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/ Business Talk (/on-campus/blog/103-business-talk)

/ Social Entrepreneurship - 5 - Reach Clients through Appropriate Channels

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## Details

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By Scott Bellows

Upon graduating with his MBA, Mwanzu promptly decided to quit his job at a Nairobi-based bank and move back to his shag to start a new business. As long as Mwanzu could remember

, his family held 10 acres in Kwale for cassava and sweet potato farming. He agreed with his family to repurpose the land and focus on growing tomatoes, small chili peppers, and special new herbs in coast-modified greenhouses. In order to control a large span of the value chain, Mwanzu endeavoured to then process the new farm produce into a special Mexican-styled sauce.

Thrilled with the feeling of working for himself, building his own company, and supporting his community, Mwanzu finally entered the high-end sauce market in Kenya. He decided to sell his products through Naivas in Naivasha as his first point-of-sale. However, following six months of disappointing sales and no real growth experienced, Mwanzu turned to his former business school professor for assistance.

Those reading Business Talk might clearly realise Mwanzu's mistake. He implemented the wrong channel for his business. Channels describe how a company communicates with and reaches its customer segments to deliver a value proposition. Please review last week's Business Talk to understand how to derive value propositions for your startup business. Then, once you garnish your proposed value, determine your appropriate channel.

In order to contemplate your appropriate channel, authors Osterwalder and Pigneur encourage entrepreneurs to ask themselves through which channels do your customer segments want to be reached? How do you already reach your customers now? How are your customer segments integrated? Which channel works best? Which channels produce the most cost-efficient results? How do you integrate your channel with customers' routines?

As an example, Mwanzu failed to identify his appropriate channel on several fronts. First, wealthier consumers who buy specialty foods tend to concentrate in Nyalali at the Coast, select neighborhoods' in Nairobi, and Milimani in Kisumu. Placing his first point-of-sale in Naivasha did

not match with his prospective customers' routines. What high-end purchaser drives to Naivasha to buy their groceries?

Next, Mwanzu neglected to choose the appropriate grocery store chain to feature his product. A higher end food item should sell through a grocery store that wealthier customer segments desire to be reached. Higher end consumers prefer niche grocers or selected Nakumatt stores. Inasmuch, the choice of Naivas that targets the middle and lower-middle classes based on competitive prices proved ineffective for Mwanzu's premium priced sauce.

As an entrepreneur, choose a channel that assists your consumers to imagine your value proposition. A high-end product, for example, should sell through a niche sales force or high-end shops in order to boost the desired value proposition. So, determine which of the five channel types to utilize. First, does your customer segment require you to operate your own dedicated sales force? Such consumers want direct interaction with you, the producer, directly without dealing with intermediaries.

Second, would your customers instead value internet-based sales, like OLX? Web sales attract consumers who need little to no hand holding in the purchasing process and instead value convenience and privacy. Alternatively, do your customers rather desire to purchase your product directly from a physical store? If so, which type of store best suits your consumers? You must choose from maintaining your own stores or selecting to sell through partner stores. Mwanzu, as an example, chose Naivas as a partner store because he had one product not large enough to attract customers into a shop as a standalone product.

Finally, would your customers prefer to buy from you as a wholesaler and then turn around and sell your product for themselves at retail? If you set up a wholesale channel, you often incur much lower startup costs, but yield lower margins for your product.

Once you determine your channel type, then move through the five channel stages. First, you critically must raise awareness about your product or service. Enlisting marketing strategies at the first stage proves useful. Decide whether to push your products to consumers by placing them where they purchasers would see them and then desire to buy or, alternatively, pull customers through advertising and word of mouth to demand your product and go looking for it.

Next, entrepreneurs often overlook the evaluation phase. How do you enable your potential customers to evaluate your product's value proposition? A green label on Mwanzu's product, for example, might make customers value the perceived health benefits of the product. Alternatively, if Mwanzu put Italian-style or Mexican-style packaging, consumers might feel the product yields more high-end value. In automobile sales, Swedish car maker Volvo emphasizes its safety features as a way to make consumers raise their value proposition for Volvo's cars.

Then, what methods will you develop to enable customers to purchase your products. Do you allow consumers to pay with M-PESA, buy on credit, use Visa or MasterCard, or only cash? Once the product or service gets purchased, do you offer home delivery like Nakumatt, or in person pickup from other consumers like OLX?

Last but certainly not least, what type of after sales support should you provide to customers post-purchase? Many consumers often get amazed that automobile purchases represent such a huge budget item, but provide virtually no in-built post-purchase follow-up.

In Kenya, many firms offering wide ranges of products such as furniture or consumer electronics to services such as pool cleaning to construction to repairs all employ a sales force that follows-up with customers after the sale in order to gauge usage and satisfaction as a way to foster future sales of the same product. Focusing on the longer-term client relationship, long a hallmark of companies in Africa and Asia, yields more repeat buyers. Research shows that retaining repeat buyers is remarkably cheaper than acquiring new purchasers.

In summary, even if you produce a remarkable product or service, misinterpreting the appropriate channel may spell doom for your business. If you desire to dig deeper for your own knowledge or for the Jamii Social Business Plan Competition, open free training at USIU begins on January 31<sup>st</sup> every Friday at 10:00am and on select Saturdays.

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In next week's edition of Business Talk, we explore "Foster Customer Relationships to Start Your Business". Read current and prior Business Talk articles right here on this blog.

**Professor Scott** serves as the Director of the New Economy Venture Accelerator (NEVA) at USIU's Chandaria School of Business and Colorado State University, [www.usiu.ac.ke/gsse](http://www.usiu.ac.ke/gsse) ([/../gsse](http://../gsse)), and may be reached on: [bscott@usiu.ac.ke](mailto:bscott@usiu.ac.ke) (<mailto:bscott@usiu.ac.ke>) ([/%22mailto:bscott@u](mailto:bscott@u)) or follow on Twitter: [@ScottProfessor](https://twitter.com/ScottProfessor) .

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