

Reasons to believe in Africa

 By Louise Marsland

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There are many reasons to invest in Africa and even more reasons to believe in Africa, international delegates were told at the Consumer Goods Forum global summit in Cape Town, 15-17 June 2016. The global CEOs of Coca-Cola, Nestle, Tesco, Walmart, Pepkor, Pick n Pay and many other luminaries, were present to discuss the disruption that digital has brought to the retail supply chain, as well as food security and investment in Africa.



Image by 123RF

A surprise visit was made by South African deputy president, Cyril Ramaphosa, who dropped into the conference unannounced and was quickly slotted into the programme. Ramaphosa spoke about Africa as the “next growth pioneer” in the world, noting that Africa was an enormous market, containing seven out of 10 of the fastest growing economies in the world.

“Africa is open for business,” Ramaphosa emphasised to the CGF summit delegates, many from Europe, Asia, the United States and South America, with a sprinkling from Africa. 800 delegates from over 365 companies from 40 countries made the trip to Cape Town for the 60th annual CGF summit, held in Africa for the first time.

Complex continent

Ramaphosa continued: “Africa is a complex continent. There are great opportunities... Africa is not only rising, but it is a continent that is consuming and will be consuming more and more as the years go by.” He emphasised that Africa needs to replace its current system of exporting commodities. “We have all realised that we have to move to changing that system and exporting finished goods, open up manufacturing...”

Ramaphosa was accompanied by keynote speaker, Muhtar Kent, chairman and CEO of Coca-Cola. Kent was extremely bullish on Africa and encouraged retailers and manufacturers to take a long view of the continent. His presentation was

aply entitled: 'Reasons to believe in Africa: The rise of the bright continent'.

Kent highlighted all his reasons to believe in Africa's bright promise:

- Rising life expectancy.
- Growing GDP and Africa's middle class.
- Childhood mortality rates down: malaria deaths down by more than 60% since 2000; HIV-Aids mother to child transmission being eradicated.
- Armed conflict and death down.
- Africa is leveraging mobile.
- Africa's start-up community is expanding.
- Better governance has led to better outcomes.
- Billions are being invested in infrastructure.
- Sound monetary policies mean acute poverty has declined.
- 80% school enrolment.

"Small improvements in Africa are yielding exponential results," Kent said. "Technology will help transform society, especially education... Africa has thousands of flourishing entrepreneurs. Commodity prices are lower, but they are not here to stay. They will improve. Nothing is ever a straight line."

Africa optimist

Africa has 1.1 billion people, 14% of the world's population and speaks 2000 languages, but suffers from bad press which tends to focus on the "rich menu of poverty, corrupt leaders and abuse," said Pepkor chairman, Christo Wiese, whose Shoprite Group has made successful inroads into Africa and who describes himself as an "Africa optimist".

"The media don't always have the resources to offer a broader perspective with context, so readers are left with certain perceptions that imply a backward continent," Wiese said. This wonderful, continent of contrasts has many positives to admire and gives us hope for the future, he said, setting context for international delegates:

- Many outsiders with limited exposure to Africa, see it as a single, amorphous land mass. It is not a country, it is a continent. A complicated quilt of 54 countries with a complicated history in various stages of development.
- It is the second largest continent after Asia. You can fit China, India, the US, Argentina and the whole of Europe into Africa and still have space left.
- It is enormously rich in natural resources. The population of 1.2 billion people is expected to grow to 4 billion by the end of the Century (making up 36% of the expected 11 billion global population in rest of the world). In fact, 80% plus of world's population will live in Africa and Asia, demographers tell us.
- You must make a clear distinction between the continent's potential and realities when planning on doing business in Africa. Africa is a continent in transition. We are still moving to creating a business environment that may be taken for granted in other parts of the world.
- Africa is expected to have the world's largest working population by 2034. Africa is urbanising at a fast rate. This urbanisation will lead to a rapid growth in consumption by both households and businesses in more advanced economies.

Wiese said Africa would have to overcome significant infrastructural shortcomings as it was dwarfed by a lack of sustainable electricity supply, but that billions of dollars were being invested in energy projects to increase sustainable electricity supply.

What had not improved, was the endless red tape and bureaucracy, graft and corruption. "We need to eliminate entrenched corruption." He also said less than 20% of all African trade was intra-African as Africa "simply does not trade with each other".

Wiese said retailers and manufacturers needed to take a long term view if they wanted to do business in Africa and urged investors to also invest in improving African business and communities, not just merely repatriate the profits to their home country, as “there is a constant outflow of capital from the country”.

His advice for other business leaders and investors:

- Select with care the countries you want to do business with. Do thorough research and chose those countries with a positive development outlook.
- Make very sure that Africa is where you want to be, the rewards will be great, but so will the risk.

“You need staying power if you want to be successful on this continent. Things change. Commodity markets suffer, but the drought will end, things will flourish again,” Wiese said.

Coke has invested \$130 billion start-up capital investment in Africa. “We can make a difference.”

Kent explained that Coca-Cola is a founding investor (along with Airbus and Richard Branson) in a company to provide low orbit satellites to provide 4G internet to anyone with a small antennae, specifically, schools in Africa. Access to technology will transform the continent.

This is what Kent believes can work in Africa:

1. Believe and invest.
2. Scale what works.
3. Leverage core capabilities.
4. Seek out complimentary partners.
5. Innovate relentlessly to overcome challenges.

The IGD Retail Analysis, Insight presentation, June 2016, entitled: ‘The future of grocery retailing in sub-Saharan Africa’, was released at the summit. In one table, the report outlined how retailers and suppliers could take advantage of opportunities in sub-Saharan Africa.

“Everyone should be setting the vision for the future and what transformation should look like. This needs to be designed in a way that will work responsively whatever transpires,” the report stated. To get to this future, IGD listed five points:

1. **The region will integrate more.** Economic growth will create opportunities for cooperation, as African nations are encouraged to trade on the continent, and not just internationally. One solution is the free trade area proposed between SADC (SA Development Community) in Southern Africa and the Common Market for Eastern and Southern African and the East African Community. Such cooperation could drive imports by an average of 60% by 2020, says IGD.
2. **Income growth and an emerging consumer market.** Africa’s emerging middle class is the subject of controversy as the true size was debated at the CGF summit this week. At issue is whether size and spending power correlate. Any growth in spending power from this influential sector, “will help drive volume and value growth in the longer term”, IGD emphasised.
3. **Fast-paced urbanisation.** While rapid urbanisation will put a strain on infrastructure and resources in African cities, the opportunities it will create, will hopefully outweigh the negatives.
4. **Young and growing populations.** The fact that Africa is the continent with the youngest population in the world (World Bank: Africa’s median age will be 25.4 years in 2050), provides long term growth opportunities, in an aspirant consumer base and a ready workforce.
5. **Increasingly connected consumer base.** There are shining examples of innovation in Africa, driven by technology development. IGD explains: “A corollary of rising internet penetration rates, mobile phone ownership and regional travel is that Africans are increasingly connected to global trends. This is encouraging consumers to become more aspirational, brand-conscious and loyal to those brands they like.”

Wiese concluded his presentation with an apt African quotation (D. Montano, 1985), about doing business on the continent: “It doesn’t matter whether you are a lion or a gazelle: when the sun comes up, you had better be running.”

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