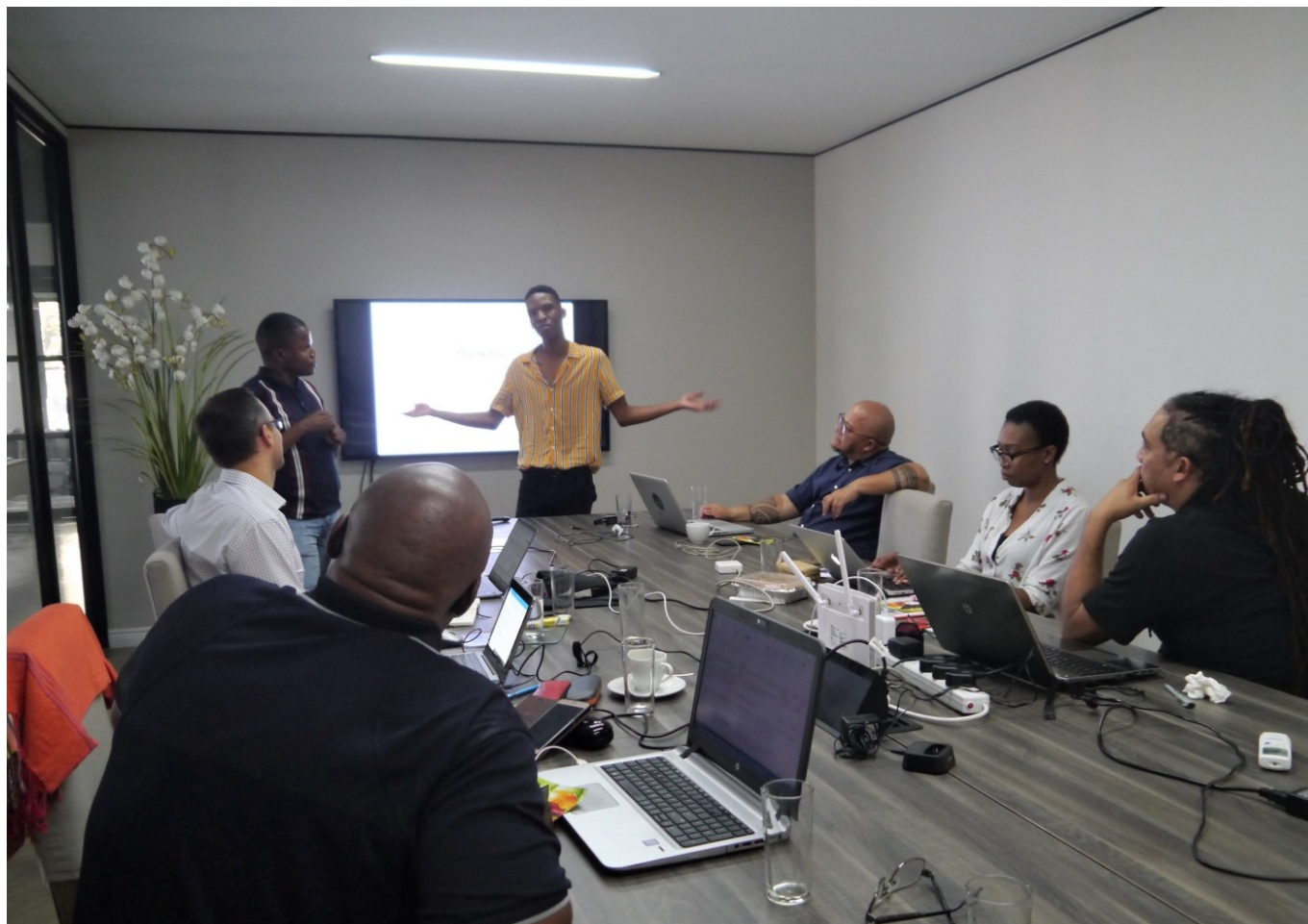


Thriving Entrepreneurship in Queer South Africa



Dreilinden

Feb 13 · 12 min read



Q Pitch Days South Africa — Highest Kitchen Taste ©Dreilinden

As you may already know from our first post (Queer Impact Investment Universe), we are setting out to champion the queer investment lens, with the goal of investing in LGBTQIA* entrepreneurs and companies that cater to communities in the Global South and East. We chose South Africa as the venue for our first pilot project, embarking on an exciting journey where we were able to gain fascinating first-hand experience.

What an incredible time we had in South Africa! We met over 50 (yes, that's five-oh) LGBTQIA* entrepreneurs from across the country. We were blown away by the entrepreneurial drive, passion and dedication we encountered. There were businesses from every industry imaginable — from agriculture to media, tech and healthcare, from education to consulting and PR.

Granted, we already had a hunch that the pool of entrepreneurs from the LGBTQIA* communities would be pretty broad after receiving over 90 submissions in response to our call for applications. However, nothing prepared us for the incredible life stories we were fortunate enough to hear. So you will understand that we are a little excited (or pumped, even) to share a few impressions from our Q Pitch Days in South Africa.

Q Pitch — What's That?

Our primary goal was to source potential investment opportunities from as many LGBTQIA* communities and geographical areas in South Africa as possible. To get the ball rolling, we worked with our friends from the PLUS. LGBTI+ Business Network, who were fantastic partners throughout. They provided us with a much-needed local perspective on the design of the whole process. (More on local perspectives below.)

We agreed that a call for applications, disseminated through social media, followed by pitch days across South Africa would be the most effective approach. We ended up calling the project Q Pitch Days. (Yes, we were feeling a little *quite* at the time.)

The structure of the pitch was similar to other formats: a 15-minute pitch followed by a 15-minute Q&A session. A panel was to scrutinise each pitch for the company's impact on queer communities and the sustainability of its business model.

The Application Process

Obviously, the process was specifically targeted at LGBTQIA* entrepreneurs and businesses that cater to their communities. Due to our own operational limitations, we asked companies to be post proof of concept — i.e. product/market fit has been established and the business is getting momentum behind its offering. We limited the minimum investment amount to ZAR 500,000 (approx. USD 35,000), but placed no restrictions on the investment type (e.g. debt, equity, hybrid structures).

The application process was designed to be straightforward, simply asking entrepreneurs to fill out a brief online form. This was to include a short description of their business, high-level financials, and their own assessment of the impact they have on LGBTQIA* communities. Overall, we estimated that the whole process should take no more than an hour. Based on the information submitted, the qualifying applicants were then invited to present their pitch. In hindsight, we were quite forgiving as we only disqualified applicants who didn't meet our selection criteria, and otherwise gave applicants the benefit of the doubt.

To disseminate the call for applications, we put together a social media pack and a press release. We were fortunate enough to be able to rely on a broad network of queer organisations that helped us spread the word among its membership. That worked a treat, and after a little more than two weeks we had received over 90 applications. Knowing that there were more than 90 LGBTQIA* businesses out there made us feel ecstatic. And we were not to be disappointed when we met the entrepreneurs!

The Panellists

We knew from the outset that we wanted to invite a diverse group of stakeholders to support us with the assessment of the pitches. We felt it was essential to receive input from people on the ground with intimate knowledge of local dynamics.

The panel's composition was intended to give us a wide range of perspectives and experiences, including the ability to assess the potential impact of an enterprise on queer communities as well as the commercial viability of the business model. We were delighted that we were able to inspire members of Business Partners, Iranti, PLUS. and Queer Women in Business + Allies to guide and advise us over the course of the Q Pitch Days and beyond. (Yes, we are totally planning on making this a thing.) Judging by the many impassioned discussions among the panellists, we felt we had a great group of independent thinkers around the table and that we had achieved the diversity we were hoping for. (Quick shout out — you people rock!)

The Assessment Process

When designing the process, we were planning on assessing each pitch according to a strict list of questions and criteria — on the one hand to assess impact, and on the other to evaluate the business. In reality this wasn't practicable, as our list of criteria was way

too long and didn't really allow for sufficiently interactive Q&A sessions. (You live and learn...) In the end, we found that a qualitative debriefing discussion among the panel members was much more fruitful and organic, and hence we opted for this approach instead.

Over the course of the Q Pitch Days we realised that the diversity and quality of the pitches were making it challenging to assess the opportunities using the same yardstick. (See "Key Findings for additional comments.") In the end, and after the Q Pitch Days (we are still learning), we created three different categories: (1) not ready for investment; (2) mentorship track — promising impact and business model but not yet investment-ready; (3) due diligence track.

The first category didn't meet our expectations from a business and/or impact perspective (yet). Each entrepreneur received detailed written feedback with suggestions for improvement and what to look out for in future pitches. We also offered to call them if they wanted to discuss the feedback in person.

The entrepreneurs selected for the mentorship track showed great promise from a business and impact perspective, but for our purposes they had not yet progressed far enough in their entrepreneurial journey to go straight into due diligence. We therefore offered them the opportunity to work with a local mentor in South Africa. The mentorship programme starts out with an initial 45-minute coaching session where the mentor and mentee define specific milestones and deadlines. On achieving the milestone (within the deadline), the mentee will be eligible for more mentorship sessions (up to ten). On completion of the programme, if still interested in an investment, the entrepreneurs are invited to submit materials and be reassessed.

The third category consisted of entrepreneurs who already have the skill set to deliver materials for due diligence or who have already progressed far enough to go through a due-diligence process. In most cases, the first initial step included a detailed review of the company's financials, followed by formal legal and commercial due diligence.

The Entrepreneurs

We would like to give you a small sample of the 90 applications we received. These are among the most inspiring stories we heard and they wonderfully illustrate the breadth

of queer entrepreneurship in South Africa.

The poultry farmer: Extra Relay Enterprises

Starting in 2017 with a small batch of chicks, this business has grown to produce 1,000 chickens every three weeks, with plans to expand to 64,000 per annum. Extra Relay Enterprises has already received permission to expand its production facilities to a plot of 1.2 hectares and is looking to finance new infrastructure and equipment.

The entrepreneur is determined to offer employment opportunities (including apprenticeships) to other members of queer communities as the business expands. Over the medium to long term the business is looking to source its materials out of the communities as well (think “inclusive supply chain”).

The entrepreneur built this business against all the odds. Brought up with limited prospects and at times sleeping rough, they started out by rearing chickens on a small patch of land. They often slept right next to the chicks to look after them. This is an incredible story of resilience and determination.

The shoemakers: Zitho Exclusive Footwear

Two sisters from the Vaal set out to cater to womxn with wider feet and/or ankles who to date have had limited or no options for elegant and fashionable footwear. To get started, the sisters went to China for a three-month master shoemaking course. Upon their return and with the support of a shoemaking expert from one of South Africa’s leading universities, they started designing and manufacturing wide-fit modern and elegant shoes for womxn with broad feet, ankles and legs.

Zitho’s inclusive approach, attention to detail and quality is truly inspiring. It also offers shoemaking classes to anybody interested in learning new skills or upping their shoemaking game. They were definitely two of the most fabulous womxn we met over the course of the Q Pitch Days, so keep an eye out for them!

The event managers: Other Village People

Have you heard of Same Sex Saturdays or the All Black annual concert? The powerhouse behind these outstanding events is Other Village People and its super-cool founder Andi. The business originally started out in Durban but after much nagging by the community, Andi decided to expand to Johannesburg and has plans to move into Cape Town (no

promises yet). Other Village People works with a highly curated list of queer artists and creatives, giving established and emerging talent an empowering platform to promote their craft.

Not only has Other Village People been able to develop an incredibly loyal audience over the years, it is also offering queer communities crucially important safe spaces, thereby heightening a sense of belonging and affirmation.

The caterers: Highest Kitchen Taste

Meet Melato and Subsidio — a young couple who set up their own catering company, Highest Kitchen Taste. They provide catering for weddings, corporate functions, birthdays, and any other kind of function with a need for drinks, food and professional wait staff. All their suppliers come from queer communities. As a side hustle, they also rent out their equipment when it's not in use (which only happens rarely).

We had such a crush on them that we drove out to the Vaal one evening to see what they had to offer. It was time well invested, and it was fantastic to see these two in their element. They have great ambitions and want to set up a business hub specifically targeted at queer entrepreneurs.

The fashion house

This up and coming fashion and accessories business offers bespoke tailoring as well as handmade accessories. The founder of the business coined one of the most memorable and beautiful mission statements we heard that week: “The products of my business are our way of expressing queerness with African culture!” (We have nothing to add to that!)

The business is based in Carolina, where queer communities have limited access to product ranges in line with their identity. Hence, these queer-affirming and custom-fitted products, are carving out a market niche and clearly differentiating themselves in an otherwise highly competitive market.

Never shy of a little hustling, the founder made the most of her trip to Johannesburg and sold all the samples she took with her at the hotel shop. That's entrepreneurship to the core!

The protective workwear factory: Khanyile Solutions

The prize for most innovative product creation has to go to Khanyile Solutions! Managed by a group of womxn, the business has developed overalls and other protective workwear specifically targeted at womxn. We can't reveal too much right now as the products are just about to be launched. However, the range confirms (once again!) that the target audience of any product needs to be actively included from conceptualisation and design all the way through to production. Khanyile Solutions did just that, and we are excited about this launch and about the positive impact the products are expected to have for thousands of womxn workers across South Africa — and hopefully, the entire globe.

The laundry business: Deez Laundromat

Deez Laundromat was launched in 2017 in the township of Daveyton, with money from the founder's provident fund. (Talk about determination!) The business launders clothes, blankets, drapes, bedding, curtains, and catering decor. Drying and ironing services are also offered, based on clients' specific requirements.

Debora, the founder and owner of Deez, is now looking to take the business to the next level, adding more washers and dryers in order to cater to larger clients and to offer dry cleaning services.

Debora has always been out and proud, and makes a point of only hiring staff from queer communities. What a role model and inspiration for other queer people in Daveyton!

The marketing agency: Hotwire Marketing

Meet marketing extraordinaire Deborah! She is one of the top marketing minds in South Africa's hospitality and gaming industry. Signature Restaurant in Sandton, the Mythos chain of Greek restaurants, and T&Co Fabrics were all supported by Hotwire Marketing.

Bolstered by a talented team of project managers, copywriters, designers and developers, Hotwire aims to be the gold standard when it comes to diversity and inclusion. The overarching goal is to create a sense of empowerment among employees and to set industry standards that pave the way for change.

For the next phase of Hotwire, Deborah plans to create a hub where queer creatives and entrepreneurs can come together and collaborate within a safe space. We are super-excited to see where this goes!

The healthcare clinic: Queer Wellness Centre

As the name suggests, the Queer Wellness Centre aims to become the go-to destination for LGBTQIA* healthcare — both primary and specialist care.

The founding team behind the business is a group of healthcare professionals committed to raising queer healthcare in South Africa to international standards. Services include STI screenings, anal care (including anoscopies, a first in South Africa), medical procedures, hormone therapy, and mental health consultations.

Following the successful launch of its first clinic in Johannesburg, the team is now looking to open a second site in Cape Town. We are excited about queer-specific care emerging in South Africa.

Key Findings

We learned so much over the course of our week in South Africa that it would go beyond the scope of this post to list all our insights. So here we present a few of our most important findings. We hope these will trigger further discussions and lead to a call for action.

Thriving entrepreneurship

Queer entrepreneurship is alive and well in South Africa. We loved seeing such diversity across industries and geographical regions. Having said that, we must point out that there is a strong need to equip these entrepreneurs with the skills necessary to take their businesses to the next level and increase their resilience.

Embracing diversity

The quality of the pitches and presentations varied as much as the overall diversity of the entrepreneurs and industries. While this gave us a good and honest overview of the status quo in the country, in the future we will try to guide entrepreneurs more closely in the lead-up to the pitches. We plan on providing them with materials to self-train and to gain a deeper understanding of the information an investor expects to see.

Emerging ecosystem

An ecosystem of queer entrepreneurship is starting to emerge. Queer Women in Business + Allies launched its first online accelerator in 2019, culminating in a hugely successful start-up summit. It has plans to further expand this programme in 2020, launching chapters across South Africa and curating a strong pool of mentors.

We see great opportunities in connecting queer entrepreneurs within and across industries. The entrepreneurial journey can be very lonely at times, and peer-to-peer exchanges are incredibly powerful. The potential for collaboration and mutual support is immense.

We are also hoping that over time queer angel investor networks will emerge. While there are some great initiatives such as Dazzle Angels, we have not yet come across any queer-focused networks.

To develop a thriving ecosystem, these various networks need to collaborate, exchange, and educate one another. We hope to inject momentum into the further development of a thriving ecosystem by bringing together a small group of partners who can bring this to fruition. (Stay tuned!)

The missing middle is real

The investment request of the majority of applications was between ZAR 500,000 and ZAR 3,000,000, and all but one of the 15 entrepreneurs invited to progress to the second round fell within that range.

We had limited the investment amount to a minimum of ZAR 500,000 but believe we would have received an even larger number of applications if the minimum investment amount was lower.

This goes to show that the oft-discussed but seldom addressed “missing middle” is a very real phenomenon for some of the most marginalised groups in our society.

Final Thoughts

We heard a lot of inspiring stories over the course of the week. Now it's time to ensure all these enterprises can develop into sustainable businesses that are fully integrated in the economic cycle — regardless of their background. We hope that by embarking on this

journey we can inspire other investors — be they foundations, private individuals, or institutional investors — to take a closer look at a group of entrepreneurs that is full of potential but has been overlooked for way too long.

Stay tuned good people,

Stefan

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About Stefan Bollier

Stefan is a member of Dreilinden's investment committee. He is the founder of Swiss based Impact Advisors LLC which is advising Dreilinden on the development and implementation of the foundation's impact investment strategy.

About Dreilinden gmbH

Dreilinden is a Hamburg-based foundation dedicated to advancing societal acceptance of gender and sexual diversity. Founded in 2007, Dreilinden has been at the forefront of supporting sexual orientation, gender identity and expression, and sex characteristics with grants and investments. Kindly note that Dreilinden does not accept any grant applications at this time.

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