

# A 4-point guide on what it takes to build a successful business on the African continent

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Several economists have referred to Africa as the 'next global growth market.' A number of findings support this claim - according to the World Bank, six of the ten fastest-growing economies in the world are in African countries. Furthermore, over the past decade, Africa's GDP grew at twice the rate than the preceding two decades.



Mark Paper, chief operating officer at Business Partners Limited

Several exemplary models of Africa's potential as an enabling environment for entrepreneurship continue to prove that for aspiring businesspeople, it is indeed the next frontier. Mark Paper, chief operating officer at Business Partners Limited weighs in on how to build a successful business on the continent.

## **Funding first: Thinking beyond the conventional**

Recent research shows that in Africa, small and growing businesses are responsible for more than 60% of all food production and trade on the continent, yet these businesses account for just 10% of commercial bank lending. Furthermore, according to the Center for Strategic and International Studies, only a fraction of SMEs in Africa have a bank loan or line of credit.

Access to capital has and continues to be one of the biggest hurdles that African entrepreneurs face. In an age where traditional lending institutions are being outpaced by independent financiers, and non-bank lenders, aspiring entrepreneurs should set their sights beyond conventional funding sources in

order to realise their potential.

Paper agrees with this sentiment, and comments that: "Historically, African entrepreneurs have struggled to access bank loans to fund their businesses due to the perceived high-risk nature of ventures within the SME sector. But what we're seeing more of is the emergence of fintech firms, private investors and specialist funds who are often able to take on more risk and provide more flexible finance options than traditional institutions. The first port of call for African entrepreneurs, therefore, must be to tackle the challenge of access to capital by conducting thorough research into the most suitable finance option for their business, beyond traditional loans."

## **Gain a firm grasp on the Africa's social makeup**

Due to several unique socioeconomic realities, African consumers are vastly different to how they were just a decade ago. A report published by non-profit public policy organisation, Brookings, revealed that the Africa's urban population is growing. The rate and nature of that growth makes Africa the fastest-urbanising continent in the world. Along with this upward population trend comes growth in personal disposable income and the subsequent rise of the African middle-class. Spurred on by rapid industrialisation and the exponential upsurge in mobile technology adoption, Africa's consumer base is expanding. Consumer demand, spending habits, and behaviour around purchasing decisions is set to evolve accordingly.

As Paper explains: "This evolving demographic holds the key to identifying new and exciting opportunities. Entrepreneurs who want to succeed on the African continent need to immerse themselves in data and information that can help them understand the psyche of their target market. This is where market research becomes an indispensable tool in building a value proposition that aligns with the nature, tastes, preferences, demands and desires of African consumers."

## Leveraging the African Continent Free Trade Area

The establishment of the African Continental Free Trade Area (AfCFTA) is set to go a long way in eliminating some of the barriers to trade and economic integration between African countries. The agreement, between 54 African countries, has created a single market for goods and services with the added benefit of reduced tariffs among member countries, and more efficient facilitation of trade between countries on the continent.

“In the AfCFTA, we see an unparalleled opportunity for African entrepreneurs to trade under conditions that are much more conducive to efficient business than they have ever been. At this stage, the agreement is still taking shape and various negotiations are underway, involving issues such as dispute management policies, intellectual property rights, competition policy, and e-commerce.

So, although there is still much ground to be covered, aspiring African entrepreneurs should keep their eye on these developments – the Free Trade Area is set to play a pivotal role in the development of African trade over the next decade,” says Paper.

### Innovation key to unlocking opportunity

Adding to his perspectives on the factors that influence the success of SMEs in Africa, Paper emphasises the fact that “innovation is the doorway through which aspiring African entrepreneurs can enter a new phase of development.” He expands: “A trend that has become very apparent is that the most profitable businesses on the African continent are those that solve problems through innovation.”

Solutions to infrastructural development, better education, more accessible healthcare and job creation are just a few examples of the myriad opportunities waiting to be seized.

Referencing startups like Nigerian Mobile money company, Paga, and South Africa’s payment platform, Yoco, Paper concludes that: “Africa is a continent of unmet needs and underserved communities. While we appreciate the role that the state and the private sector have to play in meeting these needs, entrepreneurs with an innovation-first mindset have the biggest potential to solve these problems by capitalising on their ability to adapt and iterate to suit the evolving needs of the population.”

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