

African Union

- **Africa:** Six consumer trends that will impact the world of business over the coming years.

Futurist Jonathan Cherry highlighted a number of trends that will impact purchasing over the coming years. **1. Augmented reality (AR)** technologies will become major drivers of consumerism. Some companies, such as furniture retailer IKEA, have already begun incorporating AR into their business. **2. Authenticity** A growing number of consumers have an “authenticity radar”, and are demanding that companies are honest about their dealings. **3. Community consumption** will be an important theme for the future. The concept of community can take many forms, such as park runs, Cape Town’s First Thursdays (a monthly art gathering) and Critical Mass (a community cycling event in South Africa). **4. Nomadic mind-set** The traditional walls that surrounded business, government and systems are disappearing. Nowadays somebody could start an insurance company from a laptop. **5. Temporary merchandise** People don’t necessarily want to buy something that lasts forever. **6. Changing relationship with assets** Young people are starting to place greater value on experiences than physical assets. They don’t want to have the responsibility of owning an asset, because adding more assets adds more complexity. For more information, read [here](#).

- **CAS View:** These trends are global trends, and they are equally applicable to Africa’s consumers. The way they manifest, however, would differ in Africa relative to other developed countries in the world. In Africa again, they would manifest differently in some countries than in others, for the simple reason that Africa is not a homogenous unit. Developing consumer profiles for the large number of consumer groups in Africa has become crucial for any entity looking at investing in Africa, even for those companies from Africa. We frequently see African retail companies entering another African state as if it were an extension of its home country. They are then surprised when they have to close down a few years later, usually with all kinds of excuses that don’t really fool anybody. In Singapore, the Institute for Asian Consumer Insights at Nanyang Business School has done amazing work developing profiles for and insights in the Asian consumer. This is the type of research that must be replicated for Africa and its large number of consumer types.
- **Africa:** Advice for SMEs wanting to expand into Africa.

Internationally-focused SMEs are twice as likely to be successful compared to those only operating domestically. Expanding across borders can be a high-risk investment. The first step in building an African footprint is deciding which countries to enter as Africa is not a homogeneous market. Deciding which country is a function of your business and objectives, and the market environment. Pay careful attention to the regulations and tax systems in the target country. Some countries have minimum capital requirements, while others require that foreign companies have local shareholders and directors. Investment in some sectors may require ministerial approval. SMEs need to ensure that their intellectual property will be protected, as counterfeit products remain a significant challenge in many parts of Africa. To address some of these challenges, SMEs should consider operating within established trade blocs. SMEs should also familiarise themselves with import/export duties and customs regimes in the target countries. SMEs also need to note that many African countries still have under-developed transport and logistics infrastructure, which impacts how companies manage their stock. The right local partners and networks are essential to get access to the right people, as doing business on the continent is all about relationships. For more information, read [here](#).

- **CAS View:** Good advice on how to start and expand a business in Africa is always welcome. Some will tell you that Murphy's Law operates in Africa, namely that anything that can go wrong, will. Others will even quote O'Toole that stated Murphy was an optimist. Be prepared for these people. Then you will get those who have taken the steps to expand into Africa and who are doing well to very well. The essence of the advice is that you must do your homework and you must realise the power of networks and relationships in Africa. Know who you are doing business with. Getting the wrong partner will lead to serious reputational damage and business risk! Not getting a partner at all could lead to a lot of school fees being paid and taking 2 to 3 times longer to achieve breakeven. SMEs generally do not have the luxury of deep pockets and any unnecessary expenses and time lapses could be crucial for the survival of the entity.

East Africa

- **Tanzania:** Tanzanian strategies have the potential to create tension between itself and Kenya, potentially disturbing the efficient functioning of the EAC.

It seems there is growing diplomatic tension between Kenya and Tanzania. President Magufuli is accused of looking at his nation's priorities at the expense of the EAC. First, Magufuli declared that Tanzanian companies should not import from Kenya anything that can be bought in Tanzania. He also tightened the stringent work permit requirements for foreigners working in Tanzania. In May, Tanzania announced that it would reduce the amount of electricity it buys from Kenya by 67%. Shortly after, Magufuli convinced Uganda to build the Sh400 billion oil pipeline through Tanzania, leaving Kenya in the cold. Rwanda then announced that it was considering developing its railway line through Tanzania, as this was cheaper and shorter than the route through Kenya. This forced Kenya back to the drawing board. Tanzania is also building a big port to rival Mombasa. Tanzania has now pulled out of a trade deal that the EAC was negotiating with the European Union (EU), a deal that has agitated Kenya, who views it as bordering on economic sabotage. East African neighbours, including Uganda and Rwanda, subsequently also pulled out, leaving Kenya on the table alone. For more information, read [here](#).

- **CAS View:** The article serves to emphasize an old truism, namely that countries do not have friends, but only interests. Magufuli is clearly aiming at creating advantages for Tanzania. That this is coming at the expense of Kenya, and seemingly the EAC, is most probably not planned, but incidental, most of it in any case. CAS did refer to this phenomenon in an earlier commentary. It was just a matter of time, however, before Kenya got fed-up with Magufuli "stealing" its clients or partners, and becoming vocal about it. One could also see Magufuli's actions as an attempt to wrest away regional leadership away from Kenya. Whether Kenya would allow this type of action is a question that comes to mind. On the other hand, there is not a lot they could do directly on these specific issues, should its co-members of the EAC support Tanzania by choosing the Tanzanian option. This kind of "destabilisation" activity might be good for Tanzania in the short run, but it could be seen as a "beggar thy neighbour" approach. If it leads to retaliation by Kenya, it will destabilise the whole region. Kenya's President Kenyatta cannot be seen to be weak in the face of such "aggression" by Magufuli. So, expect a backlash from Kenya some or other time!
- **Ethiopia:** Ethiopia is setting itself up as a powerhouse for renewable energy in East Africa.

Tanzania is set to sign an electricity power export deal with Ethiopia, making it the fourth African country to do so. Tanzania has agreed to purchase 400MW of Ethiopia's hydro-power processed electricity. The deal is expected to foster economic integration and strengthen multilateral ties between the two countries, and to create more economic integration with Kenya. Ethiopia is building several hydro-electric power plants, including the GERD

(Grand Ethiopia Renaissance Dam). GERD is more than 50% complete and is expected to generate 8,000MW. Egypt, Ethiopia and Sudan have moved to a new cooperative phase in economic, political, and security-related fields, and agreed in March 2015 on the construction of the dam. The massive dam project will transform Ethiopia to a leading renewable energy power exporter in the East African region. Ethiopia hopes to be a middle-income nation by 2025. It has been exporting electricity to neighbouring countries, including Djibouti and Sudan, and a transmission line to Kenya is under construction. Ethiopia plans to export power to seven neighbouring countries after the completion of the mega dam project. Ethiopia's potential power production capacity from renewable energy is over 60,000 megawatts. For more information, read [here](#).

- **CAS View:** Ethiopia is setting itself up as a major player in the generation of renewable energy in East Africa. Whereas the building of the GERD initially increased tensions with Egypt and Sudan, it seems these 3 countries have reached an agreement on the road ahead. Ethiopia's goal of achieving middle income status by 2025 is an important one, as it has a large population that still lives below the poverty line. Ethiopia's regional aspirations will have an interesting effect in East Africa, which already has to deal with Tanzania's actions in this regard, such as set out in the article on Kenya's frustrations with Magufuli's attempts to get Uganda and Rwanda to get access to the sea via Tanzania and not Kenya. In an earlier newsletter, CAS did refer to Ethiopia and Djibouti being the stable core of the Horn of Africa. One cannot help but to take one's hat off for the government of Ethiopia in its aspirations to be a major power player in its region. This will not only be good for generating foreign revenues (based on exporting electricity), but will also support its industrialisation policy and growth of its manufacturing sector.
- **Ethiopia:** Ethiopia is boosting its manufacturing sector, with import substitution a growing theme. It must, however, look at creating a stable internal environment.

The Ethiopian government is boosting its domestic manufacturing sector, and import substitution is likely to be a growing theme. Earlier this year, UK-based 54 Capital invested \$42m into Ethiopia's Addis Pharmaceutical Factory, a domestic producer of more than 70 types of medicines. The Ethiopian government is keen on reducing import bills and therefore prioritises and protects local manufacturers, with a target to increase their market share in tenders. from about 20% to 50% by 2020 and 60% by 2025. There is big opportunity for pharmaceutical manufacturing as nearly 85% of the Ethiopian demand is covered by imports. Other consumer-focused companies are also establishing manufacturing facilities for products currently being imported. These include biscuit producers, confectionery-makers, glass bottle manufacturers, motor vehicle manufacturers, and electronics manufacturers. The administration is promoting industrial parks throughout the country – some of which are already in operation. Another positive for Ethiopia's manufacturing sector is relatively cheap electricity and government is upgrading transport infrastructure. There is still a plethora of risks such as excessive bureaucracy, high taxes, logistical hurdles, and a chronic shortage of foreign exchange. Ethiopia's rapid economic growth and large population still make it a potentially lucrative destination for companies throughout the consumer goods value chain. For more information, read [here](#).

- **CAS View:** Ethiopia has become a leading proponent for the industrialisation of its economy. They are succeeding in moving away from an economy heavily dependent on its agricultural sector, to an economy benefitting from a vibrant manufacturing sector. In order to circumvent the benefits local companies will have, given the support from the Ethiopian government, foreign producers will have no option but to develop their own manufacturing capacity within Ethiopia. This FDI will have a positive impact on the already formidable economic growth of Ethiopia, and will boost the employment ratio. What this article does not mention, is a problem area the government of Ethiopia must address as a point of urgency, namely the political instability that rears its ugly head every now and then.

The Oromo and Amhara ethnic groups, not natural allies and constituting 60% of Ethiopia's population, are moving towards a united front in the opposition against the ruling elite, the Tigrayan ethnic group, which makes up about 6% of the population and dominates the military, the intelligence services, commerce and politics. It will become increasingly difficult to enforce stability through military power. This situation could upset the apple cart in Ethiopia and must be dealt with in a sustainable manner.

East Africa

- **Cote d'Ivoire:** Cote d'Ivoire is positioning itself as West Africa's technology and start-up hub, in the process attracting a lot of foreign investment and increasing its profile as a preferred business destination.

The government is positioning Cote d'Ivoire as West Africa's technology and start-up hub. In July the government, in partnership with the AfDB, announced the Ivorian Innovation Fund to support infrastructure and finance for, particularly, technology start-up businesses to address the lack of technical skills and finances. In April 2015, the government announced a project to lay thousands of kilometres of fibre optic cables and establish cyber centres in rural areas. Companies are beginning to follow the government's lead. Gemalto, world leader in digital security, opened its first office in West Africa in Abidjan. MTN expanded its telecoms operations in Côte d'Ivoire, while Standard Chartered established its first West Africa office in Abidjan in late 2015. The Ivorian population is seeing benefits from the digital development policy drive. The mobile phone penetration rate has surpassed 100%, while the number of internet subscriptions has increased between 2011 and 2015 from 200,000 to 8 million. However, the country still lags behind rivals Senegal and Rwanda on the Global Innovation Index. Further digital infrastructure improvements are planned. Côte d'Ivoire is increasingly "the most credible competitor to Nigeria for the status of West Africa's business technology hub." Tech-fuelled business looks set to be a cornerstone in rebuilding the country's image as the 'economic miracle' in West Africa. For more information, click [here](#).

- **CAS View:** President Ouattara has put Cote d'Ivoire on a development path that has done much to restore foreign and business confidence in the country. The period of political instability ranging from 1999 to 2010 was bad for the image of Cote d'Ivoire as an investment destination. Since 2011, however, Ouattara has created a stable environment that has enticed a lot of multinational businesses and supranational organisations such as the AfDB to return. The focus on the technological sector is an important one, and will support the country in its endeavour to take up its place as the country of choice in West Africa. The world of digital connectivity will empower Cote d'Ivoire's population and allow it to function optimally in the 21st century business world. Connectivity in the globalised world we live in today is essential and a prerequisite for success. In addition to the benefits for the population, it will attract even more foreign businesses, which in turn will generate more jobs and FDI, leading to economic growth, which is already one of the highest in Africa!

Southern Africa

- **Zambia:** Mobile money platforms are now also prominent in Zambia. It seems Africa is the global lead as far as financial technology is concerned.

Zoona, one of the leading money transfer service providers in Zambia and Malawi, raised \$15 million in its second round of capital funding as it seeks to spread its operations to 10 countries across Africa by 2020. Investors include the International Finance Corporation, amongst others. The startup currently has over 1.5 million subscribers and intends to grow its market base to over 30 million customers. The expansion plans are currently focused on Tanzanian, Mozambique, and DRC markets, avoiding markets dominated by Vodafone's M-Pesa and

Western Union. Since it started operations in 2009, Zoono has processed over \$1 billion in transactions. Majority of the transactions are from school fees payments, medical emergencies and small business deals. The startup charges between 2 to 8% for every transaction, but does not charge recipients for a cash-out, unlike M-Pesa that charges about \$0.01 for the least withdrawal amount of \$1. Zoono has created at least 2,500 jobs with over 1000 entrepreneurs operating more than 1,500 outlets in Zambia and Malawi. The startup's business model targets young women. At least 75% of the outlets are owned by women. For more information, read [here](#).

- **CAS View:** Africa seems to be leading the world in the development and rolling out of mobile money platforms. In this manner, it is increasing the level of financial inclusion of its population rather dramatically. In Kenya, M-Pesa helped to increase the level of financial inclusivity from 40% in 2010 to 75% in 2015. In Zambia, Zoono wants to grow its customer base from 1.5 million to 30 million, a dramatic increase. ASEAN countries could take a page from this book and use mobile money platforms to a much greater extent to increase the level of financial inclusivity of its populations. It does seem that the sector has generated a lot of interest amongst some of the larger investors and financial institutions, such as the IFC. Given the rate at which these mobile money platforms are growing, banks would need to take serious notice, as said previously by CAS. They would either need to become involved, or they will run the risk of being disintermediated. Paga, a mobile money platform in Nigeria, plans to increase the number of its agents in Nigeria to 30 000 by 2018. Banks will have a serious problem emulating this! As it is, currently only 20% of Nigeria's population have access to banking services, which presents a huge growth market to Paga and other mobile money platforms. For more information about Paga in Nigeria, read [here](#).