Conversation #13

The Hustling Entrepreneur on Trial

Mikul Shah of EatOut and Ritesh Doshi of Naked Pizza

Mikul Shah *is the founder of Africa's online restaurant guide EatOut and a self-proclaimed foodie and travel buff. Born and raised in Mombasa, he spent over a decade in the UK before returning to Nairobi to join his family business. In 2010, over a dinner conversation with friends, he realized there was a gap in the market for a comprehensive online restaurant guide for the city. What started out as a hobby financed by a US$1000 investment is now an award-winning portal, seating thousands of diners at hundreds of restaurants a month. Over the years, EatOut has added several innovative brands to its portfolio, including a monthly* *free-distribution print publication called Yummy Magazine, the annual Nairobi Restaurant Week event, and the Taste Bar & Restaurant Awards. In 2013, EatOut raised capital from the Netherlands' Africa Media Venture Fund to expand into the East African region. Beyond EatOut, Mikul plays an active role as a mentor, advisor, and investor for several businesses. He co-founded SleepOut.com, which was named as one of CNN's top African start-ups in 2014, and has invested in brands such as Ghafla, Nairobi Garage, OkHi, and Naked Pizza. He also serves as an advisor to Safaricom's Spark innovation fund.*

On a visit home to Nairobi in 2011, ***Ritesh Doshi****, a Kenyan financier living in Jordan, was frustrated that he could not get a pizza delivered in under an hour. So unlike most financiers, he quit his day job and decided to do something about it. Ritesh, a self-proclaimed "serial entrepreneur stuck in a financier's body," studied at the London School of Economics and launched his career working for financial institutions such as Credit Suisse, HSBC, and Probitas Partners, a private equity firm. In 2012, Ritesh founded Naked Pizza, Nairobi's premier fast-delivery all-natural pizza restaurant. He is also an active angel investor in the Kenyan start-up scene, having made investments in OkHi, BookNow, and EcoPallets. In addition, he is an independent director of Tropical Heat, a popular brand of snacks and spices, and is the President of the Kenya chapter of the Entrepreneurs' Organization. In May 2016, Ritesh successfully sold Naked Pizza to Pizza Hut.*

How would you describe the Kenyan "hustling" culture and its link to entrepreneurship?

RITESH: The Kenyan culture of hustling is rooted in doing anything and everything to make the extra buck or, in extreme cases, to make ends meet. Many professionals, from bankers and lawyers to entrepreneurs and doctors, have a side hustle, with the aim of generating additional income, ideally passively. Sometimes, these hustles turn out to be much larger opportunities than an individual's main business or career and become his or her primary business.

MIKUL: *Biashara*, as it is termed in Kiswahili, has a deep root in our culture, and many Kenyans have an almost built-in spirit of entrepreneurship. Most Kenyans have a side hustle mainly to help them afford an aspirational lifestyle, whether it is to purchase a car or a mobile phone or to provide access to better education and health care for their families.

What is your opinion of hustling? Is it a useful strategy for doing business in Kenya? What are the pros and cons from the entrepreneurial, employee, and investor perspectives?

Mikul: Having a side hustle is great in some aspects because it allows you to generate a substantial additional income. However, building a significant brand presence and a scalable business models takes dedication and tenacity. As an investor, I would not be willing to finance an entrepreneur who is not willing to dedicate all of his or her time and efforts to their main business. From an employer's point of view, this entrepreneurial spirit can be very detrimental to the success of a business. No employer would be willing to waste company resources and paid time on an employee's hustle unless they had something to gain, too. *Yummy* has several team members who earn extra income through their own food blogs—and we have managed to set out a symbiotic relationship that benefits both parties. *Yummy* gains additional traffic through back links, and the bloggers build their knowledge and experience in the hospitality industry. But it is important to be candid and lay the ground rules from the outset.

Ritesh: I actually think hustling is a distraction. It usually ends up meaning that you try a whole bunch of things until something works—often without focus on anything except the short-term income generated. By nature, entrepreneurs have a lot going on in their heads with all they are doing. A side hustle, or business, if it can even be called that, is a distraction. For an employee, I think there are actual ethical issues with it, unless you are doing it 100 % in your free time—but in reality, we all know that never happens. If I am paying someone to be at work, I want their mind, body, and heart 100 % committed when they are at work. From an investor's perspective, I would actually not invest with someone who had a side hustle, because to me, it means they are only thinking short-term.

Would you also describe yourself as a hustling entrepreneur?

Ritesh: If it is the Kenyan definition, then no. But if by hustling you mean doing whatever it takes to get something done—which is what is required of an entrepreneur focused on his or her business—then yes. Start-ups require focus and 150 % of an entrepreneur's time. Trying to do a few things half-heartedly would mean that I would not be able to get anything done well. Having said that, I have been involved in a number of start-ups but have limited my involvement to the initial idea and ongoing advice, and have let the other co-founders run with it.

Mikul: I would say yes. But it has always been important to me to ensure that a competent team and strategy are in place before moving on to a new opportunity. Fairly early on, we realized that EatOut needed to achieve two main goals. The first was to ensure that we were seen as the market leaders and were able to sustain our position. This meant diversifying our product portfolio to include offline activities such as Nairobi Restaurant Week, the Taste Awards, and *Yummy*. All these activities helped cement our position as an authority within the industry while increasing our revenues and profits. The company's general manager oversees these projects, with little or no input from me—which has allowed me to concentrate on our second goal, introducing a more scalable transactional revenue model and expanding to new countries, starting with Rwanda and Uganda. We have recently launched a gift-voucher solution in Kenya and are actively working on pilots with several banks for mobile payments at restaurants.

How did you get into starting and investing in new (side) businesses? Would you consider those side hustles?

Mikul: One of the key challenges that many start-ups face in Kenya is developing trust. EatOut's early success and its reputation as a market leader and innovator allowed me to build a considerable network in the hospitality and technology sectors over the years. I therefore saw an opportunity to be able to "open doors" for other start-ups, giving them access to investors, partners, and collaborators. However, I am not actively involved in these businesses on a day-to-day level, so I do not consider them to be side hustles.

Ritesh: Once an entrepreneur develops credibility, opportunities flow toward you—though this can also be the beginning of the end if your focus is diverted too much. In my case, building a successful business in a short timeframe meant lots of opportunities coming my way. But I have been judicious and have only ever invested in businesses to which there was some connection to my core business and where I could really add value with my knowledge and network. I will never take an operating role, and I always wear the hat of the shareholder—so they are definitely not side hustles.

What is your main recommendation for the hustling entrepreneurs out there?

Ritesh: Stop being involved in too many things. Seriously. Pick a business you are passionate about, can and want to do all day long, every day, and focus on it. Lack of focus limits your ability to develop knowledge, deep relationships, and experience to ultimately become successful in your chosen area—and potentially limits your growth, success, and ability to achieve your full potential in life.

Mikul: I think the advice remains the same for all businesses. First, there should be a strong and diverse team who are all vested in the business. In terms of skill sets, it is an advantage to have people who have good experience with legal, marketing, sales, and technology. In most cases, spending time in the corporate world helps to build experience and networks that can in turn help you determine whether an idea is worth pursuing. Second, start-ups should focus on execution. Our brainstorming whiteboard sessions at EatOut are arguably the most fun part of what we do, and we come up with hundreds of new ideas every day. But the truth is that we have very limited time and resources, which is why it is important to focus and prioritize. Settling on a clear focus—your product, your audience, your strategy—is critical from day one. Finally, there is no substitute for hard work. We try to have a lot of fun at the same time. Work hard and play hard, and the rewards will come. But it is also always important to remember that there is nothing wrong with trying and failing. If you are going to fail, make sure it happens quickly, pick yourselves up, and start again.

What was your biggest "Aha!" moment when it comes to doing business in Africa?

Mikul: The biggest difference from developed markets (e.g., Silicon Valley) is that start-ups in our region have to focus on revenues at a fairly early stage. Kenyan investors look at profitability above almost everything else. In other markets, growth potential based on users and traffic is much more important, and it is common to see large investments in start-ups that have no revenue model in place. Second, the Kenyan market is relatively small, and technology businesses that can expand regionally are more attractive for investors.

Ritesh: Business is hard everywhere; it is even harder in Africa. Everything takes longer, costs more, and there is more bureaucracy than you can imagine. My "aha" is having enough cash to see through the increased costs and time taken, and developing a lot of patience when things happen *pole*, *pole* ["slowly, slowly"].

You have tested quite a few different market opportunities. Can you give some examples? Why did some work out? And why did you decide not to pursue others?

Mikul: Our main goal with EatOut at the moment is to ensure that we have Number-One market share within the industry, and we have therefore explored many different opportunities. Our magazine *Yummy* and activities such as Nairobi Restaurant Week have done well to generate revenue and increase our presence as an industry authority. We recently decided to explore the e-gift voucher market, allowing consumers to purchase and redeem digital gift vouchers securely online, tapping into a multi-billion-shilling industry (the shilling is the Kenyan currency) and providing easy gift solutions for the diaspora. In 2016, our aim is to have pop-up stores in high-traffic locations such as supermarkets and malls. On the other hand, we decided not to continue with an online restaurant delivery pilot due to the fact that there were already a number of start-ups concentrating on the same thing. We also felt that the market was simply not large enough to justify a heavy investment in building the logistics infrastructure and customer service team required to service it.

Ritesh: We have tested a number of opportunities, from alcohol delivery and a mobile juice bar concept to providing third-party logistics to other consumer brands. The reasons why most of those concepts were not feasible as standalone businesses were mainly centered around two themes.

Number one was the size of market. As interesting as some of these businesses may have seemed on the surface, some of them just did not have a large enough customer base for the business to be sustainable. Let me give you an example: We tried alcohol delivery to customers at home. It was a logical extension from the delivery of beer and wine at Naked Pizza that customers usually purchase alongside their food order. We saw a natural path to move into home delivery of alcohol, given that the customers trusted us, we had the infrastructure with bikes and storage facilities in place, and we had sufficient supplier relationships. In reality, we found that most middle-class consumers would prefer to "be seen" drinking their premium alcohol of choice in a public venue rather than enjoying it at home. The more affluent customers who were willing to consume premium alcohol in the comfort of their own homes either had the means to make own arrangements by sending their driver or simply had it in stock. The space that was left for us with customers who wanted premium alcohol delivery on demand was not large enough to justify a stand-alone business.

Number two was the willingness to pay. We piloted third-party last-mile logistics for a number of B2B players. They all expected a premium service, which meant a rider who was well spoken, well versed in terms of maps, driving a reliable bike with a clean uniform and possessed a box that safeguarded the items from rain. That is all good. However, sadly they were not willing to pay the costs associate with that kind of quality service. We usually heard things like "But my *boda boda* [motorcycle taxi] guy only charges me half the amount." After five months, with that mindset in place, we just had to pull the pilot.

Thank you, Mikul and Ritesh!