

March Newsletter

HOW AFRICAN STARTUPS CAN THRIVE AMID THE TECH FUNDING WINTER

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BUSINESS INSIGHTS

BY JANTA

DEAR JANTA COMMUNITY,

Welcome to the latest edition of Janta Kenya's newsletter, where we delve into the topic of "How African Startups Can Thrive Amid the Tech Funding Winter." We are dedicated to providing you with the insights and guidance you need to navigate your financial decisions effectively.



How African Startups Can Thrive Amid the Tech Funding Winter

The African tech ecosystem is currently navigating a funding winter, as global venture capital flows have significantly declined. According to Africa: The Big Deal, venture funding in Africa dropped by nearly 40% between 2023 and 2024, reflecting a broader slowdown in global startup investments.

While sectors such as artificial intelligence (AI), healthcare, and financial services have seen renewed investor interest in other regions, African startups continue to face unique hurdles. However, despite the retreat of some foreign investors, African-based investment firms are stepping up, with over half a billion dollars in capital still available for innovative startups, according to recent data compiled by Semafor.

In this challenging environment, startups need more than just great products to attract funding—they must strategically position themselves through visibility, efficiency, and compelling storytelling.

Which Startups Are Best Positioned for Funding?

During a funding downturn, startups must demonstrate resilience, operational efficiency, and sustainable long-term growth. The excesses of previous investment booms have given way to more stringent funding criteria, requiring startups to be highly strategic in their approach to securing investment.

Africa remains a fertile ground for innovation, with increasing digital infrastructure, a growing talent pool, and a strong entrepreneurial spirit. However, visibility is now just as crucial as performance. To stand out in a more selective investment climate, startups must:

- Communicate their impact effectively.
- Showcase strong business fundamentals.
- Align their brand with investor priorities.

The Power of Strategic Storytelling

Startups that excel in strategic storytelling and branding will have a significant advantage. Data-driven storytelling allows companies to humanize their brand, highlight their achievements, and establish credibility. Successful African startups have already leveraged this approach to attract investors:

- **Piggyvest's Savings Report Campaign:** Piggyvest successfully positioned itself by sharing insights on saving habits among young people, reinforcing its value proposition.
- **Chowdeck's Growth Milestone:** By surpassing 600,000 users and strategically using these metrics in advertising, Chowdeck amplified its market position.



Key Strategies for Startups to Stand Out

1. Develop a Comprehensive Communications Plan

A well-structured communication plan ensures that a startup's messaging aligns with its business objectives and is consistently delivered to investors and customers.

- Plan quarterly or yearly campaigns to maintain clear, targeted messaging.
- Use brand communications to highlight unique value propositions.
- Showcase not only products but also the company's values, leadership, and vision.

2. Leverage Milestones, Progress, and Lessons Learned

Startups must proactively share their progress and achievements to maintain investor interest.

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- Regularly update stakeholders on funding rounds, revenue growth, and product milestones.
 - Highlight key challenges overcome to demonstrate resilience.
 - Foster transparency to build trust and establish credibility within the industry.

3. Align Communication with Ecosystem Trends

Startups that connect their brand to broader industry priorities can attract impact-driven investors. Addressing ecosystem-wide challenges such as:

- Financial inclusion
- Renewable energy solutions
- Supply chain efficiency

By positioning themselves as part of the solution to these issues, startups increase their chances of securing funding and partnerships.

The Role of Visibility in Fundraising Success

Funding decisions are no longer solely based on financial metrics—visibility and strategic communication play a crucial role in investor confidence. Startups must go beyond demonstrating product-market fit and integrate public relations efforts to remain top-of-mind for investors, users, and stakeholders.

McKinsey reports that companies with effective communication strategies outperform their competitors by 3.5 times. A strong visibility strategy ensures:

- Higher brand recall among investors.
- Increased trust from customers and partners.
- Greater industry recognition and credibility.

Final Thoughts: Thriving in Uncertain Times

The African tech ecosystem may be experiencing a funding winter, but startups that take a proactive approach will emerge stronger. By leveraging data-driven storytelling, robust communication strategies, and ecosystem alignment, African startups can not only survive but also thrive.

Beyond securing funding, building trust and transparency through strategic communication creates long-term opportunities for growth. In challenging times, the startups that stand out are those that position themselves as resilient, impactful, and forward-thinking. By implementing these strategies, African startups can unlock their full potential and pave the way for sustainable success.



BUSINESS NEWS HEADLINES

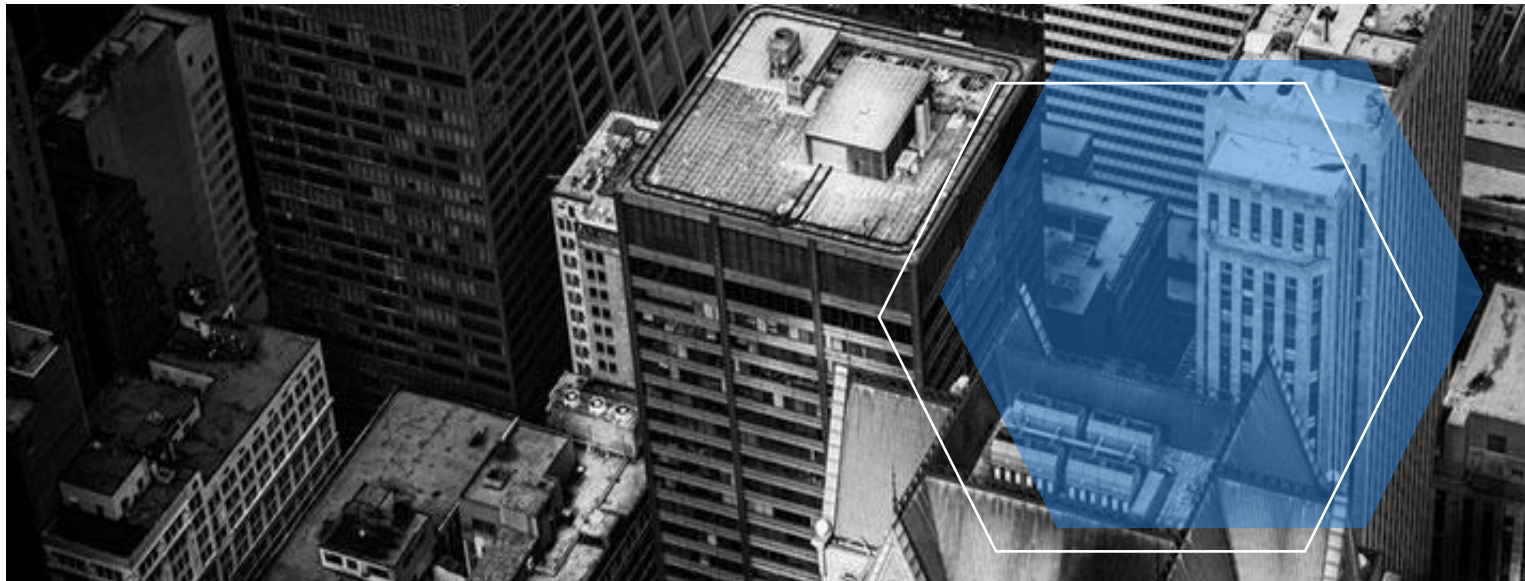
Almost half of the banked population in Kenya now hold multiple accounts, with the percentage of those owning a single account declining to 36.72% in 2024 from 37.42% in 2023, according to the 2024 Banking Satisfaction Survey. Nearly 49.5% of respondents reported having accounts with two to three banks, while the proportion of those with four to five accounts rose to 11.8% in 2024, up from 8.2% in 2023. Additionally, 2% of customers hold six or more accounts. Over 56% of customers prefer self-service digital platforms due to their convenience and round-the-clock accessibility. The survey highlights the growing trend of multi-banking, as customers seek diverse financial services while maintaining loyalty to trusted institutions. The banking sector has also improved service response times, with 75.44% of complaints resolved within two days, up from 66.4% in 2023. KCB Bank ranked as the best overall bank in the survey.

Many cash-only Small and Medium Enterprises (SMEs) in Kenya are losing business due to security concerns and the complexity of digital payment systems, according to the Visa Value of Acceptance report.

56% of SMEs relying on cash report losing customers who no longer carry cash, while 91% are concerned about security issues like robbery and employee embezzlement. Among SMEs that accept digital payments, 71% express a demand for secure B2B payment solutions, and 69% seek guidance on payment security. Despite these challenges, the transition to digital payments can drive economic growth, with research showing that a 1% increase in card usage generates \$67 billion in goods and services consumption. Digital payments also reduce operational risks, improve customer satisfaction, and facilitate access to financing. Visa's Chad Pollock emphasized the growing digital payment landscape in Kenya, presenting an opportunity for economic development and financial inclusion.

Non-resource-intensive economies like Kenya, Ethiopia, and Côte d'Ivoire are expected to lead Sub-Saharan Africa's growth in 2025, surpassing oil-producing nations, according to a report by BMI, a Fitch Solutions company. These countries are poised to benefit from lower global oil prices and reduced external pressures, as they rely on imports for most of their energy needs. Resource-rich nations, especially those with commodities like copper and cobalt, are also forecasted to perform well due to increased global demand for these materials, critical for the energy transition. However, oil-producing nations like Angola and Nigeria are expected to experience slower growth due to reduced crude prices and lack of infrastructure investment. Lower inflation across Sub-Saharan Africa will likely lead to monetary easing, though persistent structural challenges, including high government spending and security concerns, will continue to limit progress.

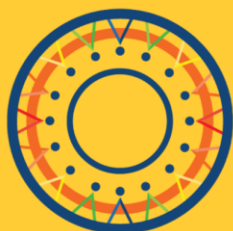
Diaspora remittances to Kenya fell by 4% in January 2025, reaching KSh 55.2 billion from KSh 57.6 billion in December 2024. However, this was still 3.6% higher than January 2024. The decline was largely driven by a sharp 32% drop in inflows from Africa and a 4% dip from Europe, while Asia and Australia recorded slight increases. The US remained Kenya's top remittance source, contributing 53.2%, though inflows declined by 1.6% to KSh 29.4 billion. Saudi Arabia continued as the second-largest contributor, surpassing the UK in March 2024. Tanzania overtook Uganda as Africa's leading remittance source, sending US\$7.0 million, while inflows from South Sudan, Egypt, and Malawi declined. Remittances remain Kenya's top foreign exchange earner, ahead of tourism and agricultural exports, contributing 3.6% of GDP. The Central Bank of Kenya noted that remittances continue to stabilize the current account, though shifting global migration policies may impact future inflows.



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In this edition of Janta Kenya's newsletter, How African Startups Can Thrive Amid the Tech Funding Winter. The African tech ecosystem may be experiencing a funding winter, but startups that take a proactive approach will emerge stronger. By leveraging data-driven storytelling, robust communication strategies, and ecosystem alignment, African startups can not only survive but also thrive.

Thank you for joining us in this edition. Stay tuned for more updates and expert insights to help you navigate your financial journey and stay informed on key developments shaping Kenya's economic landscape.



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