Africa’s super app needs to be African

Ammar Hmid is the founder of Presto, Libya’s largest and most funded startup. He previously co-founded Kayan e-commerce, a Libyan digital marketplace that connects local sellers and buyers. In this piece, originally published by The Realistic Optimist Ammar discusses the African startup gold rush and reinventing the food-delivery model.

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Gold rush

There’s a gold rush going on in Africa. Inspired by the successes of *Careem* (MENA), *Gojek* (SEA), and *Rappi* (LATAM) a flurry of tech entrepreneurs have flocked to the continent to capture its grand prize: Africa’s super app. The playbook is as follows: build a delivery-app enabling users to order anything from groceries to medicine. Once users trust you, offer financial services. Then, sell or go public.

Contenders in this quest are numerous. *Jumia*, *Glovo*, *Yassir*… All of them have their coffers filled to the brim, seemingly on their way to crush *Presto*, the company I founded.

Presto is a delivery app launched and operating in Libya. It’s a tough market, but one where oil wealth grants the 6 million-strong population with relatively high buying power and internet access. That and the absence of foreign competition is what we have capitalised on.

We've had to reinvent the food-delivery model. While our European peers waged price wars fuelled by seemingly endless VC money, we've had to quasi-bootstrap our way to growth and survival. For a simple reason: no VCs were willing to invest in a country they saw more on CNN than on TechCrunch. With some initial funding from local investors, we've managed to come a long way.

Today, Presto employs around 250 people, and provides a revenue stream for more than 15,000 drivers. This year, as of the end of Q3, we've delivered more than 1.5 million orders and increased our gross profit to $1.75M, an 82% increase YoY.

We're active in major Libyan cities such as Tripoli and Benghazi and are opening three new ones as we speak. This enables us to control 80-85% of the national market. That's an African specificity: controlling the 1-2 major cities usually suffices to guarantee market dominance, as the rest of the country's infrastructure is too lackluster to operate anyways.

Our Libyan success, tried and tested by the endless surprises the country holds, has emboldened us to go further. We have our eyes on regional expansion. Our unique growth story, which strongly differs from the aforementioned competitors, arms us with singular strengths. Strengths which I believe make up for our smaller bank account.

Playing ping-pong with a tennis racket

My strong intuition is that in the markets we're targeting (Mauritania, Senegal, Côte d'Ivoire, Tunisia, and Ghana) our competitors will be hindered by their size. Their model relies on profligate spending to conquer said markets, hoping that the subsequent market dominance justifies their financial exuberance. But in the countries mentioned, that reasoning doesn't hold water.

As I see it, these markets have a strict cap on the maximum amount of daily orders they can yield. Some of them physically can't exceed 5,000 orders a day, due to various socio-economic, infrastructure, and other issues. Such a number is far from what well-funded players need to break even and justify their continued presence. These companies' global cost structures won't hold up to the unit economics reality on the ground.

We're taking a more nimble approach. Our Libyan experience and the funding constraints we faced forced a return to the fundamentals: increase your margins, decrease costs, and make money. One of the most financially successful delivery services I know in Africa was founded by a Senegalese pizza chain that started offering delivery services to its existing customer base. It doesn't have to be that complicated.

We won't be going into these markets with the desire to become the undisputed market leaders as fast as possible. Rather, we'll nibble away market share with the ambition of creating a profitable, multi-country business.

That's the reason we're privileging private equity instead of venture capital to fund the expansion. We believe the markets we're targeting simply don't have the growth or economic potential VCs are looking for. By raising from the most relevant capital source, we are also increasing our investors' odds of financial returns.

Sources: Semafor, Crunchbase, Tracxn

An Afro-centric solution

There's something I find astonishing every time I travel to Tunisia. Virtually none of the active delivery apps are in Arabic. They are all in English or French. While seemingly trivial, this exhibits a deeper issue: some of these apps are developed and designed by non-Africans, for Africans.

Presto is and will continue to take a different approach. When expanding into Senegal, we want to hire Senegalese developers, not keep product development in Libya. We want to incorporate Senegalese vantage points, localisation ideas, and original thought into the broader Presto codebase. We aim to build comprehensive and relevant solutions to the markets we expand to. That starts with getting local talent to conceptualise and craft it.

This also plays into a topic I'm personally invested in: the underutilisation of great African minds. It is shocking how many cleaners in Africa have the intellectual capacity to be engineers, doctors, lawyers, and entrepreneurs. Lack of opportunity is a cancer to our continent's human potential. I find it unmistakably clear that the tech solutions servicing African consumers should simultaneously employ, form and empower the vast pool of great talent we are lucky to have.

Operational differences

The Afro-centricity of our solution will be complemented by another, more subtle functional difference: the internalisation of our operations.

Our competitors have the tendency to outsource some of their businesses' key functions. While doing so reduces short-term pain, I believe the long-term consequences are nefarious.

Take the handling of payments for example. Many of our competitors, including us, offer the possibility to pay "cash-on-delivery". Nothing unusual here: cash is still deeply ingrained in African consumer habits, and not everyone has a bank account. In Libya, some of our users' only online financial presence is their Presto account.

However, cash-on-delivery introduces a new layer of complexity and risk. Indeed, your delivery drivers are now riding around with the cash your users have paid them. Recuperating it, to pay the restaurants the food was ordered from, is obviously of paramount importance.

Some of our competitors outsource such a function to third-party operators. We believe that is a liability and a time-waster. Restaurants aren't paid until the cash is recuperated from the drivers. If your third-party partner is slow or inefficient, the restaurants operating on your app and your very own margins take a hit.

We took the opposite route: we've built out our own cash-collection centers in the Libyan cities in which we operate. If drivers don't deposit the cash they recuperated within 12 hours of the delivery, their account is locked and they can't work anymore. It's most definitely a fixed, upfront cost, but one which we believe is profoundly indispensable.

That same internalisation logic carries to other sectors such as driver training and recruitment, which we have also developed in-house.

Expansion as a de-risking strategy

If one is to build a sustainable, impactful, and profitable business, there's only one thing to avoid: killing the company. Evading such an unfortunate ending requires hedging against all potential causes of death.

In Presto's case, one of the elements that could kill us is ironically what also birthed us into existence: Libya.

The power vacuum created by Gaddafi's demise led to a quagmire the country is still reeling in today. In the simplest of terms, the country has had two major political forces for a couple of years now, one being a UN-backed government based in Tripoli, and another rival government based in the country's east, backed by General Khalifa Haftar. A plethora of militias, with differing allegiances, complicate the matter even further.

Libya’s descent into full-blown war would evidently complicate our operations and our survival. An oil price shock would destabilize the country’s unidirectional economy. Expanding into different markets is thus a longevity tactic. The same can be said for other African startups whose home market is afflicted by various ills, if not war then severe currency devaluation or unsettling political turmoil.

More than just an attractive business opportunity for which we are uniquely positioned, expanding regionally is also a sensible risk-mitigation move.

Conclusion

Presto is joining the race to develop Africa’s super app. We believe the finality of that quest will be a net positive for the continent’s consumers, workforce, and tech sector, just as it has been in other regions of the world.

We propose a different strategy, however. A strategy that incorporates less flashy fundraises but judicious business fundamentals. A strategy that places the development of our product in the hands of the people who will use it. A strategy refined by successfully scaling in one of the toughest African markets there is.

The future of Africa is technology and African technology should be resolutely African. We want to contribute to writing that story.

Ammar Hmid is the founder of *Presto*.

The Realistic Optimist is a weekly, paid publication making sense of the globalised startup scene. Read the publication’s manifesto here.

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