



MARKET OPPORTUNITY IN AFRICA

A Micro-White Paper from CAfrica Sports

A Continent Poised for Growth

Business leaders analyze opportunities for growth and expansion using a cross-section of stringent criteria – most of which are rooted in economic, resource and operational factors. Consider then a scenario in which a group of countries on a single continent boast some of the world's fastest-growing economies.¹ In this same place, mobile phone and Internet usage are growing faster than any other region. The total market is an estimated \$900 billion opportunity placing the region as the 10th largest economy in the world. These basic details beg anyone in business to take a closer look. And, it may surprise some that the continent that boasts this opportunity is Africa.

Long overshadowed by reports of regional strife and images of suffering, Africa is poised for explosive growth and development. According to World Bank data, if Africa were a single country, its total gross national income (GNI) in 2006 would rank ahead of Russia and Brazil among others. Africa is richer than India on the basis of GNI, and a dozen African countries have a higher GNI per capita than China.

While barriers to entry are high, companies that develop strong distribution networks and acquire deep understanding of market forces can generate high margins. For companies that have evaluated market opportunity and are able to talk to African consumer bases, many are enjoying remarkable growth rates ranging from 30 to 60 percent year on year.

Globalization provides firms with tremendous opportunities along with challenges. In this micro-white paper, readers will learn more about trends in Africa and how companies are leveraging marketplace dynamics for success.

Pan-African Market and Consumer Trends

Interestingly, much of Africa's growth is driven not by the sale of raw materials, such as oil or diamonds, but by a burgeoning domestic market, the largest outside of India and China. In the last four years, the surge in private consumption of goods and services has accounted for two thirds of Africa's GDP growth.² It is expected that this consumption will grow along with the population of Africa. By 2030, the population of Africa will exceed the population of North America, Europe and Japan – *combined*.

For now, few African consumers have the kind of disposable income found in Asia and the West. Yet, African accountants, teachers, maids, taxi drivers, even roadside street vendors, are driving up demand for goods and services including cell phones, bank accounts, upmarket foodstuffs and real estate.³

¹ Economy Watch. The 12 Fastest Growing Economies in 2010. <http://tinyurl.com/yk2osqm>

² Jerry Guo, "How Africa is Becoming the New Asia," *NEWSWEEK*, February 19, 2010 ; <http://tinyurl.com/ykeu2db>

³ Vijay Mahajan, *Africa Rising: How 900 Million African Consumers Offer More than You Think* (Wharton School Publishing)

“The new Africa story is consumption,” says Graham Thomas, head of principal investment at Standard Bank Group, which operates in 17 African countries.

For any global firm interested in growth, Africa should be considered an essential part of its portfolio. Foreign multinational companies such as Nestle and Swissport International report some of their highest growth in Africa.

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London-based Unilever has conducted business in Africa selling food, soaps-suds, personal-care products and more for more than a century. From the 1920s through the early 1990s, Unilever dominated trade but wasn't focused on a specific product line. In fact, Unilever's West Africa Company would sell anything from washing powder to trucks. Today, the company is much more focused and defines its market as sub-Saharan, an area of 657 million people, and sells into 48 countries. The company is tops in laundry, skin and oral care, deodorants, spreads and cooking products and captures 67 percent of every dollar spent by consumers. Now, the company is using this success as a springboard to its “Path to Growth” strategy that Unilever has set for all its operations.

Still, many Africans live on less than \$1 per day, so Unilever has developed a strategy to compete for the thin wallet. First, it uses the “small unit packs/low unit price” concept. For example, Unilever packages its Omo washing powder or Blue Band margarine in small sachets and sells them for less than the equivalent of 10 cents (US) a packet.

With this strategy, the company has successfully moved consumers through the value chain. Unilever starts by selling poor Africans the low cost per unit packs of Omo and then moves them to larger packs when they become more affluent. In a business report on Unilever's African strategy, Anthony Simon, the head of marketing for Unilever's food division said: “The loyalty of poor consumers to a brand is at least as strong as a more affluent one.”⁴

Unilever also attributes much of its continental success due to its ability to efficiently manage its packaging and distribution costs where much of the population is dispersed throughout the region.

Companies need not be like Unilever and have a century of business history in Africa to be successful. New entrants are having equal luck in penetrating the continent, building brand loyalty and taking market share. Consider the success of Guinness. When European beer sales began to slump, the company amped marketing of its product in several areas including Africa. Guinness is brewed in more than 20 countries throughout Africa and is exported to many others. The beer brand is gaining popularity, with Nigeria being the third-largest Guinness market in the world. Some of Guinness' momentum came, in part, due to the rollout of its “Guinness Greatness” advertising campaign which delivered 18 percent and 32 percent gains in Nigeria and Kenya respectively.⁵

Guinness is not alone in growing market share through brand-building advertising efforts. In Ghana, advertisers spend \$80 million per year on TV ad buys. Despite increasing advertising budgets, African media buyers state that they have few ways to spend their money due to a lack of pan-African broadcast networks. Telecommunications companies, in particular, have nearly “unlimited” budgets. New opportunities abound for building brands in Africa. Consider the development of CAfrica Sports, a U.S.-based pan-Africa broadcast television network, which represents the first continent-wide system distributing free-to-air sports television programming throughout sub-Saharan Africa.

⁴ Jason Nissa, “No whitewash: Unilever's drive to dominate Africa” *The UK Independent*, August 31, 2003
<http://preview.tinyurl.com/yf6emej>

⁵ DIAGEO, PLC, Form 20-F Filing with the United States Securities and Exchange Commission, June 30, 2007
<http://209.207.237.32/Lists/Resources/Attachments/360/207651DZ51411758CleanProofPdfNoBL.pdf>

A Strong Foundation for Growth

Now is the time for global companies to seize growth opportunities in sub-Saharan Africa. Behind the headlines lie business opportunities. Africa's economy is growing at 5 to 6 percent a year. Inflation is down. Prices are rising for commodities like oil, copper and gold. While emphasis on economic reforms is paying dividends in Africa, new policies geared toward liberalization and friendly trade has made for positive political conditions. For example, during the past eight years in Nigeria the government has pursued a policy of trade liberalization – making the operating environment for business less rigid and friendlier to foreign investors along with privatization – allowing private ownership of previously government-owned operations.⁶

A strong foundation is in place. For the right companies willing to understand market dynamics and appreciate the nuances of African consumers, investment in sub-Saharan Africa can provide tremendous bottom-line growth and bright business prospects.

For more information about brand development and opportunity in Africa, contact CAfrica Sports.

By phone: (303) 888-8877
By email: info@cafricasports.com
Website: www.cafricasports.com

About CAfrica Sports

CAfrica Sports is a U.S.-based television broadcasting company that delivers premium sports programs through a formal network of free-to-air broadcasters in sub-Saharan Africa. Our broadcast network spans nearly 20 countries reaching a combined population of more than 300 million consumers, effectively making CAfrica Sports the broadest free-to-air TV sports network in Africa. Our broadcast model provides a single point of distribution for multinational sponsors and advertisers seeking cross-continent marketing opportunities. Equally important, CAfrica Sports help sponsors and advertisers understand market dynamics, challenges and opportunities so they may advance their brands and tap Africa's vibrant and growing markets.



⁶ Obi Akwani. "Global Business Investing in Africa – The Case of Nigeria," IMDiversity.com
<http://tinyurl.com/ycpziqm>