including the Managing Director, Rekik Dagne, an ICT coordinator, print editor, film editor, camera assistant, radio editor and reporter, and support staff.

Innovation in Promotions
Kidus Yohannes of Washera explains the company’s rapid success’ “We bring the best promotions ideas to Bahir Dar from the capital city and beyond. We ourselves come up with the best new ideas all the time. Our competitors try to copy us, but we’re more professional and have our own production talent in-house. We’re always doing new things, so the competition can never catch up with us.”

An example of Washera’s innovative approach is its first big contract. The city government wanted to do ‘light box’ outdoor advertisements, but their
displays were hard to see and maintain. Washera proposed light boxes built onto electricity and telegraph poles that were easier to see and manage. Today, there are more light boxes than ever before and Washera co-sells advertising space for the city.

**How the incubator helped**
The Washera team credits a lot of their success to the Bahir Dar ICT Business Incubation Centre. The company pays an affordable rent for its furnished offices with good facilities like broadband Internet access 24/7. They also use the incubator’s meeting rooms to organize their own paid symposiums and events. Crucially, the incubator staff has introduced Washera to potential clients that led to plenty of business.

**Challenges and the Way Forward**
A big challenge for the company is to manage its growth. They are currently ‘boot-strapping’ the company’s growth because banks aren’t interested in lending to a small media company. It means losing opportunities as they need to buy more audiovisual equipment to do all the work they are offered. The company needs to save and plan for leaving the incubator when its two-year contract finishes. Equipment and payroll investment must take their turn.

Kidus is not at all discouraged by the challenge of access to finance. He is very optimistic for the prospects of entrepreneurs in Ethiopia, and offers them his advice:

“Keep listening and looking out for ideas all the time. I get my ideas from everywhere, from MTV, from Kenyan TV and magazines, from all over. In a country like Ethiopia, you can be the first person to use a new idea.”
Mebtu Abebe and Adnew Abebe (no relation) met at Hawassa University in southern Ethiopia when Mebtu was teaching Physics and Computer Science and Adnew was a student. They heard the radio advertising for the SNNPRS ICT incubator, and decided to apply with the software they’d been developing for 6 months previously. Luwa Microsystems Solutions joined the incubator in January 2010 and made its first sale in April 2010. Luwa currently employs its two founders, and offers ICT solutions for data-intensive tasks including the storage, maintenance, analysis, reporting, and manipulation of data.

**Network maintenance jobs fund software development**

Like many other software developers in Ethiopia, Luwa supports its software development work with day to day jobs in network administration and web development. Breaking even within the first six months, Luwa has to balance short-term jobs with longer term software development and cultivating potential clients. To show potential buyers the value of software, Luwa offered its records management software free to a local vocational college. Luwa hopes to sell the product on to 18 other technical colleges in the region.

Luwa’s product is customer management software for mostly public sector organizations. They have created custom solutions for technical and vocational training colleges to manage student records, and for hospitals, clinics and pharmacies to manage patient records. They also sell their software to supermarkets to manage their inventory.

**Bespoke software applications for the Ethiopian market**

Luwa’s software is is easy to use and it doesn’t
require much training, making it more attractive for potential customers weighing up whether to employ an extra administrator or deploy more efficient software tools. Competitors’ products have scope limitations and make users switch back and forward between applications, whereas Luwa’s software is a one stop shop for records management. Responding to the Ethiopian market’s needs, the software is hardened with version control for multiple users, a key feature in a country where network or power outages are frequent. Most of Luwa’s competition is firms from Addis Ababa, and Mebtu and Adnew believe their face to face and customized service wins and retains loyal customers.

**Winning customers by showing them it works**

The biggest challenge is convincing customers they need the product. Labor is cheap in Ethiopia, and many prefer to simply hire more secretaries to do administrative work, or make more elaborate spreadsheets, instead of buying dedicated software. Efficiency is less of a concern, even in the private sector. Luwa puts a lot of effort into educating potential customers and still offer trial software for free to prove its value.

While the incubator is new, and doesn’t yet have an established reputation, a full time business developer works consistently to attract potential customers for the incubated companies. Mebtu and Adnew single out the practical entrepreneurship training they’ve received as helping them to hone their business model and marketing skills.

**Entrepreneurship as the way to personal and financial freedom**

Luwa’s founders see entrepreneurship as the route to personal fulfillment and financial freedom, saying; “We started our own company to get freedom, to work when we want to and be able to focus on the work we really desire to do. Our families are proud of what we are doing. We have a good product that’s better than anyone else’s and we are really proud of it and think people will be happy that they bought it.”
Gbonju Awojuyigbe started Wandy Foods in 2001, with less than $35 of her own savings. Before, Gbonju was a lawyer and banker, but coming from a farming community in Ekiti State, she was not fulfilled by corporate life. Seeing the plight of the farming community around her hometown, where raw and perishable products would often rot without being sold, Gbonju was inspired to process the products, move them up the value chain, and bring them to wider markets.

Expanding Product Line and Commitment to Service
Wandy Food’s first products were ground rice and yam flour. Today, Gbonju has expanded her product line to cookies and drinks. At first, Wandy Food sold directly to individuals, but it now supplies supermarkets as well. Wandy Foods stands out above its competition because of its excellent customer service and personal home delivery. Gbonju builds loyalty to the products by hosting seminars on using the products and always says, “Once you become a customer, nobody can steal you from me.”

Benefits of Incubation
Prompted by NAFDAC, the National Regulatory and Certification Board, who told Gbonju that she would need larger facilities for proper food certification, Wandy Foods became an incubatee at the Technology Incubation Center in Lagos in 2004. The incubator provided not only the food production facility, but also allowed Gbonju to “rub minds with other entrepreneurs”, to share the solutions to challenges faced by small, fledgling businesses and to motivate each other.

Since joining TIC Lagos, Wandy Foods has grown to a company employing 7 people, with a monthly turnover of approx. $7000–9000.

At first, Wandy Food sold directly to individuals, but it now supplies supermarkets as well.
Expansion and Exports
Since joining TIC Lagos, Wandy Foods has grown to a company employing 7 people, with a monthly turnover of approx. $7000–9000. With the help of agents, Wandy Foods is expanding its operations from Lagos to Auchi and Abuja. In the next 12 months, Wandy Foods will roll out more products, further automate its processes and develop new packaging to export its products outside Nigeria.

I WANT TO BE THE NESTLE OF AFRICA.
Jude Okpala has always had a knack for ripping apart machines and re-assembling them. He loves getting his hands dirty and is driven to use sheer ingenuity and effort to create useful products for the Nigerian market that would otherwise need to be imported. Using his personal savings, Jude started his first company, Cliché Engineering Ltd., in 2001.

Cliché Engineering focuses on precision engineering with metals, including scavenged metal, and mold-making for metal components. The customer brings in a sample of the part they need created or replaced, and Cliché creates a design, runs a simulation, builds a prototype, makes a mold sample, refines the mold and then produces new parts. It could be anything that requires precision metal-work, from a machine component to a police badge.

A New Process
Using scavenged steel and locally available oil to develop a new process for mold-making is what makes the company innovative. Instead of using a furnace to harden the steel, Cliché uses palm kernel shells, charcoal and groundnut oil to quench the metal, using less energy and resources.

Customers can go directly to Cliché for machine molds that they previously had to buy abroad. This is the market gap that Cliché now fills: before, customers had to depend on imported custom items, creating delays and often inferior products. As Cliché is closer to customers, it can integrate with companies’ own internal development processes. This leads to better products and less delay using available local materials.

TIC Lagos Incubator
Cliché Engineering was able to develop this innovative mold-making process as an incubatee of the Technology Incubation Center (TIC) in Lagos,
which Cliché joined in 2005, and by working with the Federal Institute Of Industrial Research (FIIRO). “The incubator helped us move the technology to the next stage”, Jude says. TIC Lagos also helped Cliché with access to infrastructure and markets, especially with referrals to institutional and public sector customers.

Since joining TIC Lagos, Cliché has more than doubled its turnover to over $600,000 per annum. The company is investing in machinery and plans to invest in a permanent site for the business when it graduates from the incubator. Cliché Engineering now employs about 12 people.

**Challenges**
Cliché’s biggest day-to-day challenge is the frequent power outages in Nigeria. Cliché has to fuel its own generator, at a cost of approx. $11,000 per year. This pushes up the cost of production when, despite its innovative process, Cliché’s price point is the key competitive factor for customers. Another persistent challenge is access to finance. Cliché has orders that exceed its machine capacity and personnel, but is unable to get loans for new machines. The loans offered by Nigerian banks to SMEs like Cliché Engineering come with 25-30% interest rates when all extra charges are counted. The company is forced to produce less than it could if it were able to invest more, meaning slower growth and less employment by the company. But Jude is quietly confident that his company’s innovative process, low costs and organic growth will ensure its continued success.
Trinitair is focused on increasing product awareness in the renewable energies field to help drive its own growth, by exposing Trinitair to larger markets.

Founded in 2002, Trinitair makes low carbon energy solutions for homes, offices and factories. Its wind power turbines convert the kinetic energy of the wind into electrical energy. Its electro-coal cooker burns coals completely, producing clean, smokeless and odorless heat, compared to conventional coal burners that are smoky, dusty and coat the cooked food in smoke.

**Clean technology makes sound business sense**

Magnus Oshigwe, the founder of Trinitair, holds a BSc in Physics and is also a trained pilot. His motivation for founding Trinitair was a conviction of the importance of environmentally sustainable energy solutions. Magnus created Trinitair to “contribute to saving the planet by developing technologies that will either reduce or recycle carbon emissions or cut them out completely”.

Trinitair broke even in 2007, five years after its founding. Over the past eight years, Trinitair has trained 34 young men and women in technology application, skills and manufacturing. Trinitair currently employs eight skilled workers and has sold over 4,500 units of its various products, with its technical support services keeping customers’ products performing at optimum rates. In 2009, Trinitair’s net worth was about $56,000 and turnover in 2008-2009 was about $28,000.

**Low carbon energy generation beats erratic power supply**

Trinitair’s low carbon energy solutions occupy and helped create a special niche in the Nigerian energy market. Given erratic and inadequate power supply in many African countries, public confidence in the government’s ability to meet power needs has given way to private sector participation in power generation, distribution and manufacturing of renewable power equipment. Public power stations typically use fossil fuel powered generators that emit smoke into the atmosphere, but Trinitair’s wind power turbines can be mounted in any rural, urban and metropolitan area.
for consistent energy and a noiseless, smokeless and clean environment.

Trinitair also competes with local coal stove fabricators of electro-coal cookers. To beat the cheaper competition made of recycled metal products, Trinitair emphasizes its own products’ advantages such as no noxious smoke or smells, better performance and more attractive appearance.

Benefits of the Benin incubator
Trinitair faced a range of start-up challenges that Technology Incubation Center (TIC) Benin helped to overcome. Trinitair was given a manufacturing unit and is now planning to acquire a larger manufacturing facility to increase productivity and accommodate more staff. The incubator also organized training on financing, book keeping, business records, analysis and management. These courses and training seminars helped Magnus develop a successful business strategy and operations.

Magnus says Trinitair’s challenges included a lack of government incentives for mobilizing seed capital, lack of local patronage for indigenous manufacturers, and limited international market exposure. However, being in an incubator helped Trinitair to overcome these challenges when Trinitair participated in government trade fairs, exhibitions and seminars.

Building the market niche by educating one customer at a time
Going forward, Trinitair is focused on increasing product awareness in the renewable energies field to help drive its own growth, by exposing Trinitair to larger markets. Trinitair has faced head-on the gap in awareness about clean technology. When the company started operations, its products were considered inferior because few people understood the importance and usefulness of environmentally sound market choices. But following great efforts to convince customers through product demonstrations and usage, sales figures are now very encouraging.

Trinitair’s core challenge remains in the reluctance to truly accept and apply low carbon and renewable energy technologies, instead of a continued dependence on fossil fuel generators that pollute the African environment. Magnus believes this has a negative though indirect impact on new business financing, as banks are less willing to fund growing enterprises in less charted business sectors.

TRINITAIR’S LOW CARBON ENERGY SOLUTIONS OCCUPY AND HELPED CREATE A SPECIAL NICHE IN THE NIGERIAN ENERGY MARKET.
Working in the human resources department of the Rwandan Ministry of Finance, Johnson Ndiyo spotted the need for organizations with large fleets of road vehicles to better monitor them and prevent misuse. Johnson returned for a Masters program at the Kigali Institute of Science and Technology (KIST) and applied to the KIST’s Technology and Business Incubation Facility (TBIF). His company, ComTech, became one of the first businesses to be incubated at TBIF.

**Rwanda transport challenges make fleet management a must**

In a land-locked country like Rwanda where the cost of goods is driven up by transport costs, effectively managing a transport fleet can be a key competitive advantage. But organizations with large fleets of cars and trucks lose money from drivers taking longer than necessary trips, higher maintenance costs due to poor treatment, and theft. For example, some drivers use a company vehicle to make deliveries for others, or agree with fuel station employees to fill the tank only half full, and pocket the difference. Leased cars are sometimes illegally driven to Uganda, stripped down for parts and returned with inferior replacement engines. Even without fraud, there is a proven need to more efficiently manage fleets of vehicles.

ComTech offers a solution to these problems by allowing fleet owners to monitor the movements and state of their vehicles. ComTech developed its own Geographic Information Systems (GIS) software that connects in-vehicle monitoring devices to satellites that track in real-time a vehicle’s location, routes, fuel, mechanical problems, produce maintenance reports and alerts, report tampering with the tracking device and help recover stolen vehicles. ComTech’s fleet management service saves owners significant time and money.

**ComTech’s easy to use fleet monitoring system**

ComTech installs a tamper-proof tracking device in each
vehicle and contracts with satellite providers to track the vehicle. Customers pay a fixed fee of $1400 to install the device, and a monthly charge of $35 for satellite time. Customers then install on an office computer the user-friendly ComTech interface to track the vehicles.

To provide this innovative service, ComTech developed its own GIS tracking software and user interface, and contracted with a tracking device manufacturer and satellite providers to knit together the product offering. ComTech started in 2007, financed with founders’ savings, support from the TBIF incubator, and also an angel investor. Johnson and his colleagues spent two years developing the software and negotiating with a device provider. ComTech made its first sale in 2009 and is breaking even. Today, ComTech employs eight people in total, including two hardware technologists and two software technologists. The company is still in the TBIF incubator.

ComTech’s main competitor is a Kenyan firm that also provides fleet management services. Johnson Ndiyo says ComTech’s product is superior, as it provides real-time vehicle tracking and fuel consumption integrated into the software’s interface. Users only need to reference one application to pull down all the relevant information, rather than clicking between different applications to tie the data together themselves. ComTech’s product is easier to use than that of its competitors, and provides more up to date information.

ComTech’s customers are mostly public sector organizations with fleets of vehicles deployed throughout Rwanda, such as the Rwandan Development Board, Kigali city authority, public transport and bus companies and government construction contractors. ComTech has had discussions with international energy companies, but the expense of the tracking devices mean they’ve not yet concluded a deal.

Pricing challenges
The first big challenge ComTech faced was to negotiate a realistic price for the in-vehicle tracking devices. They are manufactured by a small number of firms and are still very expensive. Johnson Ndiyo is justifiably proud to have negotiated the device cost down to one third of the initial price. The second challenge at start-up was to develop the software, which took longer than expected, but resulted in a higher quality product than ComTech’s African competitors.

Now, a significant challenge is still the price of the tracking device for each vehicle. Given the value of many vehicles and their shorter useful lives on African roads, this price is still too high for many potential buyers, and potential deals have faltered because of it. However, Johnson anticipates that device costs will continue to fall over the next few years, and the quantifiable savings ComTech’s system provides will outweigh the costs.

TBIF’s Crucial Support
TBIF’s relationships with potential clients were critical to attracting start-up finance for the enterprise, particularly during the long software development and equipment negotiations. Johnson says the reputation of the incubator is extremely valuable as the KIST name alone opens doors to important business relationships within Rwanda, particularly in the public sector where most of his customers are found.

The low rent and facilities cost at the incubator are of great practical importance to this entrepreneur. Johnson estimates that in the open market, he would pay $600 USD per month versus the $150 he is charged by TBIF. The TBIF charge also includes Internet access, security, cleaning and other services that Johnson highly values.

However, when asked if he would have been able to start and grow his business without the incubator, Johnson is very confident that the power of his ideas and strength of his initiative would have prevailed. He says; “Where there is a will, there is a way.”

Expansion within Africa and Access to Finance
Johnson plans to expand and has targeted markets in Ghana and Burundi, and later in Sudan and Kenya. The main challenge he faces is securing finance to fuel ComTech’s growth. Rwandan banks are less interested in lending to small companies. Young entrepreneurs are at a particular disadvantage because banks typically ask for houses as security on loans. For those who can secure a loan, interest rates of 21% are prohibitive. Nonetheless, it seems clear that this innovative fleet management company will indeed find its way.
New Harvest Furniture entered the Furntech Business Incubation Programme in August 2007. The business is equally co-owned by Alvin Raghunan and Phiri Madondo. Alvin has over 16 years and Phiri over 11 years of experience in the furniture manufacturing industry. A major turning point in both their lives was when they both lost their jobs. But Alvin and Phiri turned their job loss into an opportunity and founded New Harvest Furniture through their mutual passion for wood.

Focus on Children’s Furniture
Before NHF entered the incubation program at Furntech, the incubator helped the entrepreneurs prepare a detailed business plan and conduct market research. Alvin and Phiri identified their target market as interior decorators, lodges and hotels, offices, new retail stores and individuals. However, the business became more focused when they decided to concentrate on manufacturing a range of children’s furniture.

How Furntech Helped
The Incubation Programme provided Alvin and Phiri with an opportunity to start their business in a protected environment without any capital expenditure. Furntech gave NHF access to a fully equipped workshop with modern woodworking machines, a spray booth and administrative offices. NHF also received their own lockable unit and access to fax, telephone and photocopying facilities. Furntech helped NHF register on the local municipality supplier database, tender for government jobs, as well as network with the Durban Chamber of Commerce and the Small Enterprise Development Agency of South Africa. In addition,
Furntech exposed Alvin and Phiri to a range of skills development opportunities from marketing to cash flow management, and employment contracting to training needs assessments—all of which are instrumental to successfully operating and growing a small business.

During their two-year stay at Furntech, NHF managed to build their brand and produce enough profits to move into their own premises. NHF now employs 7 staff. However, moving outside of the incubator was a big challenge.

**Breaking into the Market**
Initially, NHF supplied a retail store that specialized in children’s furniture. After a year outside the incubator, NHF market their products directly to their target market at the Durban Baby Expo in 2008. The show was a huge success. At the end of 2008, the business had delivered a turnover of almost $55,000. With a number of their own furniture designs for which patents are planned in the medium to long term, NHF sales topped more than $95,000 in 2009.

NHF was recently recognized by the South African Department of Trade and Industry as the 2010 Most Successful Graduate of an incubator.

“After our graduation, we continue to have a good relationship with Furntech and we benefit from a machine time share service. We are visited by the staff at our own premises who still offer training and any mentorship we may require.”

“Furntech is the birthplace of our business, we are very grateful for this wonderful program that we have been a part of.”
RedButton provides cost-effective and powerful wireless Internet ("hotspot") services. It focuses on billing management and support systems that allow venues in the hospitality sector to provide secure and controlled Wi-Fi services to clients. RedButton developed its own software and billing platform to handle every aspect from authorization and accounting to user interaction.

**Market Gap**
RedButton was founded in 2006 by Kilian Hagemann, Barry Steyn and Nico de Wet, who each have a background in computer programming. The founders saw a gap in the market for specialized hotspot service solutions and products. The founding directors are the owners of the company and RedButton is a Closed Corporation.

RedButton’s first equity was R30,000 (US$4,500), and was raised from everything from savings to personal credit cards and by borrowing money from family and friends. The business began turning a profit early on, largely because the company focused on the optimum target client when rolling out its services. The company was self-sustainable within the first 6 months, even though the directors were paying themselves very low salaries to begin with. Attracting investment continues to be the biggest challenge for RedButton, but it has nonetheless expanded thanks to strategic decision-making and organic growth.

**Where RedButton Excels**
RedButton provides users with a service that is free of the typical overheads encountered with Internet services, long waiting periods, high set-up fees with complicated installation, paperwork, inferior bandwidth and support. RedButton uses customers’ own premises equipment, provided a stable power
supply on the premises, and striking the right balance between cost and reliability. For the user, the service reliability part is the most important thing. This is where RedButton excels thanks to custom firmware that is rock solid, so that user’s Internet surfing experience is never interrupted. RedButton’s remote management leads to reliability for users. It is also flexible, because configuration changes and system tuning can be done quickly and easily without site visits to each and every hotspot location.

RedButton believes that no competitor in the South African hotspot market has a hardware platform with such a low cost-to-reliability & flexibility ratio, and tight control over every wireless router on their network. Few competitors offer such cost-effective wireless Internet at the same service level, though some companies offer per megabyte billing with the same advantages.

**Segmenting the Market**

RedButton’s launch advertising targeted three audiences: venue owners, potential resellers and end users. First, RedButton established itself as a technical authority using its blog. The second phase of the launch strategy aggressively advertised the benefits of being a RedButton reseller. Advertising to end users was arguably the most important of the three and was mostly done via on-site material that included the actual network and material such as flyers and other types of signage.

Success is measured by several factors, including the size of RedButton’s network (number of hotspot venues), network uptime (improving the number of on-line hotspots), number of staff employed (team size), and sustainable value added for shareholders. RedButton currently has over 270 hotspots in South Africa, mostly in the Western Cape Province. The immediate plan is to expand to other areas within South Africa, particularly, Johannesburg, Durban, Bloemfontein and Port Elizabeth. The long term plan includes expansion into southern Africa.

RedButton currently employs 9 full-time staff and 2 affiliates. In its first financial year in 2008-2009, RedButton’s sales grew by 127%, followed by 87% growth in sales the following year, with a 45% growth in sales forecasted for 2010-2011. Its Gross Profit Margins average is 73%.

**What Bandwidth Barn Brought to the Table**

RedButton has been part of the Bandwidth Barn Incubation program for over four years. RedButton has benefited from being an incubatee of Bandwidth Barn in a number of ways, including direction and help with strategic thinking, business education, as well as mentorship and guidance. Having access to people who are experts in the field has been a tremendous benefit and RedButton was also able to consult with family and friends who had experience and contacts within the industry.

“We have received huge benefit through affiliation with incubation programs with services received ranging from mentorship of the executive leadership through to education programs on entrepreneurship and business development and administration.”

**Advice for Entrepreneurs**

RedButton’s advice to entrepreneurs: “use whatever help is made available to you, choose your partners carefully, don’t be scared to make mistakes – and be sure to learn from them, go the extra mile when recruiting – great staff are an incredibly important asset, and get the financial administration right from the get go!”
We would like to acknowledge the African Incubator Network and all groups and individuals for their contributions to making this “celebrating incubation success in Africa” publication a reality.