

# Bless the gains down in Africa

Is Africa the next frontier for UK SMEs?  
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**T**he 'Africa rising' story has not yet slowed down, changes are ongoing throughout the African continent, and it would be naive of UK SMEs to ignore this. After all, if major players, such as IBM and Microsoft are now doing business in Africa, surely there is something to be gained for SMEs there too?

A population of 1.1 billion across the continent means that there are opportunities to be seized in every sector, from retail to banking and everything in between. Diverse and vibrant African markets offer openings that have sparked interest among many exporters in the UK. In fact, UK exports to sub-Saharan Africa were up from £3.3 billion to £4.1 billion between January and June 2011, compared with the same period the previous year, and rose as high as £8.2 billion in 2013.

Several trends have contributed towards Africa's movement in business; one of the most obvious is the increasing population. Cultural changes, the growth of credit, and urbanisation are other important regional trends. In 1980, just 28% of Africans lived in cities. Today, 40% of the continent's population is

urbanised – a proportion roughly comparable to China's, and larger than India's. By 2030, that share is projected to rise to 5%, and Africa's top 18 cities will have a combined spending power of £800 billion, according to McKinsey and Company.

UK and European businesses are being forced to look to outside economies such as in Africa, as these continue to grow despite the constrained conditions of the global economy.

South Africa is the top African country for UK exporters, and may be a straightforward place to start for UK businesses looking to break into this new market. The two countries have been doing business successfully for a long period of time, they speak the same language, and have very similar business cultures. Other major export markets are Nigeria, Egypt, Ghana and Kenya. Nigeria already imports around £1.6 billion in goods from the UK each year, making it the second largest market for exporters after South Africa.

The biggest opportunity for UK companies in Africa stems from the reputation of British goods and services. The 'Made in Britain' stamp goes a long way towards instituting trust in the consumer's mind, and people

will often pay a premium for the assurance of quality that comes with it. With a rapidly evolving middle class, African consumers have a lot more money that you might think.

So where exactly do the opportunities lie, and which sectors should be looked at more closely? Edward George, soft commodities specialist at pan-African bank, Ecobank Capital, says that the UK has traditionally exported high-value goods to Africa, especially machinery, distilled products, vehicles, aircraft, electrical goods, steel, and pharmaceuticals. "With urbanisation rates rising fast across Africa, demand for cars, white goods, computers, air conditioners, building machinery (such as bulldozers and cement mixers), and materials will continue to grow, and British companies could meet this demand," he says.

The fashion industry also holds significant potential for British exporters, especially considering the growth of e-commerce in Africa. Indeed, wedding dresses are high on the list of popular products exported from the UK to South Africa.

Sporting goods, for example cycling equipment or football



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paraphernalia, is another area where British exporters could find a good market in Africa.

Agriculture in Africa is booming. It is perhaps one of the most exciting industries on the continent today. Africa has 60% of the world's uncultivated arable land, and only 7% of its arable land is under irrigation (Asia has 40% under irrigation). New technology in agri-business is constantly in demand, with progressive farming techniques and scientific farming offering great opportunities. For UK businesses knowledgeable in this field, irrigation and providing water to industrial and greenhouse farming needs to be seriously looked into. With regards to soil quality, fertiliser production continues to be in demand too.

A few words of advice; when working with African companies, it is important to understand the challenges they face, and the business etiquette of each nation. Africa consists of 54 countries, with many languages, cultures, religions, and ethnic groups. Each country is unique; while one solution may suit one country, it doesn't necessarily mean the neighbouring country will be the same. It's important to respect the people you are working with, including your partners and the local communities. If new

to business in Africa, it would be appropriate to take a regional approach. Ghana and Nigeria, both in West Africa would be similar in their ways of doing business, while East and North African regions would have cultural similarities.

It is worth noting that communication across the continent is centred around mobile phones. Currently, post and email aren't particularly reliable, so be prepared to use your phone for most of your contact.

Brand loyalty is high across the continent too. If you can bring in some of the bigger known brand names, the better chances of success you have.

Finally, be sure to research your market – as with any business – and try to get local advice and representation if possible. African economies are growing fast, creating new consumer markets, and marching new and established entrepreneurs to prosperity. Successful investment deals, M&A, JVs, collaborations, partnership models, and export/import opportunities are widespread. It would be fair to say that now, more than ever, Africa is open for business.