

coLABS LEARNING REPORT #1

Key Learnings from an Investor in
early-stage social enterprises



MEET coLABS

coLABS is an impact investment portfolio seeking to invest in early-stage, innovative social enterprises that have the potential to dramatically improve the lives of women and girls around the world.

coLABS is a portfolio under **Gray Matters Capital (GMC)**, a private operating foundation founded by Bob Pattillo that focuses on impact investments. GMC believes the best investment strategy is to bet on entrepreneurs and market-based solutions. Its vision is to create an empowered and purposeful life for **100 million women globally by 2036**.

Over the last 10 years, the Atlanta-based foundation has devoted **\$160 million to microfinance and education initiatives**, primarily in South Asia with presence in Africa and Latin America as well. To accelerate towards its vision, GMC launched coLABS in early 2017 to invest in early-stage companies that have the ability to demonstrably impact women and girls at scale.



THE coLABS LEARNING REPORTS

At coLABS, we have an ambitious goal: to directly reach one million women in the next three years with \$5 million in impact investments. We are proud of the impact we've attained thus far, but also humbled by the lessons in our journey of ups and downs. We aim to learn from our mistakes and successes alike and are excited to share with others. Over the next three years, we will be publishing reports following the twists and turns of our coLABS portfolio companies and what we learn as an investor along the way.



WHO IS THIS REPORT FOR?

We think this report is most helpful for investors and entrepreneurs (and those who support them):

- **INVESTORS** will see how we prioritize an entrepreneur's customer knowledge in our due diligence and investment selection, as it directly drives towards revenue and the company's chance of success.
- **ENTREPRENEURS** will see how we prioritize an entrepreneur's customer knowledge in our due diligence and investment selection, as it directly drives towards revenue and they will learn how to strengthen their own business model by having a nuanced understanding of their customers' needs and wants, and how that is vital to the survival of their company's chance of success.

MEET OUR FIRST FOUR PORTFOLIO COMPANIES



ARED uses a micro-franchise model that focuses on women and disabled individuals to provide Wi-Fi, mobile phone charging services, and intranet content via solar-powered kiosks. ARED launched in January 2013 in Rwanda and is using coLABS funding for its first international expansion into Uganda to market test its newest kiosk model, the Shiriki Hub.

www.a-r-e-d.com

WHY WE INVESTED:

We got really excited when we saw their sincere commitment to impact while deploying a needed tech innovation. We were attracted to their scalable franchise model; it's an income game-changer for women and persons with disabilities.

We see this team expanding ARED across the African continent.

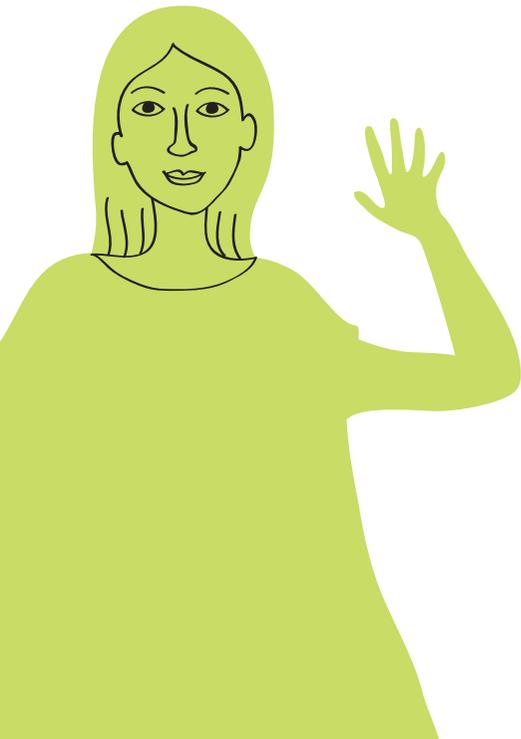
doctHERs

DoctHERs, based in Pakistan, reintegrates female healthcare providers who have been excluded from the workforce by using a digital health platform that connects remotely-located female doctors (who work from home) to health consumers in need. doctHERs pivoted after 18 months of a community-based clinical model to focus on underserved stakeholders in corporate value chains, achieving more scale and financial sustainability. This new model is being tested using coLABS funding.

www.docthers.com

WHY WE INVESTED:

We love how they leverage technology to address barriers faced by female doctors and healthcare workers who are discouraged from the workforce, and by female patients in the working class without access to care--effectively linking both communities of women. We liked their creative plan to scale via collaboration with large distribution and co-financing partners, which gives them the pathway to expand internationally.



ISSUEVOTER

IssueVoter is a non-partisan platform that gives its users a voice in Washington by making civic engagement accessible, efficient, and impactful. IssueVoter keeps users informed by alerting them before Congress votes on key issues that they care about, sending their opinions directly to representatives with one click, and holding politicians accountable by tracking how they vote so that users can make informed decisions at election time. IssueVoter is passionate about promoting civic engagement among underrepresented women and is using coLABS funding to reach more citizens and pilot campaign and corporate engagement models.

www.issuevoter.org

WHY WE INVESTED:

In the wake of growing partisanship in our political system, we were inspired by IssueVoter's non-biased technology platform that efficiently champions civic engagement by giving everyone a voice in our democracy, including women who aren't being heard equally. Congress currently receives about two million more letters and calls from male constituents each year, despite women voting at higher rates than males in every presidential election since 1980. IssueVoter can change that with a click of a button.



LikeU is revolutionizing livelihood opportunities in Latin America, particularly for women and persons with disabilities, by offering online training, skills certifications, and well-paid salaries through part-time telecommuting jobs. Telecommuting creates more flexible positions for women who need to balance domestic responsibilities with the need to contribute to their household income. Recruits are vetted and trained in specific services or products, making the hiring process three times faster. The investment from coLABS seeks to promote LikeU's growth by allowing the company to boost its corporate partnerships and improve its online platform to automate the entire recruitment process.

www.likeu.co

WHY WE INVESTED:

We loved that the quality of life of their customers was a top priority for this company and that they use an approach that is innovative in their region – telecommuting – to achieve that. This gives flexibility and skills training to the growing number of female-led households in Latin America and offers them a higher salary through the savings that corporate clients receive by using LikeU. It's a win-win for workers and corporate clients.

CUSTOMER IS KEY - OUR INVESTMENT ETHOS

It's year one of our impact investments into these four companies. Two of the most important questions that we ask entrepreneurs, and continue to ask monthly, are:

- HOW FOCUSED ARE YOU ON YOUR CUSTOMERS?
- WHAT RECENT FEEDBACK HAVE YOU RECEIVED FROM THEM?

As investors, this is key for us. Companies live and die based on a nuanced understanding of their customers. Revenue is directly tied to customer knowledge. Entrepreneurs need to know customers' willingness and ability to pay for their service or product. That is why it is essential for them to know if there is a difference between their **paying customers** and the **target market** they're trying to impact.

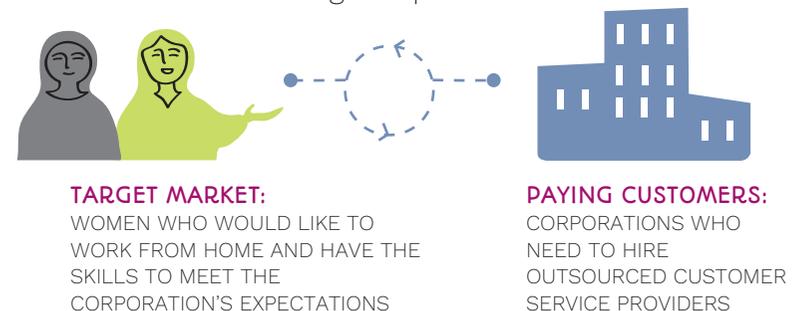


A FEW EXAMPLES TO DISTINGUISH BETWEEN TARGET MARKET AND PAYING CUSTOMER:

A) An innovative low-cost learning tablet for children:



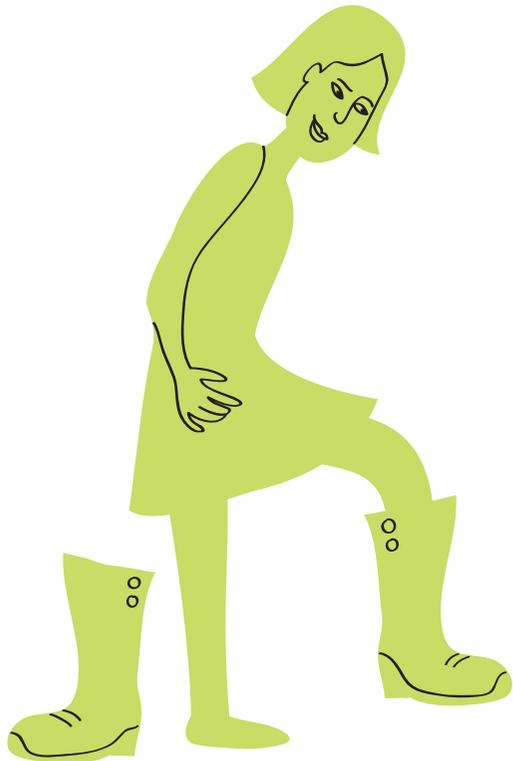
B) An online recruiting company that provides job training and job placement, connecting women who want to work from home with outsourced customer service roles for large corporations:



C) A new, improved, and affordable malaria medication:



CUSTOMER IS KEY - STAND IN THEIR SHOES



Entrepreneurs not only need to differentiate, but also need to have an intimate understanding of both – their motivations, alternative options and the barriers to engaging with their product or service.

Stand in the shoes of both your paying customers and your target market. Visualizing their world, can you answer the following questions:

1. **WHAT IS THEIR MOTIVATION OR NEED TO BUY YOUR PRODUCT OR SERVICE?**
2. **WHAT OTHER OPTIONS ARE AVAILABLE?**
3. **WHY IS YOUR PRODUCT OR SERVICE BETTER?**
4. **HOW MUCH WILL THEY BE WILLING TO PAY?**

To dig deeper into these questions, visit the application guide on our website.



Every month we continue to ask our entrepreneurs what their customers are telling them to make sure they are listening and acting upon this direct customer feedback. We hope our entrepreneurs are able to keep their customers engaged to continually adapt their company's model if necessary to meet their needs.

**THIS TIGHT CUSTOMER FEEDBACK LOOP
KEEPS THE COMPANY RELEVANT AND
INFORMS NECESSARY OPERATIONAL PIVOTS
FOR THEIR SURVIVAL.**

WHAT WE HAVE LEARNED - FROM OUR PORTFOLIO COMPANIES



These are the top eight lessons from our first nine months that we think are most relevant to share:

1. EVEN BEFORE YOU'RE ACTIVELY SELLING IN THE MARKET, YOU HAVE POTENTIAL CUSTOMERS!

Ask these important prospects why they need your product or service, how much they're willing to pay for it, and the best way to reach people like them. Another question we like is why WOULDN'T the ideal customer use this service? Coming at it from a different angle can help break up some of the confirmation bias that exists in surveying.

2. COLLECT AND ANALYZE DATA

from partners and potential customers early and often – both qualitative and quantitative. Set up a process, however rudimentary, early on to build this feedback into your operations.

3. IN YOUR MARKET PLANNING, GIVE YOUR CUSTOMERS A PERSONA

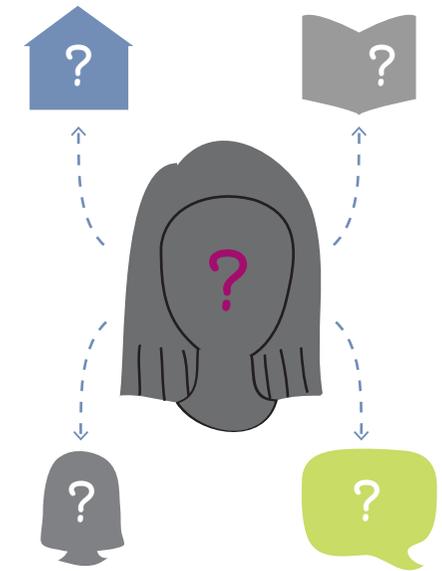
representing how old they are, what they do for a living, where they shop, what they read, how they access information, and who influences them. Once you know this information, make smart decisions based on it. For example, if your customers mostly communicate on Whatsapp, reach them there.

4. HAVE CUSTOMER SERVICE REPRESENTATIVES

as part of your project and team from the beginning – including a way to measure the customer's level of satisfaction over time. This will help you understand your value proposition throughout the journey.

5. REMOVE THE MIDDLEMAN

from communication between the company and the customer – be engaged directly with one another. One useful tool for this is a good Customer Relationship Management (CRM) system such as Salesforce, or free options such as Insightly or Zoho.



WHAT WE HAVE LEARNED – ABOUT FEEDBACK



6. LISTEN AND RESPOND TO FEEDBACK:

EXAMPLE 1: Based on direct customer feedback doctHERs learned that they needed to be more “proactively communicating and reinforcing the treatment plans” so they decided to create short videos sent via WhatsApp in addition to typical treatment plan documents. They also created a “customer journey map/visual that will be shared at the Initial Screenings so that beneficiaries know what to expect and the associated timelines.”

EXAMPLE 2: IssueVoter is constantly getting feedback from both its current users and hopeful users. Each piece of feedback has been analyzed and, if fitting, also added to the product roadmap (or even already fixed on the site), making the website more user friendly and more comprehensive in its ability to achieve the company’s mission.

EXAMPLE 3: LikeU received some pushback on their Facebook page after they had recruited and trained people who

then had to wait to be placed in a teleworking position. In response, they now have a team member completely dedicated to Customer Engagement not only for already placed Likers, but also for the larger community of waiting-for-placement recruits.

An important lesson here is to be available and responsive to questions and concerns as soon as possible - at least give an update and a “we hear you,” even if you don’t have the perfect answer right away.

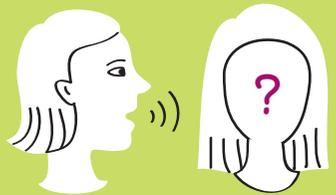
EXAMPLE 4: Having several team members serving as touchpoints with customers/franchisees, ARED noticed they weren’t all sharing the same information with their franchisees. As a response, they are now developing a system where all data is collected and shared digitally, and the team members communicate often and effectively with one another.

7. MAKE YOUR CUSTOMERS FEEL OWNERSHIP IN YOUR BRAND or business by practicing co-creation and participatory opportunities for them to provide feedback.

8. CREATE AND PROMOTE A CULTURE OF TRANSPARENCY between your customers and the company: Let your customers who provide input know that their feedback is always welcome and desired, and take the time to send them a thank you message.



HOW DOES THIS APPLY TO YOU?



PAYING CUSTOMERS



TARGET MARKET

Based on these lessons, here's a little homework to help this apply to you.

We suggest asking yourself these four questions to improve your customer engagement strategy for growth:

1. WHO ARE YOUR PAYING CUSTOMERS? Be able to articulate each paying customer segment, and the value that you bring to them, in one focused sentence – an elevator pitch to spark their interest.

2. ARE YOUR PAYING CUSTOMERS DIFFERENT THAN YOUR TARGET MARKET (the end users and beneficiaries of your product or service)?

3. DO YOU KNOW AND UNDERSTAND THE NEEDS AND MEANS FOR BOTH? It's critical to know that your product will bring value and/or benefit to your customers, and that they're incentivized to pay for it.

4. HOW OFTEN DO YOU TAKE IN CUSTOMER FEEDBACK AND PAUSE TO ABSORB IT?

Is that often enough for your company?

IN OUR NEXT LEARNING REPORT WE'LL ADDRESS BALANCE AND PRIORITIZATION. How are our investees – and our own coLABS team – handling the juggle between time spent on operations versus fundraising, and budgeting their time, energy, and focus on never-ending work versus their personal wellbeing? At coLABS, we practice relationship-based investing as opposed to transactional investing – we recognize that companies are run by actual people, and people are people. Hence, the importance of finding this ever shifting yet very grounding balance.

