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Reaching a milestone

This week's Friday@Noon is the 150th issue since the first issue on 12 June 2015. Personally, it has been an exciting learning journey, enforcing the discipline to gather and scan between 20 and 30 articles weekly. In addition to the scan, it required the asking of an important question that I have always encouraged my students to ask over the past 27 years, namely "so what?" The conclusions I have arrived at have not always been positive from a business perspective, but overall, in spite of the negatives, I remained convinced that those who do their homework, will find Africa a great place to do business in. The caveat remains that you must do your homework. Venturing into Africa without a thorough understanding of what the playing field is like, reminds one of the old saying, "fools rush in where angels fear to tread!" There are sufficient examples of companies who have failed spectacularly precisely because of this neglect. However, on the other hand, I have seen many companies, big and small, who have either started from within the continent or who have ventured into Africa, that have achieved spectacular success. There are many opportunities to unlock for those with the requisite discipline, dedication, understanding and focus.

This week also coincides with a Singapore Business Federation Business Mission to East Africa, with visits to Kenya and Rwanda. In addition, Enterprise Singapore opened its East African regional office in Nairobi, Kenya, with the Deputy Prime Minister of Singapore, Tharman Shanmugaratnam, and the Senior Minister of State for Trade and Industry, Dr Koh Poh Koon, attending. Both were on a state visit to Kenya and Rwanda. Given the milestone of 150 issues, and the visit to 2 African countries, both growing strongly, this week's issue will deviate from its normal template and address observations from East Africa.

Observations from Kenya

The president of Kenya, Uhuru Kenyatta, recently announced his government's priorities for his next term of office. They are named the "Big Four", and include the following:

- Food security: improving agriculture to improve food production. Currently far too much food is being imported. Various opportunities are available for impact investors in various agricultural produce value chains and to commercialise smallholder and rural farming.
- Affordable housing. Kenya has a deficit of 250,000 housing units annually. The objective is therefore to develop innovative affordable housing and increase the sector's contribution to GDP from 7% to 14% by 2022. There is an incentive of paying only 15% corporate tax for developers of 100 low cost residential units and above.
- Manufacturing. The objective is to raise the contribution of manufacturing to GDP from 9% to 15% by 2022. The focus is on 4 key subsectors: agri-processing (tea, coffee, fruits, meat), textiles and apparels, leather products, and fish processing. Other sectors include construction materials, iron and steel, ICT products, and mining, oil and gas. The agenda will also strive to create 1.3 million manufacturing jobs by 2022.
- Universal Healthcare. Provide universal health coverage for all Kenyan homes and achieve 100% health coverage for every Kenyan.

These items on the Big Four Agenda have the potential to transform Kenya. It should guide investment priorities and linking investment projects to them, will no doubt generate official Kenyan support.

Market research is important. I have heard from friends, students and colleagues about market researchers from abroad who would visit Nairobi, check into a 5-star hotel and then do "market research". Do not fool yourself. This week I have seen people interested in expanding into Kenya visiting retail outlets to identify the competitors' products and buying these products to take back home for a proper analysis. I have seen prospective investors interviewing people within the country to gain a better understanding of the general business environment, including the macro political and economic environment. I have seen these prospective investors actually visiting and talking to incumbents to gain a better understanding of what the existing and future "battlefield" will look like.

Both market development and distribution are crucial. Understanding the customers and their needs are non-negotiable. Their tasks and jobs to be completed, their pains and their gains must be understood, as well as what the solutions should look like. However, getting the solution to the customer is also critical. Given the distances in Africa, this is not always easy. Technology plays an increasing role. This could entail the customer (for example a farmer) taking a photo of his diseased crop and sending it to the solution factory. The organisation would then identify the problem and notify the farmer of the problem, the solution and the nearest dealer in possession of the required product. The farmer would then proceed to obtain the product. Without an extensive distribution network, this would not work.

Trust is very important. A number of global players with well-known brand names are present in Kenya. They frequently (mostly, if not always) charge more than the not so well-known brands. The reason? The trust inherent in the global brand. It is a well-known fact the African consumers trust their brands and tend to be brand loyal. New players in the market therefore have to focus on this aspect of their entry strategy. Focusing only on a lower price is not necessarily going to bring about success. Price must be backed up with quality (which is expected in Africa) and service delivery. Customer centricity is crucial. It will take time to create this trust, and it will require a concentrated effort.

In the same vein, it was also made quite clear that while there are quite a number of opportunities within Kenya, competition is more intense than one would be inclined to think. One therefore has to be very clear on what you want to do and where the opportunity is. Calls for investment must be seen for what they are, and one should not see everything through too a rosy lens.

Some of the MNCs present in Kenya, which is an indication of the trust these brands have in the country, include Coca Cola, Samsung, Huawei, Google, Cisco, Toyota, Volkswagen, Tata, KFC, Philips, GM, Diageo, LG, Sony, Citibank, Visa, GE, Heineken and Villa Rosa Kempinski.

Kenya has a number of investment opportunities waiting to be tapped into. A visit to Centum made this observation abundantly clear. These opportunities include possible investments in the areas of real estate, food and beverage, power (geothermal and coal-fired), healthcare and education. A new real estate development that showed what is possible, is the Two Rivers Shopping Mall and Business Park. This newly developed modern facility is a shining example of what can be achieved. When visiting a number of areas within Nairobi, one can see quite a number of new building developments, indicating progress and growth.

Other investment opportunities in Kenya include the following:

- Setting up of head offices to serve Kenya, East Africa and West Africa. Nairobi is seen as the regional hub for business and logistics.
- Establishing trading companies to serve Kenya and the region. Kenyan products are acceptable in the region. One preferably must look for partners to facilitate imports and exports.
- Infrastructure and construction projects. Greenfield projects are available, as well as expansion of existing projects, including ports, inland container terminals and dry ports.
- Opportunities in transport and logistics.
- Manufacturing. Trade and move to local production to cut down on costs. Opportunities include focusing on motor vehicle assembly, food processing and packaging.
- Setting up international and popular brands in Kenya to target the fast-growing middle class and foreign residents based in Kenya.
- Consulting services – logistics, legal and accounting, market research, etc.
- Development and investing in investment attraction facilities, such as SEZ's and EPZ's.
- Provision of financial services.

Observations from Rwanda

The first observation as one comes in to land at Kigali's airport, is an overwhelmingly positive one. The modern houses, the clean environment and the immaculate condition of the buildings and roads create a lasting impression. One frequently reads of how neat the country is. However, this does not sufficiently pay tribute to what the actual conditions are. The city has been developed on a number of hills and is simply stunning.

Rwanda is positioning itself as a safe and stable country. It is the 5th safest country globally and has the 4th lowest corruption rating in Africa. It has been sustaining a GDP growth of more than 7%, and has the lowest debt ratio in the region. It considers itself to be welcoming towards investors and tourists. It is also home to a young and empowered workforce, producing ~47,000 graduates annually. Rwanda also considers itself to be a ready platform for business, and has been institutionalising a large number of reforms to improve its rankings on the Ease of Doing Business list. Since 2007, it has implemented 41 business reforms in the fields of legal, institutional reforms and automation. It is therefore no wonder that it is number 2 in Africa on the Ease of Doing Business rankings. It also has 10 SEZ's.

The sectors within which the Rwandan Development Board has identified investment opportunities, include the following: agriculture and agri-processing, business-process outsourcing (BPO) and ICT, knowledge, finance, tourism, manufacturing, mining and quarrying, energy/water, infrastructure and housing/real estate development. It has also been mentioned that there has been a strong growth in hotel development, but there are still good opportunities open in the upper market hospitality sector. In 2016, 1.2 million visitors arrived in Rwanda, which is an 80% increase on the prior 6 years.

In order to entice foreign investors, various incentives are available. These include tax breaks, repatriation of capital and assets, custom duty exemption for SEZ users, as well as various non-fiscal incentives. These include quick business and investment online registration (within 2 hours), assistance to access utilities, assistance with obtaining visas and work permits, a one-stop service that provides notary services and the provision of after-care services to fast-track project implementation.

Rwanda is also focusing on improving its e-government services. This week saw CrimsonLogic launch the iREMBO platform in Kigali. iREMBO simplifies business processes and makes it easier for citizens and businesses in Rwanda to do business with the government. The main focus has been on re-engineering services by making them more accessible for citizens and businesses through iREMBO.

Case Study of the Week

The case study that intrigued me the most during the week, is a start-up in the agricultural sector in Kenya, called Wanda Agriculture Limited. The start-up founder and managing director, Marion Moon, tells her story with passion and enthusiasm. In most African countries, smallholder families are struggling to make more productive use of their farmland. Most are unable to produce enough to feed their families an adequate nutritional diet, or to sell in the market and generate sufficient income to meet other needs. Those who can, are demotivated by market inconsistencies. The unattractiveness of the sector, coupled with population growth, exerts continuous pressure on arable land, resulting in family farm sizes shrinking with each generation, and the migration, in particular of the youth, from agricultural areas to urban centres.

Marion recognized the opportunities present in the challenges of feeding Africa and developing the agri sector into a more lucrative one. In 2011, she quit her job and set up Wanda Agriculture to offer market-based solutions to poverty. Wanda Agriculture designs, builds and operates value chain opportunities through its own subsidiaries and strategic partners where needed.

After 7 years she realized that to effectively impact rural ecosystems and build a sustainable business, one must offer value chain solutions that are initiated by market demand. With the 16,000 smallholder farmers in their network, they started organizing the production of fruit (banana, pineapple, mango & passion fruit) and pulses (green grams), having already secured market demand.

Given the traction of the new market-driven model, Wanda is looking for support – grants and investments - to enable it to more effectively and efficiently organize the farmers to participate as the producers in the current opportunities and in the future. Wanda is organised into 3 divisions, i.e. Wanda Organic, Wanda Mobile and Wanda Soko.

- Wanda Organic manufactures and markets bio-organic inputs aimed at complementing current practices to enable farmers to embrace more progressive and sustainable agricultural practices that have proven to increase yields, reduce crop cycles, suppress diseases while improving soil health. This should help farmers to increase their productivity, ensuring food security, improved nutrition and greater profitability.
- Leveraging technology, Wanda Mobile organizes and supplements existing supply chains to improve effectiveness and efficiencies to enable smallholder farmers to access the financing, information, products and services they need to maximize their productivity.
- Wanda Soko leverages technology to design, build and manage an omni-channel e-commerce platform that creates transparency to market opportunities, allowing smallholder producers to have more control and better manage their risks as they choose what to grow and where to sell their produce, including who to work with along the chain.

Wanda Agriculture employs 42 people, who support the 16,000 smallholder farmers.