

Fifteen years Fifteen lessons from Africa

Chapter 2: Market Lessons



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Market Lessons: (r)evolutions

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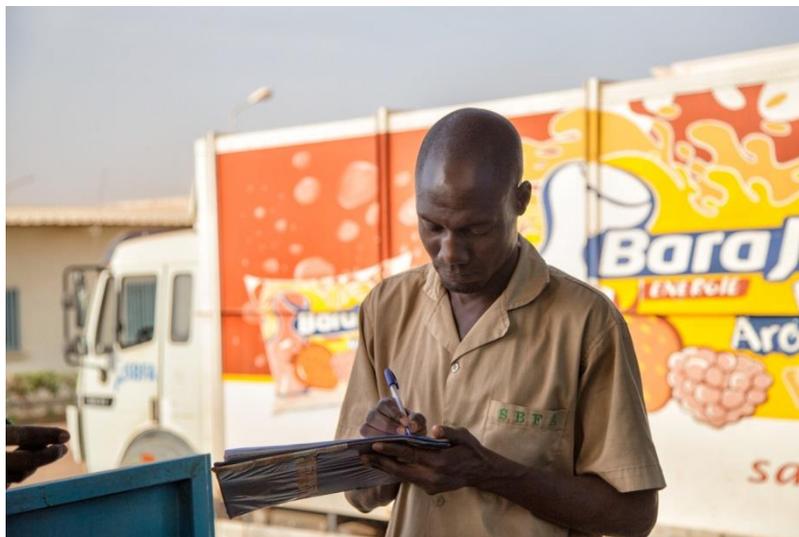
Lesson n°6:

Market access, a path too often overlooked...

All managerial functions are important. The financial management of the SMEs in which we invest is crucial for the entire management of the company, as well as for treasury and bank relationship management. We have already mentioned the crucial nature of the human resources department in a context where qualified human resources are scarce, and where employee loyalty is a fundamental and crucial need. **Here, however, we wish to emphasize a dimension that is often underestimated in our business: the commercial and marketing dimensions of investee companies.**

The entrepreneur's focus can thus easily be diverted from customer concerns and methods of market access

Even in high consumer domains, the entrepreneurs we meet tend to focus first and foremost on the technical aspects of their business. In addition, the long list of day-to-day concerns tends to quickly focus the entrepreneurs on production and supply issues and on bank relations when financial issues arise, as they so often do. The entrepreneur's focus can thus easily be diverted from customer concerns and methods of market access. Knowing how to build a brand, being aware of the demands that this entails and appropriating the methods to do so are skills that are often missing in the entrepreneurs with whom I&P works.



Barajii © Béchir Malum

Yet these are fundamental aspects of business and even more challenging in the African context than in industrialized countries: conducting market studies is sometimes not possible and the necessary data may be missing, either partially or totally. Quantitative and qualitative knowledge of the consumer is sometimes only attainable by means of an arduous process that a sole company (particularly a small one) has difficulty implementing on its own. Sales and marketing consultants are rare. Price-quality positioning of a product and the commercial messages to be launched to consumers are sometimes difficult to build, and contain important cultural biases that are identified only too late. Distribution structures can be very complex and can entail a mix of modern distribution, such as the Internet, with traditional methods like door to door sales. The retail sector is itself evolving and subject to major innovations of all kinds. Finally, in a context of scarcity of qualified executives, finding a good sales or marketing manager is no easier than finding a good CFO or HR manager.



Case Study: Barajii

The case of Barajii illustrates the issue of distribution networks. Specialized in the production and marketing of water and fruit juices, the company has set up an efficient distribution system in Burkina Faso and some neighboring countries, based on four channels:

- Sale to wholesalers who buy directly from the factory
- Distribution to small businesses in Ouagadougou and Bobo Dioulasso
- Direct sales to the population thanks to Barajii's points of sale, located in strategic places in Ouagadougou, increasing the visibility of the brand
- Exports to Mali, Togo, Niger, Ghana and Côte d'Ivoire

In total, more than 1 100 points of sale distribute Barajii products in Burkina Faso. With a well-identified brand and a good distribution network on the Burkinabe market, Barajii now seeks to produce and develop its activities in other West African countries (Togo, Ghana, Mali, Niger, Côte d'Ivoire...)

These challenges are another reason to invest in market access, as disregarding marketing issues has often led to considerable problems encountered by our partners. These include : poor marketing, including product name, packaging and format; poor price positioning and poor market segmentation, bad negotiation terms with distributors, errors in identification of distribution channels, lack of motivation on the part of distributors to carry the company's products and failure to effectively identify and analyze the competition. These problems can only be avoided through sufficient investment in time and resources, from project outset, along with the hiring of good marketing and sales employees and a good network/group/supply of providers. The ability of investors and the entrepreneur to react to errors or changes in context and to the competition is essential. Again, this requires a long-term investment that cannot be made the level of the firm alone and requires the involvement of the investment team.



Case Study: NEST

Based on the observation that the capacity to communicate effectively on their activities among various relevant actors lies at the heart of the development strategies of its partner companies, I&P held in 2016 a training seminar on marketing and communication issues, gathering about forty entrepreneurs of the portfolio.

The case of NEST, a network of medical structures launched in 2012 providing quality healthcare for women and children in Senegal, is an interesting example. As a clinic, NEST is not allowed to advertise: a big challenge for a young organization that needs to make itself known!

One of the most effective ways used by NEST is its Facebook page, with over 50 000 followers. It is used as a true information and advocacy tool, on very useful and diverse health topics (pregnancy, breast cancer, etc.) Most of the time, the doctors personally respond to private messages. Thanks to this tool, NEST has developed its credibility and created a special relationship with its current and prospective patients.

This is our sixth lesson from Africa.

Accessing the market, carefully building and developing the brand, and identifying the right marketing and distribution channels are important factors that can determine the ultimate success of the business as much as the ability to raise and manage its finances. Instructing entrepreneurs on the critical nature of sales and marketing and giving this a larger place in the analysis of the investment project is fundamental. This involves investing in the appropriate employee skillsets, as well as adapting marketing to the African local context by understanding and targeting local cultural preferences and taste. In addition, it is crucial to take into account the customer's ability to pay and to diversify distribution to take advantage of all methods available in Africa, from sidewalk distribution to mobile phone and Internet networks.