Wholesale&Retail
LEADERSHIP CHAIR

Cape Peninsula University of Technology

W&RSETA
WHOLESALE AND RETAIL SETA
Skills Development for Economic Growth

"Collaboration opens the window to a world of opportunities."

Project 2014/05:
Expansion of South African retailers' activities into Africa

March 2016

APPLIED RESEARCH
LEADERSHIP DEVELOPMENT
SERVICE TO RETAIL COMMUNITY

Project 2014/05:

Project 2014/05:

Expansion of South African retailers' activities into Africa

March 2016

Prepared by:

Lead researcher: Dr Edward DAKORA, SPU

Research team: Mr Vivence KALITANYI, CPUT

Mr Edison MUTEMATEMI, CPUT

Ms Sarah GYOGLUU, CPUT

Mr Laban BAGUI, CPUT

Prof Roger B MASON, WRLC, CPUT

Wholesale and Retail Leadership Chair

Cape Peninsula University of Technology

Cape Town

"Collaboration opens the window to a world of opportunities"

ISBN:

978-0-9946545-6-4 ELECTRONIC

This report is available online at: www.wrlc.org.za

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF BOXES

EXECUTIVE SUMMARY

This study sets out to explore the nature and dynamics of the expansion of South African retailers' activities into the rest of Africa. The exploratory nature of the study allows it to examine the phenomenon by investigating some of the key issues affecting the phenomenon including challenges, opportunities, historical patterns and future trends. The main objectives of the study includes to establish the motives for South African retailers to be investing in Africa, to analyse the barriers and threats in this regard, and to establish functional grouping of countries for further investigations to follow.

Mainly qualitative data was gathered through semi-structured interviews, in-depth key informant interviews, and document analysis. This provided useful information, which was necessary to address the objectives of the study. Key findings include:

- Difficulties in African emanating from political unrest, and many disjointed regional and economic blocs within the continent posing a threat to retail expansion.
- Different languages and cultures of the continent (with sub-cultures). For example only 41% of African countries speak English at least as major business language, and this has serious implications for South African retailers
- The African middle class (consumer) needs to be properly understood by South African retailers.
- Flexible strategies are needed in order to deal with specific country issues, and help establish and manage relationships with relevant stakeholders.

The study conclude that for South African retailers to do better in the rest Africa, they will need to have open up more and engage with the local economies of the host countries. This requires more than the supply of quality products and service.

CHAPTER 1: INTRODUCTION

1.1 Introduction

This study reports on the expansion of South African retailers' activities into the rest of Africa. In this chapter, we provide a background to the study, the research objectives and the structure of the report.

1.2 Background to the research

One of the highlights of Africa's economic potential has been its retail revolution. This retail revolution is driven largely by the continent's growing middle class, consumer spending, urbanisation, poverty reduction, and consumer connectivity. This has prompted massive retail investments from South African retailers, and other global retailers. It is therefore not surprising that the World Retail Congress (an event management company) shifted its attention to the continent by organising for the first time, the World Retail Congress Africa in Johannesburg, in November 2013, bringing together industry leaders to discuss how to tap into the market opportunities presented by Africa. The said global congress was themed "the African retail revolution realised", a theme which may have provoked others to ask critical questions.

The rest of the continent, beyond the borders of South Africa, is seen as a difficult, albeit lucrative, market. For almost two decades, South African retailers including Shoprite, Massmart, Woolworths, Truworths, Mr Price and others have moved to invest in the rest of the continent, reporting both successes and failures. For example, in November 2013, Woolworths withdrew from Nigeria, citing difficulties in that market. It has also been observed that with global retail brands moving into Africa to compete for market opportunity, the journey would be far more difficult for South African retailers (Accenture, 2009). After almost two decades of South African retailers' engagement with the rest of Africa, realisation of the true potential of the African markets outside the borders of South Africa remains a managerial challenge.

This study seeks to explore the pertinent issues (including challenges, opportunities, historical patterns and future trends) involved in the expansion of South African retailers into the rest of Africa. It is hoped that the study will sufficiently outline the status quo on the key issues and the objectives as set out by the project brief, and will make recommendations for the more focused analyses to follow.

1.3 Research objectives

- To provide motives for the expansion into Africa by South African retailers
- To provide historical patterns of South African retailers' expansion into Africa
- To provide insight on the current situation on the SA retailers' engagement with the rest of Africa including challenges and opportunities to inform future trends
- To analyse barriers and threats to SA retail expansion into Africa
- To provide functional groupings of Africa countries for expansion and research focus – based on country/regional, geographic and language differences and similarities.

1.4 Structure of the report

This report is structured in the form of chapters (one-five). Chapter 1 introduces the study, provides the necessary background, and sets the tone for the study. It also establishes the objectives of the study. Chapter 2 provides a wide review of relevant literature necessary to underpin the study. Chapter 3 explains the methodologies employed in conducting this study. In chapter three, the process of data collection and analyses are explained. Three sets of data were collected in this regard.

In Chapter 4, the three sets of data, were analysed and summarised for discussion. Chapter 5 discusses the results of the data analysis done in chapter four. This provided some useful insight as far as the study objectives are concern. The last part of this chapter concludes the study report and makes some recommendation.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This Chapter reviews recent literature on international retailing, South African retailing, and its expansion to the rest of Africa to inform the study. It does so by sourcing information from relevant books, online sources including journals, websites, and other publicly available information.

2.2 Internationalisation and globalisation of retailing

The international spread of retail activity is now a global phenomenon, and major retail chains around the world are spreading their wings to the most obscure parts of the world. As Dakora, Bytheway and Slabbert (2014:218) observe, "*retailing has become a global phenomenon, and retailers can no longer rely solely on their home country markets for survival because they run the risk of having to compete with global contenders even in their own backyards"*. This phenomenon is fuelled by three main energies: rapid growth of developing markets, shrinking domestic markets in the developed world (notably the west) and the emergence of new economic groupings like BRICS.

Moreover, the phenomenon of retail internationalisation is increasingly complex with new variables surfacing all the time to change the dynamics of the game and to further increase the complexity of the process. These dynamics pose tremendous risk to the retailers expanding their operations especially to developing markets, as retailers commit to massive property development in some cases, to provide customers with access to their products. A.T. Kearney (2014) points out that global retailers are now adapting new and innovative ways of testing the new markets for their potential, and this is done by tapping into the capabilities of e-commerce. This strategic approach according to A.T Kearney (2014) allows them to pre-test demand potential before making heavy financial commitment in the new markets which they may not understand. This development appears to defy earlier traditional contentions that retailers have to be physically present in the markets to have any significant impact (Sternquist, 2007). Of course, physical presence is still important, but will remain just one option as retailers adopt different channels of engagement, especially in the age of the mobile revolution.

2.3 Internationalisation of retailing in Africa

The African continent remains a zone of uncertainty and unpredictable outcomes in many aspects. Low socio-economic progress, low global trade involvement, investment flows, and manifest entrepreneurship are all the downturns that deter investors (Marzo and Patterson, 2010). A number of authors have researched the factors leading to this poor performance. Factors singled out have been the shortcomings in management, organisational capabilities, poor technological resources and extremely difficult operating environments (Bakunda, 2003).

Generally, Africa records low involvement in the global economy. However, a positive trend in firm-level internationalization does exist, practically with regards to Mauritius and South Africa that are listed among the world top exporters of manufactured goods while other countries also show goods export figures (Soderbon and Teal, 2001, International Trade Centre (ITC), 2000).

Nevertheless, the internationalisation of retailing in Africa has largely been a one-sided experience, having been pioneered and dominated by South African retail chains (Dakora, Bytheway & Slabbert, 2014). This phenomenon has been dominated by South African retailers seeking market opportunity in the rest of Africa, with few global retail chains including Walmart, Carrefour and others. Although there are few local and regional retailers on the continent like Nakumatt of Kenya and Choppies of Botswana that are expanding beyond their home borders, the imbalance is still obvious. Choppies has expanded into neighbouring North West Province of South Africa while Nakumatt has expanded across the East African region (Kgomoeswana, 2014). This development, especially the entry of Choppies into South Africa is paving the way to potentially change the one-sided view of retail internationalisation in Africa.

As Kgomoeswana (2014:32) articulates, size does not matter “if one can provide quality products, at a good price, in a combination that provides value to the customer”. Interestingly, Kgomoeswana observes this to be more possible in remote communities where customers have limited options. This view has been asserted by Mahajan and Gunther (2009:3) that “Africa has more than 900 million consumers who need clean water, shelter, clothing, medicine, cell phones, bicycles, computers, automobiles and education for their children". However, to address these needs, especially in remote areas as indicated by Kgomoeswana (2014), will require an approach similar to the bottom of the pyramid concept (Prahalad, 2014). This will enable them to deliver on their value proposition in a more meaningful way, although this may pose further logistical challenges (see Dakora et al, 2010).

Yet, the ways in which most retailers, be they South African or global retail chains, approach the largely untapped markets of Africa contradict the propositions of Prahalad (2014), which possibly contributes to the difficulties they encounter. This is partly because Africa is very diverse culturally, economically and politically, and the impact of this diversity on international business activities of any kind but more retail so needs to be understood. For example, sub-Saharan Africa alone is home to 48 countries with at least 3000 different ethnic groups speaking well over 2000 different languages (A.T. Kearney, 2014).

2.4 The expansion of South African retailers into Africa

For South Africa retailers expansion into the rest of Africa is no longer an option, it is a near necessity. South African retail chains including Shoprite, Pick n Pay, Woolworths, Mr Price, Pep and others are already operating in over sixteen other African countries, covering most countries in the Southern African region and beyond since 1994. The drivers for South African retailers to expand into the rest of Africa as mentioned in the previous section include: shrinking domestic market, increasing in competition in the home market, political reforms in many African countries, increase in economic growth (with Nigeria now leading the continent), fast urbanisation and growth in middle class incomes (Dakora, 2012; Weatherspoon & Reardon, 2003).

Shoprite, the pioneer in this process has made some serious inroads into the continent amidst the barriers and challenges, to the point where it has become the industry benchmark in some countries (Dakora, 2012). Table 2.1 illustrate the geographic spread of the Shoprite Group across 14 countries including the mother country, South Africa.

Table 2. 1: Geographic spread of Shoprite and its different outlets

	Shoprite	Checkers	Checkers Hyper	Usave	OK Furniture	OK Express	House & Home	Hungry Lion
South Africa	400	180	31	266	255	23	45	124
Angola	7			14	5			7
Botswana	5	1		5	7		1	9
DRC	1							1
Ghana	3			1				
Lesotho	5			6	6	1		3
Madagascar	8							
Malawi	3			3				
Mauritius	3							
Mozambique	8			3	5			
Namibia	18	4		23	11		2	11
Nigeria	10							
Swaziland	9			5	4	1		1
Uganda	3							
Zambia	20			1	2			11
Total	**503**	**185**	**31**	**327**	**295**	**25**	**48**	**167**

Source: Shoprite (2015)

As the scramble for retail space in the rest of Africa increases, there are concerns some retailers may focus on the opportunities at and overlook the challenges in attendance, and this could be detrimental. A recent case in point is when Woolworths withdrew from Nigeria citing challenges and operational difficulties in that market including high rental cost, duties, and supply chain process (Fin24, 2013). Yet Shoprite has succeeded in opening a new store in Kano (Northern Nigeria) defying security concerns in that part of Nigeria which is home to the rebel group Booko Haram (Abukakar, 2014). This raises the question of challenges versus strategies. As Games (2014) explains, the expectation that household name retailers in South Africa should be known by Africans in other countries is not through.

2.5 Motives for expansion of South African retailers into other African countries

Africa possesses 60% of the world's uncultivated arable land, 1 billion people and abundant natural resources, and thereby making it a continent full of opportunities and potential. Currently, Africa hosts seven out of ten of the world's fastest growing economies and with 70% of its population being under the age of 35, the continent will surely enjoy extraordinary demographic dividends as their energy and talents drive economic growth and development (Lang, 2013).

Africa is therefore an ideal market for foreign businesses to invest in, and South African retail companies are expanding into the continent in the hunt for growth and exploration of new strategic opportunities (Dakora, Bytheway & Slabbert, 2010). The retail opportunities are enormous, as a result of economic growth and political reforms and many countries understand the importance of these reforms and their actions match their words (World Bank, 2008). Ghana, Kenya, Mauritius and Tanzania have all reformed in recent years, establishing stable and sustainable systems of governance that have resulted in economic booms and noticeable business opportunities (Mahajan & Gunther, 2009).

Table 2. 2: Reasons why South African retailers should invest in African markets

1. Financial gains
2. Market sizes
3. The growth of African economies
4. Availability of labour forces
5. Impact of ICTs
6. Positive attitude toward consumerism
7. South African retailers' belief to offer durable goods and others

Source: Author summary

According to Hedey's (2013) report based on World Bank estimates, Africa's food and beverage market would reach $1-trillion by 2030. This expected market growth for food and beverages highlights the growing market and the many opportunities for South African agribusiness and related value chain role players to expand into Africa (Hedley, 2013). Yet again, the fast urbanisation could see Africa's top 18 cities reaching a combined spending power of $1.3-trillion by 2030 (Moorad, 2012). These statistics present good reasons for South Africa retailers looking for growth to start positioning themselves within the continent.

However, Table 2.2 does not highlight the imbalance of the South African-African trade relationship and the extent to which South African businesses already dominate the African economy. This potentially hegemonic situation could cause contestations and anti-trust tendencies (see section 2.11.2).

The combined population of African countries is growing rapidly, as the continent has the highest birth rate, with its population projected to be at around nine billion by 2050, notwithstanding the average low life expectancy (Kgomoeswana, 2014). Table 2.3 depicts the continent's population growth estimates in relation to world population growth.

Table 2.3: African population growth estimates

African population and world population estimates						
World	1950 2.5 billion	% of world population	2009 6 billion	% of world population	2050 9.6 billion	% of world population
Africa	221 millions	Slightly less than 10%	1 billion	About 15%	Over 2 billion	About 20%

Source: Kgomoeswana (2014:30); PRB (2009:3)

The African continent possesses a highly educated labour force that can make a huge contribution to the success of the company in its process of expansion on the continent. At the same time, many people on the continent are becoming middle-income earners who want to enjoy the services these companies are to offer (Venter et al., 2007). South African retailers are also motivated to invade African markets due to a number of enabling factors such as increased communications connectivity. This is illustrated by the launch of the East and West African Submarine Internet cables that connects Africa to the rest of the globe in cheaper and faster ways. This shows that ICTs will continue to be a major factor foreign investors can rely on (the level of connectivity for some African countries will be elaborated further under "opportunities").

2.6 Historical patterns of South Africa retailers' expansion into Africa

South Africa's businesses involvement on the rest of the continent is not a new phenomenon. Since its inception as an independent state in 1910 till the end of the apartheid in the early 1990s, the successive regimes in Pretoria considered the rest of the continent their backyard, or sphere of interest, an exploitable resource, a bottomless source of cheap labour and an easily penetrable market for its products (Daniel, Naidoo and Naidu, 2003).

More importantly and in line with the current study, Pretoria regarded the rest of Africa as readily controllable through a range of economic linkages (road and rail outlets to the sea, almost all of which traversed South Africa), and pan-regional institutions like the Southern African Customs Union (Sacu) (Daniel, Naidoo & Naidu, 2003). Yet Ahwireng-Obeng and McGowan (1998a, 1998b) argue that it was the character of the South African transition and its relation to the ascendancy of the neoliberal economic paradigm which enabled South African business to capture, and in some cases, to monopolise the opportunities presented by a global economic regime that prompted and encouraged market penetration.

It is also claimed that retail expansion from South Africa to the rest of Africa has followed a colonial lineage and sought to claim the regions spaces and workforce (Miller, 2006). The rest of Africa represented a market place for South African products to be exported to, through its multinational retail chains. South African businesses have historically employed workers from the neighbouring countries who largely worked in the mines. On the other hand there had been massive support from the rest of the continent. This process led to the formation of the Southern African Development Community (SADC) to deal with socio-economic development in the Southern African region. SADC has further increased the opportunities for South African businesses to seek avenues for growth within the region.

In broad terms, the patterns of retail expansion from South Africa to the rest of Africa can be related to the conceptualisation of the patterns of supermarket diffusion across the developing world including Latin America, Asia and Africa by Reardon, Timmer and Berdegue (2005). In their investigation, Reardon et al observed factors contributing to this to be around disposable income, urbanisation, infrastructure and government policies and regulations, thereby favouring major cities and in more economically stable countries in these regions.

The Shoprite Group, as one of the pioneering retail chain to venture into Africa, embarked on mergers and acquisition in the Southern African Region as a trajectory into the continent. According to eProperty News (2002), the Shoprite acquired the Champion supermarket group in Madagascar, which included four stores in Antananarivo and one in Tamatave. The group said that the acquisition was in line with its regional expansion programme outside of South Africa’s borders.

2.7 Challenges and opportunities in the expansion into Africa

2.7.1 Questionable Opportunities

The obvious and most talked about opportunity on the African continent in recent times is the available market opportunity that has emerged from a sustained increase in Africa's urbanisation, which is largely youthful and the rise of an urban middle class often associated with increased consumption and varied tastes. The numbers and projections support such optimistic claims. There are about 900 million people living in Africa with an urbanization rate of 3.6 percent, average GDP is nearing 6 percent with about seven sub-Saharan economies ranked among the 10 fastest growing economies in the world (AT Kearney, 2014:2). The combined consumer spending for African households was $ US 860 billion dollars in 2008 and is projected to reach $1.4 trillion in the next 10 years if growth in GDP remains consistent (McKinsey Global Institute, 2010:7). These are positive growth indicators that retail investors to the continent need to be aware of.

In addition, it is projected that about 50 percent of Africans will be living in cities by 2030 with 1.1 billion of working age by 2040; and 128 million, the number of Africans households who will have a discretionary income by 2020 (McKinsey Global Institute, 2010). More people with increasing discretionary incomes, tastes and preferences is every retailers dream because therein lies the market opportunity - for South African retailers whose markets are already mature and saturated. The challenge associated with this market opportunity in the African context is that it is spread across 53 different nations, with differing consumer tastes, spending power and varying depths in retail structures.

Even though the market remains fragmented several studies by research consultancies such as Accenture (2011) and AT Kearney (2014) try to identify the different retail market segments by classifying the consumers into different segments based on income and purchasing power as well as future economic and population growth. While such studies give a broad picture of what to expect with the African consumer, there is still a persisting challenge of tailoring retail to specific consumer needs in each country. Simmons (2013) points out that the sheer numbers of Africa's middle class do not matter but the crux of the matter is that Africa's middle class is largely heterogeneous; and whose "qualitative" context has implications for marketing approach and strategy, branding and corporate social responsibility should be the focus and challenge to retailers and investors alike.

2.7.2 Understanding the African consumer

The potential for retail activity in most African countries have been modelled around the emerging middle class with disposable income and a taste for quality products and services. This characteristic of African markets has been sustained by most commentators. For example, McKinsey Global Institute (2012) reports that Africa has the fastest growing population, the world's youngest population (with half of its inhabitants under 20 year old), and more than half of African households is projected to have discretionary income by 2020. It can be deduced that the forecasted households would be headed by the growing middle class.

However, disposable income is not growing among this emerging middle class as fast as economic figures may predict leading such consumers to be unstable and concerned about cost of living and expenditure (Games, 2014). This has also led some international businesses to believing that there is in reality, no middle class in Africa. Yet, another argument is that, most formal retail development has been around the main cities (centres of economic activity) in most African countries. The economic activities in the cities fuel migration of people from rural to urban centres in search for employment and better life.

McKinsey Global Institute (2012) sees cities as places for consumption, and makes staggering projections that 440 cities in emerging market will contribute $ 23 trillion (47% of global growth) in the period between 2010 and 2025. These cities are spaces for consumption where one billion new consumers are expected in the emerging 440 cities alone by 2025, representing 60% of the world's consumer rise (McKinsey Global Institute, 2014). Figure 2.1 shows the most populated cities in Sub-Saharan Africa.

Figure 2. 1: The most populated cities in Sub-Saharan African

Source: McKinsey Global Institute (2014)

Never the less, the idea of ‘city’ in most of Africa comes with the historical baggage of colonial segregated spatial development which is still reflected in the rural – urban divide across Africa today (Adebayo, 2002). This has contributed to the growth in rural – urban migration of the middle class as a strategy for survival, and to support, through remittance, their poor families in the rural areas. This phenomenon puts pressure on the earnings and expenditure budgets of most city dwellers, and thus influences their decision to spend their disposable income. Moreover, this represents an impediment to the ability of many to actually purchase the products and services presented by international retailers.

International retailers are therefore required to take a long-term view with regard to their investment in Africa.

2.7.3 The rise of the Internet and of mobile connectivity

Though underdeveloped, the Internet and Rise of Mobile Telephony leverages some traditional retail barriers. In a "flat world", the internet and mobile telephony offers opportunity in retail to capture the upper and middle class consumers. This phenomenon is becoming a reality the world's most youthful continent, Africa. It is estimated that the Internet in Africa has a 16 percent penetration rate normally; 167 million Internet users with over 50 percent being urban residents, about 67 million have smart phones and an estimated 51.6 million Facebook users (McKinsey Global Institute, 2013).

This offers a unique opportunity for not only online retailing but also product advertising and market testing of various retail products. There is also the added benefit of receiving instant feedback on consumer choices and dissatisfactions. According to a McKinsey Global Institute (2013:10), by 2025 e-commerce will account for 10 percent of retail sales in Africa's largest economies not only to a growing middle class with varied taste and choice but will leverage supply chain barriers associated with traditional retail. For example, a start-up called *moWoza* in Mozambique has leveraged some supply chain barriers between wholesalers and informal traders by creating an app that uses smartphones and text messaging to arrange for available taxi drivers to deliver parcels from wholesalers to informal traders (McKinsey Global Institute, 2013:10).

Also in Nigeria, Paga has emerged as a payment option for mobile payments (McKinsey Global Institute, 2013). Despite this burgeoning opportunity and some progressive strides, the challenge is that outside of South Africa, formal retail and the internet infrastructure is largely underdeveloped (McKinsey Global Institute, 2013:10). Formal banking still lacks depth in access and use thus digital and mobile payments are largely lacking; internet infrastructure is now been developed across most countries with internet penetration especially online retail penetration rates is under 1 percent for most African countries (McKinsey Global Institute, 2013:3). For example, online retail penetration rate is 0.04 percent for a large market like Nigeria with an urban internet penetration rate of 50 percent and a mobile phone penetration rate of 68 percent (McKinsey Global Institute, 2013:3).

Table 2. 4: **Internet penetration rate in Africa**

Free WI-FI, high speed Internet connections and cheaper broadband	
Country	**% of Internet penetration**
Morocco	51%
Seychelles	43.2%
Egypt	35.6%
Mauritius	35%
Nigeria	28.4%
Kenya	28%
South Africa	17.4%
Africa average	**15.6%**

Source: Kgomoeswana (2014) and Internet World Stats (June 2012)

2.7.4 Forming strategic partnerships

Navigating the fragmented and often unpredictable African market requires knowledge of local conditions and this is where partnerships prove important. This can largely take the form of franchising, alliances or mergers. For example SABMiller which has operations in about 15 African countries had to go into an alliance with Castel when it wanted to enter the French-speaking African markets (The Economist, 2014). Nandos has resorted to franchising in expansion northwards in African markets like Zimbabwe and Angola.

However, challenges remain, such as the lack of understanding of the concept of branding and franchising, or the availability of suitable local partners or the lack of reliable local business knowledge and information in the case of SABMiller. However, with such partnerships, there are still no guarantees and Bowman of SABMiller believes that companies must “persist” and “stick it out” as there are challenges at every turn and partnerships even though may succeed in one African country may not work in another (The Economist, 2014). Additionally, corporate social responsibility is always a good trump card for acceptability of operations in a new country. for example, Nandos through its “fight against malaria” campaign is helping several African countries some of which it has no operations in but will "ultimately be good for their business as well" (Brozin, 203:177) as it projects the image of a good and conscious African brand.

2.7.5 Competition from local and international retailers

Retailing by nature is very completive business, so one would expect retailers to be used to it. However, the nature of competition in most African countries appears to present peculiar challenges. The retail landscape of Africa is still largely dominated by informal trade: open-air markets, street venders and hawkers. This reflects the production systems of these countries, which are largely small scale and fragmented, and lack the production capacity to sustain formal retail businesses.

For example, the largest shopping mall in the West African sub-region (West Hills Mall) has recently been opened in Accra, Ghana. Yet, at the same time the retail industry of is still characterised by large open-air markets which operate with some sophistication. This is captured vividly in a study by Meng, T., Klepacka, A.M., Florkowski, W.J., Ekielski, A., Sarpong, D., Resurreccion, A.V.A. and Chinnan, M (2014:111):

> *Ghana is famous for its open-air markets. For example, Techiman's food market claims to be the largest food and agricultural market in West Africa, and Market Circle in Takoradi is also well known for their open-air markets. Some open-air markets operate every day, while others on a regular cycle. Most goods sold there are of domestic origin or locally produced foods, including fresh vegetables, fruits, and meat. Some markets, such as Makola Market located outside Accra, even offers live crab, chicken, and fish, which would not normally be sold in open-air markets. Although open-air markets lack cold storage facilities and proper protection of product freshness, they appeal to buyers with competitive prices and travel convenience.*

Meng, et at (2014) also found that about 70% of Ghanaian households shop in these open-air markets for their food products. Despite this statistic, modern retail and international brands are still find Ghana an ideal location for other reasons including political stability, ease of doing business and it being an attractive retail hub for customers across the region, thereby allowing retail investors to plan strategically (McTernan, 2014).

Conversely, formal and international retailers still face heightened completion from the informal retailing system in many African countries, notably: open–air markets, hawkers, corner shops, and to some extent Chinese shops. These pose a serious challenge because, as to evade taxes and do not carry the same overheads as formal retailer and therefore can afford to sell products at marginal prices.

Table 2. 5: Summary of challenges and opportunities

Challenges	Opportunities
- Differences among 54 African countries dilutes market opportunities	- Increase urbanisation
- Heterogeneous middle class and the misunderstood African consumer	- Rise in youthful population and middle class
- Underdeveloped formal retail and Internet infrastructure	- Economic growth and increasing disposable income
- Limited partnership opportunities	- Mobile technology and Internet connectivity
- Lack of local knowledge	
- Completion	
- Logistics, product range and other operational issues	

Source: Authors' summary

2.8 Barriers to the expansion of South African retailers into Africa

2.8.1 Infantile Nature of Supply Chains

Supply chains in Africa are largely at a nascent stage as the structure and strength of most supply chains remain underdeveloped (Games, 2008; Brozin, 2013; De Beer, 2013); a factor among many accounting for the low 10 percent[1] of formal trade among different African countries compared to 50 percent with Asia and 70 percent for Europe (KPMG, 2014:13). South Africa on the other hand have made strides in Africa as one of its top 5 investors (Grobbelaar, 2008:11; UNCTAD, 2013:41) and until recently (April, 2014) remained Africa's largest economy. In her continued conquest of Africa, driven largely by a saturated market at home and by competition, retailing has remained the most visible of South Africa's

[1] A study by UNCTAD suggest it may not be that low but the bottom line being that intra-African trade is low compared to its potential (UNCTAD,2013:19)

investments on the rest of the continent (Games, 2008:266). However, expansion into Africa has been hindered by a number of factors of which the inadequacy and infantile nature of supply chains remains a significant barrier. For the purposes of review of this paper, barriers in supply chain for expansion of South African retail businesses will be loosely categorised into;

i. "Hard" barriers that relate to physical infrastructure and utilities.

ii. "Soft" barriers comprises of the environment of state governments with respect to legislation on imports and exports, regional and international bilateral/multi-lateral trade and customs agreements.

2.9 "Hard" Supply Chain Barriers

Roads, railways, ports, airports and utilities like electricity are the main delivery systems for retail companies to get their goods or merchandise to the market, yet the aforementioned physical infrastructure is inadequate in most African economies.

2.9.1 Electricity and other Utilities

With respect to the generation of power, it is said to be Africa's biggest infrastructure challenge with over 30 African countries experiencing power outages or interruptions in supply (World Bank, 2010). This translates to about half a billion people living in Sub-Sahara Africa without access to reliable electricity and the rate of electrification is low particularly in rural areas (KPMG, 2014). For enterprises in some countries power outages within a year can sum up to about 144 days (Burundi), 63 days in Tanzania and 25 days in Senegal (World Bank 2010;182). For retail enterprises looking to expand, inadequate supply of electricity suggests huge costs - cost of investing in alternative sources of power, loss of sales and breakdown of equipment that ultimately affects the equipment's life span. These not only increase operation cost of doing business, thus profits margins, but also affect growth in GDP of countries that can affect inflation rates and consumer demand. More than 50 percent of African firms surveyed between 2006 and 2010 indicated a lack of reliable supply of electricity as a major challenge to doing business compared to 27.8 percent for transportation (Oseni, 2012 as cited by UNCTAD, 2013:51).

The factors that largely influence cost of power differ for the different parts of Africa. Nigeria for instance has experienced sustained economic and urban growth rates which has not been matched with increased structural and service delivery of power (World Bank, 2010:5) as it generates only 5 percent of its electricity requirements (Bremmer, 2014:107). This not only stretches its generation capacity but also results in the country losing an extra 2-3 percent of growth in GDP due to inadequate electricity (KPMG, 2014).

For many East African regions like Tanzania and Kenya, hydro-electric power generation is affected by drought and in some post-conflict ridden nations like Ivory Coast, Somalia, Liberia, Democratic Republic of Congo, Angola and Sierra Leone, inadequate power supply is largely affected by infrastructure which was destroyed and is being rebuilt (World Bank, 2010:5-6).

Frequent power outages imply that any retail company will have to invest heavily in alternative sources of power such as generators and, depending on the country can represent a substantial percentage of total power generation capacity (World Bank, 2010:184). The World Bank further highlights that alternative sources of power usage amounts to 17 percent for West African Region in general and about 50 percent in the Democratic Republic of the Congo, Mauritania and Equatorial Guinea. The cost implications for Africa's firms is about five percent of loss in sales to power outages alone (World Bank 2010:5) and would undermine the *raison d'etre* for expansion in the first place - expanded market, increased sales and profits.

2.9.2 Transport: Ports, Roads, Rail and Airports

Of the various transport modes for use by companies for doing business is Africa, ports and roads are the commonest as air transport is very costly (Games, 2008:269) with rail infrastructure largely under-developed. Despite road infrastructure being the main mode of transport for goods in Africa, the road density[2] (especially paved roads) is very low with the capacity and condition of many roads for inland distribution being very poor (World Bank, 2010; UNCTAD, 2013:51-52). Hence, transaction cost (transport and insurance costs) for doing business and trading in Africa is generally very high (UNCTAD, 2013:52).

---

[2] Ratio of the length of a country's total road network to the country's land area. The road network includes all roads: motorways(http://data.worldbank.org/indicator/IS.ROD.DNST.K2)

In Angola a 40km road takes about eight hours to navigate in the rainy season (De Beer, 2013), while the cost of transporting one ton of goods along the Doula (Cameroon)-Ndjamena (Chad) route cost $0.11 per kilometre which is more than twice the cost ($0.05) in Western Europe (UNCTAD, 2013:52). This cost will add to the final price of the product on shelves where it might become uncompetitive in terms of price against cheaper goods from Europe and China. This generally reduces productivity to an estimated 40 percent and per capita output growth by two percentage points (UNCTAD, 2013:84).

2.10 "Soft" Supply Chain Barriers

2.10.1 Non-Uniformity in Regulations and Market structures for Freight/Cargo

These supply chain barriers are considered the most serious because of their far-reaching impacts compared to the physical supply chain barriers, as the "soft barriers" involve the "management of movement" through regulation and market structures for freight (World Bank, 2010). Africa is largely landlocked with as many as fifteen (15) African countries having to navigate issues of multiple tariffs and border controls, inadequate logistics as well as corrupt officials at different stages of freight movement (World Bank, 2010:203) cross-cutting different modes of transport due to a lack of a common customs transit system continent-wide.

Furthermore, the continent lacks uniformity in the application of the "rule of origin[3]" to enhance and facilitate trade and movement of goods. The continent of Africa is home to over ten regional economic blocs, and these organisations appear not to interact. This implies that within the different regional economic blocs[4], each bloc has different bilateral and preferential trade agreements with countries within its bloc and outside of it (UNECA, 2013:14-16).

---

[3] They are "designed to determine the source of a product in a situation where it has accumulated value along the production cycle from producers in various countries. Establishing the country of origin of a product is a fundamental requirement in trade policy formulation and an integral part of preferential trade agreements, including Free Trade Agreements" (UNECA,2013:13).

[4] There are 17 regional trade blocs with 8 major regional economic blocs recognised by the African Union, with several countries having overlapping membership. Some of the major economic blocs include; Economic Community of West African states(ECOWAS); East African Community (EAC); Southern African Development Community (SADC) of which south Africa is part; Economic Community of Central African States (ECCAS);Common Market for Eastern and Southern Africa (COMESA)

The challenge posed here to South African companies expanding outside of SADC and to some extent COMESA and EAC is that they face different tariffs and border control issues (UNECA, 2013:16). Some countries not only have overlapping memberships which complicates rules of entry for "foreign" goods but also rules, certificates, and administrative competencies across different blocs vary from country to country even within the same economic community (UNECA, 2013:16).

Despite the multiplicity of African ports, most of them are logistically incompetent or ill-equipped to effectively deal with tracking and tracing of shipments, resulting in bureaucracy, time loss in shipment of goods and corruption by custom officials (Games, 2008:270; World Bank, 2010:205). For example, Massmart reportedly takes an average of 30 days to move goods from Durban to Uganda via Mombasa port (Kenya) and can take up to 47-55 days to ship goods straight to Nigeria (Games, 2008:270). The delays at the Apapa commercial port in Nigeria is described as "legendary" (Ogbu, 2013:156) and the associated "bribery[5]" viewed as a "normal" business culture (Grobbelaar, 2008:37). Delays especially affect time sensitive goods and thus affecting their shelf-life while refusal to condone bribery can result in the loss of contracts or business (Grobbelaar, 2008:37). What's more, the corruption stemming from logistical incompetence can increase total shipping cost (relating to overland transport, port clearance, ocean shipping) of a standard 20 foot container travelling between South Africa and East Africa by up to 14 percent and total port costs of up to about 130 percent (World Bank, 2010:206).

2.10.2 Protectionist Policies and Tendencies of African Governments

The protectionist approaches and policies increasingly adopted by regional economic blocs and individual countries for their markets and interests is another barrier that has even become more poignant after consequences of the global economic crises in 2008. Hence, a new phase of globalisation peddled as *guarded globalisation* - where governments "choose countries or regions with which they want to do business, pick the sectors in which they will allow capital investment, and select the local, often state-owned, companies they wish to promote" (Bremmer, 2014:104).

---

[5] This is not usually viewed as bribery as it has become normal and part of the business culture. Grobbelaar(2008:37) contends that this can range from a "tip" or "dash" to much bigger bonuses

Besides guarded globalisation, some of these protectionist attitudes are also a response to the rise of hegemons (Kenya in EAC, Nigeria in ECOWAS and South Africa in SADC and so on) among the different economic blocs. This suggests that there is no equal distribution of benefits of trade and economic agreements as some dominant and wealthy members seem to benefit more (UNCTAD, 2013:49) making the poorer members apprehensive. Some South Africa retailers and investors for example are perceived by some Kenyan businesses as being "arrogant and domineering, leaving no space in the market for local products, brands or companies" (Grobbelaar, 2008:98). "Yankees of Africa" and South African "sub-imperialism" are some of the phrases used to describe the labour policy and condition of service by a retail chain such as Shoprite when they were earlier operating in Zambia (as cited by Games, 2008:262; Miller et al, 2008:1-19). This situation is likely going to get even more contentious with the recent xenophobic attacks in South Africa that have led to Nigeria recalling its High Commissioner from South Africa.

Another case in point is Tanzania, which perceives Kenya as "aggressive" and thinks that Kenyans will take over their markets if they open up under the East African Community (Rosenberg, 2014). This move has strained relations[6] within the community. This is not limited to only Kenya as the country has come up with several protectionist policies to limit the number of foreign nationals in the country. Jiwaji (2014:80) reports that Tanzanian investment laws specify the ownership structure of companies; either the chief executive officer (CEO) or deputy of a company must be Tanzania, executive membership must be shared between Tanzanians and non-Tanzanians, and non-Tanzanian executives are given a period of time to train and fill the position of a CEO.

Such policies are not only restricted to labour, employment or investment decisions but take the form of high import tariffs and in some cases bans as typified by Nigeria. Nigeria has a complete import ban[7] on 24 groups of items, while high tariffs are imposed on goods like textiles and some types of furniture, after an initial ban on them in 2010 that affected growth in the retail sector (Brock, 2010). South African retail companies such as Woolworths, Truworths and Shoprite were affected (Games, 2008:271). Ban on certain items among which include a range of food products requires retail shops preparing to enter such a market to source quality and standardized products from local sources; this may not readily

[6] Kenya, Rwanda and Uganda have apparently formed a clique with the EAC to spearhead several projects such as single tourist visa, infrastructure projects, free trade and movement at the expense of Tanzania and Burundi (Kabukuru, 2014b:132).

[7] List available on their Customs Service website at https://www.customs.gov.ng/ProhibitionList/import.php

be available and may involve some cost in that regard eventually pushing cost on the final product on the shelves.

South African retail companies not only have to deal with “demons” from their past with respect to negative perceptions; but also have to decide what type of “carrot” approach, or models, to adopt when expanding.

2.10.3 Different Geo-political Climates and Dynamics; with Volatile and Fragmented Markets

Politically, Africa has one of the most volatile climates – democracy is still at a nascent stage[8] in most African countries, has some of the world’s longest serving political leaders[9] who are often touted as dictators and is increasingly serving as hive of activity for terrorists and Islamist extremist groups such as Boko Haram and Al-shabab. Perhaps even more unsettling is the fact that the later seem to be gaining ground in Africa’s largest economy and market (Nigeria); and East Africa’s citadel of economic activity (Kenya) which are both prime targets for expansion by South African retail businesses.

For example, Kabukuru (2014a:142) reports that South Africa’s Massmart has shown interest in entering the Kenyan market with possibilities of setting up independently or buying an existing retail chain. Kenya’s Westgate shopping mall attack in September 2013 does not bode well for any form of expansion by South African businesses as there is a constant cloud of uncertainty about such political climates and carry with it colossal risks and costs. Even though the attack has not significantly deterred investment in the retail sector (Kabukuru, 2014a:142). However, there are now other costs from insurance of businesses against terrorist attacks, and as Mulupi (2014) reports, other shopping malls had to be closed for four days and after which it took a while for the market to pick up.

[8] Most democracies have yet to fully mature beyond elections to having institutions that work independently for all

[9] Notable among them President Mugabe of Zimbabwe, Paul Biya of Cameroun, Teodoro Obiange Nguema Mbasogo of Equatorial Guinea, Jose Eduardo Dos Santos of Angola, Blaise Campaore of Burkina Faso, Omar Al-Bashir of Sudan and King Mswati III of Swaziland; all of whom have remained leaders of their respective countries for over 25 years. Some of these leaders(Hosni Mubarak of Egypt and Muammar Al-Gadhafi of Libya) were overthrown in the Arab Spring and these countries are yet to completely recover from the effects of these leaders

Moreover, this volatility cannot be confined to terrorist prone nations only. Brozin (2013:176) of the Nandos brand[10] cites the example of political tensions due to rioting in Maputo over the bread price which came out of the blue and consequently resulted in the burning of tyres and roads to the airport being blocked. Following the foregoing examples, it is fair to contemplate and question that, in Africa, more often it is an issue of not knowing what to expect that affects long term planning. Such “appetites” for risks according to Douglas (2013) are however being taken by countries such as China who are heavily investing in retail developments in countries like the Democratic Republic of Congo, Central African Republic and Niger. Though abounding in retail opportunities, these countries are politically and economically insecure (Douglas, 2013). When such countries become relatively stable, expansion into such mature markets by South African businesses would become more difficult as they are likely to face competition from an established Chinese presence.

Furthermore, there is often a spill over effect of conflict in neighbouring countries that depend on the regional influence of the country in question. The Arab spring, which started in Tunisia, easily comes to mind but the conflict in Cote D’Ivoire not only weakened the CFA franc but also affected French speaking landlocked African countries such as Burkina Faso, Niger, and Mali which depended on Cote D’Ivoire’s harbours for the transportation of their goods (UNCTAD, 2013:94).

African markets are largely fragmented, dominated by small economies[11] with limited diversification away from agriculture and natural resources, a large informal sector and over fifteen different currencies across the Africa (Grobbelaar, 2008; Games, 2013; UNCTAD, 2013:65). This is despite on-going regional integration efforts for common currencies and unionised trade agreements within African nations and the West. More to the point, African markets and economic boom are largely tied to foreign direct investment (FDI)[12] and foreign aid/development assistance[13]; thus markets become susceptible to inflation depending on

---

[10] Nandos successfully expanded in some African countries like Zimbabwe but in some cases have had to pull out of markets like Nigeria,Kenya,Mozambique and Angola (Brozin,2013:170)

[11] The average size of a sub-saharan economy (excluding south Africa and Nigeria) is US$3.6 billion which is equal to the scale of an American town with population 90,0000 (Grobbelaar,2008:28)

[12] In 2013 alone, it is estimated that foreign direct investment into Africa reached roughly around US$ 40 billion (Jacobs: 2014). UNCTAD, reports that FDI flows to Africa increased by 5 percent to US$ 50billion in 2012 when global FDI fell by 18 percent (http://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=136)

[13] Sub-Sahara Africa receives the highest volume of development assistance. In 2009 alone Sub-Sahara Africa received $US42.2 billion in official development assistance out of the total $US 165.4 billion (UNDP:2011,154)

the vagaries of investment, global commodities markets and aid flow. With countries like Britain and the USA increasingly tying aid/development assistance and investment to good governance and human rights; markets become extra sensitive to national politics.

A case in point is the withdrawal of budgetary aid to Malawi due to economic mismanagement. Such aid accounts for 60 to 80 percent of Malawi's developmental budgetary assistance by some of its donors (Dodds, 2013). This withdrawal not only resulted in high inflation rates, but as De Beer (2013:142) of Imperial Group noted, also affected their supply-chain, as cargo from South Africa crumpled.

2.10.4 Land Tenure and Property Rights Issues

The governance of land in most African countries is dysfunctional because the right to land and the manner in which these rights are defined and administered are ineffective despite on-going reforms in several countries (Byamugisha, 2013:1). A UN-Habitat Report (2010:2) laments that urban land markets in African cities and towns by their nature have become operationally inaccessible: often clad with long processes, delays and corruption in the administration and ill-developed property market. This has not only resulted in an informal land market taking over this chronic gap (UN-Habitat, 2010:2) but has further compounded the increasing demand and contestations around land and property in the face of increased urbanisation and urban growth. It is not uncommon to find a dual system of land and property registration and ownership throughout African countries undermining security of tenure.

For property in Mozambique, increased informal sector investments are not adequately protected by legal instruments thereby reducing their marketability for retail and business space (Grobbelaar, 2008:48). In Ghana, the absence of a fool proof title to land can often result in multiple claims to a piece of land (Grobbelaar, 2008:47) and increase cost of doing business due to long negotiations (sometimes with compensation) with parties involved. This not only acts as a barrier to commercial property development thus restricting access to suitable retail spaces, but in cases when they do become available, rents are often exorbitant, Nigeria and Ghana being examples (Ogbu, 2013:85; Grobbelaar, 2008:47). That notwithstanding, in mature markets such as Gaborone with a huge commercial property and retail space availability, rent is still very high according to Grobbelaar (2008:47).

2.11 Summary of literature review

The literature reviewed discussed the trends of the current internationalisation and globalisation of retailers around the world with a particular focus on the African continent. It was highlighted that Africa presents all the potentials to become a good and lucrative market and this is owed to a number of factors such as economic growth of the continent, availability of a labour force, the diffusion of ICT infrastructure, and positive attitude toward consumerism.

It was observed that South African retailers are capable of offering quality and durable products, as it has been proven by retailers that these are already available on the ground (Shoprite, Mr. Price and others). However, a number of challenges have been highlighted and some of these challenges can be detrimental to businesses especially at the adaptation phase, when retailers are new on the ground. Throughout the literature review, it was suggested that retailers must understand the African consumer first, and then form strategic partnerships and be aware of the international and local competition. These steps can mitigate the effect of a number of barriers that have been identified, such as the infantile nature of supply chains, the hard and soft supply chain barriers, different geo-political climates and dynamics and finally land tenure and property right issues.

CHAPTER 3: METHODOLOGY

3.1 Introduction

This study was imagined and designed as a study strongly anchored in theory, and grounded on an empirical pilot study as proof of concept, to provide background and direction for a broader study that will be done in the future. As such, the study follows an exploratory, cross sectional and qualitative approach developing a framework from a desk study coupled with a grounding empirical study. The sample for the study included relevant literature and documents in addition to opinions from individuals from countries hosting these companies as well as opinions of informants from South African retailers expanding into Africa.

3.2 The sample

The study sourced primary data from the literature, individuals originating from other African countries but residing in South Africa and from key informants representing South African retailers expanding in Africa. The population of literature and respondents were purposefully sampled. The corpus of scientific literature and document examined was constituted according to specific theoretical concepts from influential authors and institutions reports published over the past six years (Webster & Watson, 2002). The population for the empirical study was constituted with respondents residing in South Africa but originating from countries hosting South African retailers, in addition to key informants representing these organisations.

3.3 Desk study: literature review

An extensive and critical literature review was conducted to inform research questions and to refine the objectives where necessary. The literature review included academic literature and other general and publicly available information. Academic sources mainly included journals, databases, books, reports, and search engines while the non-academic sources for the purposes of this study included newspapers, magazine, website and company annual reports. This desk study is intended to provide a general view of the situation and to set the tone for a closer examination in the semi-structured and in-depth interviews.

The desk study revealed key issues involved in this process, and was used to develop the interview protocol for the semi-structured and in-depth interviews. The desk study followed a concept centric approach (Webster and Watson, 2002) purposefully seeking relevant publications

3.4 Empirical study

3.4.1 Semi-Structure interview

Semi-structured interviews were conducted by a team of 5 interviewers with 29 respondents originating from other African countries but residing in South Africa over a period of 15 days. A snowballing method was used to track down such individuals. An interview guide with nine open-ended questions was developed (See appendix D) and administered to respondents face to face or via email for respondents residing in other cities than the interviewers' one (Leech, 2002; Sedmak & Longhurst, 2010). Where applicable, responses were recorded and transcribed for coding and analysis.

3.4.2 In-depth interviews

As per the project brief, in-depth interviews were conducted with people with experience relating to the expansion of South African retailers into the rest of Africa. In this regard, it was decided to use the key informant approach (Marshall, 1996). This approach allows for people from diverse backgrounds of experience and expertise to be selected and interviewed as key informants. Key informant interviews also provide special insights and perspectives on the topic under study. The key informant interviews were conducted face-to-face, recorded into a voice-recording device and transcribed for coding and analysis. Five key informants were purposely selected and interviewed for an average of an hour each. This yielded some insightful and credible information for this study.

3.4.3 Data Analysis and reporting

Collected literature and documents were analysed to provide the most important and most relevant themes and concepts using document analysis (Bowen, 2009) coupled to thematic analysis (Owen, 2014). Further, the empirical data from semi-structured and in-depth interviews were analysed using thematic analysis (Owen, 2014).

CHAPTER 4: DATA ANALYSIS

4.1 Introduction

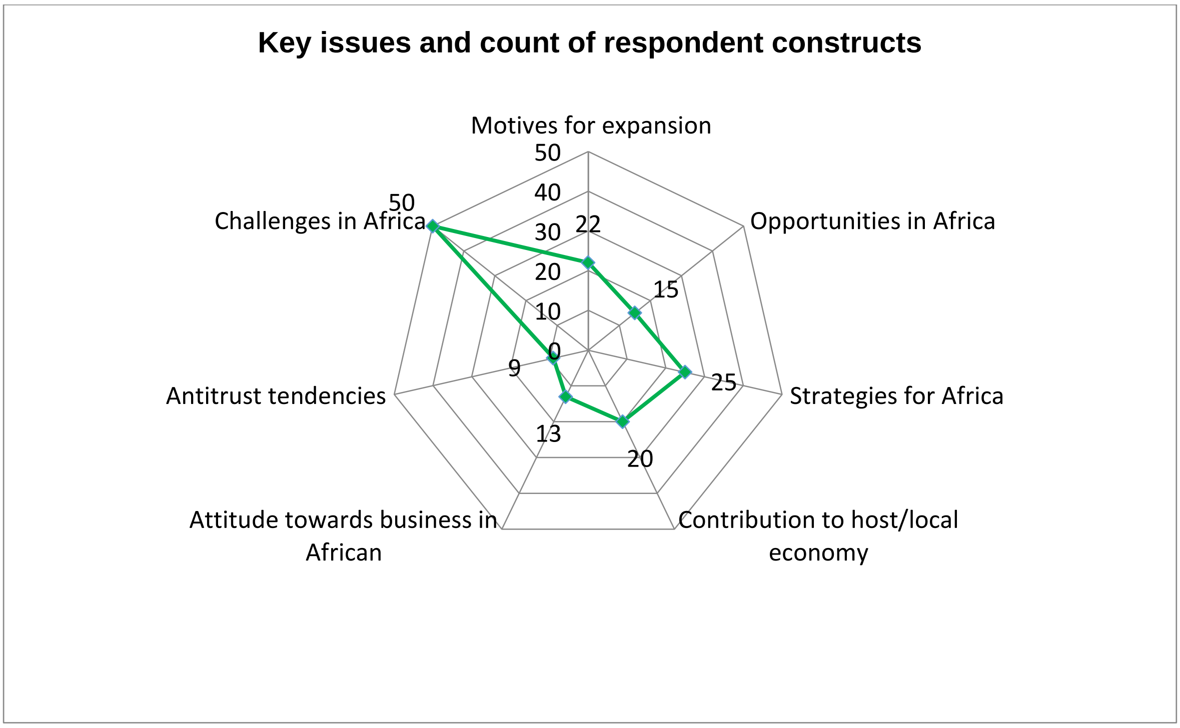
The three sets of data are presented and analysed in this chapter based on the key issues that were raised in both the in-depth and semi-structured interviews. In this process, the data are summarised and presented in both charts and table for easy interpretation. Eight main issues were raised in the interviews to solicit respondents' views.

4.2 Results

4.2.1 Semi-structured interviews

Figures 4.1 and 4.2 illustrate the key issues embedded in the questionnaire and used for the semi-structured interviews to solicit respondent opinions. As indicated earlier, these concepts were summarised from a study of the relevant literature which underpinned this study. Figure 4.1 provides a general view on the balance of the opinions on the concept or key issues based on a count of the main and relevant constructs summarised from the 29 respondents the semi-structured interviews.

Figure 4. 1: Frequency distribution of key issues based on semi-structured interviews



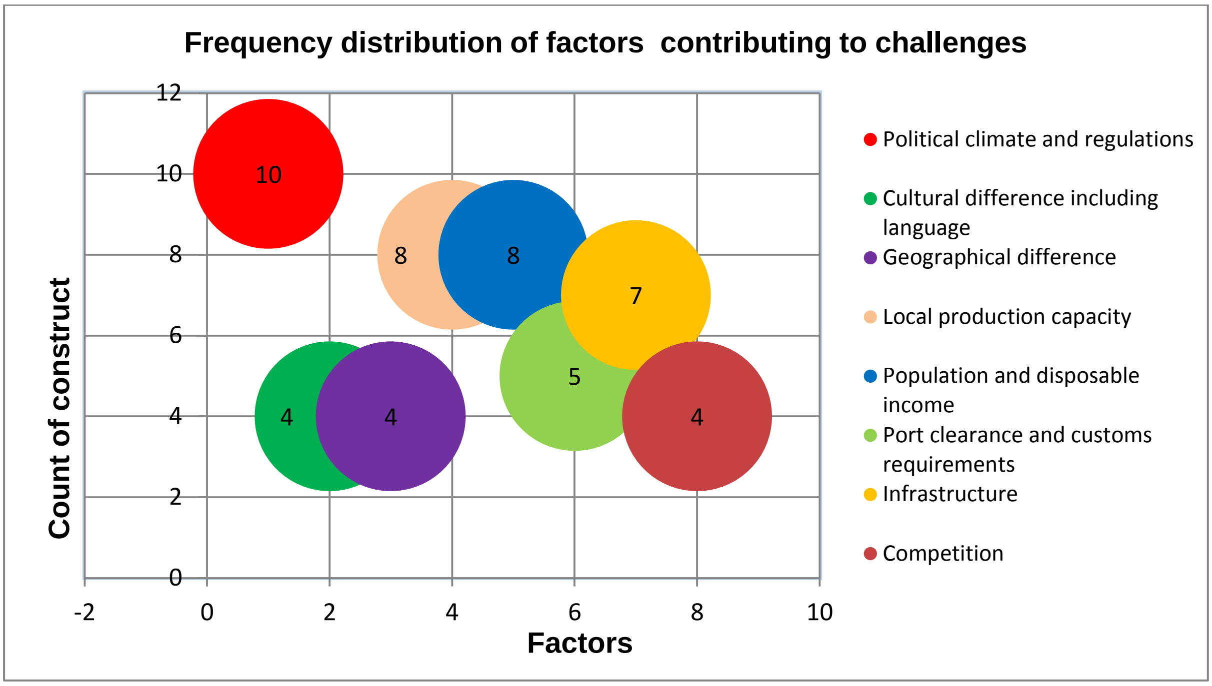
The count of constructs represents what issues attracted more details from the semi-structured interviews. These constructs are real statements summarised from the detailed results of the semi-structured interviews and assigned to the categories presented in Figure 4.1.

Figure 4.2 on the other hand, illustrates specifically the frequency distribution of the opinions of the same respondents on the factors that appear to pose challenges to the South African retailer operating across national borders elsewhere in Africa. These figures (4.1 and 4.2) represent a count of the statements made by respondents with regard to the relevant issues. This also represents the level of importance of these issues when it comes to the expansion of South African retailers into Africa. It must be noted that at the extreme level of the prevalence of these challenges lie barriers to entry and operational difficulties on entry which in the worst case scenario, lead to failure or exit. The issue of barriers will be elaborated upon at a later stage in this report.

Still with reference to Figure 4.1, issues relating to challenges have featured quite prominently. The reason for this high record is that several factors ranging from political climate and cultural differences to infrastructure and competition were pulled together to provide an overall picture of the semi-structured interview results. These factors will be unpacked at a later stage in the report. Moreover, Figure 4.1 gives us a good sense of the high-level factors that South African retailers must take into account of as they seek market opportunities in other African countries. It is also evident that, although opportunities in the foreign market may justify retailers' motives for expansion, strategies that are more careful have to be created to deal with the challenges and other issues at hand.

These results are however not surprising as the debate about retail expansion into Africa is often centred on challenges, almost to the neglect of the causal issues behind the challenges.

Figure 4. 2: Factors contributing to challenges based on semi-structured interviews



As indicated earlier, Figure 4.2 provides details of the factors that contribute to the challenges faced by South African retailers expanding into the rest of Africa, according to the semi-structured interviews. According to the data, political and regulatory climate, local production capacity, population and disposable income remain on top of the challenges chart. Again, the figures in this chart (Figure 4.2) are representative of the comments made by respondents, and the level at which respondents see these challenges. This reveals an interesting insight as to the intricate relationship between the government's activities, production capacity and the resultant distribution of wealth in the form of disposable income. The rest of the factors are equally important when it comes to retail activity, and South African retailers must be mindful of the challenges they pose.

4.2.2 In-depth key informant interviews

Unlike the semi-structured interviews, the in-depth interview with key informants took a wider view of the issues concerning the expansion of South African retailers into Africa. This allowed respondents to provide more details on the issues at hand and other aspects that were not obtained from our study of the literature. Appendix A provides a summary of these insights. As explained in Chapter 3, the interviews were transcribed and analysed by content which involved: reading of the transcripts, threshing out categories and summarising the key information into constructs linked to the categories.

The main categories derived from this content analysis include the following with some detail details on Appendix A:

- Challenges facing South African retailing expanding into Africa
- Attitude of South African business (retailers) to Africa
- Cultural versus physical distance barriers
- Motive for South African retailers to be going into Africa
- Middle class and consumer potential of the rest of Africa
- Patterns of expansion and/or investment
- Contribution to local economy (of host country) by South Africa retailers
- Bigger continental issues regarding investment
- Competition met by South African retailers operating in Africa

With regard to challenges facing South African retailers, the respondents mention challenges ranging from product, supply and market related issues to regulatory and legal issues. Connected to the challenges is the attitude to Africa by South African retailers. Respondents are of the view that other African countries present different business environments to that of South Africa. For example, one respondent says this of the South African retail environment:

It's a fairly sophisticated model, if you clearly understand the market, [and] South African businesses are very conservative about change and we have seen that in terms of elements of economic transformation [Respondent A]

This reflects the advanced but also conservative nature of the South African business environment with good systems compared to the rest of Africa. It is possibly due to this difference that some South African retailers may come across as been arrogant. A respondent observes the following:

When South Africans go into Africa to invest or open a new business, it is also for them to grow it might also provide jobs to the country that they are going to but it also provides much more economic growth to South Africa and businesses that are expanding. They go there with the attitude of we have the product and the technology and you do not have so we are coming to save you; so the arrogance and the condescending attitude even when they deal with their potential partner… [Respondent B]

4.2.3 Document analysis

Document analysis was done in a similar fashion to the in-depth interviews. The selected documents from various news sources publishing on Africa were read, summarised into recurring topics and constructs (See Appendix B). Further, the categories derived from both sets of interviews (semi-structured and in-depth) were used to filter the constructs summarised from the document analysis for validation, and to ascertain their consistency with the already established categories. The results of this are illustrated by Table 4.1 and Table 4.2.

Table 4. 1: Key Summary of document analysis

Key Issues	Summary
Reasons/ motives for expansion	- Strong economic growth, African markets will be worth $1 trillion by 2020 - The number of consumers are rising - Africa is the hotspot for retail companies, potential for expansion - Consumers now prefer modern trade - Consumer spending in Africa is increasing - Countries are becoming more brand conscious - Supermarket culture is developing - Many African countries are in the second stage of development - Clamour for high quality goods and services - High demand for and consumption of commodities - Technology is growing rapidly - There is consumer growth in the continent
Approaches and strategies for Africa	- Different approaches and strategies in marketing and distribution - Control of distribution and supply chain management - Balance between local preference against consistency and achieving scale - Investors should not overestimate skilled labour - Investors should first understand market, consumers and the products and services needed - Investors should pay attention to cultural difference between North, East, and West Africa - Paying attention to diversity, cultural difference, and attitudes of consumers - Flexibility and customisation of investment structures - Engage with local knowledge, local partners and stakeholders - Beware of Pan-African business models, - Understand the “big” picture like GDP growth - Understand street-corner competition
Contribution to economy of the host country	- Companies should use local branding - Recruit local talent - Bring the best technology into the continent - Establish mutual partnerships with locals - Provide right goods and services - Pay taxes
Antitrust tendencies of African countries	- Retail business in Windhoek is dominated by SA firms such as Woolworths, Pick n Pay and Shoprite - South African is most attractive but also the most saturated therefore making it difficult to penetrate the market -Personal and economic security is often a concern and trust between foreigners and locals is very low

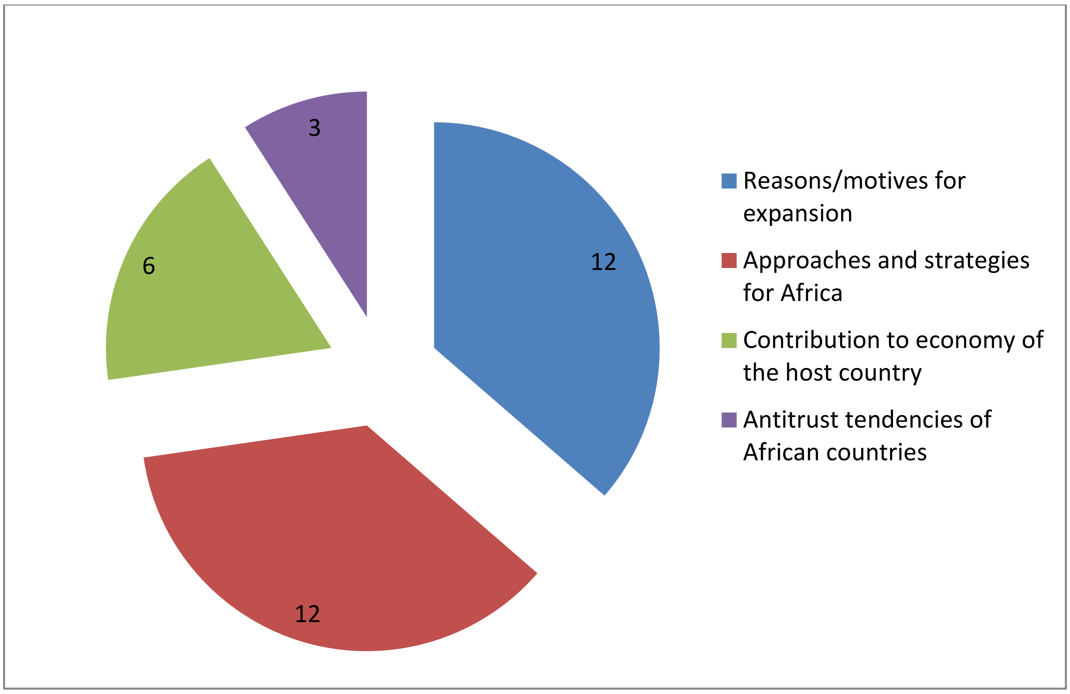
As shown in Table 4.1, the constructs identified from the document analysis can be grouped into four main categories:

- Reasons or Motives for expansion into Africa,
- Approaches and/or strategies for Africa,
- Contribution to local economies, and
- Antitrust tendencies of African countries.

Figure 4. 3: Word cloud of the summary of key issues of the document analysis

Of course the documents report on these categories to varying degrees and Figure 4.3 shows this on the country of constructs. It is evident from Table 4.2 and Figure 4.3 that writers and commentators have been more interested in the motives for expansion and the approaches or strategies for expanding, rather than the contributions they make towards the local economies of host countries and the antitrust behaviours of host countries.

Figure 4. 4: Frequency distribution of constructs from document analysis



The document analysis also yielded some challenges facing South African retailers as they expand into Africa, and highlighted attractive opportunities in African countries (See Table 4.3). Again, the contributing factors to these challenges as expressed in Figure 4.2 were used to filter the constructs emerging from the document analysis to cross-check their consistency with public opinions.

Table 4. 2: Document analysis: challenges and opportunities

Challenges	Opportunities
Political climate and regulations - Rwanda have efficient government (sadly very authoritarian) - Nigeria has toughest rules and regulations - Niger has a pretty stable political environment - Political uncertainty in Zimbabwe and tough laws - Mozambique has good political climate - Unique political climates in Africa **Cultural differences** - Language barriers in Africa - Cultural diversity in Africa and 3 000 distinct ethnic backgrounds - More than 2 000 languages - Cultural diversity remains a concern for investors **Geographical distance** - Logistics in Africa are quite hard - Landlocked countries are difficult to navigate - To many check points between African countries **Local production capacity** - Manufacturing industry - Informal retail **Population and disposable income** - 93% still in rural - Population is scattered across vast regions - Unskilled population **Port clearance and customs requirements** - Toughest rules and regulations in Nigeria - Duty and supply chain challenges - Logistics challenges in landlocked Infrastructure - Infrastructure differs around Africa - Urbanization is increasing in Africa - Urbanization rising in Africa - Telecommunication is booming in Nigeria Competition - Product differentiation for newcomers in the market because of tough competition - Low inflation which is as a result of competition and "Chinese Price" - Understand the street-corner competition that is competition from collective of small, informal enterprises - Competition in African products	- Nigeria has Africa's largest population - Nigeria is the largest economy in Africa - One third of African population fall in the middle class - Africa's middle class has tripled the past 30 years - Large population nearing 900 million - Increased wealthy consumers - Rapid growth of the middle class - African urbanization at 3.61% - 50% of the continent will be urbanized by 2030 - 60% of the continent will be urbanized by 2050

4.3 Summary of findings

Across all the three data sets, there is clear similarity and consistency of the issues that were examined as shown on Table 4.3. The detail or depth at which these key issues are expressed within the data sets record slight variations. Factors contributing challenges are recorded mainly in the semi-structured interviews and in the document analysis. However, issues around challenges like competition and cultural and geographic distance are evident in all three data sets.

Table 4. 3: Summary of key findings

Semi-structured interviews	In-depth interviews	Document analysis
• Motives for expansion	• Motive in going into Africa	• Motive for expansion
• Opportunities in Africa	• Middle class consumers	• Opportunities
• Strategies for Africa	• Attitude of SA business to Africa	• Approaches and strategies for Africa
• Contribution to economy of host country • Attitude towards business ethics of African countries	• Contribution to local economy	• Contribution to local economy
• Level of trust of some African countries to SA businesses	• Bigger continental issues regarding investment	• Antitrust tendencies
• Challenges	• Patterns of expansion /investment • Challenges in Africa • Competition Cultural vs physical distance barriers	• Challenges

CHAPTER 5: DISCUSSION OF RESULTS AND CONCLUSION

5.1 Introduction

The discussion of the findings of this study is structured on the bases of the research objectives, as these encapsulate the detail and overall impetus for this study. Also the objectives capture most of the issues that ran through the study from data collection to analysis. They provide a good starting structure for the discussion to emerge from and to look at the implications of the findings in broader context.

Main objectives of the study:

- Provide motives for the expansion into Africa by South African retailers
- Provide historical patterns of South African retailers' expansion into the rest of Africa
- Provide insight on the current situation on the South African retailers' engagement with the rest of Africa including challenges and opportunities to inform future trends
- Analyse barriers and threats to South Africa retail expansion into Africa
- Provide functional groupings of Africa countries for expansion and research focus – based on country/regional, geographic and language differences and similarities.

5.2 Motives for expansion into Africa by South African retailers

The motives or reasons for South African retailers to be interested in investing in the rest of Africa have been found to be intricately intertwined with the market opportunities and challenges that the different African countries present. According to the findings, there is high drive for South African retailers to go into Africa although the motivation for them to expand their operations into Africa is varied and cuts across different factors as demonstrated in Figure 4.1 and Table 4.2 (also see Appendix A and B) respectively. Highlights of these motives are therefore based on the retailers' view of the opportunities at hand including:

Box 5. 1: Motives for South African retail expansion into Africa

- Strong economic growth of African countries, with increasing population
- Increasing middle class with disposable income and a taste for quality products offered in modern retail environment
- Increasing urbanisation and technological advancement
- Saturated retail market at home (South Africa) with heightened competition
- African governments' initiatives to attract investors, and the long term return on investment potential of South African retailers.

However, embedded in some of these opportunities are inherent challenges including: differences between the 54 African countries, different economic blocs, heterogeneous, and misunderstood consumers to list but a few (see Table 4.2). The motives are further expressed in a word cloud shown by Figure 4.5 (and repeated below as Figure 5.1 for convenience) which depicts the prominence of certain key words dominating the narrative of the motives for expansion.

Figure 5. 1: Word cloud depicting prominence of key words about motives across 3 data sets

These results are consistent with the literature, as it is noted that the size of Africa's food and beverage market alone will reach one trillion Dollars by 2030 (World Bank, 2012). This, combined with economic and political reforms by most countries present justifiable reason to retailers not only of South Africa but those of global standing to be looking strategic market opportunities in Africa.

5.3 Historical patterns of South African retailers' expansion into the rest of Africa

The expansion of South African retailers into the rest of Africa has previously taken a product led approach, starting with neighbouring SADC countries, and those with the Southern African Customs Union. These countries have represented easy target markets for South African products, and major retailers from South African have benefited in this regard (see Daniel, Naidoo & Naidu, 2003). While neighbouring countries like Botswana, Lesotho, and Namibia have benefited from the influence of South African retailers in developing sophisticated retail systems, the retailers themselves seem to have not prepared themselves enough to enter into the more lucrative but challenging parts of the continent like West Africa.

This is also due to the monopolistic position they have enjoyed within the SADC region. Moreover, this phenomenon has triggered protectionist tendencies from different regional blocs and countries (UNCTAD, 2013), as host countries now begin to demand more contribution to local economies from multinational retailers. It is therefore evident that South African retailers did not pay much attention the strategic approaches needed to overcome the challenges in different countries. Box 5.2 below shows some of the factors to consider in establishing a strategy for Africa.

Box 5. 2: Approaches and Strategies for Africa

Marketing:

- ✓ Different approaches and strategies in marketing and distribution
- ✓ Build and leverage brands
- ✓ Balance between local preference against consistency and achieving scale
- ✓ Pay attention to attitudes of consumers
- ✓ Understand street-corner competition
- ✓ Use local brand promoters, and control pricing

Supply chain:

- ✓ Research on transport costs
- ✓ Control distribution
- ✓

Research and Development:

- ✓ Investors should first understand market, consumers and the products and services needed
- ✓ You must do homework before investing

Cultural difference:

- ✓ Pay attention to diversity and cultural difference
- ✓ Investors should pay attention to cultural difference between North, East, West Africa

Investment:

- ✓ You must be flexible and customize investment structures
- ✓ Beware of Pan-African business models
- ✓ Understand the "big" picture like GDP growth

Labour Relations, Local knowledge:

- ✓ Engage with local knowledge, local partners and stakeholders
- ✓ Investors should not overestimate skilled labour

Previously, South African retailers have approached Africa with the view of only selling products from South Africa.

5.4 Current situation on the South African retailers' engagement with the rest of Africa: challenges, opportunities and future trends

With reference to the data analysis in Chapter 4, the key challenges reported range from product, market and operational issues to government regulations, business culture and competition. Despite these challenges, there are significant opportunities that still attract South African and global retailers into African markets. It is getting a balance between these challenges and opportunities in different countries that requires clearly crafted strategies.

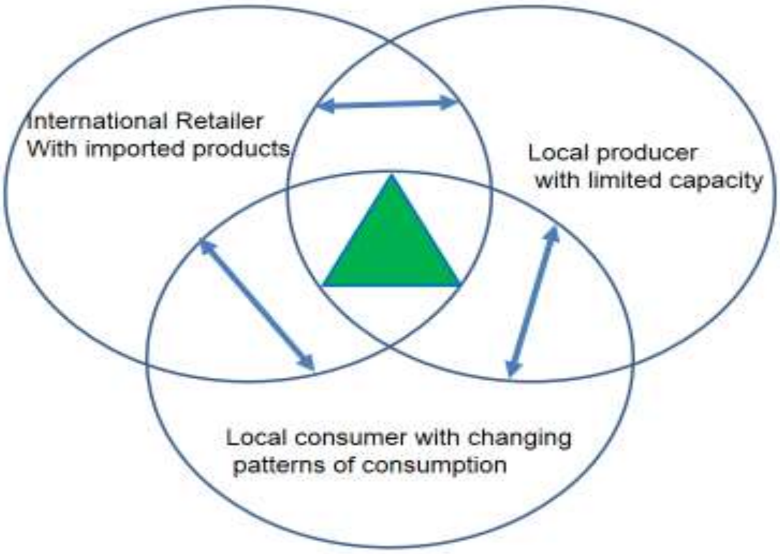
Table 5. 1: Challenges versus opportunities

Challenges	Opportunities
✓ **differences among 54 African countries dilutes market opportunities**	✓ increase urbanisation
✓ **heterogeneous middle class and the misunderstood African consumer**	✓ rise in youthful population and middle class
✓ **underdeveloped formal retail and Internet infrastructure**	✓ economic growth and increasing disposable income
✓ **limited partnership opportunities**	✓ mobile technology and Internet connectivity
✓ **lack of local knowledge**	✓ availability educated and hardworking labour force
✓ **competition**	✓ demand for quality product
✓ **logistics, product range and other operational issues**	✓ commitment from governments

5.4.1 Mitigating challenges to gain strategic benefit

Figure 5.2 below emphasises the intertwined emerging relationship between the international retailer, local consumers and local producers that should be taken seriously, while remembering that Africa remains a varied and complex market. In the future, the success of retailers in foreign African markets will likely be determined by how well these relationships are managed. The desired situation would be the co-existence and cordial relationship between the international retail, the customer and the local producer, all working hand-in-hand for the common good.

Figure 5. 2: Relationship between retailer, local producer and local consumer



What makes this market more difficult is the very basic fact that Africa is not one market. It is a continent with a considerable diversity and should not be straightjacketed by one-size-fits-all solutions. It offers different levels of opportunities across markets and requires appropriate and specific strategies to enter.

5.4.2 Is the African consumer misunderstood?

The question as to whether South African and global retailers really understand the African consumer (the so-called middle class) appears to attract varied responses. Despite all the economic analysis and projections about the growth Africa's young middle class consumers, some retailers believe that, there is no such thing as middle class in Africa beyond the borders of South Africa. And that this hype about the middle class is in actually fact, a farce.

This report argues that the African middle consumer group does exit, and is in fact growing at an alarming rate. It is rather their spending patterns, and the factors that influence their decision to spend that are not clearly understood by many. As Simmons (2013) contends, the numbers of the Africa's middle class do not matter as compared to their heterogeneous nature and qualitative context, as these have implications for retailers and their strategies (see section 2.5.2). Understanding the African consumers would be an important ingredient in achieving growth within African markets in the near future.

5.5 Analysis of barriers and threats to South African retail expansion into Africa

The lack of useful and marketable skills among Africans is a source of concern for the governments and the private sector. Traditionally the skills that have been taught focused on technology, management and entrepreneurship. These on their own are no longer adequate; the skills needed by young business people are skills in leadership and ethics and ploughing back into the community, and as long as these are still lacking, doing business in Africa will always look challenging.

Barriers take various formats and these do not only affect foreign nationals but Africans themselves as well. For example, an African finds it much more challenging to obtain visas and to travel across Africa than an American. Transportation within the continent can be more difficult than trans-Atlantic trips and according to the United Nations, though intra-Africa trade has enormous potential to create employment and catalyse growth; intra-Africa trade is only about 10% of total trade compared to 50% for Asia and 70% for Europe.

Governments need to allow the free flow of capital across borders into neighbouring countries and this can be achieved through trade. SMEs need to be incentivised to do business within the larger economic region, for example the ECOWAS common external tariff system that seeks to eliminate duties on trade between West African countries. Already the mobile phone revolution is allowing contact beyond national borders. We must go further: the use and development of special banking applications/services to transact across borders must be actively encouraged. Africa has leapfrogged the rest of the world in freeing up its banking platforms and providing financial services to the rural poor.

Notable barriers and threats to retail expansion in Africa are summarised in Box 5.3 below:

Box 5. 3: Barriers and threats to South African retail expansion into Africa

Political barriers:

- Increased terrorist, rebel and Islamist extremist groups like Al-shabab and Boko Haram
- Political unrest (like the recent ousting of the governments in Lesotho and Burkina Faso)
- Potential spill over effect of conflict and riots like the Arab spring
- Antitrust and protectionist tendencies
- Government regulations
- Too many regional economic blocs that don't engage one another

Infrastructure, Land and retailer space barriers:

- Complex land tenure systems and ill managed property markets
- Difficulty in accessing landlocked country with produce (inefficient border controls)

Cultural barrier:

- Cultural and language differences

5.6 Groupings of African countries for expansion and research focus

This report puts an emphasis on groupings of countries to provide the retailer or reader with information concerning the various economic blocs that the continent has. It should be borne in mind that each bloc presents its own challenges and opportunities that a retailer should analyse before venturing into the market.

Potential investors may wish to note that many of the markets that may be attractive due to their growth profile become less so when taking into account the difficulty of doing business. Under its 'Doing business' series, the World Bank measures and tracks changes in business regulations, and benchmarks world economies according to factors impacting the ability to set up a business.

For the African continent, Deloitte has split the global ranking of 189 economies into three, classifying countries depending on whether they are in the first 100, between 101 and 150 or above 150. The most promising markets are in groups one and two, and these have real growth potential as they continue to tackle issues limiting the development of their private sectors.

Table 5. 2: Ease of doing business – Overall ranking of selected African countries

Group one		Group two	
Country	**Overall ranking**	**Country**	**Overall ranking**
Mauritius	20	Cape Verde	121
Rwanda	32	Swaziland	123
South Africa	41	Ethiopia	125
Tunisia	51	Egypt, Arab Rep.	128
Botswana	56	Kenya	129
Ghana	67	Uganda	132
Seychelles	80	Lesotho	136
Zambia	83	Mozambique	139
Morocco	87	Burundi	140
Namibia	98	Sierra Leone	142
		Liberia	144
		Tanzania	145
		Nigeria	147
		Madagascar	148
		Sudan	149
		Gambia	150

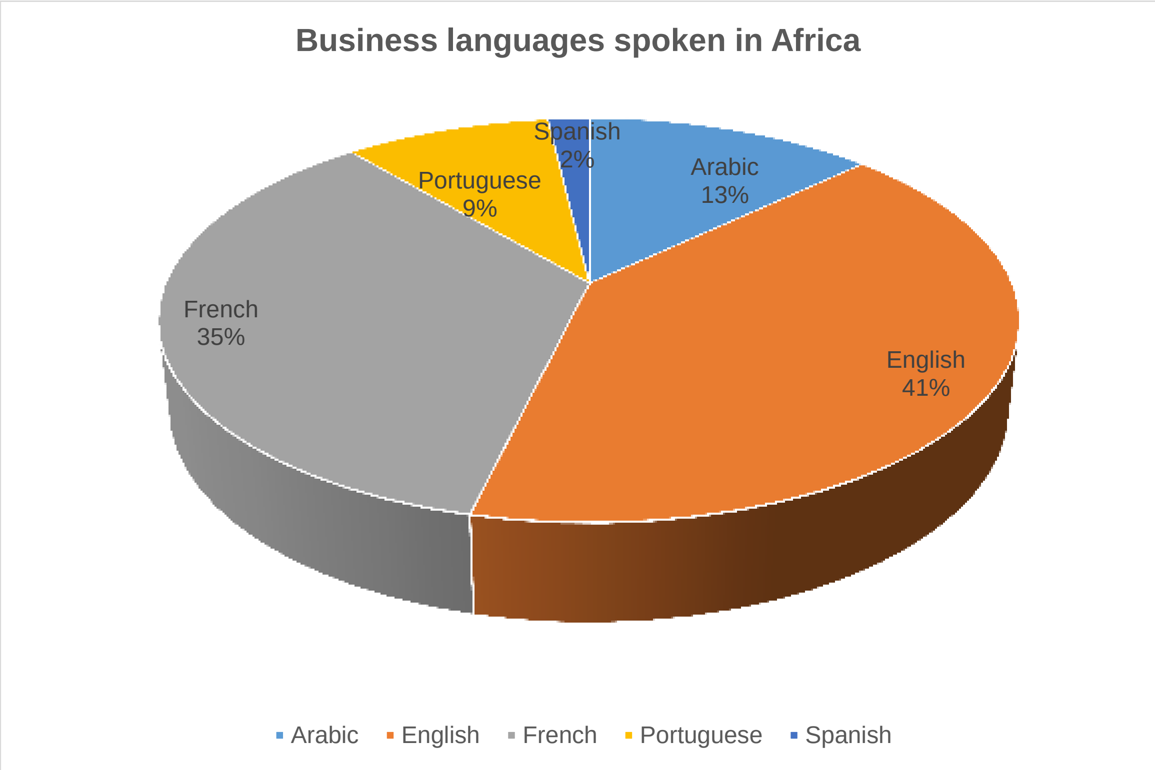
Source: World Bank Group, Deloitte analysis

The Deloitte analysis highlights that there is a great variation between individual markets in Africa. However, while the speed of development varies from one market to the next, there are signs that the leading economies of Africa are encouraging more competitiveness across the entire region as they create markets that are more dynamic and open new trade routes.

5.6.1 Country grouping according to language

The study also highlights the challenge of languages that are spoken on the continent although this is a challenge; we strongly believe that it can enhance the research and development conducted by the retailers in order to provide products and services in a language that customers can easily understand. We found that among the 54 countries in Africa, 22 speak English as a main or one of the major business languages as illustrated by Figure 5.4. This represents 41% of the total number of countries. The rest of the countries speak French (19-35%), Arabic (7-13%), Portuguese (5-9%) and Spanish (1-2%). Table 5. 3 presents the list of these countries in a more comprehensive format.

Figure 5. 3: Percentage of business languages spoken in Africa



Source: Authors' analysis

This statistics reveals that, less than half of the countries in Africa share the business language with South Africa. This can also lead to cultural differences, different legal and regulatory systems. The consequence of this evidence on retailers is much greater because of the direct connection between retailing the public (consumers).

Table 5. 3: Grouping of countries according to business language

English	French	Both English & French	Portuguese
Botswana	Algeria	Cameroon	Angola
Egypt	Benin	Mauritius	Cape Verde
Eritrea	Burkina Faso	Rwanda	Guinea-Bissau
Ethiopia	Burundi	Seychelles	Mozambique
Ghana	Central African Republic		Sao Tome
Kenya	Chad		
Lesotho	Comoros		
Liberia	Congo Republic		
Libya	Cote d'Ivoire		
Malawi	DRC		
Namibia	Djibouti		
Nigeria	Gabon		
Sierra Leone	Gambia		
Somalia	Guinea		
South Africa	Madagascar		
South Sudan	Mali		
Sudan	Mauritania		
Swaziland	Morocco		
Tanzania	Niger		
Uganda	Senegal		
Zambia	Togo		
Zimbabwe	Tunisia		
	Western Sahara		

5.6.2 Country grouping according to location

Some countries are land locked thereby making access only by air, while others can be accessed by sea. Such groupings are important as location and access can influence supply chain issues, competition, import costs and even the cost of products in those markets. These issues can also lead to barriers of entry as highlighted in Box 5.4.

Table 5. 4: Country grouping according to location

Countries with Sea/Ocean access				Landlocked countries
Access via Atlantic Ocean	Access via Indian Ocean	Access via Mediterranean Sea	Access via Red Sea	
Cameroon	Comoros	Algeria	Djibouti	Botswana
Angola	Kenya	Egypt	Eritrea	Burkina Faso
Benin	Mauritius	Libya	Egypt	Burundi
Cape Verde	Madagascar	Morocco	Sudan	Ethiopia
Guinea-Bissau	Mozambique	Tunisia		Central African Republic
Ghana	Somalia			Chad
Congo Brazzaville	South Africa			Lesotho
Cote d'Ivoire	Seychelles			Malawi
DRC	Tanzania			Mali
Gabon				Niger
Gambia				Rwanda
Guinea				South Sudan
Liberia				Swaziland
Mauritania				Uganda
Morocco				Zambia
Namibia				Zimbabwe
Nigeria				
Sao Tome				
Senegal				
Sierra Leone				
South Africa				
Togo				
Western Sahara				

5.7 Conclusion

5.7.1 Concluding summary

This study reports on findings of a multi-faceted study into the expansion of South African retailers' activities into other African countries. This provides a background and general overview of the nature of South African retailers' engagement with the rest of the African continent. To do this, the study set out to achieve the following main objectives:

- Provide motives for the expansion into Africa by South African retailers
- Provide historical patterns of South African retailers' expansion into the rest of Africa
- Provide insight on the current situation on the SA retailers' engagement with the rest of Africa including challenges and opportunities to inform future trends
- Analysis of barriers and threats to SA retail expansion into Africa
- Provide functional groupings of Africa countries for expansion and research focus – based on country/regional, geographic and language differences and similarities.

This study was exploratory in nature, and was structured around four streams: general literature review, semi-structured interviews, in-depth key informant interviews and document analysis. The general literature was reviewed to provide some basis for and, to inform and underpin the theoretical relevance of the study. The semi-structured interviews were conducted with people of different African country origins either than South Africa. This was intended to solicit wider opinions of people with local knowledge and experience of the different African countries, most of which have major retailers from South Africa present in their cities.

The in-depth key informant interviews were conducted with highly knowledgeable and experienced individuals who, based on their line of duties, have reasonable exposure and experience in the South African retail industry as well as the business landscape of the African continent. The key informant interviews, as the phrase implies, was necessary in gathering valuable information to assist with a better understanding of the topic under study. Then, we gathered relevant material from publications from publicly available media sources dedicated to publishing insights newsletters and articles on business development on the African continent.

The key findings of this study have been discussed in line with the objectives, and then summarised as shown in Table 5.5 to provide a fuller picture of what the study set out to do.

Table 5. 5: Summary of the objectives and findings

No	Objective	Findings
1	Motives for expansion	• Strong economic growth of African countries, with increasing population • Increasing middle class with disposable income and a taste for quality products offered in modern retail environment • Increasing urbanisation and technological advancement • Saturated retail market at home (South Africa) with heightened competition • African governments' initiatives to attract investors, and the long term return on investment potential of South African retailers.
2	Historical patterns of engaging in Africa	• Political connections • Product orientation (push strategy) • Ownership approach • Conservative management style (not open to change) • Me too approach
3	Challenges	• Competition (local and international) • Differences among 54 African countries dilutes market opportunities • Heterogeneous middle class and the misunderstood African consumer • Underdeveloped formal retail and Internet infrastructure • Limited partnership opportunities • Lack of local knowledge • Logistics, product range and other operational issues
4	Opportunities	• Increased urbanisation • Rise in youthful population and middle class • Economic growth and increasing disposable income • Mobile technology and internet connectivity • Availability of educated and hardworking labour force • Demand for quality product • Commitment from governments
5	Future trends	• Stakeholder engagement • Flexible strategies (more attention to country) • Consumer centred approach • Understanding of the consumer • Balance between local and imported • A learning approach • Established relations with local suppliers
6	Barriers and threats	• Too many regional economic blocs • Political instability • Antitrust and protectionist tendencies • Regulatory environment • Cultural and language barriers

5.7.2 Concluding highlights

5.7.2.1 Continental issues

This study found that Africa remains a lucrative market that presents ample amount of opportunities to retailers of all kind, but there are also significant challenges, barriers and threats on the ground. South African retailers planning to invest in the continent must take note of these barriers and challenges, and measure the potential threat they pose before committing to any long-term investment (see Table 5.5 for details on challenges and opportunities).

Furthermore, African is home to about 17 different regional economic blocs, and these economic blocs appear not to engage much in terms of facilitating intra-Africa trade. In fact their existence poses a potential impediment to the flow of trade across the continent. Coupled with the issue of economic blocs, is that of language and cultural differences within the continent. As depicted by Figure 5.4, only 41% of the continent speaks English, and this has serious implications for the retailer from South Africa. For example, West Africa is seen as one of the most profitable retail destinations, but in a region of 16 countries including Africa's most populous country and largest market (Nigeria), only 5 out of the 16 countries speak English. Therefore, they have different cultures, different legal systems, different customs regulations and the list goes on, making it difficult for international retailers like the ones from South Africa to operate in the region.

The issue of economic blocs and cultural and language difference can result in antitrust and protectionist tendencies from various countries. South African retailers seeking market opportunity in the rest of Africa should be mindful of this and not appear as being arrogant.

5.7.2.2 How should South Africa retailers approach Africa?

This study found a need for South African retailers of all kinds, to try to understand the African consumer, and build relationships with other stakeholders including local producers. Different country governments are putting stricter measures in place to safeguard local economies and enhance production. Therefore, the historical complaint by South African retailers that local producers do not produce the right qualities and quantities to serve their need can no longer hold. This has brought contestation over the retailers' contribution to the local economy.

A case in point is Walmart's entry into South Africa. The world's largest retailer had to go to the competition tribunal for trying to invest in South Africa. Although Walmart won the case, it was subjected to several conditions of operating. The same is likely to happen across Africa with regional giants like Shoprite. The approach to Africa thus requires much more than the ability to provide quality products. It requires:

- a positive attitude and respect to Africa,
- building long term relationships and managing them,
- flexible strategies that are adaptable to different country requirements,
- meticulous understanding of the African consumer,
- appreciation for cultural difference.

For South African retailers to do better in the rest Africa, they will need to open up more and engage with the local economies of the host countries.

5.8 Recommendations for future research

Future research should focus on in-country studies to determine the reason behind failures and successes of South African retailers. More specifically the following topics could be investigated:

- To establish the contribution South Africa retailers are making in selected African countries' economies.
- What are the price the differences of a particular product category in between selected countries
- There are strategies used by South Africa retailers in different Africa countries, to ascertain why they are failing or passing.
- An investigation into the relationships between the different regional economic blocs and their impact on retail expansion
- We recommend studies in the following countries for specific country studies:
- Uganda, Rwanda, Ethiopia, Gabon and Cameroon.

REFERENCES

Abubakar, M. 2014. Shoprite opens in northern Nigeria, shrugs off security fears. http://www.bdlive.co.za/africa/africanbusiness [/2014/03/21].

Accenture. 2009. Expansion into Africa: Challenges and Success Factors Revealed. http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture_Strategy_Expansion_into_Africa_POV.pdf [20 July 2010].

Adebayo R. O. 2002. In Search of an Enduring Administrative Structure for Effective Urban Governance in Nigeria. Paper presented at 33rd Annual Conference of NITP, Ilorin.

Ahwireng-Obeng, F. and McGowan, PJ. 1998a. Partner of hegemon? South Africa in Africa, part 1. *Journal of Contemporary African Studies* 16(1): 5-38

Ahwireng-Obeng, F. and McGowan, PJ. 1998b. Partner of hegemon? South Africa in Africa, part 2. *Journal of Contemporary African Studies* 16(2): 165-195

A.T.Kearney. 2014. Global Retailers: Cautiously Aggressive or Aggressively Cautious? 2013 Global Retail Development Index. https://www.atkearney.com/consumer-products-retail/global-retail-development-index/2013#sthash.3haRrPQM.dpuf

Bakunda, G. 2003. Explaining firm internationalisation in Africa using the competence approach. *Journal of African Business*, 4(1), 57-85.

Bowen, G. A. 2000. Document analysis as a qualitative research method. *Qualitative research journal,* 9(2), 27-40.

Bremmer, I. 2014. The New Rules of Globalisation. *Harvard Business Review Magazine*,(92) 1 /2: 103-107, January-February.

Brock, J. 2010. Nigeria Scraps Ban on Textiles, Furniture Imports. Copyright Policy Reuters http://www.reuters.com/article/2010/11/30/nigeria-imports-idUSLDE6AT1RH20101130 [20/05/2014]

Brozin, R. 2013. Franchising and Retail. Compiled in; Games, D. *Business Africa: Corporate insights*. Johannesburg, Penguin: 171-180

Byamugisha,F.K. 2013. Securing Africa's Land for shared prosperity. A program to scale up Reforms and Investments. *Africa Development Forum* 78085. Agence francaise de Developpement (AFD) & World Bank

Dakora, E.A.N. 2012. Exploring the fourth wave of supermarket evolution: concepts of value and complexity in Africa. *International Journal of Managing Value and Supply Chains*, 3 (3), 25-37.

Dakora, E.A.N., Bytheway, A. & Slabbert, A. 2010. The Africanisation of South African retailing: A review. *African Journal of Business Management*, 4(5): 784-754.

Daniel, J. Naidoo, V., Naidu, S. 2003. The South African have arrived: Post-Apartheid Corporate Expansion into Africa, in J Daniel, Habib, A and Southall, R. (eds) *State of Nation: South Africa 2003-2004*. 368-90.

De Beer G. 2013. Logistics and Supply Chain. Compiled in Games, D. *Business Africa: Corporate insights.* Johannesburg, Penguin: 114-150

Dodds, E. 2013. Open Development and Aid management in Malawi. World Bank. http://maps.worldbank.org/maps/content/article/open-development-and-aid-management-malawi.html

eProperty News. 2002 Shoprite buys Madagascar's Champion supermarket group. *Business Day*, 19 November

Fin24. 2013. Woolworths pulling out of Nigeria. http://www.fin24.com/Companies/Retail/Woolworths-pulling-out-of-Nigeria [2013/11/07].

Games, D. 2008. The South African Retail Sector in Africa. In Grobbelaar, N. & Besada, H. *Unlocking Africa's Potential: The role of corporate South Africa in Strengthening Africa's private sector*. Johannesburg, SAIIA: 255-276

Games, D. 2013. Africa's Business Landscape. The state of Play. Compiled in; Games, D. *Business Africa: Corporate insights*. Johannesburg, Penguin: 1-13

Games, D. 2013. Failure in Nigeria is often due to poor strategies http://www.bdlive.co.za/economy/columnists [2014/07/15]

Grobbelaar, N. 2008 South African corporate engagement With Africa: experiences, lessons and policy recommendations. In Grobbelaar, N. & Besada, H. *Unlocking Africa's Potential: The role of corporate South Africa in Strengthening Africa's private sector*. Johannesburg, SAIIA: 11-120.

Hedley, N. 2013. Local food companies looking to expand further in Africa. (online). http://www.bdlive.co.za/business/retail/2013/10/24/local-food-companies (Accessed 06/03/2014).

Ibeh, K., Wilson, J. and Chizema, A. 2012. The internationalization of African Firms 1995-2011. Review and Implications. *Thunderbird International Business Review*. (54), 4. July/August 2012.

Jiwaji, A. 2014. Tanzania shuts the door to African expats. *African Business*, 48(406):80-81, March

Kabukuru, W. 2014a. Mall Mania Unfazed by terror strike. *African Business*, 48(406):142-143, February

Kabukuru, W. 2014b. EAC “cheetahs” ignore “tortoise” Tanzania and Burundi. *African Business*, 48(405):132-133, February 2014

KPMG. 2014. Sub-Saharan Africa Power Outlook. KPMG Africa Infrastructure & Major Projects Group http://www.kpmg.com/ZA/en/IssuesAndInsights/ArticlesPublications/General-Industries-Publications/Documents/2014%20Sub-Saharan [February 2016].

Lang, J. 2013. South Africa as a base for expansion into Africa? Bowman Gilfillan Africa group, Cape Town.

Leech, BL. 2002. Asking Questions: Techniques for Semistructured Interviews. *Political Science & Politics*, 665-668. doi:10.1017/S1049096502001129.

Mahajan, Vijay and Gunther, Robert E. 2009. *Africa rising: how 900 million African consumers offer more than you think*. Upper Saddle River: Prentice Hall

Marshall, MN. 1996. The key informant techniques. *FamilyPractice*, 13, 92-97.

Marzo, F. and Patterson, S. 2010. Africa’s outlook. *OECD Observer*, 279, 64-65.

McKinsey Global Institute. 2012. Urban world: Cities and the rise the consuming class. file:///C:/Users/Apprentice/Downloads/MGI_Urban_world_Rise_of_the_consuming_class_Full_report.pdf [2014/07/20].

McKinsey Global Institute, 2013. Lions go Digital, the Internet’s Transformative potential in Africa. McKinsey& Company. http//www.mckinsey.com/mgi/

McTernan, B.A. 2014. Bigger is better for Ghana’s malls. http://www.theafricareport.com/ [7 November, 2014].

Meng, T., Klepacka, A.M., Florkowski, W.J., Ekielski, A., Sarpong, D., Resurreccion, A.V.A. and Chinnan, M. 2014. Food Consumption and Technology in Developing Countries: in Case of Ghana’s Urban Households.

https://www.google.co.za/#q=Food+Consumption+and+Technology+in+Developing+Countries%3A+in+Case&safe=active [15 December 2014].

Miller, D. 2006. Changing African cityspaces - Regional claims of Africa labour at South Africa owned Shopping Malls. *Africa Development*, XXXI(1): 27-47 .

Miller, D., Saunders, R. & Oloyede, O. 2008. South African Corporations and post-Apartheid Expansion in Africa – creating a new regional space. *African Sociological Review*, 12(1): 1-19.

Moorad, Z. 2012. Spur out hunting for trade in middle-class Africa. *Business DAY BDLive*, 25 September, http://www.bdlive.co.za/business/retail/2012/09/25/spur-out-hunting-for-trade-in-middle-class-africa

Mulupi, D. 2014. Fashion store owner on recovering from the Westgate mall attack. http://www.howwemadeitinafrica.com/fashion-store-owner-on-recovering-from-the-westgate-mall-attack [20 February 2016].

Ogbu, S. 2013. Property. Compiled in; Games, D. *Business Africa: Corporate insights*. Johannesburg, Penguin: 151-160.

Population Reference Bureau (PRB). 2009. World Population Data Sheet. http://www.prb.org/pdf09/09wpds_eng.pdf [20 February 2016]

Prahalad, C.K., 2014. *The fortune at the bottom of the pyramid: eradicating poverty through profits.* Pearson Education.

Reardon, T., Berdegue, J.A., Timmer, C.P., Mainville, D., Flores, L., Hernandez, R. and Neven, D. 2005 Links Amongst Supermarkets, Wholesalers, and Small Farmers in Developing Countries: Heuristic Model and Taxonomy, with Emerging Evidence. Presented at the International Research Workshop "Future of Small Farms", ODI, IFPRI, and Imperial College, University of London on June 26-29

Rosenberg, A. 2014. Kenya – A Regional Trendsetter. The Frontier Group. http://blog.frontierstrategygroup.com/2014/03/kenya-a-regional-trendsetter/ [15 December 214].

Sedmak, M and Longhurst, L. 2010. Methodological choices in enterprise systems research *Business Process Management Journal,* 16:1 , 76-92

Shoprite. 2015. Geographic spread of Shoprite and it different outlets http://shopriteholdings.co.za/OurGroup/Pages/Geographical-Spread.aspx [10 February 2015].

Simmons B. 2013 Beware Africa's Middle class. HBR. http://blogs.hbr.org/2013/06/beware-africas-middle-class/

Sodebom, M. and Teal, F. 2003. Are manufacturing exports the key to economic success in Africa. *Journal of African Economies*, 12(1), 1-29.

Sternquist, B. 2007. *International retailing*. 2nd ed. New York: Fairchild.

The Economist, 2014. The Beer Frontier *The Economist* http://www.economist.com/news/business/21602999-long-established-african-firm-went-global-only-find-fastest-growing-market-was-its

United Nations Conference on Trade and Development (UNCTAD) 2013. Economic development in Africa Report. Intra-African Trade: Unlocking private sector Dynamics. Economic Development in Africa Report. United Nations.

United Nations Economic Commission for Africa (UNECA) 2013. Harmonising policies to transform trading environment. Assessing Regional Integration in Africa VI. Addis Ababa, UNECA.

United Nations Development Programme (UNDP), 2011. Towards human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty. Copyright Policy http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Towards_SustainingMDG_Web1005.pdf   [19/05/2014]

UN-Habitat – See United Nations Human Settlements Programme

United Nations Human Settlements Programme (UN-Habitat). 2010. The State of African Cities 2013. Governance, Inequality and Urban Land Markets. Nairobi, UN-Habitat.

United Nations Conference on Trade and Development (UNCTAD) 2013. Economic development in Africa Report. Intra-African Trade: Unlocking private sector Dynamics. Economic Development in Africa Report. United Nations

United Nations Economic Commission for Africa (UNECA) 2013. Harmonising policies to transform trading environment. Assessing Regional Integration in Africa VI. Addis Ababa, UNECA.

United Nations Development Programme (UNDP). 2011. Towards human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty. http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Towards_SustainingMDG_Web1005.pdf   [19/05/2014].

United Nations Human Settlements Programme (UN-Habitat). 2010. The State of African Cities 2013. Governance, Inequality and Urban Land Markets. Nairobi, UN-Habitat.

Venter, D, Erwee, R, and de Lange, R. 2007. Economic and social development initiatives for South Africa and Africa. In: Hough, J and Neuland, E (eds). *Global Business Environment and Strategies: Managing for global competitive advantage*.. 3rd ed. Cape Town: OUP.

Weatherspoon, D.D. & Reardon, T. 2003. The Rise of Supermarkets in Africa: Implications for Agrifood Systems and the Rural Poor. *Development Policy Review*, 21(3): 333- 355

Webster, J., & Watson, R. T. 2002. Analyzing the past to prepare for the future: Writing a literature review. *Management Information Systems Quarterly*, 26 (2), 3.

World Bank, 2010. Africa's Infrastructure: A Time for Transformation. *Africa Development Forum* . Forster,V. and Briceno-Garmendia, C. (eds).

APPENDICES

Appendix A: Key informant in-depth interview summary

Categories	Key informant one NCRF	Key informant two Wesgro	Key informant three Moto Trade

Challenges in Africa	- Traceability of products (process)
	- Uncertainty about the market:
	- What it consist of
	- How it is implemented
	- Difficulty in trade
	- Nature of product/service
	- PerishabilityComplexity management
	- High margin products
	- Product market mismatch
	- E.g. woolwoths - Nigeria
	- Imperative to trade legally
	- Regulations regarding illegal good not enforced
		- Local procurement resulting in empty shelves
		- Poor and inconsistent quality of products, packing and labelling and unreliable delivery system
		- Government need to develop attractive local products
		- Different national cultures due to historical colonial backgrounds
		- The physical distance doesn't matter much , but culture
			- It is very difficult to harmonies the region, the roads act is difficult for harmonising it with other African countries.
			- Going in to Africa has a lot of challenges for the motor industry which include border controls, weight restriction and many other rules.
			  - we have learned from European Union, so we have EU standards. And a lot of African countries don't, so getting the product there is the challenge.
			  - Each country has its own challenges in my 8 years on the committee, I can tell you not much have been dissolved.
			- -Namibia is a little bit easier than other borders post sharing with South Africa

Attitude of SA business to Africa	- Business model of SA retail compared to those of other African countries - SA has credit facilities Consumer attitude towards quality products - Geniuses of products - Regulations regarding illegal good not enforced - Effectiveness of enforcement, questionable - Vulnerability of big entities	- Condescending attitude a problem - We have the product and the technology and you don't - Arrogance when dealing potential partners - Misunderstood investor and host country relations - Every country needs investors but investors also need those countries - Education is needed in this regard	
Motive in going into Africa	- Saturation in SA market. - Growth in middle class - Long term ROM conversation	- Following trends - Economic growth of countries - Discovery of natural resources - Growth in middle class - Government initiatives to attract investors	- Motor industry is the industry is the 2nd large industry in SA second, 7800 registered business throughout at the country.
Middle class consumers	- Differentiated understanding of what the middle class is. - The concept of money and money management differs - Different perceptions around saving - Is it purely about salary? - It is about disposable income	- There is growth potential	- When you take the business to another country you can either be dealing with the poor or the super-rich people of the country.

	- Saving culture affects expenditure		
Patterns of expansion/investment	- Control of investments is a problem - High margin vs low margin goods - Natural progression into the challenges - Homogeneity of the market - Different companies try different models - Potential for E&M commerce	- Control of investment - Lack of trust in business ethics of the country concerned - partnerships	
Contribution to local economy	- SA businesses are very conservative about change - SA economy is conservative - Seen with regard transformation - Low margins and less profitability - Entrepreneurial abilities and innovation - Smaller and local retailer are learning to cope with the big business	- SA businesses do not go into Africa to compete with local products - 80% percent of local products in Africa are imported. - There should be no worry about killing local products - If SA does not export into Africa the Chinese or Germans will that	
Bigger continental issues regarding investment	- Business life cycle - As business grow, they switch over from being just a business of a particular trading activity to an investment activity - The issue become what is the ROM - If you can't find local manufacturing capacity, you will have to engage foreign business - Investment types of retailers bring in centralised purchasing and supply chain models. - This may require 1st generation retailers to source products from SA and globally - Mainly due to lack of local production capacity - If they are mainly focused on ROM, they will not easily accommodate suppliers… - Local goal would therefore be sold in a different retail space.	- Government regulates the amount of products that should be imported. - Governments play a role	
Competition	- The investment market is driven by western countries - Chines - Local traders	- Businesses from other countries want - China should not be a threat - China has go its own segment of customers - Quality issues with Chinese products - The market needs innovation; to offer something different	- Most of China towns here, clothes are not imported from China, they are made in Lesotho, Zimbabwe, they are factories. Some they might argue that they are switching shops but they are factories.

Appendix B: Document Analysis

Key Issues	Summary
Reasons/ motives for expansion	- Strong economic growth, African markets will be worth $1 trillion by 2020 - The number of consumers are rising - Africa is the hotspot for retail companies, potential for expansion - Consumers now prefer modern trade - Consumer spending in Africa is increasing - Countries are becoming more brand conscious - Supermarket culture is developing - Many African countries are in the second stage of development - Clamor for high quality goods and services - Demand for commodities is high, demand and consumption - Technology is growing rapidly - There is consumer growth in the continent
Approaches and Strategies for Africa	- Different approaches and strategies in marketing and distribution - Control distribution - Build and leverage brands - Balance between local preference against consistency and achieving scale - Use local brand promoters, and control pricing - Investors should not overestimate skilled labour - Investors should first understand market, consumers and the products and services needed - Investors should pay attention to cultural difference between North, East, West Africa - You must do homework before investing - Research on transport costs - Pay attention to diversity and cultural difference - Pay attention to attitudes of consumers - You must be flexible and customize investment structures - Engage with local knowledge, local partners and stakeholders - Beware of Pan-African business models - Understand the “big” picture like GDP growth - Understand street-corner competition - Toe-dipping, start with a pilot project
Contribution to economy of the host country	- Companies should use local branding - Recruit local talent - Bring the best technology into the continent - Mutual partnerships with locals - Provide right goods and services - Pay taxes
Political climate and regulations	- Rwanda have efficient government - Nigeria has toughest rules and regulations - Niger has a pretty stable political environment - Political uncertainty in Zimbabwe and tough laws - Mozambique has good political climate - Unique political climates in Africa
Cultural differences	- Language barriers in Africa - Cultural diversity in Africa and 3 000 distinct ethnic backgrounds - More than 2 000 languages - Cultural diversity remains a concern for investors
Geographical distance	- Logistics in Africa are quite hard - Landlocked countries are difficult to navigate - To many check points between African countries
Local production capacity	- Manufacturing industry - Informal retail

Population and disposable income	- 93% still in rural - Population is scattered across vast regions - Unskilled population
Port clearance and customs requirements	- Toughest rules and regulations in Nigeria - Duty and supply chain challenges - Logistics challenges in landlocked
Infrastructure	- Infrastructure differs around Africa - Botswana has an efficient transport network - Good infrastructure in Kenya - Infrastructure development in pipeline in Burundi ($5.8 billion) - Urbanization is increasing in Africa - Poor infrastructure developments - Infrastructure projects in pipeline in Africa - Huge growth in telecommunication in Nigeria - Urbanization rising in Africa - Telecommunication is booming in Nigeria
Competition	- Product differentiation for newcomers in the market because of tough competition - Low inflation which is as a result of competition and "Chinese Price" - Understand the street-corner competition that is competition from collective of small, informal enterprises - Competition in African products
Antitrust tendencies of African countries	- Retail business in Windhoek is dominated by SA firms Such as Woolworth, Pick n Pay and Shoprite - South African is most attractive but also the most saturated therefore making it difficult to penetrate the market - Personal and economic security is often a concern and trust between foreigners and locals is very low
Opportunities	- Nigeria has Africa's largest population - Nigeria is the largest economy in Africa - One third of African population fall in the middle class - Africa's middle class has tripled the past 30 years - Large population nearing 900 million - Increased wealthy consumers - Rapid growth of the middle class - African urbanization at 3.61% - 50% of the continent will be urbanized by 2030 - 60% of the continent will be urbanized by 2050

Appendix C: Country Groupings (Sorted by regions)

No	African Country	Region	Official (business language/s)	Population	GDP	Main resource Contributor to GDP
44	Seychelles	Indian Ocean	Seychellois Creole, English & French	91,650	$2.404 Bln	Tourism
6	Burundi	Central Africa	French and Kirundi	10,395,931	$5.75 Bln	Agriculture 30%
7	Camerron	Central Africa	English & French	23,130,708	$53.16 Bln	Oil production & Agriculture
9	Central African Republic	Central Africa	French	5,277,959	$3.336 Bln	Agriculture
10	Chad	Central Africa	Arabic & French	11,412,107	$28 Bln	Oil and agriculture
12	Congo Republic	Central Africa	French	4,662,446	$20.26 Bln	Oil and Forestry
14	DRC	Central Africa	French	77,433,744	$29.39 Bln	Mining
17	Equatorial Guinea	Central Africa	Spanish	722,254	$19.68 Bln	Oil & Gas
20	Gabon	Central Africa	French	1,672,597	$30.06 Bln	Oil
41	Rwanda	Central Africa	Kinyarwanda & English	12,337,138	$16.37 Bln	Mining & Agriculture(coffee and tea)
42	Sao Tome	Central Africa	Portuguese	190,428	$421	Cocoa
15	Djibouti	East Africa	Arabic & French	810,179	$2.505 Bln	Agriculture (Coffee)
18	Eritrea	East Africa	Tigrinya, Arabic & English	6,380,803	4.717 Bln	Copper, potash & gold
19	Ethiopian	East Africa	Oromo, Amharic, Somali, Tigrayan, Afar & English.	96,633,458	$118.2 Bln	Agriculture
25	Kenya	East Africa	English & Kiswahili	45,010,056	$79.9 Bln	Tourism
46	Somalia	East Africa	Somali & Arabic	10,428,043	$5.896 Bln	Agriculture (Livestock)
48	South Sudan	East-Central Africa	English	11,562,695	$14.71 Bln	Oil
54	Uganda	East-Central Africa	English	35,918,915	$54.37 Bln	Agriculture
49	Sudan	north-eastern Africa	Arabic & English	35,482,233	$89.97 Bln	Oil
1	Algeria	Northern Africa	Arabic	38,813,722	$284.7 Bln	Hydrocarbons
16	Egypt	Northern Africa	Arabic	86,895,099	$551.4 Bln	Tourism & manufacturing,
30	Libya	Northern Africa	Arabic & English	6,244,174	$73.6 Bln	Energy Sector

36	Morocco	Northern Africa	Arabic & Tamazight	32,987,206	$180 Bln	Agriculture & tourism
53	Tunisia	Northern Africa	Arabic	10,937,521	$108.4 Bln	Tourism & Petroleum products
2	Angola	Southern Africa	Portuguese	19,088,106	$124 BIn	Oil production
4	Botswana	Southern Africa	Setswana & English	2,155,784	$34 Bln	Diamond mining
11	Comoros	Southern Africa	Arabic & French	766,865	$911 Mln	Agriculture
26	Lesotho	Southern Africa	Sesotho & English	1,942,008	$4.265 Bln	Diamond
31	Madagascar	Southern Africa	French & Malagasy	23,201,926	$22.03 Bln	Agriculture
32	Malawi	Southern Africa	English & Chichewa	17,377,468	$15.02 Bln	Agriculture
35	Mauritius	Southern Africa	English	1,331,155	$20.95 Bln	Agriculture (Sugar) & tourism
37	Mozambique	Southern Africa	Portuguese	24,692,144	$28.15 Bln	Agriculture & tourism
38	Namibia	Southern Africa	English	2,198,406	$17.79 Bln	Mining (Alluvial Diamond)
47	South Africa	Southern Africa	English etc	52,981,991	$595.7 Bln	Mining (Gold)
50	Swaziland	Southern Africa	English & siSwati	1,419,623	$6.259 Bln	Subsistence agriculture & Mining
51	Tanzania	Southern Africa	Kiswahili & English	49,639,138	$79.29 b	Gold & Tourism
56	Zambia	Southern Africa	English	14,638,505	$25.47 Bln	Mining (Copper)
57	Zimbabwe	Southern Africa	English	13,771,721	$7.496 Bln	Agriculture & Mining
3	Benin	Western Africa	French	10,160,556	$16.65 Bln	Subsistence agriculture
5	Burkina Faso	Western Africa	French	18,365,123	$26.51 Bln	gold and cotton
8	Cape Verde	Western Africa	Portuguese	538,535	$2.222 Bln	Tourism
13	Cote d'Ivoire	Western Africa	French	22,848,945	43.67 Bln	Agriculture
21	Gambia	Western Africa	English	1,925,527	$3.678 Bln	Tourism & Agriculture
22	Ghana	Western Africa	English	25,758,108	$90.41 Bln	Service sector, Gold & Cocoa
23	Guinea	Western Africa	French	11,474,383	$12.56 Bln	Bauxite
24	Guinea-Bissau	Western Africa	Portuguese	1,693,398	2.005 Bln	Farming and Fishing
29	Liberia	Western Africa	English	4,092,310	$2.898 Bln	Water, Mineral resources, Forests & Agriculture
33	Mali	Western Africa	French	16,455,903	$18.9 Bln	gold and Agriculture

34	Mauritania	Western Africa	Arabic	3,516,806	$8.204 Bln	Agriculture
39	Niger	Western Africa	French	17,466,172	$13.98 Bln	Agriculture
40	Nigeria	Western Africa	English	177,155,754	$478.5 Bln	Oil
43	Senegal	Western Africa	French	13,635,927	$27.72 Bln	Agriculture
45	Sierra Leone	Western Africa	English	5,743,725	$9.156 Bln	Mining (Iron ore & Oil)
52	Togo	Western Africa	French	7,351,374	$7.348 Bln	Agriculture
55	Western Sahara	Western Africa	Arabic	554,795	$906.5 Bln	Fishing & Mining (phosphate)

Appendix D: African Country Justification Summary

African Country	Region	Official (Business Language/s)	Population	GDP	Main resource contributor to GDP	Political stability	Investment Friendliness (ease of doing business global ranking)	Retail Infrastructure	Retail Competition	Location/ supply chain
Algeria	Northern Africa	Arabic	38 813 722	214.080	Hydrocarbons	Stable	154	New shopping malls co-exist with market	-Formal and informal retailers -International retailers	-Sea ports -road ways -rail ways -airport
Angola	Southern Africa	Portuguese	19 088 106	128.564	Oil production	Stable	181	-Advancing retail landscape	Country Bird Holdings, Pepkor Group, Tiger Brands, Truworth, Shoprite	Coastal, sea port, within Southern African customs union,
Benin	Western Africa	French	10 160 556	8.701	Subsistence agriculture	Stable	151	-largely informal - few modern retail spaces are being developed	-Few international retailer present e.g. Woodin -local markets and street shops	-Sea ports -Airport -Road
Botswana	Southern Africa	Setswana & English	2 155 784	15.789	Diamond mining	Stable	74	-Advanced retail environment	-High competition -Choppies from Botswana expands into South Africa	-Landlocked, -road ways -rail ways -air ports
Burkina Faso	Western Africa	French	18 365 123	12.503	Gold and cotton					
Cameroon	Central Africa	English & French	23 130 708	31.669	Oil production & Agriculture	stable	158	-Some formal retail infrastructure exist	Informal/street vendors -formal supermarkets -increased urbanisation	-sea port -airports - road ways
Chad	Central Africa	Arabic & French	11 412 107	13.947	Oil and agriculture	relative	185	-27% urban -potential in tourism	-non existent	-landlocked -roads -airports
Congo Republic	Central Africa	French	4 662 446	13.502	Oil and Forestry	-Relative political unrest, Dictatorship	178	-mixed: formal and informal	-Casino Supermarché -Good Market -Guenin -La Cité -Metraco -Regal Congo -Score	-Airport -roads -sea & river ports

Cote Divoire	Western Africa	French	22 848 945	33.956	Agriculture	Unstable	147	-modern shopping centres and informal traditional markets	-international, regional and local retailers coexist	-Sea ports -road ways -rail ways -airport
DRC	Central Africa	French	77 433 744	34.677	Mining	Instability is reported	184	- shopping centres are being built, supported by the Shoprite	- Shoprite -local markets	-Landlocked -airports -rad ways -rail
Egypt	Northern Africa	Arabic	86 895 099	286.435	Tourism & manufacturing,	Stable and secure	112	New shopping malls co-exist with market	Formal and informal retail business	-Sea ports -road ways -rail ways -airport
Equatorial Guinea	Central Africa	Spanish	722 254	14.308	Oil & Gas	Stable	165	High income economy. New shopping malls	Local markets Supermarkets	-sea port -airport -road ways
Ethiopia	Horn of Africa	Oromo, Amharic, Somali, Tigrinya, Sidamo & English.	96 633 458	52.335	Agriculture	Stable	132	-Poor distribution network -Informal -modern retail development	-Government owned stores, - small traders -little competition	- Landlocked - Road ways -Airports
Gabon	Central Africa	French	1 672 597	17.182	Oil	Stable	144	-Local/street markets -Shopping centres and supermarkets	-Local markets -GeantSan –Supermarket -Score Supermarket -Super Louis Supermarket -Viga Supermarket -Prix Import	-sea ports -airports -road ways
Ghana	West Africa	English	25 758 108	38.648	Gold, Oil & Cocoa	Stable democracy	70	-modern shopping centres/malls -traditional markets /street shops	Woolworths, Shoprite and Game etc are present -traditional markets and street shops are prevalent	-Sea ports -road ways -airport
Kenya	East Africa	English & Kiswahili	45 010 056	60.770	Tourism	Stable but terrorist threat loams	136	-Shopping mall available -good supply network	-Local retailers have good presence	-Sea port -Mombasa is one the busiest on the continent
Libya	Northern Africa	Arabic & English	6 244,174	41.148	Energy Sector	Unstable	188	Shopping malls and informal markets	International retailers: marks &Spencer, and other regional retailers	-Sea ports -road ways -rail ways -airport

Madagascar	Southern Africa	French & Malagasy	23 201 926	10.595	Agriculture	Unstable	163	Largely informal retail system	Not much	-Sea ports -road ways -rail ways -airport
Mali	Western Africa	French	16 455 903	11.915	Gold and Agriculture	Unstable	146	-shopping malls and informal markets exist	-largely informal, not much competition	-river ports -road ways -airport
Mauritius	Southern Africa	English, French	1 331 155	13.240	Agriculture (Sugar) & Tourism	Relatively Stable	28	Formal retail centre and traditional market setups	- international retailers are there to compete with locals	- Sea ports - Airport - Road ways
Morocco	Northern Africa	Arabic & Tamazight	32 987 206	109.201	Agriculture & tourism	Stable and steady	71	-Moving away from traditional souks to malls	International retailers present: Carrefour etc	-Sea ports -road ways -rail ways -airport
Mozambique	Southern Africa	Portuguese	24 692 144	16.684	Agriculture & tourism	Stable	127	-Good retail and wholesale network -vibrant informal sector	-Competition among SA retailers there and traditional markets	-Sea ports -road ways -rail ways -airport
Namibia	Southern Africa	English	2 198 406	13.353	Mining (Alluvial Diamond)	Stable	88	-very advance retail system	-local and SA retailers compete -open markets also exist.	-Sea ports -road ways -rail ways -airport
Niger	Western Africa	French	17 466 172	8.025	Agriculture	Stable	168	Largely informal setups	-traditional markets and street shops -little competition	-Airports -Road ways
Nigeria	West Africa	English	177 155 754	573.652	Oil	Stable democracy, but terrorist threat persist	170	-formal/modern and informal structures	-international and SA retailers compete -Traditional and street shops	-Sea ports -road ways -rail ways -airport
Rwanda	East Africa	English & French	12 337 138	8.012	Mining & Agriculture (coffee and tea)	Stable	46	Development focus on transport infrastructure	Largely in formal and few international retailers including Nakumatt	-Landlocked -Roads and air transport
Senegal	Western Cape	French	13 635 927	15.584	Agriculture	Stable	161	-Modern retail infrastructure Development is in progress	-Chinese shops -several regional and international retailers compete -traditional markets also exist	-Sea ports -road ways -rail ways -airport
South Sudan	East-Central Africa	English	11 562 695	12.833	Oil	-Stable, -new democracy	186	-local markets -street shops	Informal	-Landlocked -airports -rail ways -road

Sudan	north-eastern Africa	Arabic & English	35 482 233	73.816	Oil	Unstable	160	-mixture of some modern and informal retail spaces	-mixture of some modern and informal retail business	-sea port -airport -road ways -rail ways
Tanzania	Southern Africa	Kiswahili & English	49 639 138	47.932	Gold & Tourism	Stable	131	-development of modern retail centres -informal street shop and markets	-International retailers like Nakumatt pose threat other like Shoprite -Traditional markets and shops still persist	-Sea ports -road ways -rail ways -airport
Tunisia	Northern Africa	Arabic	10 937 521	48.553	Tourism & Petroleum products	unstable	60	Advancing retail landscape	International retailers	-Sea ports -road ways -rail ways -airport
Uganda	East-Central Africa	English	35 918 915	27.616	Agriculture	relative stability and prosperity	150	-Fastest retail growth	-Nakumatt takes over Shoprite -local markets/ shops	-Landlocked -airport -road ways -rails ways -water ways
Zambia	Southern Africa	English	14 638 505	26.758	Mining (Copper) Agriculture	Stable democracy	111	Modern shopping centres/ malls	International retailers: Shoprite, Pick n Pay etc	-Landlocked -Airports -Roads -River ports
Zimbabwe	Southern Africa	English	13 771 721	13.672	Agriculture & Mining	Unstable	171	-modern shopping centres/malls. -supplier network -informal trading centres	-International retailers mainly from SA -informal retailers	-Landlocked -Airports -Roads -Rail ways

Sources:
1 Ease of doing business report 2015
2. http://www.euromonitor.com/
3.The Africa Report

Appendix E: Semi-structured interview questionnaire

EXPANSION OF SOUTH AFRICAN RETAILERS' ACTIVITIES INTO THE REST OF AFRICA

Dear Participant,

We are conducting a study on behalf of the Wholesale and Retail Leadership Chair at the Cape Peninsula University of Technology. This study seeks to provide some understanding on the challenges facing South African retail companies as they expand into other African countries for market opportunity.
As part of this exercise, we are soliciting opinions of people from different African countries who would have experienced the services of South African retailers in their home countries. You are one of the few people we know who could make an input. This questionnaire will take you approximately 20 minutes. Participation is voluntary and you are free to withdraw at any stage without giving reasons, and without prejudice or any adverse consequences. The information you provide will only be used for research purposes, and will be kept totally confidential. If you have any queries, feel free to contact Dr Edward Dakora or Mr Vivence Kalitanyi (contact details below).
By completing this questionnaire you are confirming that the study has been adequately explained to you, that you are participating voluntarily, and that you understand that you may withdraw from it at any time without given reasons.

Your assistance is highly appreciated.

Edward Dakora
Cell: 072 783 9219
E-mail address: Edward.dakora@spu.ac.za

Vivence Kalitanyi
Cell: 0727156787
E-mail: kalitanyiv@cput.ac.za

Questionnaire

1. In your opinion, what would you say are the reasons for South African retailers to be expanding into Africa?

……
……
……
…………………………….

2. Is there any real opportunity in the rest of Africa for South African retailers?

……
……
……
……………………………

3. What do you think South African retailers operating in other African countries should be doing to attract local customers?

……
……
……
……………………………

4 Do you think South African retail companies operating in other African countries are making adequate contributions to the local communities of those countries? Any notable examples?

……
……
……
……………………………

5. What would you say about the attitude of South African retailers towards the rest of Africa when it comes to business ethics?

……
………………………………………………………………………………………………………
……
………………………………

6. South African retail companies investing in other African countries have complained about difficulties and challenges in those markets. What challenges do you see emerging from the list below that could affect South Africa retailers operating in your home country or elsewhere in Africa?

- Political climate and regulations:

……
……
……
…………………………..

- Cultural difference including language:

……
……
……
……………………………

- Geographic distance
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………..
- Local production capacity:
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………..
- Population and disposable income:
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………..
- Port clearance and customs requirements:
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………….
- Infrastructure (E.g. road, rail, reliable electricity and telecommunication network):
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………
- Competition (from local traders and other international retailers):
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………

7. It is also argued that some African countries do not trust South African businesses. Do you think this is true? Explain:
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
…………………………….

8. Which type of retailing would you recommend in your country: food, clothing, footwear, cosmetics, multipurpose? If other, specify:
……………………………………………………………………………………………………
…………..………………………………………………………………………………………
……………………

Respondent details

Your Country of origin: ……………………………

Your occupation ………………………………..

Appendix F: Ethics Clearance Certificate

Cape Peninsula University of Technology

P.O. Box 1906 • Bellville 7535 South Africa •Tel: +27 21 4603239 • Email: zoultyf@cput.ac.za
Symphony Road Bellville 7535

Office of the Chairperson Research Ethics Committee	Faculty: **BUSINESS**

At a meeting of the Research Ethics Committee on 4 March 2014, Ethics Approval

was granted to DR EDWARD DAKORA for research activities

Related to the: Retail Chair in the RETAIL BUSINESS MANAGEMENT DEPARTMENT,

Business Faculty at the Cape Peninsula University of Technology

Title of Project:	Expansion of SA Retailer activities in Africa Researcher: Dr E Dakora

Comments:

Decision: APPROVED

Signed: Chairperson: Research Ethics Committee	04 MARCH 2014 Date
Signed: Chairperson: Faculty Research Committee	Date

Clearance Certificate No | 2014FBREC162