strategicmarketingAFRICA

Journal of the African Marketing Confederation

Coherent. Credible. Courageous

Issue 1 2016

Middle class under the microscope

IS IT A CASE OF MISCALCULATION AND OVER-OPTIMISM?

Market research breakthrough

We finally have a measure of African socio-economic status!

DESTINATION MARKETING

TOURISM: GREAT POTENTIAL, BUT MANY CHALLENGES

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PLUS: • SUPPLY CHAIN CHALLENGES IN THE DRC • DRONES MAY BE AFRICA'S E-COMMERCE ANSWER • OPPORTUNITY KNOCKS IN THE BEAUTY BUSINESS • THE ETHNIC DOLL BREAKING DOWN BARRIERS

FROM THE PRESIDENT OF THE AFRICAN MARKETING CONFEDERATION

LE MOT DE LA PRÉSIDENTE D'AFRICAN MARKETING CONFEDERATION

The AMC's membership base is growing

GOOD DAY ONCE AGAIN TO ALL OUR READERS and welcome to 2016.

This is a key year for the African Marketing Confederation (AMC) as we launch our Certified Professional Marketer (Africa) qualification. The CPMkt(A) is the pinnacle professional qualification for African marketing professionals, the first of its kind to focus specifically on the challenges facing marketers on the continent. For more information please go to our new-look AMC website at *www.africanmc.org.*

Further to last year's meetings in Mauritius, the Indian Ocean Marketing Association (IOMA) has been launched and we now have another member to add to our ever-growing list. Congratulations to the founding members and welcome on board!

A trip to Ethiopia in late 2015 was also fruitful. Amongst others, we met with the President of the Ethiopian Marketing Professionals Association (EMPA), a small organisation which has asked for assistance from the AMC in activating its membership and events. Thus, we will soon be able to add Ethiopia to our membership base.

It is a fascinating country with a rich history and strong work ethic, as its economic development reflects. A growth rate of 10,3% (2013/2014) makes it one of the top-performing countries in Africa and the IMF ranks Ethiopia among the five fastest-growing economies in the world. I am sure you'll agree that EMPA will be able to share some valuable insights on African marketing.

Please enjoy your read.

Helen McIntee
BA MBA (Wits) CM (SA) IoD (SA)
President: African Marketing Confederation
Director: Institute of Marketing Management (SA)

Les nouveaux venus apporteront à AMC des connaissances précieuses

BONJOUR À TOUS NOS LECTEURS ET BIENVENUE À l'année 2016.

Cette année est une année clé pour African Marketing Confederation (AMC) (la Confédération de Marketing Africaine) avec le lancement de notre formation Marketer professionnel certifié (Afrique). La formation de marketer professionnel certifié est le summum pour les professionnels du marketing africain, la première de son genre axée spécifiquement sur les défis auxquels sont confrontés les marketers sur le continent. Pour plus d'information rendez-vous sur notre site internet nouveau look *www.africanmc.org.*

Suite aux rencontres de l'année dernière à Maurice, l'Indian Ocean Marketing Association (IOMA) (Association Marketing de l'Océan Indien) a été créée et nous avons maintenant un nouveau membre qui s'ajoute à notre liste sans cesse croissante. Félicitations aux membres fondateurs et bienvenue !

Le voyage en Ethiopie fin 2015 a aussi porté ses fruits. Nous avons rencontré le président de l'Ethiopian Marketing Professionals Association (EMPA) (Association éthiopienne des professionnels du marketing), une petite association qui a demandé l'aide d'AMC pour mobiliser ses adhérents et organiser des évènements. Ainsi, nous pourrons bientôt compter l'Ethiopie parmi nos membres.

C'est un pays fascinant avec une histoire riche et une forte éthique de travail comme l'indique son développement économique. Avec un taux de croissance de 10,3% (2013/2014) c'est l'un des pays les plus performants en Afrique et le FMI classe l'Ethiopie parmi les cinq économies à la croissance la plus rapide au monde. Je suis sûre que vous conviendrez avec moi que EMPA pourra partager des connaissances précieuses sur le marketing africain.

Bonne lecture !

Helen McIntee
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Marketing Society of Kenya
Moroccan Association of Marketing and Communication
National Institute of Marketing of Nigeria
Institute of Marketing Management, South Africa
Zambia Institute of Marketing
Marketers Association Zimbabwe

Brought to you by the African Marketing Confederation, *Strategic Marketing Africa* reflects an unbiased perspective of African and international marketing trends and opinion without compromise, courageously and coherently.

The need to cover the good with the bad

SINCE WE STARTED PUBLISHING *Strategic Marketing Africa* in 2013, we've had good reason to be positive about the business and marketing environment on the continent. This issue, however, reflects something of a change, with two out of our three cover stories looking at topics of great concern.

The first (pg 10) places the much-publicised 'rising African middle class' under the microscope and finds that, in many instances, the 'miracle' has been over-hyped or over-enthusiastically embraced. Certainly, there is a growing middle class and a greater level of enthusiasm for consumerism – and all it entails when it comes to products, services, e-commerce and formal retail.

But enthusiasm doesn't necessarily equate to ability to afford, something which the economic downturn in many of our local markets will only exacerbate. Does this mean mass-abandonment of strategies? No. It probably means tailoring, tweaking and understanding.

The second article, on the topic of destination marketing (pg 24), highlights what many of us have long suspected; the continent has wonderful tourism attractions and opportunities, but factors both within and beyond our control are hampering Africa's ability to exploit the potential. Fortunately, many destination marketers and other tourism stakeholders are working to circumvent the problems.

Credible and courageous

As a publication covering the African marketing and business environment, it's wonderful to write about positive trends and activities. But our promise to readers and members of the African Marketing Confederation has always included 'Credible' and 'Courageous' as two of the three cornerstones of our editorial ethos, so it is incumbent upon us to reflect the bad with the good. After all, it is only when they are in possession of all the facts that marketing professionals can plan accordingly and move forward with solutions.

That's not to say that our first issue of 2016 is without positive news, however. Given that the ability to measure socio-economic status (pg 16) is such a vital part of strategy development and implementation, African marketers have long worked at a disadvantage because of the general lack of such information in most countries.

Now that problem seems to have been finally solved and marketers, researchers, strategists, advertisers and others can go forward with a greater level of insight and certainty than they've had in the past. Positive news indeed!

Remember, credible and relevant information is the lifeblood of sound business decisions. Daily news updates from our editorial team can be viewed on the AMC website (*www.africanmc.org*), or you can 'like' us on Facebook (*Strategic Marketing Africa Magazine*) or visit us on LinkedIn (*African Marketing Confederation – Strategic Marketing Africa*).

Happy reading!

Mike Simpson

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ON THE WEB

THE FOLLOWING NEWS ITEMS HAVE ALL APPEARED ON THE AFRICAN MARKETING CONFEDERATION (AMC) WEBSITE. BY VISITING THE SITE, AMC MEMBERS CAN ENJOY DAILY NEWS UPDATES COVERING TOPICS OF RELEVANCE TO AFRICAN MARKETERS. GO TO *WWW.AFRICANMC.ORG*

Consumers remain reasonably optimistic in Ghana

DESPITE THE CONTINENT BEING buffeted by falling commodity prices and declining currencies, consumers in Ghana still remain reasonably optimistic. This is according to the quarterly Consumer Confidence Index published by research company Nielsen.

Ghana, says the study, displays an ever-improving outlook, moving from pessimism to optimism for the first time since the fourth quarter of 2014 as a result of easing fuel, financial and inflationary pressures.

Job sentiment was on the low side (42%), but nevertheless on the increase. Seventy-one percent of Ghanaian respondents believed the state of their personal finances was good or excellent, while 41% believed now was a good time to spend.

Most said they did not have spare cash (67%), but those who did have discretionary funds said they would prioritise saving (79%). Spending money on home improvement projects was important for 73% of people in Ghana, while 45% said they would be spending on new clothes.

People on the streets of Accra, Ghana's capital

Coke invests, but diversifies from sugary drinks

GLOBAL SOFT DRINK GIANT COCA-Cola has bought a share in Nigeria's largest juice maker as part of its strategy to both increase its presence in Africa and diversify its product portfolio away from sugary drinks. The latter is in response to changing demand from consumers and pressure from bodies such as the World Health Organisation for less sugar in carbonated drinks.

Coke announced in February that it had acquired a 40% stake in Chi Limited, a company owned by the Tropical Investments Group (TGI). Chi's product range includes Chi and Chivita juice brands. It also sells Hollandia drinkable yogurt, evaporated milk, and snack foods such as Beefie Beef Rolls and Muff the Muffins.

The investment is Coca-Cola's biggest overseas acquisition since 2012, according to the *Wall Street Journal* newspaper, which added: "The Atlanta-based beverage company increasingly is targeting Africa for growth amid sluggish sales in more developed markets.

"The transaction also signals a redoubled effort to expand beyond core soda brands including Coke, Sprite and Fanta at a time when health authorities in many parts of the world are singling out sugary drinks for contributing to rising obesity and diabetes."

PHOTOS: GETTY/GALLO IMAGES, SUPPLIED

Local beer brand discontinued

INTERNATIONAL BREWING GIANT SABMiller has closed the only brewery in Africa's newest country due to a range of difficulties, most notably a shortage of foreign exchange to buy necessary raw materials. The brewery in South Sudan – which is battling civil conflict and rampant inflation – closed in February.

It also meant the end of the road for White Bull beer, the only beer brand in a country which gained its independence from neighbouring Sudan in 2011.

White Bull has proved popular with local consumers and has outsold established brands such as Tusker from Kenya.

However, SABMiller has never made a profit since building the brewery in 2009 in what was then regarded as a promising emerging market.

According to a statement released by the company, the facility is now likely to be used as a warehouse for distributing beverages imported from neighbouring Uganda.

White Bull outsold established brands like Tusker from Kenya

Introducing the African Marketing Confederation

THE AFRICAN MARKETING Confederation (AMC) was founded in 2011 when marketing bodies from several countries met in Zambia to discuss the status and development of the marketing profession across Africa.

It was felt that one of the key needs was to unify the various national bodies and organisations in order to exchange expertise and information, as well as to promote the development of the profession as a whole. The gathering also observed that the continent's unique and varying cultures, languages, standards of education and levels of development required home-grown marketing approaches designed and nurtured by Africans themselves.

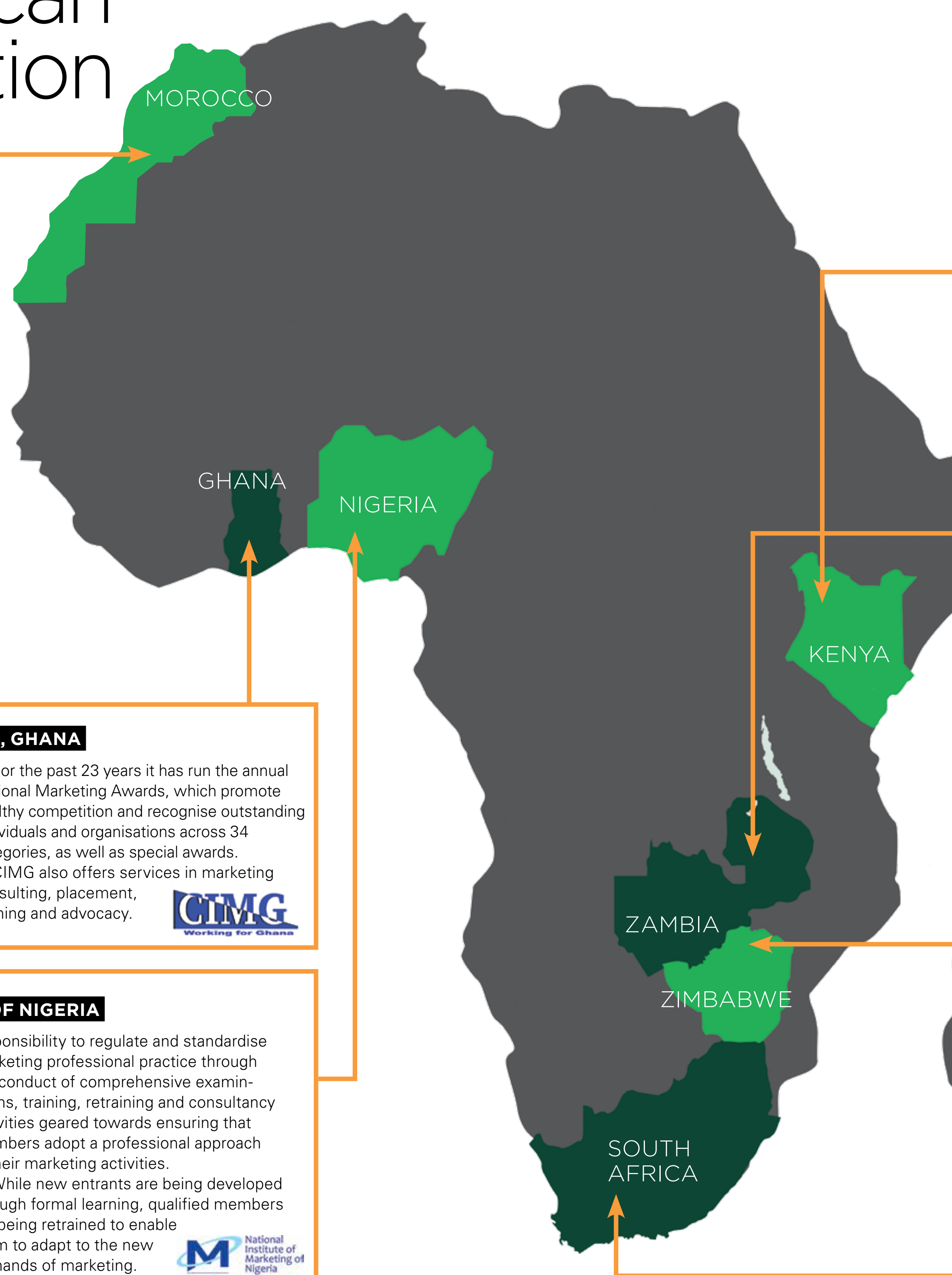
The result is the AMC, a body of marketing professionals spearheading the development of the highest possible standards of marketing across Africa. Strategies to achieve this include research projects, education initiatives, professional publications, networking forums, and mechanisms to recognise and reward achievements at both the corporate and individual level.

The aim of the AMC is to promote and maintain high standards of education, professional skills, ethics and integrity among African marketers. For 2016, there are a number of exciting initiatives, among them the decision to open direct membership of the AMC to multinational corporates who do cross-border business in Africa. In addition, all individuals who qualify as affiliate members of the AMC (via their national marketing bodies) will be able to improve their professional status by applying to become a Certified Professional Marketer – CPMkt.

The members of the African Marketing Confederation are:

- Chartered Institute of Marketing, Ghana (CIM)
- Marketing Society of Kenya (MSK)
- Moroccan Association of Marketing and Communication (AMMC)
- National Institute of Marketing of Nigeria (NIMN)
- Institute of Marketing Management (IMM) (South Africa)
- Zambian Institute of Marketing (ZIM)
- Marketers Association of Zimbabwe (MAZ)

For more information visit *www.africanmc.org.*



MOROCCAN ASSOCIATION OF MARKETING AND COMMUNICATION

The Moroccan Association of Marketing and Communication (AMMC) was created in late 2013 as a dedicated platform to the country's marketing and communication communities, including managers, directors and officers from large, medium and small companies operating in the private and public sectors. AMMC members contribute to strategic thinking related to topics and themes of common interest and organise networking and experience-sharing events.

AMMC's vision is to become the Moroccan reference for marketing and communication. Its defined mission is to promote the marketing and communication professions, to develop the skills and knowledge of professionals and to participate actively in the economic welfare of Morocco.

The AMMC counts about 100 members and has more than 500 professionals in its network.

CHARTERED INSTITUTE OF MARKETING, GHANA

Established in 1981 as the Institute of Marketing, Ghana, the name was changed in 1992 to become the Chartered Institute of Marketing Ghana (CIMG). CIMG believes marketing is fundamental to the success of any business, and plays a major role in promoting the profession and maintaining international standards in marketing practice.

For the past 23 years it has run the annual National Marketing Awards, which promote healthy competition and recognise outstanding individuals and organisations across 34 categories, as well as special awards.

CIMG also offers services in marketing consulting, placement, training and advocacy.

NATIONAL INSTITUTE OF MARKETING OF NIGERIA

NIMN is the body for professionals engaged in marketing and related fields such as customer service managers, relationship directors, media planners, channel developers, creative directors, general managers, chief executive officers, etc.

The institute was promulgated into law in 2003 by the NIMN Act, which effectively merged the two erstwhile independent bodies and conferred chartered status on the new professional body. The chartered status conferred on the Institute responsibility to regulate and standardise marketing professional practice through the conduct of comprehensive examinations, training, retraining and consultancy activities geared towards ensuring that members adopt a professional approach in their marketing activities.

While new entrants are being developed through formal learning, qualified members are being retrained to enable them to adapt to the new demands of marketing.

MARKETING SOCIETY OF KENYA

MSK started as the Advertising Society of Kenya in 1962 and became the Marketing Society of Kenya in 1968. Its vision is to make marketing the force behind business in Kenya and beyond. Its mission is to continually promote professional marketing standards, establish a practitioner code of ethics and provide interactive forums for marketers.

As a non-profit organisation, MSK is committed to the teaching of good marketing practice and has been conducting courses for marketing practitioners since 1978. The current programme features an Executive diploma, a Practitioners diploma, a Postgraduate diploma, an Ordinary diploma, a Certificate, short courses and various seminar courses.

One of MSK's principal tools is *Sokoni*, a marketing magazine written for marketers and by marketers.

ZAMBIAN INSTITUTE OF MARKETING

ZIM is a membership organisation regulating the practice of marketing as provided for in the Zambia Institute of Marketing Act of 2003. The Institute is affiliated to the Ministry of Commerce, Trade and Industry and the Minister serves as Patron.

The main aim of the Institute is to contribute to national development through the creation of wealth. In doing so, it seeks, among others, to: advance the marketing profession and related disciplines; promote high standards of training and professional competence; publish textbooks, journals and other communications; and promote ethical and responsible practices.

It is an examining body for the ZIM Professional Diploma in Marketing, a professional qualification that was adopted after ZIM was enacted by an Act of Parliament to regulate marketing in Zambia.

MARKETERS ASSOCIATION OF ZIMBABWE

MAZ emerged as a result of a number of challenges that included lack of recognition for marketing as a profession, businesses lacking a proper marketing function, fragmentation of the industry, a need for a united industry voice, and the infiltration of other professions into the marketing arena.

Now well established, its vision is to become a leading body of marketing professionals, promoting professionalism to the highest standards for the benefit of the industry and the economy at large. Its mission is to promote marketing excellence and to further the cause of professionalism in the economy, thereby ensuring that outstanding marketing is learnt, recognised and implemented to the highest level.

MAZ provides various education and development courses and runs the annual Superbrand of the Year event.

INSTITUTE OF MARKETING MANAGEMENT (SOUTH AFRICA)

The Institute of Marketing Management (IMM) is where marketing minds meet. It has for decades been the pre-eminent marketing institution in Southern Africa and provides a 'home' for professionals by sharing marketing knowledge and providing networking, training and event opportunities for members. Together with its partners in the AMC it aims to contribute to the building of the largest network of marketing professionals on the continent.

A non-profit body, the Institute of Marketing Management is aligned with the IMM Group, which also includes the IMM Graduate School of Marketing (undergraduate and postgraduate education) and various short courses and corporate education presented by the IMM Institute.

Among the benefits offered to IMM members are access to a knowledge portal, daily news updates and *Strategic Marketing*, a thought-leadership magazine.

The great continental **middle** class that never was?

The much-vaunted growth of the African middle class has been a catalyst for attracting significant investment to the continent, particularly in consumer-based industries. But is it a case of miscalculation and over-optimism? **Stafford Thomas** investigates.

AFRICA'S STORY OF A MIDDLE-class rising has caught the world's imagination in recent years. Summing up a sea change in international attitudes towards Africa, the respected international business magazine *The Economist* proclaimed in a headline in December 2011: 'After decades of slow growth, Africa has a real chance to follow in the footsteps of Asia'.

At that time, the idea of a rapidly expanding continental middle class was grabbing the attention of international consumer goods producers and retailers. For multinational corporations mired in slow-growth environments in Europe and North America, the prospect of tapping into this growing African consumer base was a seductive thought.

But, four years later, signs of growing disillusionment are now coming to the fore.

"I am having serious doubts about the African middle-class growth miracle," says Graham O'Connor, CEO of Spar Group, a franchise-based wholesale food distributor and supermarket chain. Apart from South Africa, the group is active in 10 sub-Saharan African countries including Angola, Cameroon, Malawi, Mozambique, Zambia and Zimbabwe.

O'Connor is not alone in having serious qualms. So too has Nestlé. The Swiss-based fast-moving consumer goods global giant made tangible its concerns in June 2015 when it announced a 15% reduction in workforce and a 50% reduction in its product line in its so-called Equatorial Africa region.

Nestlé's operations in the region span 21 countries including Angola, Democratic Republic of Congo (DRC), Ethiopia, Kenya, Malawi, Mozambique, Rwanda, Tanzania, Uganda and Zambia. With the job cuts in place, the multinational says it hopes to break even in the region in 2016.

In a frank media interview, Nestlé's CEO for the Equatorial Africa region, Cornel Krummenacher, conceded that growth had not lived up to the group's estimates made in 2008. "We thought this would be the next Asia, but we have realised the middle class here in the region is extremely small and it is not really growing," he said.

The comments are in strong contrast to the optimistic conclusion reached by the African Development Bank (AfDB) in a research study published in April 2011 and entitled 'The Middle of the Pyramid: Dynamics of the Middle Class in Africa'. The study came to a sensational and what has been a very influential conclusion: Africa's middle class is far bigger and growing faster than originally thought.

Indeed, the AfDB put Africa's middle class at just on 327-million people in 2010. This represented 34,3% of the entire continent's then population of 962-million (the population is now put at 1,1-billion) and was up from AfDB's estimate of 220-million middle-class people, or 27% of Africa's population, made in 2000.

The study also indicated that growth in the middle class was gaining momentum. This group of consumers had, according to the AfDB, held constant at 27% of the population between 1980 and 2000. The change in trend represented average annual growth of 4,1% in Africa's middle class between 2000 and 2010 – well ahead of annual population growth of 2,5%.

The AfDB's study made for a wonderful good news story. And although the bank had clearly not intended it to be, its estimate was also potentially misleading.

Nielsen research company's Executive Director for Sub-Sahara and South Africa, Ailsa Wingfield, says critically: "They [AfDB] included the floating middle class in their estimate."

Four years later marketers are disillusioned about the middle class

Wingfield is referring to people with a daily per capita consumption level of between US$2, the minimum level internationally regarded as being just out of poverty, and US$4. In the AfDB's study, people in this consumption range made up 61% (198,7-million) of its estimate of the total middle class.

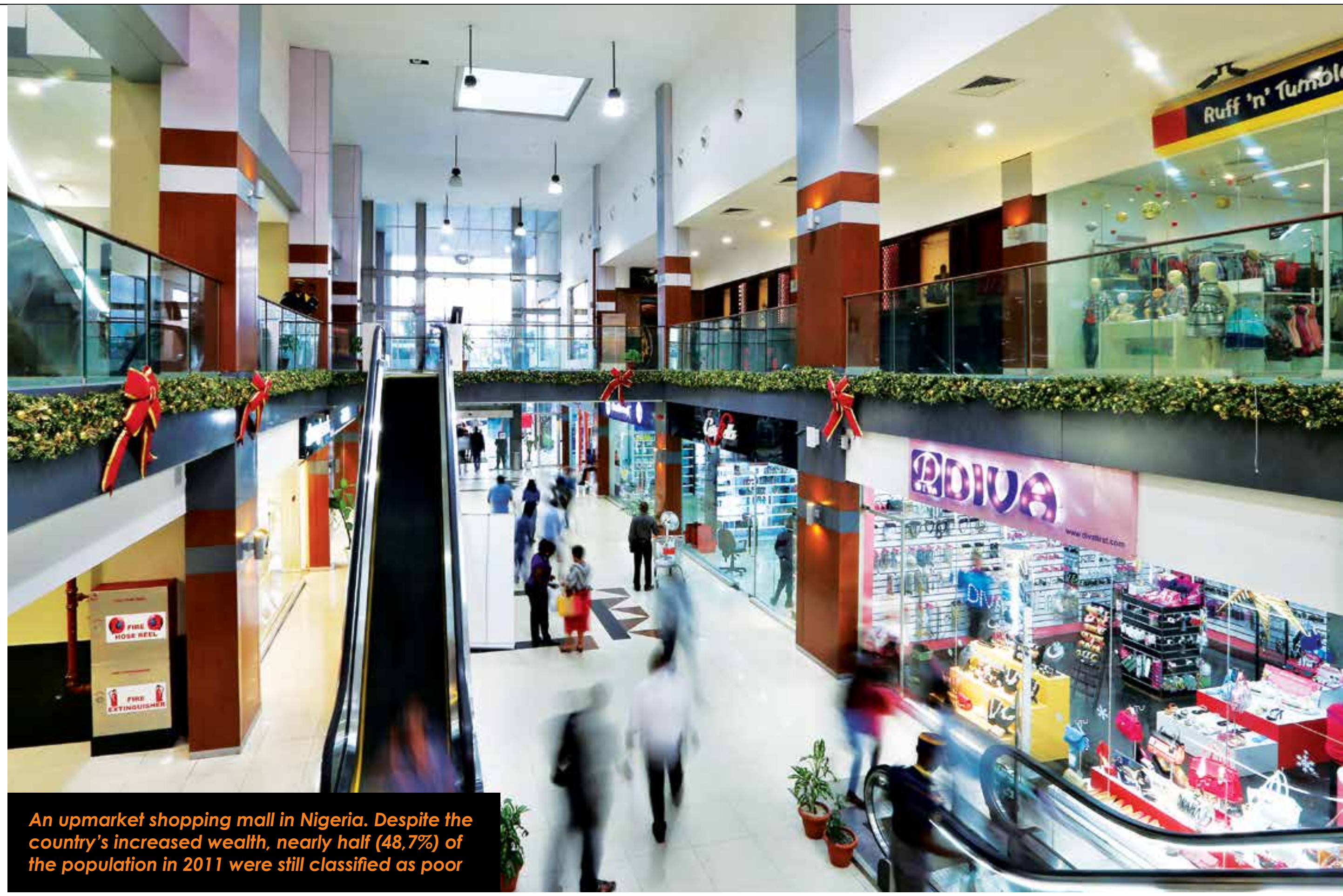
But consumers in this income category are "exceptionally vulnerable to exogenous or endogenous shocks", says Simon Freemantle, Chief Political Economist of Standard Bank. He labels the AfDB's middle-class estimate as an 'exaggerated assessment'. Including its home country of South Africa, the Standard Bank operates in 20 sub-Saharan countries.

Middle-class definitions

In its estimate of Africa's middle class the AfDB also included people with daily per capita spending of up to US$20. The US$4 to US$10 range is defined by the bank as 'lower middle class', while between US$10 and US$20 is defined as 'upper middle class'. Daily spending of over US$20 places people in what the AfDB terms the 'rich class'. The bank estimated that, in 2010, 46-million people (4,84%) in Africa fell within this rich class.

But others are less sure of the methodology used by the AfDB. Including the US$4 to US$10 daily spending range in the definition of a middle-class consumer is also regarded with scepticism by many prominent research organisations, including US-based think tank, the Pew Research Centre.

In a study published in July 2015 and entitled 'A Global Middle Class Is More Promise than Reality', Washington DC-based Pew sets its minimum entry point for middle income status at a per capita daily income of US$10. *(Editor's Note: While the AfDB bases its definitions on 'daily per capita spending' and Pew on 'daily per capita income', we are of the*



An upmarket shopping mall in Nigeria. Despite the country's increased wealth, nearly half (48,7%) of the population in 2011 were still classified as poor

opinion that these will produce broadly similar results and are therefore comparable for the purposes of this article).

For its study, the Washington think tank used 2011 prices and purchasing power parities (PPP). In essence, PPP equalises the purchasing power between countries by taking into account currency value, cost of living and inflation differences. It is worth noting that the US$10 PPP adjusted daily income threshold for achieving middle income status has also been adopted by such prominent international organisations as the World Bank and the Organisation for Economic Cooperation and Development (OECD).

According to Pew, the US$10 threshold for regarding consumers as middle class has won favour in part due to evidence from Latin America. Specifically, it is estimated that households in emerging markets such as Chile, Mexico and Peru have less than a 10% probability of falling into poverty if their daily per capita income is at least US$10.

Overall, Pew defines 'middle income' as people with a daily income of between US$10 and US$20. Those with a daily income of between US$20 to US$50 are defined as 'upper middle income', while those earning over US$50 are seen as being in the 'high income' segment. These also coincide with the range set by the World Bank.

Much smaller middle class

In the sub-Saharan Africa region, Pew provides income segment estimates for 22 countries with a combined population of some 732-million. But the think tank's methodology produces an outcome very different to that of the AfDB.

Across the 22 countries, Pew's data suggests that there are just on 26-million people who fall into the middle-income segment, which equates to just over 3,5% of the region's population. However, when upper middle-income earners are added, the picture improves somewhat. This

Ecobank is not talking up the scale of the middle class

segment adds an additional 8,2-million people, taking the total to 34-million, or 4,6% of the total population. This is line with World Bank's 2010 estimate of middle class consumers in sub-Saharan Africa.

Modest as it is, it is worth remembering that the 34-million figure is greatly flattered by South Africa's inclusion. According to Pew, SA weighs in with almost 7,5-million middle-income earners and 5,2-million upper-income earners, giving a combined total of 12,7-million consumers. Remove South Africa from the sub-Saharan equation and the combined middle and upper middle income total number of consumers falls to only around 21,3-million people, or 3,2% of the total population.

This puts sub-Saharan Africa – excluding South Africa – on par with India, where Pew's data indicates that 3,2% of the population falls in the middle and upper middle-income segments.

Ecobank Transnational, the Togo-based bank which operates in 36 sub-Saharan African countries, is also not talking up the scale of the region's middle class. "Because the [sub-Saharan] middle class is so small we prefer to see the region as having an emerging consumer class which can buy more than just staples," says Edward George, the bank's Head of Group Research. "We estimate that there are about 15-million households in this emerging consumer class."

Individual countries

When it comes to individual countries in sub-Saharan Africa and the relative prosperity of their populations, Pew's research is also revealing. Of particular interest is Nigeria, whose 184-million people make it Africa's most populous state.

Despite Nigeria's oil wealth, nearly half (48,7%) of the population in 2011 were poor. Although this was an improvement from 66% who were poor in 2001, most of those who moved out of poverty shifted one level higher to the low income category which grew from 32,6% to 49,3% of the population. At the same time, the middle and upper middle income segment lifted from 1,2% to 2% of the population.

Angola, which recently overtook Nigeria as the region's biggest oil producer, fares somewhat better. It had 5,9% (1,5-million) of its 25,3-million people in the middle and upper-income segment in 2011. However, the bulk of the population were either poor (32%) or in the low-income group (62%).

Kenya, another country attracting attention from foreign consumer goods groups, is somewhat more prosperous with 6,6% (2,9-million) of its 44,2-million people in the middle and upper income segment.

However, it is a seemingly unlikely country that ranks as sub-Saharan Africa's second most prosperous country after South Africa. It is Cameroon, which has 11,4% (2,5-million) of its 21,9-million people in the middle and upper-income segment.

North African prosperity

Compared with the sub-Saharan region, North Africa presents a picture of far greater prosperity on a country-by-country basis. In its study, Pew included three North African countries: Egypt, Tunisia and Morocco. Their combined population of 133-million represents 70% of the region's total.

Topping the population prosperity list in North Africa – and mainland Africa as a whole – is Tunisia. Pew puts the combined number of Tunisians in

Tunisia has mainland Africa's most prosperous consumers

the middle and upper middle income segments at 3,6-million people, a sizable proportion (32,5%) of the total population of 11,1-million.

Also faring well is Egypt, the region's most populous country. Some 21,4-million Egyptians, who represent 24,2% of the country's 88,5-million people, fall into the combined middle and upper middle-income segments.

Close on Egypt's heels is Morocco, where 8,1-million (23.9%) of its 33,7-million people fall into the combined middle-class categories.

However, to find Africa's country with the most prosperous proportion of citizens, investors must look offshore to the Indian Ocean island nation of Mauritius. Although Pew did not cover Mauritius in its study, the World Bank put its overall middle class at 1-million in 2012, 77,2% of the country's then 1,3-million people.

The challenge of Africa

For Africa the challenge will be to sustain even a modest rise in its middle class in percentage terms. This task is greatest in sub-Saharan Africa, which has the world's

Below left: A middle-class consumer shopping at a street market. Middle: In November 2012, Time magazine was one of those who hailed the African middle class growth story. Below right: The headquarters of the African Development Bank in Abidjan, Ivory Coast

Left: Tunisia has the most prosperous consumers in mainland Africa, with more than 32% in the middle and upper-middle income segments

WHY SO SMALL AFTER 10 YEARS OF GROWTH?

In an article published on October 24 last year and entitled 'Africa's middle class; Few and far between', *The Economist* international business magazine noted:

"The puzzling question posed by these data [showing a smaller than expected African middle class] is why the middle class is so small after a decade in which economic growth has averaged more than 5% a year, about twice as fast as population growth? One reason is that the proceeds of economic growth are shared very unequally. In recent years inequality has increased alongside growth in most parts of Africa.

"Another reason is that poverty in many parts of Africa is so deep that even though incomes may have doubled for millions of people, they are now merely poor rather than extremely poor. Laurence Chandy at the Brookings Institution, an American think tank, points out that the average person in extreme poverty in Africa lived on just 74 [US] cents a day in 2011, compared with 98 [US] cents in other parts of the developing world.

"Ethiopia, which is both one of Africa's most populous nations and best developmental performers, is a good example. Its share of people living on more than US$10 a day has increased more than 10 times in the decade to 2014 – to 2% of the population: but that still left close to 98% of Ethiopians living below this threshold."

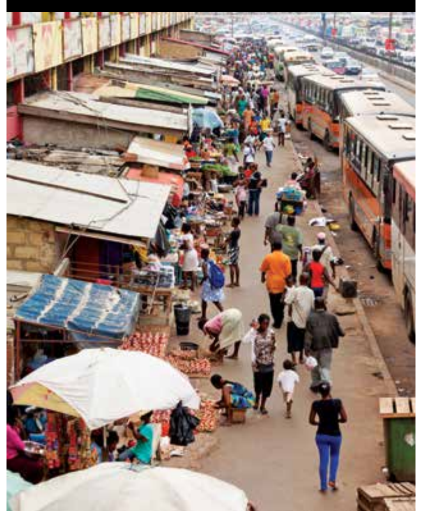
Some people may slip out of the middle-income segment

highest population growth rate. On current trends, the region's population will reach some 2,2-billion by 2050. The World Bank notes: "Major poverty challenges remain, especially in light of the region's rapid population growth."

Many sub-Saharan countries now face another daunting challenge: the collapse of industrial commodity prices in the wake of China's significant cutback on infrastructure spending. Economic growth in many countries is already under pressure. Hardest hit are Nigeria, Angola, Zambia, South Africa, Sudan, Mauritania, DRC and Sierra Leone. Together, these account for two-thirds of the region's GDP.

Reflecting the setback, a World Bank estimate puts sub-Saharan GDP growth at 3,7% in 2015, down from 4,6% in 2014 and a far cry from the 6,5% annual average between 2003 and 2008. It suggests that, within the region, some middle income consumers are at risk of slipping out of the income segment.

Below: Pavement shopping in Accra. Ghana has an ever-improving outlook, says a recent research study by Nielsen



Worryingly, the Spar Group's O'Connor describes trading conditions in many countries in the region in simple terms: 'terrible'.

Editor's note: Given the doubts levelled at the African Development Bank's 2011 forecasts around the African middle class, we felt it only fair to ask the bank for its response. At the time of writing, no response had been received.

PHOTOS: GETTY/GALLO IMAGES, SUPPLIED ILLUSTRATION: HYLTON WARBURTON

People at a spaza shop. Marketers require data on product affordability, among other things

Understanding the conditions under which African consumers live is important for researchers and marketers

Developing a measure of **socio-economic** status for Africa

The development of a scoring algorithm to measure socio-economic status across Africa has long been a requirement for marketers and market researchers. **Neil Higgs** outlines the complex journey towards this goal.

Introduction

PEOPLE, COMMUNITIES AND countries are measured in many aspects. A common one is the measurement of wealth, or lack of it, and overall socio-economic status.

In 2013, the European Society of Opinion and Market Research (Esomar) approached the Southern African Marketing Research Association (Samra) for advice on developing a short and simple measure of socio-economic status for the region. This was taken on *pro bono* by research company TNS South Africa as a service to Esomar, to the industry and to the region.

This article presents the background and need for the measure, its development and validation, and the outcome of the project, as well as the subsequent involvement of the Pan African Marketing Research Organisation (Pamro) in adopting one version of the measure. We also outline the next steps in this process.

The need

Wealth, whether at an individual or household level, can be estimated by variables such as income, but the approximation is generally poor as other factors intrude. Another concern when developing a measure that can be used across different countries in the region are problems of differing currencies, exchange rates and product parity pricing. These become barriers to accuracy, as does the varying role played by barter in each economy.

Therefore, what is required is a more universal measure that is a proxy for how people live their daily lives. This is vital if marketers are to provide suitable products and communicate meaningfully to local consumers.

The concepts of socio-economic status, social grade and social class are commonly used throughout the marketing world, but they are often not used consistently. Measurement techniques are separated into those that use classification approaches and those that use scoring approaches. The former are more arbitrary and less easy to adapt than the latter. The latter are also more desirable because marketers need simple 'one number' outputs.

Scoring approaches use methods that are more income-based or more expenditure-based, and can also be a combination of both.

Another key factor to consider is the level of aggregation that a measure employs. Should the researcher work at individual, household or suburb level – remembering that the higher the level of aggregation, the greater the averaging effect?

The US Census Bureau uses the term 'well-being' to understand living standards and overall conditions in households, using measures other than income and earnings. These measures cover:

1. Appliances/electronic goods;
2. Housing conditions;
3. Neighbourhood conditions/community services;
4. Meeting of basic needs;
5. Support systems.

South Africa has a long tradition of measuring socio-economic status via a scoring system known as the Living Standards Measure, or LSM. This determines the presence of a set of durables and basic amenities, as well as elements of geography, and provides a score for each item based on a factor analytic approach. The resultant continuum is then divided into partitions. It is essentially an expenditure-based measure and may be thought of as a measure of determining affordability of products and services.

But, South Africa aside, such information is generally unavailable elsewhere in Africa. So Esomar approached Samra for advice on developing a short and simple measure of socio-economic status for the region. Crucially, given the challenges of geography and infrastructure, it needed to be suitable for mobile-based research studies.

As no funds were available for primary research, secondary research was initially undertaken – but it became clear that there was no consistent approach to measuring socio-economic status across the region. Further research revealed the presence of a dataset across Africa, called Afrobarometer, that measured 'democracy and governance' on the continent.

An identical demographic question set is used across all countries by Afrobarometer and was available to us at no cost.

TNS obtained a dataset covering 20 sub-Saharan African countries and 32 400 individuals. It contained variables describing a household's type of shelter and roof material, its access to key services and amenities, the presence of key durables, frequency of use of items such as a computer, cellphones and the Internet, as well as level of employment and education. Hence, there were variables at three different levels of aggregation: neighbourhood, household and individual. This dataset was used to develop the measures required by the European Society of Opinion and Market Research (Esomar) and the wider marketing community.

TNS then learnt that the Pan African Marketing Research Organisation (Pamro) had also been seeking such a pan-African measure for some time, with the requirement that this be offered exclusively to their members. Pamro's requirement was dovetailed into this exercise.

Developing the measure

The dataset contains data for three African regions (West Africa, East Africa and Southern Africa). The countries covered, with their sample sizes, are given in Table 1 (below).

Each country is weighted by its relative sample size. This has the effect of preventing very large countries from dominating, whilst allowing smaller countries that often have very particular circumstances to play a useful role. Initially, 23 variables at all three levels of aggregation were selected for analysis.

Table 1: Regions, countries and sample sizes

Country	West Africa	East Africa	Southern Africa
Benin	1200		
Burkina Faso	1200		
Cape Verde	1208		
Ghana	2400		
Liberia	1199		
Mali	1200		
Sierra Leone	1190		
Togo	1200		
Burundi		1200	
Kenya		2399	
Tanzania		2400	
Uganda		2400	
Botswana			1200
Lesotho			1197
Malawi			2407
Mauritius			1200
Namibia			1200
South Africa			2399
Zambia			1200
Zimbabwe			2400

Two measures were created: a 'household level measure' and an 'individual level measure'. From this analysis, we developed a scoring system that depends on the differentiating power of each level of each variable. This is conventionally rescaled to run from 0 (poorest) to 100 (most wealthy). Such a measure is termed a 'gold standard' and is quite lengthy – but, with this as the reference, short-form versions were calculated and tested against the gold standard.

Reliability and validity

Any measure must be reliable in the sense that it yields consistent results. An accepted measure is Cronbach's alpha, which measures the extent to which item responses correlate with each other and are internally consistent. The scores we obtained are well above any of the accepted minima for a good scale, and confirm high internal consistency and reliability of the data.

Content validity was established by means of a thorough literature review of the relevant concepts. External validity has also been established in some countries by checking against other socio-economic status measures.

Short-form versions

The team then worked to develop smaller variable sets, resulting in slightly coarser measures, but which still correlated well with the gold standard for the household and individual measurements.

How they work

The systems work by asking people what applies to them or their household for each variable. In the case of some variables, the correct response can be determined by the researcher's observation (e.g. roofing material used by the household).

Table 2: Household measure – Variables and Levels

Variable	Level
Roof material (Observation)	Thatch or grass
	Shingles/plastic sheets
	Multiple materials, metal, tin or zinc
	Tiles/asbestos
	Concrete/some other material
Source of water	Outside the compound (far away)
	Inside the compound (nearby)
	Inside the house
Type of shelter	Traditional house/hut
(Observation)	Temporary structure/shack/other
	Single room in a larger dwelling or backyard
	Non-traditional formal house/flat/hostel in
	an industrial/farming compound
	Room in a hotel/residential hotel
TV	Yes
Electricity Grid	Yes
Post office	Yes

Shoppers and traders in a bazaar in Aswan, Egypt. Although the initial datasets were for sub-Saharan Africa, these are now being applied to North Africa as well

PHOTOS: GETTY/GALLO IMAGES

These scoring systems can be used with the same meaning across countries

The appropriate scores are then simply added together. There is only one response possible for each variable. All scores for both versions fall between 0 and 100.

Tables 2 and 3 show the questions applied to obtain the household and individual measure. The individual measure (see Table 3) works in the same way as the household measure (see Table 2) and adds use of technology (computer, Internet and cellphones) and level of education.

If the household measure is used, this applies to everyone in the household. If the individual version is used, there are two approaches: apply it separately to each individual, or apply it to the head of household/chief wage earner

Table 3: Individual measure – Variables and Levels

Variable	Level
Source of water	Outside the compound (far away)
	Inside the compound (nearby)
	Inside the house
Internet	Use internet every day
Cellphone use	Never
	Less than once per day
	One or two times per day
	Three or four times per day
	Five or more times per day
Education	No formal schooling
	Some primary schooling
	Informal schooling only
	Primary schooling completed
	Some secondary school/high school
	Secondary school/high school completed
	Post-secondary qualifications, not university
	Some university
	University completed
	Post-graduate

Pamro versions

At its 2015 conference held in Tanzania, Pamro adopted slightly longer versions of the short-form versions already in the public domain – these are proprietary to Pamro but produce results very similar to those mentioned.

Implications

There are three prime advantages to this system of measuring socio-economic status in the region:

1. TNS has developed two short-form reliable and valid scoring systems, one for individuals and one for households. These can be used with the same meaning across countries and are also ideal for use with mobile platforms.
2. The measures equate infrastructure, ownership of key durables, education and personal use of technology with socio-economic status.
3. The measures help marketers and communicators understand how people actually live at either a household or area level, as well as understand their access to wider horizons through the use of technology and use of transport. Education levels imply potential employment. This gives a better understanding of people's needs, as well as ways to understand what products and services they can afford.

The future

The algorithm is still a work-in-progress; suggested additions are more questions relating to durables, as well as to livestock when dealing with people living in rural areas

Further, key economies such as Nigeria, Angola and Mozambique were not available in the original dataset. Work in these countries is now under-way to rectify the situation.

Editor's note: While the initial datasets were exclusive to a group of 20 countries in sub-Saharan Africa, Neil Higgs and his team have subsequently applied the measure on a number of surveys in North Africa. Pamro has adopted a version of it too, so it may be regarded as a pan-African measure.

Neil Higgs is the Chief Innovation Partner at research company TNS South Africa. He has a B.Sc (Mathematics and Mathematical Statistics) from the University of the Witwatersrand in Johannesburg. Higgs has been in research for 41 years and at TNS for 30 years. He has presented 20 papers locally and internationally.

Mobile not delivering **expected** Internet penetration

IN SUB-SAHARAN AFRICA, THE world's fastest-growing mobile phone market and home to initiatives such as Facebook's *Internet.org* to give easier access to the Internet via cellular technology, cost is still an issue. The median mobile phone user spends more than 13% of their monthly income on their phone bill.

Given that so many marketers and market researchers see Africa's increasing mobile phone ownership as an important and relatively cost-effective communication channel with consumers, a January 2016 report by the World Bank makes for interesting reading.

In the Central African Republic, for example, one month of Internet access via mobile phone costs about 1,5 times the annual per capita income, the study points out.

According to an analysis of the report, published in the publication *Quartz Africa*, other divisions persist. Only 10% of rural residents in Africa, compared with almost 25% of those who live in urban areas, have access to the Internet. Only a little over 10% of women are likely to use digital technologies compared to almost 20% of men. Sub-Saharan Africa may be catching up to the world in mobile phone usage, but it is falling behind in Internet access.

Developed economies dominate

Developed economies still dominate the spread of knowledge and information, the World Bank points out. For example, last year there were more contributions to Wikipedia from Hong Kong, a city of about 7-million people, than from all of Africa. One reason is that cost-effective access to, and familiarity with, the Internet is still uneven. While developed markets have almost full Internet penetration and affordable access, in the developing world – including Africa – two billion people are still without proper access.

"The poor benefit from digital technologies, but only modestly in relation to the true potential," the bank says. It adds that cheap mobile phones and expanding access to the Internet haven't delivered on the gains that many predicted – such as improved productivity, more opportunities for the poor and more accountable governments.

In markets without enough competition, the bank warns, digital technologies can give rise to monopolies that curb innovation. "While the Internet allows many tasks to be automated, it can create greater inequality if workers don't have the skills to take advantage of technological advances."

The report isn't all doom and gloom however. It says technologies like the Kenyan-developed digital currency M-Pesa have drastically reduced the cost of remitting money for the world's poorest, while "new technologies allow women to participate more easily in the labour market as e-commerce entrepreneurs, in online work, or in business-process outsourcing".

More importantly, notes *Quartz Africa*, digital technologies and access to the Internet alone don't solve fundamental problems in developing countries such as good roads and stable electricity. It says the World Bank's conclusion is clear. "The full benefits of the information and communications transformation will not be realised unless developing countries continue to improve their business climate, invest in people's education and health, and promote good governance."

PHOTOS: GETTY/GALLO IMAGES

Cereal **brands** targeting consumers in Africa

With growth in their traditional developed markets stagnant, multinational cereal companies are ramping up their efforts to target consumers in Africa and other emerging markets.

PHOTOS: GETTY/GALLO IMAGES

ACCORDING TO A REPORT IN the *Wall Street Journal* newspaper late last year, the cereal-making giants of the developed world are making a concerted drive into developing economies so as to offset lacklustre sales in the US and parts of Europe. This is due to consumers increasingly shunning sugar-laden breakfasts in favour of fresher, faster and more portable foods.

"Emerging markets are growing in importance to cereal makers as more residents in those countries move to cities and have less time and inclination to make traditional warm breakfasts," the newspaper observes. It goes on to quote Dave Homer, Chief Executive of Swiss-based Cereal Partners Worldwide – which sells cereal-based products in 130 countries – as saying that, as middle classes emerge, consumers have more disposable income and want more variety in their food.

His standpoint is supported by Ahsan Manji, Managing Director of Weetabix East Africa, which operates in Kenya, Uganda, Rwanda, Tanzania and Ethiopia.

"People are moving away from arrowroots, sweet potatoes and bread towards a healthy breakfast [such as] cereal. With the rising middle class we are finding our volumes are now beginning to rise. Weetabix, our flagship, is most certainly consumed by the middle class," he said in a 2013 interview with the website *How We Made It In Africa*. "Middle-income consumers are very aspirational. They want to consume the same things as the upper-end of the market is consuming. They want to consume what the Western world is consuming."

Innovation required

However, product innovation and a change in marketing approach are required in order to tap into different cultural expectations and consumer habits.

In South Africa, Kellogg introduced Corn Flakes Instant Porridge a few years ago after discovering that some consumers were boiling its usual corn flakes into a soggy and unappetising mess. This was because many people traditionally had hot mielie-meal porridge for breakfast.

So the company switched gears, rolling out a Corn Flakes Instant Porridge in 2012. The decision to change to a porridge product had been a 'no-brainer' at that point, Kara Timperley, Kellogg's Marketing Director for Sub-Saharan Africa, told the *Journal*. The instant porridge range has since expanded with new flavours, including a strawberry version launched in 2015.

In Africa, the breakfast cereal industry also faces challenges around perceptions. Cereals are still perceived as food for children, a notion Weetabix is trying to change through "aggressive marketing, sampling and consumer education", Manji said.

"When you go to the cereal shelf at a supermarket you find all the boxes are filled with cartoons. So what do you expect? Consumers will go out there and think cereal is only for kids. That is changing though. Our research tells us that parents are now eating more cereal because consumers are more informed on the health benefits of cereals."

People were boiling the flakes into a very soggy mess

Other emerging markets

To appeal to consumers in emerging markets outside Africa, cereal makers have other hurdles to overcome, including little to no appetite for dairy milk in some regions and a cultural affinity for traditional hot foods such as rice. The Chinese, for instance, often favour a breakfast of hot rice porridge, breakfast soups or steamed buns.

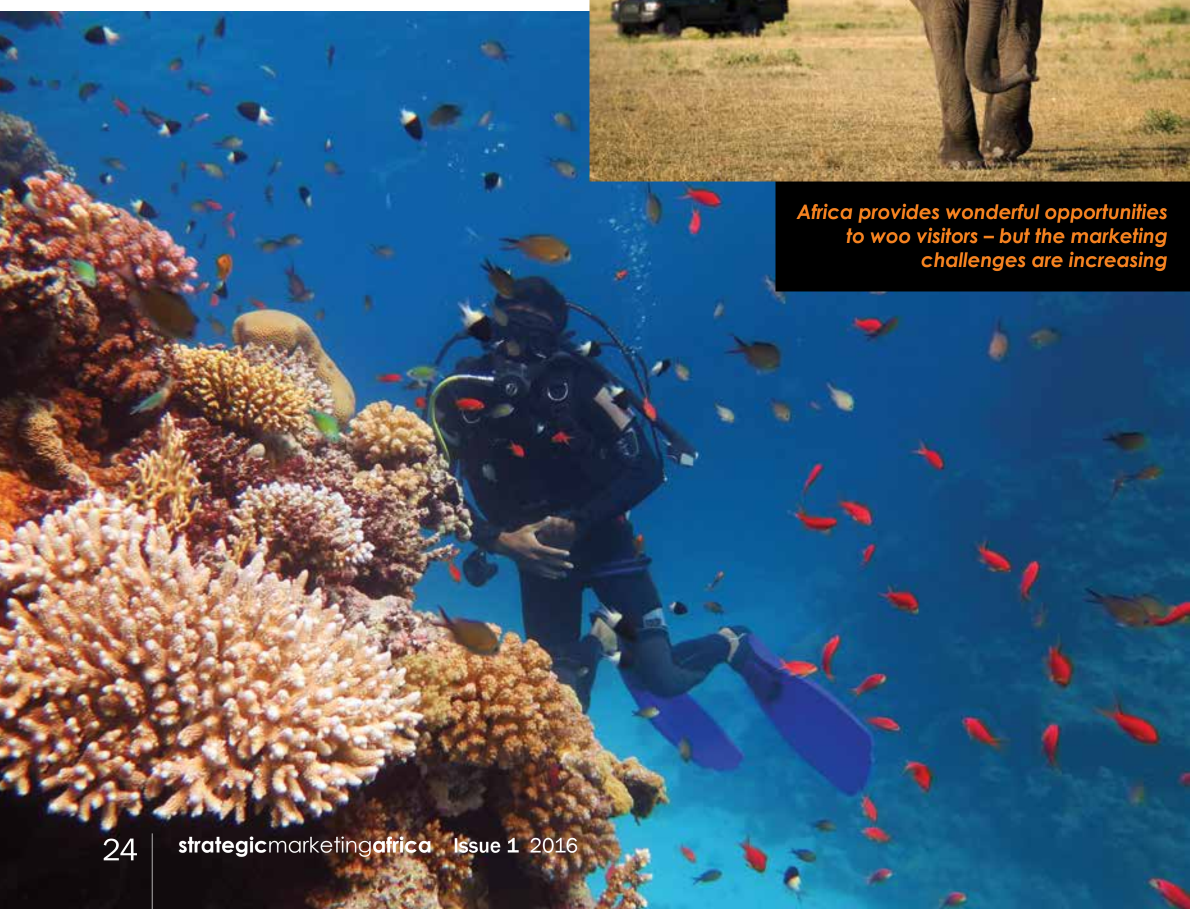
In Thailand, Cereal Partners sells a single-serve packet of cereal that comes with a paper bowl and plastic spoon because that is the way consumers are used to eating a rice-based breakfast.

"Eating cereal is very new to them," said Nadia Devisa, a Cereal Partners marketing executive. "The moms had a lot of questions, such as 'Can I eat it with any kind of milk, or hot milk'?"

In the South American nation of Columbia, Kellogg sells cereals in packs attached to yoghurt because local consumers tend to prefer yoghurt over milk. In India, the company's Corn Flakes range includes traditional flavours such as unsweetened mango and savoury pongal – a mixture of rice, milk, cane sugar and coconut.

Tougher times bring challenges for Africa's **tourism** sector

A booming tourism industry is one of the great hopes for increased employment and greater economic development in Africa. But the continent's destination marketers are facing multiple challenges in their efforts to woo visitors. *Strategic Marketing Africa* investigates.



Africa provides wonderful opportunities to woo visitors – but the marketing challenges are increasing

INTERNATIONALLY, TOURISM IS doing well, but the good times are largely passing Africa by. Terrorism, disease, sensational media reporting, over-regulation and lack of mid-priced tourism product are all playing a part in hampering what has the potential to be a very lucrative sector.

"The continent is not getting its fair share of global tourism," says Nigel Vere Nicoll, CEO of the African Travel and Tourism Association, a body representing 600 Southern African and global tourism organisations.

Driving the point home, the United Nations World Tourism Organisation (UNWTO) reports that, in an international market that grew by 4,4% in 2014 to 1,1-billion travellers, African destinations attracted only 56-million visitors, 2% more than in 2013. Of total spending of US$1,12-trillion by international travellers in 2014, a mere US$36-billion (3%) was in Africa.

The region's fortunes showed no sign of improving in 2015. Africa, reports the UNWTO, saw a 5% fall in international tourist arrivals in the first eight months of 2015, compared with a 4,3% rise in total worldwide arrivals.

There are multiple reasons for this unsatisfactory showing. Some are of the tourism industry's own making. But, arguably, most are not and make for a daunting marketing challenge if the local industry is to claim a more representative share of global visitors.

In 2014, significant damage was done to tourism by the Ebola epidemic. Although confined to six West African countries with insignificant tourism sectors, sensational media coverage ensured the virus impacted tourism to varying degrees across the entire sub-Saharan region.

"The media is one of our biggest problems," believes Vere Nicoll. "Big news agencies love painting a picture of darkest Africa."

David Germains, Tourism Director for Africa and The Americas for one of the continent's tourism success stories, the Seychelles, agrees. "World media portrays a bad image of Africa and treats it as one country," he observes.

OUTLOOK FOR AFRICAN TOURISM NOT ALL DOOM AND GLOOM

While there are many concerns around African tourism's challenges, there are others who are bullish about the longer-term prospects.

Speaking at an international travel forum in Durban in September 2015, the President and CEO of the World Travel and Tourism Council, David Scowsill, said the growth of the African tourism industry could rival that of Asia-Pacific over the next decade.

"The world has mostly been focused on Asia-Pacific as the fastest-growing region, but our latest figures demonstrate the potential in Africa's travel and tourism industry, which is ripe for investment," he told delegates.

"Tremendous opportunities exist ... yet growth doesn't happen by itself and challenges remain. African nations must collectively focus on four key areas: first, expanded investment in tourism infrastructure; second, improved connectivity and air liberalisation – a move towards a fairer open skies policy; third, common visas across multiple countries: and fourth, investment in human capital to build the capacity and skills set of the workforce."

Here birdie ... Ugandan destination marketers see great opportunity in attracting birding enthusiasts

UGANDA MARKETS ITSELF TO BIRD-LOVERS

Ugandan destination marketers believe they have spotted a niche in the market and are promoting the country as the ideal African venue for bird watching.

Various tour operators already offer birding safaris that can be as long as 14 or 22 days, while what is claimed to be the first African Birding Expo will be held from November 27-29 at the Entebbe Botanical Gardens. The venue was once used for filming *Tarzan* movies in the 1940s.

This event is the brainchild of Herbert Byaruhanga, President of the Uganda Tourist Association and Chairman of the Uganda Safari Guides Association. He is also a pioneer in Ugandan birding tourism. According to a report published on the website *Travel Marketing Worldwide,* Byaruhanga says that, in the last 14 years, the birding industry has grown substantially and trained over 100 specialised bird guides. He adds that birders are among those whose visits to the country last the longest.

Germains is also critical of the role played by the Southern Africa Development Community (SADC) and African Union (AU) in countering misconceptions. "At the time of the Ebola outbreaks, SADC and the AU should have stepped forward to provide clarity," says Germains. "They could have prevented or reduced massive losses, but did nothing. They failed Africa."

Terrorism threat

Many countries now face a threat to tourism far more concerning than Ebola. Doing serious damage are terrorism campaigns being waged in 12 East, North and West African countries by Islamic State of Iraq and Syria (Isis) and others.

"Any sniff of terrorism and tourists abandon their trip," notes Andrew Widegger, Financial Director of hotel group City Lodge, operator of two hotels in hard-hit Nairobi, Kenya's capital. It is not only the holiday market that has suffered. "Conference business has been impacted in a big way," says Charles Campbell Clause, CEO of Nairobi-based conference firm Event and Conference Organisers Ltd.

Reflecting the impact of terrorism, Reuters news agency reports that, in the first five months of 2015, Kenya suffered a 25,4% year-on-year fall in foreign arrivals. It followed a 4,3% fall in arrivals in 2014 and an 11,4% fall in 2013.

Headlines about Ebola and terrorism have discouraged many foreign tourists from taking the plunge and visiting Africa

A sniff of terrorism and tourists will rush to cancel their trip

The country has acted to ensure security, but it is not a perfect solution. "There are armed soldiers on the streets, massive screening machines at hotels and malls, and armed guards on every floor," says Germains. "It is not conducive to promoting tourism."

Tanzania wins

Kenya's plight has played into the hands of its so far terrorism-free neighbour, Tanzania. According to an estimate by the World Travel and Tourism Council, there were 1,15-million foreign tourist arrivals in Tanzania in 2015, up 5% on 2014.

The Tanzania Tourism Board (TBB) is pulling out the stops. Among its marketing initiatives to keep the visitors arrivals ball rolling are TV advertisements on CNN and the BBC, plus a mobile trip-planning app that provides information on tourism destinations and accommodation.

Ambitiously, the TBB targets 10-million foreign arrivals by 2025. However, Tanzania is not immune to terrorism and the UK issued a travel advice in December 2015 to its citizens, warning of an 'underlying threat of terrorism'.

"We are seeing some impact on business [as a result]," says Julian Edmunds, a Director of Coastal Aviation, Tanzania's largest air safari specialist.

North Africa's challenges

Facing an even bigger terrorism threat than East Africa is North Africa, which houses four of the continent's five

Only three percent of international travel spend went to African destinations in 2014

biggest tourism markets: Morocco, Egypt, Tunisia and Algeria.

The region is already feeling the pain, with UNWTO reporting a 10% fall in foreign tourist arrivals in the first eight months of 2015. During that period, the biggest damage was done in Tunisia, where Isis killed 56 foreign tourists in two attacks. "Many hotels in Tunisia have closed their doors and cannot meet debt obligations because of a slump in bookings," says Francois Conradie of NKC African Economics, part of the Oxford Economics independent global advisory firm. Tunisia played host to 6,2-million foreign tourists in 2014.

"Egypt's tourist industry will follow Tunisia's," predicts Conradie. Isis is increasingly making its presence felt in Egypt and in October 2015 it blew up a Russian airliner leaving the popular coastal resort of Sharm el-Sheikh.

This is not the first serious setback the country's tourism industry has faced. Once Africa's top tourist destination, foreign arrivals slumped from an all-time high of 14,5-million in 2010 to a low of 9,2-million in 2013 in the wake of the popular uprising and revolution of 2011. A promising recovery to 9,6-million arrivals in 2014 is clearly over. Summing up the situation, research firm BMI notes that the outlook for Egyptian tourism is 'extremely poor'.

Morocco, which in 2014 attracted 10,2-million foreign arrivals to make it Africa's top destination, has so far escaped a direct terror attack. But it is not immune. "Terrorism is impacting on all of North Africa," says Khalid Baddou, head of the Moroccan Association of Marketing and Communication. Concerningly, he adds: "Isis has said explicitly that Morocco is a target."

Government involvement

These are not the only challenges faced by organisations marketing African tourism.

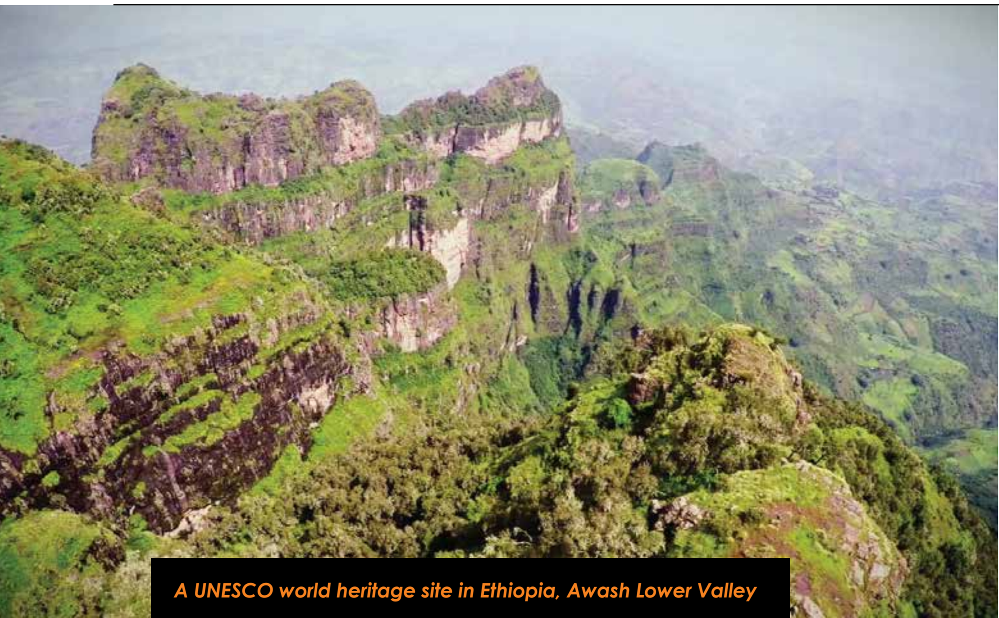
Top: Tourists in Egypt are escorted by armed guards. Above: The country is marketing its archaeological heritage to win back visitors

EGYPT PROMOTES ITS ANTIQUITIES IN AN EFFORT TO BRING BACK THE TOURISTS

In an effort to revive the country's crucial tourism industry, Egypt's government and tourism marketing authorities have initiated a range of headline-grabbing projects to attract the attention of potential visitors. "The Minister of Antiquities, Mamdouh Eldamaty, is omnipresent in the media and often appears at projects accompanied by domestic and international Egyptologists," reports the website *The Conversation.*

One highly publicised event was the 3D radar study of King Tutankhamun's tomb in the Valley of the Kings, a major attraction for international visitors. The analyses prompted the minister to say that experts were '90% sure' there were still hidden chambers, reviving fantasies around the tomb of the young king that was discovered in 1922.

"Other large-scale projects are also underway, designed to allow Egypt to show off its archaeological riches," says *The Conversation.* "In Cairo, two ultra-modern museums are scheduled to open their doors in the near future: the long-delayed Grand Egyptian Museum and the National Museum of Egyptian Civilisation. Together, the two will offer 150 000m² of space, housing nearly 200 000 objects under optimal storage conditions. They will also feature conference rooms, theatres and more."



A UNESCO world heritage site in Ethiopia, Awash Lower Valley

ETHIOPIA IS A SURPRISE CHOICE AS THE WORLD'S BEST TOURISM DESTINATION IN 2015

Ethiopia beat off a host of more favoured candidates with well-established tourism industries to win the 2015 award for World's Best Tourism Destination. The award is made annually by the European Council on Tourism and Trade and is only made to countries that comply with UN principles on fair tourism, ethical tourism and safety standards, and historic preservation of cultural sites.

"The country has been praised for its outstanding natural beauty, dramatic landscapes and ancient culture, leading the European Council on Tourism and Trade to select it out of 31 countries as this year's top holiday spot," said international broadcaster CNN at the time the award was made last year.

"Visitor numbers in the country have increased by 10% over the last decade, according to the Ethiopian Ministry of Culture and Tourism. Last year, more than 600 000 tourists visited Ethiopia, attracted by its fertile national parks, 3 000-year-old archaeological history and nine UNESCO world heritage sites."

In August 2015, the government announced that it intended to triple foreign visitor numbers to more than 2,5-million by 2020. The ultimate goal was to see the country as one of Africa's top five tourist destinations.

"There are many reasons tourism took a back seat [in the past], but the number one [reason] was getting the basic infrastructure in place," Solomon Tadesse, CEO of the Ethiopian Tourism Organisation, told news agency IPS. "Now the government can get fully behind [tourism] based on the economic growth of the last 10 years, which has also created a good impression with the outside world."

The tourism industry in Africa has gone too far upmarket

Backing by governments also often leaves much to be desired.

"It is not uncommon for governments' to have a disruptive influence," says Vere Nicoll. There are arguably few more unusual examples than in Africa's second-largest tourism market, South Africa, which in 2014 recorded 9,55-million foreign visitors, 2,26-million of whom were from outside the continent.

What had been a promising rising trend in foreign arrivals – 7,1% up in 2013 and 6,6% in 2014 – was halted in its tracks by measures put in place by the Department of Home Affairs. In the first of the measures, onerous visa requirements were imposed in August 2014 on a number of developing markets, including China and India.

"You cannot underestimate the importance of positioning in developing markets, especially [those two countries]," says Otto de Vries, CEO of the Association of Southern African Travel Agents. Indeed, prior to the new visa requirements China and India were by far SA's fastest-growing markets. Between 2008 and 2013, arrivals from China grew by 274% to 151 847 people and from India by 132% to 112 672 visitors.

It was a very different picture in 2015. According to Statistics South Africa, in the first nine months, year-on-year Chinese arrivals fell by 19,7% and Indian arrivals by 12,3%.

The loss has translated into a large gain for Mauritius. In 2015, reports Statistics Mauritius, arrivals from China jumped 41,4% to make it the island's fifth-largest market. Arrivals from India were up 18%, while total arrivals increased 10,8% to a record 1,15 million.

South Africa's self-imposed tourism woes did not stop at visas. Damage has also been done to all its markets by Home Affairs' imposition in June 2015 of a regulation requiring children under 18 entering or leaving the country to have an unabridged birth certificate. The move is believed to be unique in the world.

Its impact has been severe. In the first nine months of 2015, arrivals from outside Africa fell by 8,4% and from Africa by 6,4%. This left total arrivals down by 6,9%.

In January, Home Affairs announced that arrivals over the festive season were up by 7,6% on the previous year. However, the tourism industry cast doubt on the figures and added that the numbers should have been far greater, given the country's weak currency that benefits foreign visitors.

New flights between Johannesburg and Nigeria's capital, Abuja, should improve regional business travel

BETTER AIR LINKS SET TO BOOST BUSINESS TRAVEL

While holiday-based tourism is a significant money-spinner, travel within Africa for business or shopping purposes is also a huge market. Links between the continent's two largest economies – South Africa and Nigeria – received a boost in early 2016 with the introduction of flights between Johannesburg and the Nigerian capital of Abuja.

South African Airways began offering three weekly flights to Abuja from January, in addition to long-standing services between Johannesburg and Lagos.

"Introducing Abuja as a second entry point into Nigeria will add more travel options, especially for the business community, and will enhance our footprint on the continent," said an SAA spokesperson. "Nigeria is one of the fastest growing air travel markets in sub-Saharan Africa ... these [countries] are the two economic powerhouses of Africa, with much more to offer and share."

While wildlife is a key component of the African tourism message, marketers should also stress other attributes such as the diversity of its inhabitants

"It's a tragedy. Tourism should be booming," says Vere Nicol. "South Africa has everything going for it. The rand's fall has made it cheap and it has diverse attractions including the Western Cape winelands, historic battlefields, wildlife and its apartheid struggle story."

Although the unabridged birth certificate requirement has been abandoned on an instruction from the Cabinet, De Vries remains concerned. "The damage has been done. Travellers are confused and will go elsewhere. It will cost the private sector a fortune to rebuild tourism markets."

Typical of damage done, one of the UK's largest travel firms, Trafalgar Tours, has switched its South African family holiday destination marketing budget to New Zealand.

Simplify visas

Visa problems are not unique to SA as a brake on tourism. "It can be a nightmare to get an African visa," says Germains. "Reduce visa restrictions and Africa will benefit hugely."

The solution, believes Vere Nicol, is regional visas along the lines of the European Union's Schengen 90-day visa valid in 26 countries. "It is essential to move in this direction to simplify travel," he says.

Simplifying travel is one of the reasons for Seychelles' success, argues Germains. "We have a no-visa policy for all countries," he says. A nation of only 92 000 people, Seychelles attracted an estimated 277 000 foreign tourists in 2015.

Simplifying visa requirements goes hand-in-hand with the need for broader co-operation between countries, believes Vere Nicol. "We are bad at speaking with one voice, but we must market Africa as a whole and, especially, regionally. This is where the future lies."

Germains believes African tourism is also falling short on communicating effectively with the world. "There is no website where you can find general information on the continent," he says. "All you need are a few well-trained people getting credible information and putting it online. It would be a very cost-effective way of putting a positive message out to the world."

New marketing messages

The message should also be that the continent is not just about wildlife and beach resorts, stresses Germains. "Africa has many other unique attractions, not least its huge diversity of inhabitants," he says.

Despite the many challenges, Vere Nicol remains upbeat on longer-term prospects for tourism. However, he sees a need for a modified approach. "The industry has gone far too upmarket. The big growth in future will be in the mid-income foreign and inter-Africa travel markets. The continent needs fewer new luxury hotels and more mid-market three-star hotels."

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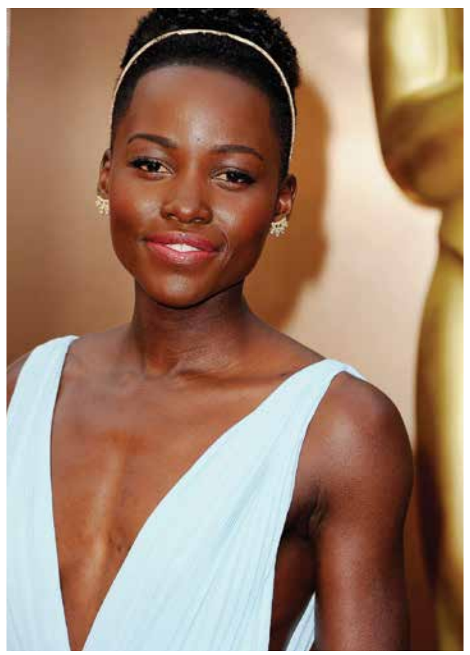
Why the business of **beauty** is on the up in Africa

The cosmetics and beauty sector in Africa offers great scope for growth, believes **Marilyn Dutlow Munga**. Here she outlines the opportunities.



THE CASE FOR AFRICA AS THE next big source of international business growth has already been clearly made. President Barack Obama's visit to East Africa last year to encourage bilateral trade between local nations and the US, plus the rapid expansion of most major multinationals into the region, are testament to the opportunity the continent presents for astute businesspeople and marketers.

Cosmetics and beauty care is surely one of these opportunities. The value of the African market was estimated to be around US$7,6-billion in 2012, with an expected annual growth rate of 8-10% and reaching a total value of US$10,9-billion by 2017. By comparison, the global beauty industry growth rate is only around 4% (source: *Forbes* business magazine).

The opportunity exists because the needs of African women have been largely unmet over the years. But the demand is now there and the cosmetics and beauty industry will need to ensure it keeps pace with growing expectations caused by very positive socio-economic shifts. The World Bank has highlighted that more African women are receiving access to basic education, better employment opportunities and the chance to become entrepreneurs – all factors that drive increased spending power and disposable income.

Perceptions of African beauty

There has also been a refreshing shift in the popular media as to how African beauty is perceived. Increasingly, the world has become more aware of what Africans have always known: deep ebony skin, a fuller figure and gorgeous naturally curly hair are breathtakingly beautiful.

PHOTOS: SUPPLIED

The local industry is growing at double the global rate

Actress and Hollywood darling Lupita Nyong'o (pictured bottom of pg 32), who is part-Kenyan, has mesmerised the red carpet with her flawless dark skin. And Nigeria's Chimamanda Ngozi Adichie, a renowned author was shot to mainstream fame when she featured in the Beyoncé track *Flawless*, has become a champion of natural black African hair. This has created a virtuous cycle, with African women embracing their individual beauty more than ever before.

But, despite these economic and cultural shifts, the beauty needs of African women still remain underserved – and therein lie several key opportunities.

Tap into the shift towards natural hair care

There is a steady shift from relaxed (chemically straitened) hair to more natural curly hairstyles. This is evident in the large number of blogs across the continent advising women how to navigate the long and sometimes difficult journey from relaxed to natural hair.

The natural hair care category is, however, very cluttered. This is perhaps indicative of no single product or brand really standing out when it comes to delivering what African women need. Some females have chosen to go back to basics by using natural ingredients such as shea butter and coconut oil. Others elect to pay huge premiums and import natural hair care products for African American consumers from the US.

L'Oreal's Dark 'n Lovely brand, a black hair care giant first introduced to the US African American market in 1972 and now well-established in Africa, has given a nod to more natural ingredients with the launch of the Amla Oil range – which indicates that there is surely room to grow the natural hair care category further on the continent.

Are there other brands that can really rise above the clutter by delivering innovation and easier access to products that truly work for natural African hair? Let's look at some of the opportunities in more detail.

Skin care that stands the test of the African sun

African women's skin ages differently to their fairer Caucasian counterparts. As the saying goes, 'black don't crack' – meaning black skin does not typically wrinkle as quickly. For black African women, the ageing process more commonly manifests in dark pigmentation patches, which are worsened by exposure to harsh sun.

Most skin care products have been focused on driving innovation and communication around anti-wrinkle potions, and are therefore more appropriate to Caucasian, rather than African, consumers. However, Unilever's Ponds brand has risen to the occasion in South Africa by being the first big brand to offer an even skin tone proposition. As a result, it has garnered sustained market leadership in the country, but a wider continent awaits!

There is still demand from black consumers for an adequate sun protection product that does not leave residues on darker skin tones. Could a local brand seize this opportunity and become a market-leader across the continent as **the** product range of choice for African skin?

Make-up for the rainbow colours of Africa

African skin comes in countless tones, from light caramel to deep chocolate, so the perfect make-up match can sometimes be impossible to find. Years of global innovation targeted at Caucasian skin tones and purses have left slim pickings for Africans.

Estée Lauder, through its Clinique Shades of Africa range, has seized some of the opportunity to create make-up that meets the needs of African women. MAC, another brand within the Estée Lauder portfolio, also performs well in South Africa. However, expansion from SA into the rest of the continent has been slow, with a handful of stores in Nigeria and, more recently, a partnership with Kenyan entrepreneur Joyce Gikunda to launch in Nairobi.

There are millions more women in Africa just waiting to be reached. Which make-up brand can seize this challenge?

In summary

There is steady progress in growing the beauty business in Africa, but a massive opportunity remains to truly delight women on the continent. If multinationals will not step up and seize the chance, there is certainly no shortage of African entrepreneurs who are up for the challenge. According to a recent *Forbes* article (August 13, 2015), among the six women who are considered as leading emerging female entrepreneurs in Africa, two started in the beauty industry: Louisa Kinoshi of Beauty Rev NG and Ngozi Opara of Heat Free Hair Movement.

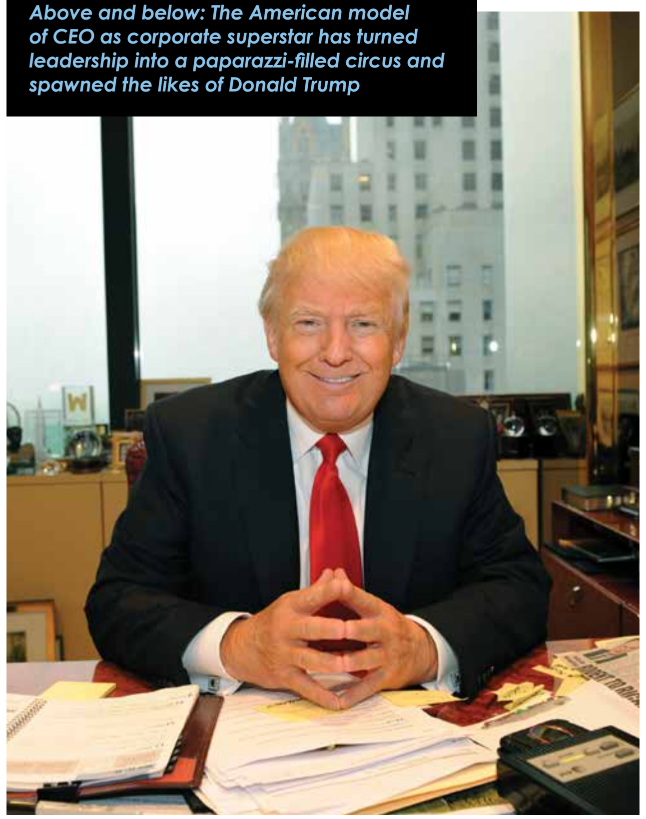
Thus, given the growing number of women in Africa who are in formal employment and/or form part of the middle class, increased spending on personal care and beauty products is on the rise and the beauty industry is on course to help boost the wider African economy (source: *Borgen* magazine).

Marilyn Dutlow Munga is Associate Brand Director at Added Value South Africa, a member of the London-based global marketing consultancy and research firm, Added Value. She has worked in brand management at Procter & Gamble – across brands such as Ariel, Pampers, Gillette, Duracell, Pantene, and Head &Shoulders. Munga also has a passion for doing business in Africa and working with NGOs.

Frugal innovation **leadership** & the future of collaborative marketing

Unlike the American model of business – where the corporate elite tend to be thought of in glamorous fashion and the search for fame has turned the leadership concept into a paparazzi-filled circus – leaders in developing markets need to be low-key innovators sensitive to the difficult environments in which their employees and target audiences operate. By **Dr Jamal Boukouray**.

Above and below: The American model of CEO as corporate superstar has turned leadership into a paparazzi-filled circus and spawned the likes of Donald Trump



Introduction

IN EMERGING MARKETS, WHERE people struggle daily to get access to basic services that are taken for granted in developed economies, there is a requirement for a different kind of organisation and organisational leadership. It requires socially conscious enterprises and leaders who understand social innovation, low-cost remedies to problems, frugal thinking, and their market's aversion to bragging CEOs.

Those leaders who achieve this have one thing in common: Jugaad Thinking. 'Jugaad' is a colloquial Hindi and Punjabi word from India that describes an innovative way of solving a problem, a solution that bends rules, or a resource that is stretched to its absolute maximum potential. It is a state of mind that has led to numerous low-cost remedies that had one thing in mind: to make the world a better place.

This article explores the implementation of Jugaad and Frugal Thinking models inside and outside the boardroom and discusses the thin line between social innovation and leadership by presenting examples from various companies and countries.

The need

Unlike more traditional European-style business culture, Americans tend to think of their business elite in a rather glamorous fashion and the search for fame is turning the whole leadership concept into a frenzied circus full of paparazzi.

But what about leadership in emerging markets, where people struggle every day to get access to healthcare, food and decent housing – be it in the shanty towns of South Africa, the widow slums of India, or the tin roofs on Favela Hills in Rio de Janeiro, Brazil? These are the kind of landscapes that have inspired so many tech wizards and social innovators to develop affordable business solutions that are sensitive to these communities and their environments.

Alan Mulally, the executive credited with saving both Ford and Boeing from bankruptcy, was known for preferring to eat with employees in the canteen, a dislike of power dressing, and an aversion to the trappings of corporate power

Bragging CEOs are not popular in emerging markets

Indeed, people in developing countries are not particularly fond of bragging CEOs or senior executives who trumpet their inflated egos and perceived successes. What they truly need are low-key innovation leaders who care about bridging the social economic divide and inequalities between white collar and blue collar workers, between top level managers and latest recruits, and between men and women in the workforce.

While not all organisations and their business leaders are associated with rough neighbourhoods – like IBM, which has initiated so many value-added services in Nigeria – frugal innovation leaders are like shadow dancers; they are not looking to be elected, to be rich, to be famous, or to be listed on the Nasdaq stock exchange. They are simply using technology related solutions to improve access to healthcare, education, broadband services, create more transparency, and improve agriculture in the most desolate landscapes on earth.

Inwi: Frugal thinking meets Jugaad leadership

One of the best examples of social innovation and frugal thinking is the case of Inwi of Morocco. It is not only a leading telecom operator; it is also an avant-garde innovator when it comes to frugal leadership. In five years of existence, the company has already launched several volunteering campaigns in which its customer base was asked to donate a few minutes, or hours, of their time to Moroccan charities helping orphans and homeless people, non-profit schools, and hospitals for low-income families.

The idea behind this collaborative campaign called 'Dir Iddik' ('put your hands together') was to encourage young people to get involved on a volunteer basis with non-profit organisations in the city of Casablanca. The project kicked off in 2011 and surprised everyone by spreading all over the country in only a few months. By the end of 2014 there were eight such projects assisting 65 charities nationwide.

To create greater impact and attract even more people, a televised telethon was organised, not to sell airtime or long-distance calls for Inwi, but to collect thousands of volunteering minutes. As a result, Dir Iddik now has more than 15 000 volunteers.

What is wonderful about this sustainable project is that it had a huge impact on beneficiaries and benefactors alike. Building on the success of the first campaign, Inwi launched another initiative, this time to bridge the digital divide in the country. The result was an online tutoring platform for fun and free e-learning, which introduced the Internet in low-income schools and other needy sectors.

Through this collaborative platform, Internet users worldwide can enjoy free classes. More than 1-million modules have already been viewed at an average

Above left: Inwi is not only a leading telecom operator in Morocco, it is also a frugal leadership innovator. Above right: Voropak Tanyawong, CEO of Krungthai Bank in Thailand, spends time visiting employees and customers in their home neighbourhoods

duration of 10 minutes. Indeed, although it attracts mainly Moroccans (96%), Internet users from France, Saudi Arabia, Algeria, the United States, Spain, Tunisia and Egypt are all benefitting.

This is the perfect example of frugal leadership at minimum cost. The rewards were far beyond expectation for the new telecom operator and these actions helped Inwi to cement its brand equity and reputation as a social innovation leader and 'people-first' organisation.

The notion of leadership

The above is Jugaad Thinking at its best. It emphasises that social innovation leaders are not only entrepreneurs and businesspeople using their technology skills, resources and infrastructure to go from 'Zero to One' (going from nothing to something, instead of going from something to a slightly better something), as explained by Paypal co-founder Peter Thiel in his book of the same name. Instead, they are combining innovation in business with innovation in society

Whether we analyse the notion of leadership from a populist and unrestrained lowbrow perspective, or from a top-level management angle, it is obvious that the leadership needed in our 21st-century tech-knowledge society is very far away from the ego-driven 'superhero' approach perpetuated by biographical writers and success storytellers. Similarly, it has moved from

Jugaad's frugal leadership is a 360-degree attitude

the 19th-century Great Man theory, which held that history can be largely explained by the impact of 'great men'; individuals who, due to their influence, personal charisma, intelligence and wisdom, exercised power in such a way that it had a decisive historical impact.

So, how do we upcycle our preconceived ideas about boardroom leadership? And what kind of leaders do we need in this Age of Uncertainty? I would argue that what we need is a new breed of CEOs, CMOs, CIOs and other senior executives who eat, drink, speak and act in a frugal fashion.

What is frugality in this context? It is the ability to generate considerable social economic value in a business while striving to reduce the waste. It is about generating the most with least, as summarised by Carnegie's famous epitaph: *"I have made so much with so little that I can make anything with nothing"*.

Actually, wherever people around the world happen to live on scarce resources, they always find a way to solve the problems. Being thrifty means cutting all the bells and whistles – the extravagant Christmas parties, celebrity-coaching talks and star-studded hangouts – when most of the workforce can barely wait until the next pay cheque arrives and they can reduce their over-stretched credit limit.

For a business and its management team, social responsibility is not about what appears in the 'about us' section on the corporate website; it's about being genuinely responsible. CEOs should develop empathic skills to care about everyone's bottom line in the company as the world is heading toward a new social economic order; one where crowds of tech-savvy people – many of whom you've never had any direct contact with – can use the modern, connected world to disrupt even the most resilient business or brand.

Jugaad leadership is about managing corporate matters in a lean fashion; in other words cutting the fat everywhere. It's about implementing a Kaizen-like system (the Japanese business model of continuous improvement), but without incurring the extra costs related to the implementation of lean management models. Jugaad is a fat-free diet, affordable and easy to follow. It's as simple as practising yoga; a holistic state of mind and philosophy.

Mobilise the troops

Leadership in the disruptive age is going to become a battleground between those who know how to mobilise and inspire their troops, and those who only care about their annual bonuses. Right now, our biggest leadership dilemma is the lack of serving leaders willing to trade their inflated salaries, giga-Trump egos, VIP benefits and golden-goose privileges.

Then again, how many white collar managers spend time in blue-collar neighbourhoods outside of when they're watching a TV series? Voropak Tanyawong, CEO of Krungthai Bank – the biggest lender in Thailand by assets in 2015 – steps down from his oval office on a regular basis to spend a few days at local branches to speak to customers, employees and to visit the surrounding neighbourhoods.

Dick Fuld, who fell into disgrace as the Chairman and CEO of the collapsed Lehman Brothers investment bank in 2008, nevertheless had some good ideas. To encourage team spirit and bonding, he adopted a point system similar to the one he used to reward his son Ritchie when he played ice hockey as a child. Fuld's motto was: 'you get one point for a goal, but two points for an assist'.

Last but not least, Jugaad's frugal leadership is a 360-degree attitude where value creation should emanate from top to bottom, and vice versa, in order to bridge the social divide and reduce the price of inequality.

But then again … how many business leaders and decision-makers are willing to follow the lead of Pope Francis? A 2015 Nobel Peace Prize nominee, he embodies a frugal spirit inside and outside the Vatican and is committed to a frugal philosophy. More people in business need to follows his lead, for their own good and that of their business and their community.

PHOTOS: GETTY/GALLO IMAGES, SUPPLIED

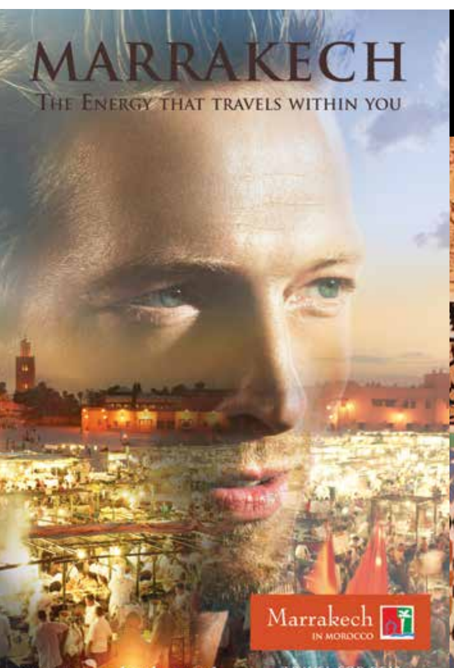
Our thanks to the Moroccan Association for Marketing and Communication for their assistance with this article

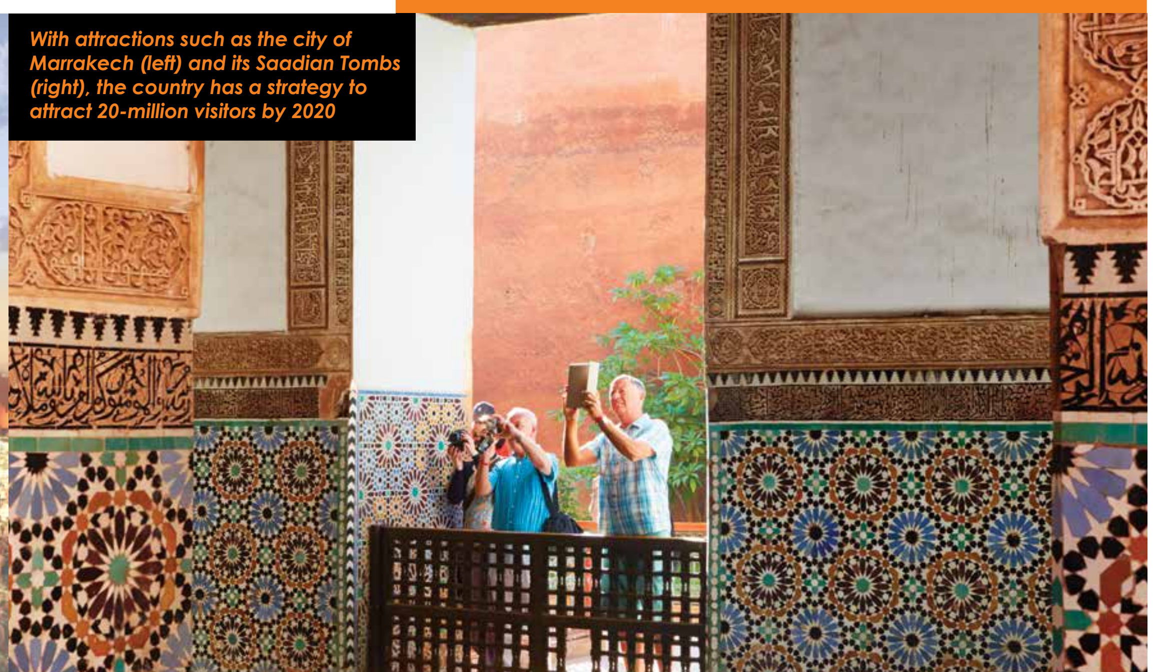
Professor Jamal Boukouray is a senior professor at the ESCA Ecole de Management in Casablanca, Morocco. He is also a management consultant and keynote speaker. His core specialities include Management of Innovation, Complexity, Organisational Management and Leadership in the Digital Age, Rebranding and Extreme Corporate Makeovers.

Unlike several of its regional neighbours, Morocco cannot rely on oil or gas to bolster its economy. But it does offer marketers a stable and developing business environment.

Morocco proves to be a **beacon** of regional stability

The Moroccan city of Tangier at dusk





With attractions such as the city of Marrakech (left) and its Saadian Tombs (right), the country has a strategy to attract 20-million visitors by 2020

NORTH AFRICA IS KNOWN FOR being a troubled region. Libya is a failed state, Egypt is wrestling with domestic terrorism and even peaceful Tunisia attracts travel warnings due to occasional terrorist attacks. By comparison, Morocco stands out as a beacon of stability.

Although the country has a robust protest culture, this seems to be working in its favour. In 2011, for example, protests calling for democratic reform saw the nation's ruler, King Mohammed VI, adopt a new constitution and introduce a raft of political and economic changes. Today, protestors are more concerned about education issues and high utility prices than regime change, which is good news for business.

A constitutional monarchy with an elected parliament, Morocco is ruled by a king and governed by a coalition of the ruling Islamist Justice and Development (PJD) party and opposition Party for Authenticity and Modernity (PAM). This loose power-sharing arrangement makes any kind of coup unlikely, and the country is known as a broadly tolerant state with a liberal, market-oriented economy that is the fifth largest in Africa – a far cry from its position in the 1970s, when it defaulted on International Monetary Fund (IMF) debt. As such, it's an attractive destination for investors and tourists alike.

Although the country is largely reliant upon agriculture – and consequently at the mercy of the weather – the economy is diversifying, with manufacturing (automotive and aeronautical), IT services and textile production playing vital roles. Many 'free zones' offer companies incentives such as subsidies, tax breaks and reduced custom duties.

Unlike a number of countries in the MENA (Middle East and North Africa) region, Morocco has no oil or gas reserves and relies on imports for energy products, which could explain why it runs one of the largest solar energy projects on earth. It is also the site of one of the world's largest phosphate deposits, comprising 75% of known reserves.

Tourism is boosting the economy and currently contributes 7% of GDP. The National Tourism Office's Vision 2020 programme, which aims to raise the country's 'sun and surf' profile, hopes to attract 20-million tourists and create 9 500 jobs in the industry by 2020.

"Morocco is becoming one of the premier travel destinations in North Africa, thanks to its political stability, strategic geographic location and open-minded, mixed culture," says Hamza Labrinssi, Partner and Design Director of Highness Digital, a digital creative agency based in the city of Kenitra and serving brands such as Apple, TED, VideoLAN and *The Huffington Post* newspaper. "[The country] is well known for its Mediterranean lifestyle, influenced by Arab and European culture. It is definitely open to foreign business and tourism and has a global outlook," he says.

It's an attractive destination for investors and tourists

Economists expect GDP growth of 2,6% in 2016 – not robust, but better than many others – and Morocco is eyeing new markets in sub-Saharan Africa to bolster trade. "France and Spain still monopolise the top two places when it comes to the kingdom's imports and exports," says Samir Baladi, Director of local digital agency MDC Concept. "Exports are mainly oriented towards the European market at this point."

There are no African countries among Morocco's major trading partners, and Baladi notes that "we need to do more to capture sub-Saharan markets".

Middle-class growth

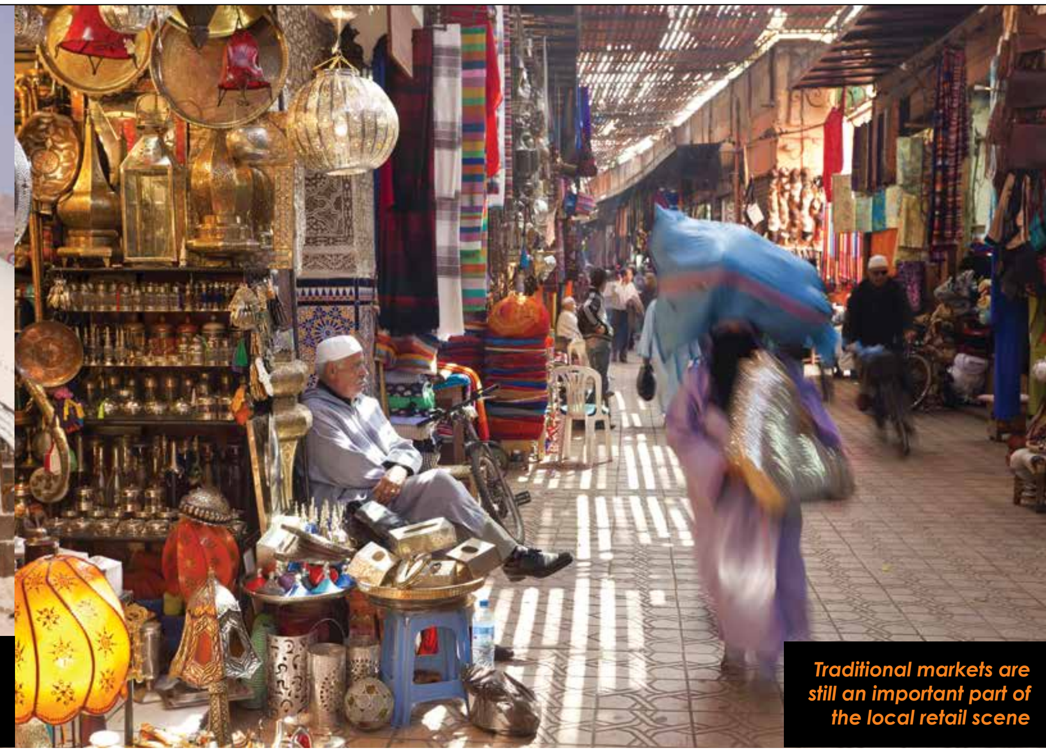
Although the population is not large by some standards – compare Morocco's 33-million consumers to Egypt's 90-million – it is hungry for modernisation, particularly in urban areas. The population is young and households are large, with Moroccans favouring domestic retailers over international ones. This is partly because two factors drive consumer shopping patterns: price sensitivity and the recommendations of close relatives.

While informal markets still dominate the retail scene, the creation of more formal retail space has changed consumer habits and malls are springing up across the country. "We saw the opening of Morocco Mall in 2011 – claimed to be the largest mall in Africa – as well as others such as Galerie Talborjt Mall in the city of Agadir, Borj Fes Mall in Fes, and Carré Eden in Marrakech," says Labrinssi. "According to the Department of Trade and Industry's Rawaj Vision 2020 programme, many more are likely to follow."

Boasting attractions like 3D cinemas and aquariums, these big retail developments

Shoppers at the modern Carré Eden shopping mall. Developments such as these are changing consumers' buying habits

While Morocco lacks oil, it does have the world's largest phosphate deposits



Traditional markets are still an important part of the local retail scene

draw upper- and middle-class families looking for entertainment. Popular international brands include Adidas, Nike, Puma, Carrefour, La Bell Vie, McDonald's, Galeries Lafayette, H&M, Gap, Dior, Zara and Banana Republic.

Per Sjödell, co-founder of full-service communications agency Red City PR in Marrakech, says French supermarket chain Carrefour has a presence throughout Morocco and is very popular. "[Scandinavian furniture and accessories brand] Ikea will open its first store soon and plans to roll out nationwide," he adds. "So far, only the big international mega-brands are here, but the medium-sized brands are coming in to meet the needs of the growing middle and upper-middle class. Moroccans are fascinated by Western brands and like strong brands such as H&M and Adidas."

According to Sjödell, the luxury segment is still relatively undeveloped, although brands such as Louis Vuitton, Gucci and Prada are present in the biggest malls and some luxury hotels.

"The retail market represents up to 13% of Morocco's GDP, according to the latest official statistics, even if local consumers are still faithful to their traditional shopping habits at independent stores," explains Labrinssi. "While the middle class is growing, price remains an issue. The Turkish discounter Bim has quietly become very popular in the retail market, but local company Marjane Holdings has launched discounter Express Market to challenge its dominance."

Baladi adds that Moroccan consumers are becoming more discerning and vocal in their expectations. "They are more active and vigilant than they used to be, with most consumer complaints being around food, but also around e-commerce, real estate and insurance."

Internet shopping is surprisingly popular and is becoming more so as an increasing number of people open bank accounts. Fanny Ponce, Managing Director of online marketplace Kaymu, notes that clothing, electronics and groceries sell well. But sheep were also sold online during the Islamic festival of Eid El Kebir, suggesting that, at heart, the Moroccan consumer has the same needs as before, but is open to exploring more modern ways of meeting these needs.

Marketing environment

The marketing industry faces a number of challenges. There is a large gap between the educated elite and the approximately 32% of the population that remains illiterate. Language is an issue

Creative agencies tend to look to French culture for their inspiration

too. Arabic and Tamazight are the official state languages, with French widely spoken, but government would like to see English becoming the main language of instruction in higher education. Therefore, the most efficient way to reach the majority of Moroccans is through visual communication strategies.

Another issue is that many marketers and their communication agencies are inclined to look to French culture for inspiration. "Advertising is still striving to find its own style as most companies are blindly following or mimicking French styles and trends," observes Labrinssi.

Marketing opportunities loom large in the digital space. "The advertising market [as a whole] in Morocco is worth about US$500-million and digital spend is estimated to be about US$50-million," says Jérôme Mouthon, Founder and Chairman of Buzzeff MEA, the Moroccan agent of Teads, an international company specialising in digital video advertising on the Internet.

PHOTOS: GETTY/GALLO IMAGES, SUPPLIED

"By the end of 2014 there were about 13-million Internet users in Morocco – that number will have grown – and there were about four million connected via 4G. For this reason, online video advertising is growing fast. The only problem is that budgets remain in the hands of a few big agencies."

About 60% of the advertising and communication agencies in Morocco are local, with multinationals accounting for the rest. Big international creative agencies such as DDB and JWT have won major awards. However, Labrinssi says small agencies can also punch above their weight, an example being Highness Digital, which beat 24 multinationals to land the Apple account in the Europe, Middle East and Africa region.

While digital mediums are growing, traditional media is still the most popular: "Many companies do not have a digital presence or a professional website," notes Sjödell. He sees the language issue as one of the biggest challenges in terms of communications and PR. "Historically, French has been dominant. But we are seeing a shift towards English, particularly with the growth of social media and digital solutions. We have therefore positioned ourselves as Morocco's premier English-speaking agency, which is appreciated by many clients," he says. Television accounts for half the total advertising spend in Morocco, with food, beverages and hygiene most commonly advertised. Some of the biggest spenders include Proctor & Gamble, Pepsi, Gillette and Coca-Cola. Outdoor advertising has also gained traction, along with direct marketing, direct mail and door-to-door sales. Cosmetics and personal care brands Avon and Oriflame are leading exponents of the latter.

"More traditional marketing methods may reach a significant number of consumers, but not necessarily targeted ones, which is why digital marketing will grow," says Labrinssi. "It is faster and strategic targeting is possible based on relevance and user preferences. It is the user-focused, creative studios that will help big business to reinvent brands and position themselves to meet digital-era challenges in Morocco."

Interestingly, radio is still in its infancy as a marketing medium, representing less than 10% of adspend, despite being fairly inexpensive. It reaches a limited sector of the population and stations include MEDI 1, Radio 2M, Casa FM and Radio Sawa Morocco. Print advertising accounts for just over 20% of the market, but it is difficult to target particular consumer segments as subscriptions and circulation are hard to verify.

Doing business

Morocco ranks 71st out of 189 economies in the World Bank's 2015 Doing Business Index, three positions lower than in 2014. Ten areas are ranked to obtain the index: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

However, the country woos international companies and foreign investors enthusiastically and has adopted laws that protect both them and their local counterparts.

"Moroccan law is serious about protecting foreign business interests as the country increasingly hosts large-scale outsourcing companies," says Labrinssi. "It strives for mutually beneficial partnerships and would not be able to attract foreign investment if international copyright laws and patents did not work."

Business credit is available to foreign investors and the use of consumer credit, including credit cards, is common. "All major shops accept credit cards, but cash is still king on the streets," notes Sjödell.

Labour costs tend to be low because wages are low, which is a legacy of a poor education system. "One of the biggest challenges is the human factor – educational institutions do not produce ambitious, creative employees that will help local businesses to reach higher levels, so brands are built to survive on a local or continental scale; few are world-class," says Labrinssi.

Understanding local culture is a must. "Foreign companies need to bear in mind that administration can be complex and frustrating, and can cause delays or bring businesses down unless the brand is already popular and successful," Labrinssi cautions. He believes business opportunities currently lie in agriculture – particularly where new techniques are involved – the retail industry, tourism, banking, financial institutions and solar energy.

Understanding the DRC's very **complex** supply chain challenges

While many countries in Africa are making strides in the development of road, rail and other infrastructure links, the Democratic Republic of Congo (DRC) remains one of the most difficult environments for supply chain managers and logisticians. **Tielman Nieuwoudt** reports.

Above and previous page: Some of the major roads are mere dirt tracks that turn into mud tracks during the rainy season. Below left: Inland waterways provide real supply chain opportunities and are a third cheaper than road transport

IN OCTOBER 1990, WHEN REBELS from the Rwanda Patriotic Front poured along the border roads from neighbouring Uganda in an effort to oust then Rwandan President Juvénal Habyarimana, the President of the Democratic Republic of the Congo (called Zaire at that time), Mobutu Sese Seko, looked on at the fighting and remarked that Habyarimana never should have built a road to his house (or country).

Indeed, Mobutu Sese Seko was notorious for not being fond of building roads in his own sprawling nation. Fast forward to 2016, and the DRC still has less than 3 000km of paved roads. By way of comparison, Algeria in North Africa is of similar size and boasts more than 70 000km of paved roads.

Given the lack of investment in infrastructure, some of the major connecting roads in the DRC are mere dirt tracks that turn into mud tracks and puddles during the rainy season. Trucks frequently break down and the estimated time of arrival of cargo is often determined in days, rather than hours. Complicating the road infrastructure problem is the fact that the country is covered by tropical forests and 15 000km of inland waterways.

Ironically, these difficulties have put Congolese drivers in great demand in other infrastructure-starved countries such as South Sudan. As one logistician told me diplomatically in the South Sudanese capital of Juba: "They are respected for their ability to negotiate difficult terrain and operate in an environment where spare parts aren't always readily available."

The DRC is vast by most measurements. It is 80 times the size of Belgium, the former colonial power, and half the size of the United States. It is the world's 11th largest country by area and the 19th by population. Katanga Province alone is the size of Spain.

The geography hinders companies and their supply chain teams in other ways too, as the DRC is virtually landlocked and surrounded by nine other countries. It is estimated that import and export costs are consequently between 40-50% higher than non-landlocked sub-Saharan African nations.

These and other factors unfortunately mean that the DRC has too often been on the wrong side of any development or business index. It ranked 184th out of 189 countries in the International Finance Corporation (World Bank) Ease of Doing Business Index for 2016 and 159th in the United Nations Logistics Performance Index for 2014. According to a 2010 African Development Bank report, less than 30% of the population has access to electricity and international business consultancy PwC estimates 40% of businesses in the country operate their own backup generators.

The positives

These factors notwithstanding, in the 'potential' column, the DRC ticks many

Import/export costs can be 40-50% higher

boxes. The country is the world's largest cobalt producer and holds, with its neighbour Zambia (both part of the Copper Belt), the second largest copper reserves after Chile. Beyond minerals, the DRC has more navigable rivers than any other country in Africa, and the World Bank estimates that there is potential to produce 100 000 megawatts (MW) of hydropower annually. By way of comparison, the whole of sub-Saharan Africa currently produces less than 50 000 MW a year.

According to the African Development Bank, inland waterways provide real opportunities and are a third cheaper than road transport. To improve their navigability, a relatively modest investment is required.

In agriculture, the DRC can become one of the continent's breadbaskets, with 80-million hectares of arable land. Potential investors will also note that the country has seen strong economic growth between 2010 and 2012 – estimated at 7,1% annually – and close to 9% growth in 2014.

Regional links

In order for businesses to understand the DRC's trade and supply routes, it is important to analyse the economic activity around the three major regions; Kinshasa in the southwest, Lubumbashi in the southeast, and Kisangani in the northeast. Often there is little developed infrastructure linking these three major commercial centres and the regions are more tied to the neighbouring countries and trade corridors than to the rest of the DRC.

For example, in the copper capital of Lubumbashi in Katanga Province, long-haul truck drivers may be more familiar with the route south through Zambia and to the port city of Durban in South Africa, rather than the route to the DRC capital city of Kinshasa.

And even though the city of Dar es Salaam in Tanzania is geographically closer, third party logistics (3PLs) companies


A girl walks through a flooded road to reach her makeshift home in Kinshasa


Transport links are being improved in order to get Katanga's mineral riches to market

China has a keen interest in Katanga's mineral riches

such as Bolloré use the more reliable port of Durban for their mining clients. Katanga Province also has a rail link with Southern Africa and the National Railway Company of the Congo ('Société Nationale des Chemins de Fer du Congo' or SNCC) network is used extensively for copper exports to Durban.

The Eastern Congo's trade and infrastructure is more tied to Swahili- and Liguala-speaking nations of East Africa, and depends on the Central and Northern trade corridors for products and access to markets. The Eastern Congo's main exports revolve around the 'three Ts' (tin, tantalum and tungsten), plus gold. The three Ts are key components in consumer electronic products, medical equipment, automotive and aerospace.

This region has been a sanctuary for a number of rebel groups (e.g. the March 23 Movement, also known as M23) and the region's mineral riches have been a great source of revenue to sustain insurgencies by these groups. With the implementation by the United States of the Dodd-Frank Act of 2012, technology companies are starting to take a serious look at their supply chains (auditing, tracking and certification) to ensure products sourced from the region aren't tied to so-called 'conflict minerals', which are specifically outlawed under Dodd-Frank.

Infrastructure investment

In recent years, the DRC's infrastructure has seen a number of developments that aim to reduce transport constraints and create better links between regions and among neighbours. The country recently joined the multi-modal (road, rail, pipeline and inland waterways) Northern Corridor transit route. The main road network starts from the port of Mombasa in Kenya and runs through Uganda, the city of Kigali in Rwanda and Bujumbura in Burundi, then on to city of Kisangani in the Eastern Congo.

In terms of rail, the Lobito Corridor railroad project aims to create a shorter and more efficient route from the Port of Lobito in Angola to the Copper Belt in the DRC (Luau on the DRC/Angola border) and then on to Zambia. The DRC has also signed an agreement with Zambia and Tanzania to simplify the rail transportation processes, including re-marshalling charges and transhipment between Lubumbashi in the DRC and the Tanzania-Zambia Railway Authority (TAZARA) railway line that runs between Kapiri Mposhi in Zambia and Dar es Salaam in Tanzania.

China has a keen interest in the DRC's Katanga Province mineral riches, and its US$5-billion minerals-for-infrastructure deal will focus on a rail link from Lubumbashi to the DRC's chief sea port of Matadi, as well as a road link to the Kisangani River port. The agreement also aims to improve transportation links with the Zambian side of the Copper Belt. In Katanga Province there is also visible evidence of mining companies engaging in public-private partnerships to upgrade roads.

The future

However, with the commodity boom over, it is unclear if all projects will proceed. In the shadow of the mining giant Glencore deciding to mothball its copper mines in the Copper Belt, the DRC recently had to cut its growth forecast to below 8%. The scheduled presidential election in 2016 will likely create further instability, and President Joseph Kabila will be reminded that his late father, Laurent Kabila, required limited infrastructure to overthrow President Mobutu Sese Seko.


Tielman Nieuwoudt is Principal of The Supply Chain Lab and has extensive supply chain experience covering more than 30 emerging markets in Africa and Asia. He recently undertook a project in the Democratic Republic of Congo (DRC). The Supply Chain Lab is a group of supply chain improvement specialists with a focus on factory-to-village supply chain solutions.

PHOTOS: GETTY/GALLO IMAGES, SUPPLIED

Cargo drones promise **delivery** solutions for Africa

Various projects envisage drones capable of carrying payloads of 100-350kg, thereby linking deep rural parts of Africa with urban distribution points

As fanciful as it might seem, non-military drones will almost certainly populate African skies within the decade, providing not only solutions to many of the continent's supply chain challenges, but also exciting new marketing opportunities. *Strategic Marketing Africa* examines the realities.

AN EFFECTIVE SUPPLY CHAIN and delivery process is vital for economic success, particularly in the age of online shopping and e-commerce. Yet, for many businesses in Africa, weak links in this process remain a key stumbling block. Poor road and rail networks, mountainous terrain, and unnavigable rivers and lakes are among the obstacles. Bureaucracy, conflict, corruption and pilfering are also in the mix.

Logistics shortcomings challenge existing businesses and inhibit new ones. According to a recent McKinsey & Company report, e-commerce will account for 10% of retail sales in the continent's largest economies by 2025. Develop more effective distribution strategies and the entire pie could be much larger.

"We are constantly looking for delivery solutions that serve the demands of online customers," says Indrek Heinloo, Global Chief Executive Officer of Lagos-based logistics company AIG-Express, which also has offices in Egypt, Kenya and Morocco. "Difficulties include delays because of poor roads, inexperienced drivers and the weather. These are things that we need to find a way around if we are to meet customers' demands and continue to build trust and credibility in online shopping."

Enter large, unmanned cargo-carrying aerial drones as a way to solve the problem, suggests Heinloo.

A member of the Africa Internet Group, AIG-Express was established as a joint initiative between two of the continent's largest e-commerce marketplaces, Jumia and Kaymu, in May last year. The company delivers up to 100 000 packages a day, a process he says could be greatly expedited by using cargo drones.

"Small helicopter-type drones with little payloads and limited ranges are useful for photography, surveillance and perhaps so-called 'last-mile' (final) delivery in highly developed places with good infrastructure. But they would be ineffective as logistics tools for us," Heinloo explains. "Ninety-five percent of the products we despatch are paid for on delivery by the customer and, because in our markets there is limited mapping and many locations are not secure, controlling drop off would be a challenge."

Instead, he visualises drones with large payloads of up to 300kg and ranges beyond 500km being used for 'middle-mile' (mid-range) deliveries using securely mapped fixed routes. The craft would require small airfields for take-off and landing, with control points at both ends of the journey and various localised methods of last-mile delivery to the end customer.

Security concerns

This proposal seems to counter several of the concerns that some experts have about the security of delivering goods by drones in Africa.

"There are a number of issues to be answered with drone delivery," says Charles Brewer, the Dubai-based Managing Director of e-commerce platform Mara Sokoni. Brewer was Managing Director of DHL Express Sub-Saharan Africa until September 2015. "Drones can't go everywhere. How, for example, are they going to navigate [electricity and other overhead] wires in places like Lagos, Nairobi and Addis Ababa?

He continues: "Security is a major issue. Unmanned deliveries create opportunities for hacking and theft. And then there's the weather. Even propeller-driven planes capable of carrying a five tonne payload struggle in tropical conditions. If drones aren't able to deliver all items to all locations at all times, you end up having to maintain multiple delivery systems. The cost of doing that will quickly outweigh the excitement."

Some experts are concerned about hacking and theft

But Brewer's concerns about navigating skies above urban areas – as well as potential hacking and theft – are, by and large, countered by Heinloo's vision for drone delivery. The latter's idea of using drones for middle-mile delivery to and from control points at airfields allows for improved security and the routes he envisages will avoid densely populated urban locales.

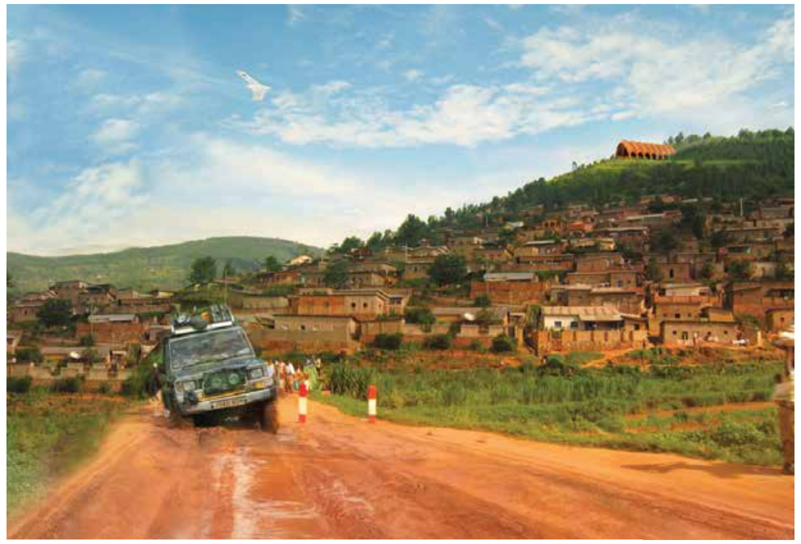
But is that enough? Is Heinloo being unrealistically hopeful? In reality, he is far from alone in his thinking, which means that 2016 really could be the year of the cargo drone in Africa.

Lift-off in Rwanda

The Africa Internet Group was among the organisations involved in a think-tank which led to the announcement that Africa's first sizeable and affordable drone venture is set for lift off in Rwanda later this year.

The Redline Droneport project is a partnership between Swiss-based Afrotech-EPFL and the UK-based Norman Foster Foundation. The former is part of Swiss research university École Polytechnique Fédérale de Lausanne (EPFL), and originates and drives large-scale advanced technologies in Africa. The latter is the non-profit arm of London architectural company, Foster + Partners.

Once complete, the project will comprise a network of Foster + Partners-designed droneports. Built by Rwandans using portable local materials, the structures will serve as bases for the relatively inexpensive and apparently



Above left: An artist's impression of a working cargo droneport in the Rwandan countryside. Above right: Lord Foster envisages that the project will help to circumvent difficult road conditions in remote areas

unobtrusive Redline fleet of fixed-wing drones with a 3m wingspan, 10kg payload and 50km range.

These drones will transport emergency cargo; primarily blood to treat malaria and sickle cell disease. Thereafter, the plan is to introduce the so-called Blueline fleet of larger drones – with a 6m wingspan, 100kg payload and 100km range – by 2025. The idea is that Blueline will help subsidise Redline's humanitarian activities by carrying commercial cargo for fee-paying clients.

Jonathan Ledgard, Director of Afrotech-EPFL, founded the project. He is also a novelist and journalist, and it was as the long-time Africa correspondent of *The Economist* magazine that he saw the impact of technology on the continent by way of the mobile phone.

"More than 50-million Nokia 1100 [handsets] were sold in Africa. They're smart, rugged and cheap. The mobile phone contributed more to anti-poverty efforts than any single development intervention," he says. "When I think of what cargo drones can be, I think of the Nokia 1100. I believe it is possible to save lives and build economies in Africa and beyond by putting blood, medicines, spare parts and eventually the entire e-commerce chain up in the sky."

More immediate plans

But, while the Redline Droneport project focuses on delivering humanitarian supplies in Rwanda in the short term, Heinloo has more immediate hopes for another manufacturer of a cargo drone with a heavy payload and long range capability – and whose focus is more closely aligned with that of AIG-Express.

Dronamics is a Dutch-Bulgarian developer and manufacturer of cargo drones led by economics major and entrepreneur, Svilen Rangelov and his brother, Konstantin, who is an aerospace engineer. Dubbed 'the next Wright brothers' and winners of the grand prize of €100 000 (US$109 000) in the 2015 Pioneers Challenge start-up competition, the Rangelovs have identified countries such as Nigeria, Egypt, Ethiopia and Morocco as potential locations to test their prototype 8m long, 16m wide, fixed wing, petrol-driven Black Swan cargo drone within the first half of this year.

The brothers have vowed not to shave their beards until the Black Swan completes her first test flight – "and we hate beards", says Svilen. It is hoped commercial operations will begin within a year or so.

With a payload of 350kg and a range of 2 500km, the Black Swan is claimed to have unprecedented fuel efficiency for a cargo aircraft. With the ultimate aim of serving customers beyond the main centres by providing same-day delivery from one airfield to another, the Black Swan fits the bill as far as Heinloo is concerned – which explains why the two organisations are in discussion.

A Rwandan venture is set to start in 2016

Rangelov believes the use of drones to transport cargo is inevitable: "Unmanned, long-range cargo aircraft are part of the natural evolution of logistics networks," he tells *Strategic Marketing Africa*. "We want to make sending an object as easy as sending an email. Ultimately, customers don't care whether you use cars, kites or drones; they just want to receive their orders on time and at the right price. We believe that, within 10 years, we'll have forgotten the challenges of transporting cargo by land in many places. Unmanned air cargo will be the norm."

Effective logistics tools

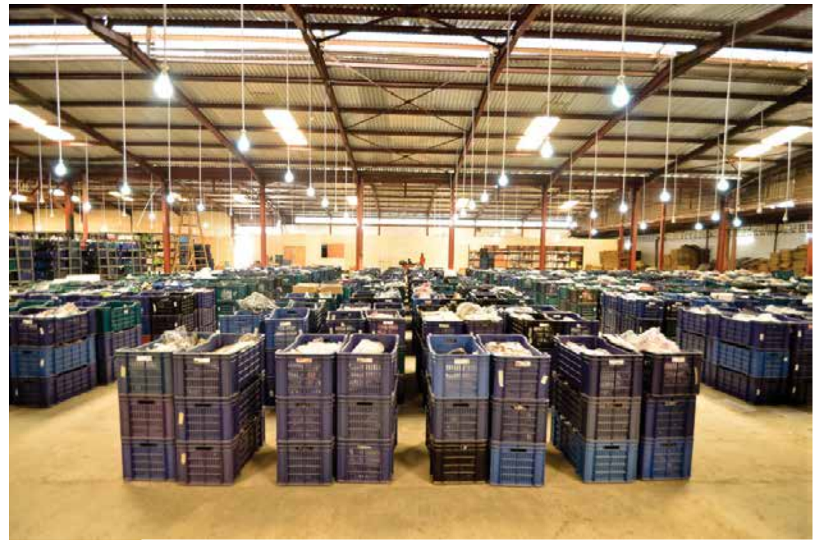
Managing Director of Johannesburg-based unmanned aerial technology company Aerial Monitoring Solutions, Adam Rosman, agrees that drones (though he prefers to call them 'UAVs' or 'unmanned aerial vehicles') will be effective tools for the logistics industry.

"I have long foreseen the use of UAVs as a payload platform as they are ideally suited to it," he says. "Delivery is a task that falls under the three 'Ds' of UAVs, namely 'dull', 'dirty' and 'dangerous'. It falls neatly into the first category and possibly even the third. The need for delivery will always be around, and a UAV offers the capability of taking items to remote areas that are inaccessible or take much longer to reach by road."

Certainly Africa, with its inadequate infrastructure, wide-open spaces and relatively quiet skies is suited to testing and hopefully operating cargo drones in the not too distant future, says Martin Bailey, Director of logistics association SAPICS (South African Production and Inventory Control Society) and Chairman of Industrial Logistic Systems, a supply chain and logistics consultancy.

"The commercial use of drones for delivery to customers in Africa is feasible, especially in places where logistics infrastructure is poor. As the technology develops, it is going to become far more common," he notes.

PHOTOS: SUPPLIED



Above left: AIG-Express delivers up to 100 000 packages a day and believes the process can be greatly expedited by cargo drones Above right: Jonathan Ledgard of Afrotech-EPFL … we can eventually put the entire e-commerce chain up in the sky

As is the case globally, legislation remains a major hurdle for drones in Africa, note Bailey, Brewer and Heinloo. But, argue Ledgard, Rangelov and Rosman, several African countries (including Rwanda) have shown their readiness to accept and integrate new technology where they believe it will benefit the country and its people.

Rangelov's view on regulations is clear and considered: "Regulations are created by people to serve society. If what we are building does not serve society, we will have reason to be concerned about regulations. But this is not the case. We, as a manufacturer, and regulators have an aligned interest. We want this to happen in the best and safest possible way because unless it is safe, it is useless.

"The Black Swan will be perfectly secure and our aim, within the next few months, is to demonstrate this when we test it (in a yet to be disclosed location, probably in Africa)," he says. "After that, the authorities will be more easily convinced and regulations will be agreed upon. Then the focus will be on showing the market how irresistible the Black Swan is."

The next question is who will win the right to claim 'We are the first to expedite delivery by drone in Africa'?

Indrek Heinloo of AIG-Express … we need to find a way around bad weather, poor roads and inexperienced drivers

Success through a flexible **approach** to branding, marketing and customising

The creation of an African emoticon app called Oju attracted international media attention

Alpesh Patel … We are living proof that you can build a pan-African business from zero

Innovation is what separates his brand from the rest, believes Patel

Mi-Fone Mi-A200

Ugandan-born Alpesh Patel believes entrepreneurship is in his blood. As the man behind Africa's first branded phone for Africans, Mi-Fone, he's probably right.

ALPESH PATEL IS THE FOUNDER and CEO of Mi-Group International Ltd, the holding company for Mi-Fone, Africa's first smartphone aimed at consumers at the lower end of the market. However, while the brand's growth and success have catapulted him onto the pages of *Forbes* and *Entrepreneur* business magazines, and seen him featured by the likes of TV news channel CNBC Africa, his journey to success has not been smooth sailing.

Born in Uganda, Patel's family was forced to leave the country in 1972 when then-President Idi Amin ordered the expulsion of the country's Indian and Pakistani residents. Having only 90 days to evacuate, the family fled to London with little more than their clothes.

After graduating from the University of Hull in the north of England in 1988, Patel returned to Africa. His first job back on the continent was selling first-generation mobile phones. By all accounts he was good at his job and, at the tender age of 23, had made his first million.

Then an order for 183 mobile phones from a Chinese businessman persuaded Patel to relocate to Hong Kong to service an untapped market. He became the first seller of mobile phones in China in the early 1990s, but Nokia's entry into the country and Patel's lavish Hong Kong lifestyle brought this success to a rapid end. "I was young; my biggest mistake was not investing into the business. I thought I could keep going the way I was. I was a millionaire at 23, but I lost it all," he told *Forbes*.

He returned to Africa and started back at the bottom of the ladder, selling Motorola phones out of a suitcase. Although it was hard work, Patel sold over five million units in three years and went on to become the African Regional Sales Manager for telecommunications firm Harris Communications, then Director of Sales: Africa for Motorola Mobile Devices.

He had made his first million by the age of 23

While at Motorola he achieved US$550-million in revenue and helped drive the brand to the number one market position in countries such as Kenya, the Democratic Republic of Congo and Zambia.

Birth of a brand

In 2008, armed with an in-depth knowledge of the African market, Patel launched Mi-Fone. "I put my life savings into it; I'm my own angel investor [and] we don't have any private equity. We are living proof that you can build a business today in Africa, a pan-African business, with zero," says Patel. Mi-Fone sold 200 000 units in its first year of operation.

But the mobile market has always been fiercely competitive and to stand out in an already saturated environment requires ingenuity and innovation. Patel told the pro-Africa website *How We Made It In Africa*: "People said we were very foolish to get into this game, asking how would we challenge all the big guys and compete with cheap Chinese knockoffs. The answer is innovation. Innovation is what separates us from the rest."

Patel's primary strategy has always been to target Africa's lower socio-economic groups. As such, Mi-Fone manufactures and sells smartphone handsets for under US$100, as well as a range of feature phones and tablets.

Keeping it fresh

Innovation also informs how Patel has marketed his offering in Africa. For example, in 2009, the company leveraged off Obama-fever and, when new US President Barack Obama took office, Mi-Fone launched the Mi-Obama phone in Kenya, the birth country and home of Obama's father. The unit retailed at around US$30 and 8 000 were sold in just four days.

Patel says of the campaign: "That number [of sales] didn't make us a lot of money, but what happened was that we got two million Web impressions." At the time Mi-Fone could not compete with big-name mobile brands in terms of advertising budgets, so it had to come up with innovative ways to get the name to the forefront of consumers' minds. One way was to piggyback on what was 'hot' and attracting public interest.

Another innovative way in which Mi-Fone has endeared itself to the continent's mobile users is through the creation of an African emoticon app called Oju, meaning 'face' in Yoruba, a Nigerian language. Although the company had been working on the app for 18 months, it was able to ride the wave of American singer Miley Cyrus's reported outrage at the lack of racial diversity in Apple's emoticons. Patel seized the opportunity and announced the launch of the app during the outcry; riding on the social media wave for maximum marketing exposure.

This timing allowed Mi-Fone to catch the imagination of global audiences. News organisations such as CNN covered the story of 'The African app company that trumped Apple to launch the first black emoticons'. Publicity like this proved invaluable to Mi-Fone. Indeed, Patel is now hoping that Oju will go beyond the digital space and start to be used on tangible consumer products like clothing.

But success has not only been driven by luck and there is an emphasis on making the consumer the primary focus. Therefore, there is a flexible approach to branding, marketing and customising products.

Patel notes that Mi-Fone is not averse to co-branding, especially when partnering with mobile operators, as long as the name gets out into the market in the most expansive way possible. He gives an example: "The day we opened in 2008, we had our first order from an operator in Ghana. The reason we got that order was because we don't have an ego and said: 'No problem mister operator, you can share the [branding] with us on the box'."

Social media savvy

When it comes to building its brand, Mi-Fone has also relied heavily on social media as a marketing platform. "We believe the only way we can build a brand today is through an emotional attachment to it. Social media via music, fashion and entertainment helps us get into the mind-set of our target market, which is predominantly the youth," explains Patel.

The Mi-Obama phone helped to establish the brand

In line with its social media focus, Mi-Fone has also jumped onto the success of Facebook on the continent to launch what Patel calls the first 'Facebook phone', which allows direct access to the social media platform through a dedicated button on the handset. An interesting – and perhaps savvy – move when you consider that Facebook has reached more than 20-million users in Nigeria and Kenya alone.

But the company has its trials and Patel notes: "One of the biggest challenges we face is being an unknown brand in Africa; there is a perception that it's a cheap Chinese phone. But Apple is also made in China. Apple is so successful because it has created a brand experience. My mission is to create a brand that caters for mass-market African consumers, as opposed to the rich guys in the West."

Mi-Fone is now present in 15 African countries – among them Kenya, Uganda, Tanzania, Rwanda, Ghana and Nigeria – and is headquartered in Mauritius. While he continues to drive his phone brand, Patel is also aiming to capture more than just the mobile market. In 2013, he launched Mi-Card, a credit card for the masses. Why? Because he believes that if you want to give people power, they need a phone in the one hand and a credit card in the other.

And, it seems, he wants his brand in both hands.

Barack Obama in Africa ... the company leveraged off Obama-fever to help build its brand name in the marketplace

ALPESH PATEL'S TOP 10 TIPS FOR AFRICAN START-UPS

1. Be brave and take the leap.
2. Know the industry backwards – be an expert.
3. Have your own skin in the game (in other words: use your own money).
4. Generate income from day one.
5. Eat some humble pie; have an attitude but don't be arrogant.
6. Multi-task your staff; let them understand the whole business.
7. Learn the art of communication.
8. Look for strategic partnerships.
9. Work hard, but still enjoy what you are doing.
10. Be innovative.

Source: How We Made It In Africa

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Maite Makgoba … consumers know that the world does not only have one type of person

The enchanting African doll is on a **mission**

Maite Makgoba may not yet be a household name. But she is working towards the day when her ethnic doll, Momppy Mpoppy, will be found in the homes of children across South Africa and the rest of the continent.

CHILDISH TRADING, A SMALL South African-based doll manufacturer started by Maite Makgoba and her husband using their savings, has big expectations for its range of ethnic dolls. She tells *Strategic Marketing Africa* about her product and the direction she is carving for the business.

Ethnic dolls are not a new idea, but they have never really taken off in South Africa and many other parts of the continent. Why is that and what makes Momppy Mpoppy stand out?
Something will not sell simply because it represents diversity. When dealing with children, you need to understand their needs. Dolls are toys, after all, so they need some sort of sparkle or magic which brings an element of play.

A doll must represent an enchanted world

Different dolls also come with different characteristics which enhance play, thereby creating a demand for a range of toys. That element of play is imperative in a child's development, so you have to make sure that what the toy represents is magical.

This is the ingredient which previous ethnic dolls have missed. That is why Barbie has been so successful for so long; she represents this enchanted world and she allows little girls to see the beauty in everything.

The Queens of Africa range of dolls is successful in Nigeria and now outsells Barbie there. Does that encourage you?
That is such an awesome story. What Nigeria did as a country is to show the world that they are a proud nation and that other African countries should be proud of themselves too. We must show the world that we love ourselves.

Queens of Africa inspired me. There is a perception in the market that black children are scared of black dolls. I thought: 'I am not going to fall for this old story and I am not going to take it lying down; I am going to produce these (Momppy Mpoppy) dolls and see how far we get.'

Our idea was to start out by selling our dolls in independent stores, so when we approached the larger toy retailers they would have no excuse not to stock Momppy. We want to encourage them to give local companies and local toys a chance.

Who is your target market?
When we started the business we were obviously looking at black parents from townships; people in the lower to middle classes. But it turned out to be completely different and, while I marketed for the

Maite Makgoba's brand vision is to offer consumers more than just a brown doll townships, there were a lot of requests from the higher LSMs.

Now I would say my target market is more middle class; it ranges from people in the townships, to those in rural areas, to people living in the affluent northern suburbs of Johannesburg. All of them are parents who want their children to have toys which encourage diversity.

A large portion of our consumers are white. I wasn't expecting white parents to pick up on it, but they did because their kids are exposed to different ethnicities and have friends from different ethnic groups, so they want them to be open to the reality of the world. Consumers know that beauty does not have one standard and the world does not only have one type of person.

When marketing Momppy Mpoppy, whose attention do you need to capture – that of parents or children?
It is very nice to say you are targeting the parents, but we know who has the real interest in getting the dolls. We package Momppy to be attractive to the young ones. Our boxes are colourful; our dolls are dressed in different colours and they have big hair, tiaras and wands – things that are shiny, beautiful and girly. So she looks like the little girls too.

But parents need to be comfortable with their child playing with this doll. We try not to be too fashion-forward; that way parents don't get uncomfortable with the dolls being too adult-like. Little girls like make-up and children like to see make-up on the dolls, but we shouldn't make her up too much. So it is a balance; target the kids, but make the parents feel comfortable as well.

Appealing to children and creating a brand that kids want is more than just selling dolls. What is your vision for Momppy Mpoppy as a brand?
The vision is to be more than just a doll brand; we want to be a kiddies' lifestyle brand as well as an entertainment brand. Some of the first parents who bought the doll for their children said: 'My child is so in love with this toy; please can you create merchandise for Momppy.' This surprised us as we were only focused on selling the doll. We have since adopted this concept in the company.

We want to be in the bigger retail outlets

We want to be more than just a brown doll on the shelf; we are actually pushing more to compete with brands such as the Minnie Mouses and the Hello Kitties. We want to be in the child's life – where they choose us for everything from what they play with, to what they wear, to what they sleep in. We have already created a children's clothing range which is sewn in-house. So whatever the doll wears, the child can wear. Now parents are asking for themed parties too.

As a new and relatively small company, how have you marketed your product with a fairly limited budget?
Initially we created a lot of excitement through social media channels such as Facebook and Instagram. We started a movement around Momppy. People picked up on this and then we started getting a lot of media attention through talk shows, newspaper articles and lifestyle magazines. To be on South African lifestyle television programme *Top Billing*, in *Elle* magazine, *Elle USA*, *Elle UK* and on Japanese radio is expensive PR. We are very grateful for this as it has created a lot of buzz around the world for our product.

And distribution?
We have recruited and trained agents to approach independent toy stores for us. We have trained them on how to approach toy stores, how to handle customers and how to sell the toys. We host workshops for young people in the township who are unemployed and give them the opportunity to earn commission on all dolls sold.

Currently we work with six agents. In fact, some of our agents have been poached by bigger distributors, which reflects well on us. When we start working with the big retailers, we are hoping to leverage off their marketing activities.

Particular attention is paid to packaging Momppy Mpoppy so as to be attractive to children. These dolls are on display at Kidz Paradiz in Midrand, the first kiddies' concept store in SA to be owned by prominent businesswoman Buli Maliza

What is your focus for the next few years?
We want to be in the bigger retail outlets. We are putting all our efforts into that and all our revenues are going there because we need to be able to meet demand. We must also be able to meet the standards required by the big retailers.

We are going to need to ship more containers, as the dolls are manufactured in China but assembled in South Africa. This is going to be more costly, so our plan is to land one big outlet initially and from there we can continue to grow. We also want to improve our accessibility because every shop we are stocked in generally sells the dolls within a week. The response to Momppy has been excellent.

Finally, what is your philosophy around Momppy Mpoppy?
Our philosophy is to ensure that the brand is relevant and appealing to the market. It disturbs us that products on the shelves lack diversity and we want to change that. We want to shake up the system a bit, to disrupt the market and, as a young and black all-African company, we believe we are introducing a game changer.

PHOTOS: SUPPLIED; JEANETTE SIMPSON

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