MARKET DEVELOPMENT IN THE AFRICAN CONTEXT

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Chapter Overview

Africa has moved from the periphery of interest to global business to the center as Euro-American concerns reevaluate its potential and emerging market actors in China and India continue to expand their presence. African "market development" contains a two-part dynamic. The first involves transforming markets into effective avenues for the economic empowerment of African businesses and consumers to purchase both foreign and domestic products. The second revolves around export market development intended to generate revenues for African exporters and to support an economically robust consumer base on the continent. Africa has a long history of participation in global markets as well as some unique commercial forms and structures. Africa contends with a legacy of colonial extraction-based economic policies, and a post-colonial legacy of ineffective commercial policies. Commercial infrastructure is underdeveloped generally, but this provides many new opportunities for market development as our cases suggest. Entrepreneurship is alive and well on the African continent. Many African consumers are quite poor, but this does not mean that they are unattractive markets given the right mix of products, prices, and distribution strategies. Opportunities exist to participate in a renaissance of African marketing systems in both the so-called informal sector, as well as the formal sector of the economy for multinational firms, local firms and NGOs.

Cultural Positioning

Pundits and scholars alike have taken a recent interest in Africa, proclaiming the continent as a potential global commercial center: a diamond-in-the-rough that could be polished for the simultaneous benefits of financial profits and poverty alleviation. This is a dramatic shift from the 1980s and 1990s, when strategists actively advocated neglect of the world's second-largest continent because they perceived African markets as offering little or no value to firms' bottom line. At that time, Africa's market value was perceived to lie only in the meager potential of its wealthy minority. Global firms developed this wealthy segment at the expense of other local markets. The resulting niche market's appeal was considered comparable to other segments in the world in tastes and financial resources and thus required no extra marketing design for success. This perspective was grounded in an economic analysis that understated the marketing implications for the neglected 900-million-plus population. Such analysis also failed to consider the latent implications of the often tenuous engagement among markets, marketing, and society.

In the face of contemporary globalization, the status quo that gave Euro-America priority in African trade is being challenged by China, India and other countries, forcing all parties to consider new ways of approaching African markets and marketing. Progress toward transforming Africa into a commercial center requires a more holistic approach that recognizes African markets as sites for socio-economic development. An emerging consensus toward such an approach revolves around Hart's model that perceives tripartite benefits by way of firm profitability, environmental sustainability and poverty alleviation. Evidence from the field, however, suggests that business emphasis in African markets remains on financial profits without much reference to local culture, poverty alleviation and environmental sustainability. Developing such an approach suggests the need for an enterprise-driven market structure in contemporary Africa; one that also recognizes the ideological implications of related strategic actions.

Toward this end, this chapter proposes an approach to African market development premised on the view that globalization—that which affords enhanced free mobility of resources around the world—portends an increasing role for Africa and its markets in the future world economy. To be an effective agent of change for the benefit of Africa, however, the market should close the income gap that perpetuates poverty by realizing the latent value of local economic and cultural resources (Stiglitz 2002). That is, the much emphasized focus on demand (Africans as *consumers* of global products, e.g., Prahald 2004) should be supplemented by the supply side (Africans as *producers* for global markets).

From this perspective, African "market development" may be seen as a two-part dynamic. The first element involves transforming markets into effective avenues for the economic empowerment of African businesses and consumers to purchase both foreign and domestic products. The second revolves around export market development intended to generate revenues for African exporters and to support an economically robust consumer base on the continent. Thus, our view of market development in Africa highlights the need to understand how local resources, such as market structures, socio-cultural bonds outside the market, and latent domestic knowledge, combine with global tools to provide opportunities for crafting African-relevant strategies for long-term socio-economic sustainability.

In this chapter, we stress the need for understanding local conditions within historical and contemporary developments of African business. Africa is by no means a homogeneous continent. It is a diverse set of peoples and cultures that do not respond similarly to market stimuli. Indeed, this is one major reason why a cultural approach to African markets and marketing is necessary. We recognize that our attempt to paint a general picture of African market development is oversimplified, but we offer a common set of market features that can be adapted for use in any specific African community.

African Markets: Then and Now

Evidence of African business enterprises predates the arrival of the first Europeans (Takyi-Asiedu 1993), and commerce extends deeply into the historical record (e.g., Lovejoy 2002). Most African economies today contain market systems that correspond to different historical epochs in their development, often organized around discrepant economic principles. For example, contemporary markets seem to have supplemented old forms of market relationships that relied on neighborly, kin and ethnically rooted trust with the contract-based form introduced by European colonizers (i.e., Portuguese, Dutch, English, and French) who long ago established themselves along the West African Coast to trade in gold, ivory, pepper and, later, slaves (Osae et al. 1973).

Colonial-era African markets were specialized and of limited access to ordinary Africans; later under cosmopolitan influence, they opened up to the exchange of all manner of goods and services (Meillassoux 1971). On the abolition of slave trade in the

1850s, local markets reverted to trading in foods and other essentials, expanding to embrace the exports of raw materials and the trading of increasingly diverse imports. To support the export market for local raw materials (e.g., cocoa, coffee, diamonds, bauxite, gold), most of Africa's colonial era railroads were built to transport raw materials from the interior to the coasts, where they were exported to Europe and other areas. The architecture and direction of growth of the Kumasi Central Market in Ghana, for example, and the network of transportation infrastructure in the country are testaments to these colonial developments.

The colonial strategy was designed to maximize benefits to the colonizer, with little concern about the well-being of the locals. The structural dynamics of colonial control and its systematic stripping away of legitimate access to markets for locals, especially export markets, ensured that colonial expatriates were the primary owners of most market and marketing resources (Rodney 1981). It is no accident then that colonial-era companies, such as Unilever and Barclays Bank, are still key business players on the continent. Post-independence Africa is colored by its colonial legacy.

Government policies for market development in much of Africa have also been modeled on the colonial system that favored the establishment of centralized marketing boards that controlled the movements of goods and services. Although most of these state monopolies have disappeared in the wake of World Bank structural adjustment reforms in the 1980s and 1990s, some trading relationships remain. For example, in Ghana, the Cocoa Marketing Board (CMB) was rebranded COCOBOD and allowed to compete for farmers' harvest along with a few private firms. By reason of its pioneering and other structural advantages, COCOBOD remains the dominant force in the trading of cocoa in the country (Amoah 1995). Similarly, the Tanzania Telecommunications Company, a privatized offspring of the state-owned version, inherited the political power of its predecessor and uses this leverage to control the market (Maddy 2000).

The colonial market development strategy brought about significant local mistrust of foreigners, especially in its effort to dispossess locals of wealth and opportunities. The mistrust seemed mutual as colonial powers encouraged an increasing role for Indian commercial actors in East Africa and Lebanese traders on the West Coast at the expense of locals. Good commercial relationships with Indian and Middle Eastern merchants facilitated African colonizers' access to network of commercial interests that extended beyond Africa and Europe (Rodney 1981).

In sharp contrast to the colonial practice of defining markets relationships by written contracts, traditional African markets relied more on cultural networks (e.g., kinship, friendships) for performance. Market systems such as the extended household commercial enterprise (Yusuf 1975) still exist along with various others that encourage long-term commercial partnering between actors. Rules in this market are akin to the structure and organization of the prevailing socio-cultural order that makes non-commercial relationships a significant undercurrent for market dynamics. These domestic market relationships were reproduced in cross-cultural marketing when merchants from North Africa presented their wares (e.g., salt, dates) in sub-Saharan markets and returned home with other items (e.g., cereal crops). Many branches of indigenous marketing were managed by geographically dispersed ethnic trading diaspora (Lovejoy 2002).

More recent market development in Africa has been influenced by increased globalization and the presence of Chinese businesses that, unlike earlier foreign investors, actively encourage local input into marketing practices. Wary of the status quo that privileged Euro-American ideals, Africans have responded favorably to Chinese views of the market that offer flexibilities for local engagement and mutual benefits, without political interference. Although China's involvement, especially its continued engagement with Sudan and Zimbabwe, has caused some concern in Euro-America, African traders have welcomed China's approach, perceiving it as a cheaper alternative and as a possible opposite to the colonial engagement. Chinese personnel often attempt to learn the local African languages and cultures, and study the local market to develop products specifically for them (see Brautigam 2009).

The historical and contemporary influences on African markets have resulted in hybrid market systems that try to preserve the cultural components while adopting the benefits of markets afforded by global capitalism. Still, there is a high level of trust among actors in traditional markets: formal contracts are rare and informal credit (social and pecuniary) is still abundant. This trust is not easily extended to foreign merchants who operate on a system of contracts. The dual system (traditional versus contemporary) and its related hybrid can pose barriers to market development, but it also provides a rich resource (e.g., market intelligence, local skills and knowledge) for improving market efficiency and offering socio-economic benefits to the parties involved.

In what may be regarded from a Western perspective as unsuitable or unstable economic environmental conditions, African entrepreneurs survive by drawing on available local resources. The driver behind most business start-ups is "enforced entrepreneurship," rather than the "pull of market opportunities" (Rogerson 2001: 117). The challenge for many Africa enterprises is "to turn the miracle of survival into the miracle of growth" (Steel 1994: 4). A major hurdle for firms, especially foreign firms, is overcoming the preconceived notion that the continent lacks the necessary infra- and supra-structures for effective marketing. This line of reasoning implies that Africa should follow the same path to marketing as the West, suggesting superiority undertones that are reminiscent of the imperialist argument that places the foreign business in a position of power over the African (Bonsu 2009). Overcoming this notion requires a keen eye for the African market and a willingness to abandon conventional indicators in assessing market opportunities (Arnould 2001; Arnould and Mohr 2005). Then, the marketer can seek local knowledge and other resources that can serve as a foundation for marketing success. It is this foundation that should direct market development in contemporary Africa.

Market Development in Africa

Developing African markets begins with understanding the role of local small and medium sized businesses in the market. The significance of entrepreneurship, indigenous private enterprise, and micro- and small-scale enterprises (MSEs) to both economic and social development in Africa is well established. Less than 3 per cent of all African businesses have 10 or more employees (Spring and McDade 1998), and those with one to three employees constitute the majority (Daniels et al. 1995). The presence of small enterprise economies contributes to areas of employment creation and to poverty alleviation (Rogerson 2001); thus, continued market development in Africa must involve African entrepreneurs as important agents of change and growth. However, these businesses together will not support market development if the barriers to entry are not addressed.

Local manufacturers and exporters in many sub-Saharan countries face other issues, including limited foreign market knowledge, product quality and production capacity problems, and government and exogenous economic export problems. The small size of economic units, the dependence on market exchanges for most resource allocation, and the fragmented nature of transactions all impede market development in Africa (Fafchamps 1997). Perhaps the most important impediment is the failure to recognize the cultural underpinnings of African markets as a valuable resource. African markets are often perceived as "informal" and thus inefficient. However, the realities that African market actors and institutions face are similar to those faced by their Western counterparts, including supply, demand and the allocation of resources to address market needs, even if the mechanisms employed in the African context are less formal (Fafchamps 1997). African market development efforts are more likely to succeed if they capitalize on the strengths of existing market forms and structures, rather than attempting to transform local markets to fit Western forms and function.

Informal business networks encourage collaboration and collective action, a necessary strategy in Africa where market fragmentation is the norm, and individual initiative does not ensure efficiency (Fafchamps 1997). Through collective action, micro-business entrepreneurs are able to meet both social and economic needs (DeBerry-Spence

2010). Working with people linked by socio-cultural background provides entrepreneurs with access to resources and complementary investments (Helmsing 2003). For example, the benefits from a peasant farmer's limited investment in an innovative production facility toward meeting market requirements may be stifled without complementary investments from others in support services areas, such as packaging and transportation. The degree of specialization of investment in African markets – due to limited resources – suggests the need for cooperative efforts among specialized players in the entire value chain (Arnould and Mohr 2005). Marketing under this condition calls for unique adaptive strategies on both domestic and export market fronts.

Adaptive Strategies for Domestic Market Development

Africa's domestic market base is over 900 million potential customers. As markets in Europe, Japan, and North America become saturated, businesses are turning their attention to poorer regions such as Africa with an eye toward building them up as possible new markets (Prahalad 2004). Approximately 3 per cent of the African population (about 24 million people) is wealthy enough to afford all the luxuries a consumer culture offers (Burgess et al. 2002), and multinational consumer product companies have often targeted this group. However, because the vast majority of people in Africa are poor, strategies for developing the African market must necessarily focus on the poor. We anchor our discussion of how this might be done in the experiences of MTN, a telecommunications company with operations in sixteen African countries.

Case 1: MTN

Mobile phones have single handedly redefined the ways consumers and businesses around the world communicate with each other. According to AfricaFocus (2004), Africa has the highest annual growth rate in mobile subscribers: an estimated one in three Africans have *access* to a mobile phone. This is in sharp contrast with the landline telephone, which remained rare in Africa at the end of the 20th century (Bruijin et al. 2009). At the heart of Africa's mobile exchanges are companies such as the MTN Group, a South African–based telecommunications company started in 1994 with 2009 reported revenues of R111.9 billion, or 16.159 billion U.S. dollars (MTN Group 2009). With licenses across 16 African countries and a subscriber base exceeding 115 million, MTN is the leading telecommunications company in Africa.

Driving Market Growth in Africa

Several factors have contributed to the MTN's rapid market presence. Some pertain to market dynamics, such as drops in the cost of cellular technology, the affordability of mobile phone usage, and the development of mobile phone cottage industries, which has led to growth in jobs and incomes. Other factors are more directly linked with MTN company initiatives, one of which is the strategic acquisitions of both existing cellular businesses and local/domestic fixed-line operators. The latter was particularly effective because it afforded quick expansion in tightly regulated markets.

MTN also redefined the market. MTN accomplished this in Uganda by emphasizing that (1) subscriber lines were technology insensitive, and the technology choice was a market competition strategy; (2) all peoples, including the affluent and the poor, had the right to access cellular service; and (3) cellular service was a business tool similar to the existing fixed lines Mureithi (2003). This strategy enabled MTN to alter market dynamics and to begin a paradigm shift in the mind-set of both consumers and governments regarding the rights of all people to have access to cellular communications and its potential technology uses.

To extend voice services to underserved markets (e.g., the poor), MTN used existing distribution outlets where many Africans get their everyday products. As with foods, toiletries, and clothing, consumers purchase MTN products from vendors selling in large open markets, along roadsides, in traffic, in kiosks, at neighbors' houses, and so on (see Figure 1). Becoming an MTN retailer requires a mere purchase of MTN products (i.e., pre-paid phone cards) from a wholesaler, while becoming an MTN wholesaler and/or selling 'transfer credits' (i.e. mobile to mobile pre-paid units) is only slightly more complex. If the entrepreneur sets up a kiosk/shop, MTN usually provides promotional support with posters, decal stickers, umbrellas and vendor jackets. The cost of the MTN start-up is so low and relatively easy that many retailers add the firm's products to their lines; a diversification strategy of sorts for many African micro business operators. This distribution strategy's low barriers to entry are well suited to Africa's micro-business entrepreneurial landscape.

Challenges to Continued Growth

MTN reports that significant growth opportunities remain in African markets, with mobile penetration below 50 per cent in the 16 markets in which it operates. However, there are several challenges to the firm's future growth. First, the success of African telecommunications markets has attracted significant foreign investment that has driven both industry growth and consolidation (Mureithi 2003). Market consolidation has also led to more intense competition from fewer but large players, making the brand and brand loyalty critical. Consolidation can be problematic since rapid growth in its mobile cellular consumer base has resulted in network congestion and recurrence of poor customer service. The MTN brand continues to hold cachet, but many consumers have become less patient and are no longer willing to rely solely on one carrier for their cellular services. With the cost of SIM cards often less than US$1 in most markets, brand switching is inexpensive, and consumers often own more than one SIM card brand to avoid service interruptions or to take advantage of promotions. Here, they can choose to use MTN or one of its competitors, such as Vodafone, Glo, or Tigo, depending on which firm has the best promotional pricing on a particular day or week.

Second, in addition to an increasingly competitive marketplace, MTN and other telecommunications companies must deal with challenges posed by continued environmental hostilities (e.g., unreliable power, lack of infrastructure, security threats) common to many African. For example, frequent power outages pose significant problems for MTN wholesale distributors who rely on money counters to execute sales transactions. Money counters are essential for MTN wholesalers operating in Africa, which are primarily cash based, because the low-value currency makes counting large volumes of money necessary on a daily basis. In addition, money counters own a counterfeit currency detection feature, which is critical to the MTN wholesaler's profitability because of the low profit margins associated with phone cards/credit transfers. The impact of environmental hostilities on business such as MTN helps emphasize that technology is often still an expectation rather than a reality (Bruijn et al. 2009).

Lessons from the MTN Case Study

The MTN case illustrates the need for adaptability of strategy based on local market conditions to develop African markets. MTN recognized that the poor are sophisticated and demanding in their market choices. This is contrary to the prevailing belief that the poor are too focused on the pursuit of basic necessities that they will not spend on seeming luxuries like cell phones. Although encumbered by finances, African consumers manage to get their communications needs met, with the help of MTN who designed products and matching prices to appeal to these targets. Notice the seeming democratization of mobile phone use that does not discriminate on the basis of wealth. MTN's offer is a matter of scale as the rich buy more of the same services provided for the poor as well.

Like MTN and other private enterprises seeking to meet the needs of the poor in Africa, governments will do well to consider innovative means of serving consumers. Consider the government of Uganda's effort to address the portable water needs of low-income residents in small towns. The government brings several communities together and coordinates activities such as site location, borehole drilling and community land purchasing. A private operator is hired to distributes water and ensure safety of supply. A community water board sets tariffs and policies. This collaborative model has brought portable water to 490,000 people in 57 communities through coin-operated water kiosks. In 2006, the 18,944 water connections yielded a turnover of 2 billion Ugandan shillings ($1.2 million) (UNDP 2008: 109).

One of the most ingenious market development strategies is finding alternative uses for existing products. Confronted with new technologies, African consumers often adapt them to their own purposes. For example, banks and mobile phone users were quick to transfer the phone into a banking tool. *Sente* is the informal practice of sending and receiving money that leverages public phone kiosks and trusted networks in Uganda. Instead of sending money directly from phone to phone, anyone with phone access can send airtime credit to a kiosk operator over the cellular network. The kiosk operator then converts the credit into cash and gives the cash to the recipient who lacks access to a phone or a bank account. In effect, the kiosk operator and the phone take the place of an automated teller machine. This example highlights how business and grass roots adaptation can build on each other to develop new domestic markets (UNDP 2008: 48). It would seem then that the need for education for developing African markets really means marketers educating themselves about grass roots innovativeness.

Other Adaptive Strategies

Adapting Communications

Communicating marketing information requires adaptation to the means and modes that will readily reach the targeted audience. Radio is an important channel all over the continent. The innovative multi-use of products can be transferred to communication strategies. Consider MTN's modes of communication: clothing, umbrellas, kiosk painting and other things of pragmatic value to their retailers and customers. The company's advertising is strongly connecting to providing some of the locals' necessities.

In other contexts, marketing promotions and communications can be coupled with consumer education as was the case in Botswana where advertising and other traditional communication tools were used to foster awareness of basic consumer rights and responsibilities (Makela and Peters 2004). However, lack of access to media in most many African communities calls for innovative avenues. In Ghana, Nigeria, Tanzania, and other countries, religious organizations are the ultimate source of practical life. Pastors and Imams are directly involved in the everyday lives of their congregations. Some have become exemplars of business leadership, spreading the word of capitalism and entrepreneurship from their pulpits (Bonsu and Belk 2010). Their roles also accord them significant authority as opinion leaders whose choices are emulated by adherents.

Firms may consider working with religious leaders. This was the case when, in Madagascar, the firm Bionexx partnered with a local religious radio station to spread information about its *artemisia annua,* a medicinal plant used in malaria treatments. (UNDP 2008: 81). The ubiquity of religious movies in many African countries (Ukah 2003) provides an opportunity for tapping this medium as an effective avenue for communicating market and other information.

Adapting Prices

It is indisputable that prices must be reduced in low-income markets through innovative product formulation and packaging systems. However, businesses must be cautious in their approach. Most Africans are farmers and thus purchasing power fluctuates dramatically from season to season. Much creative work to adapt prices and consumer credit schemes to the seasonal availability of cash is needed. Further, remittances from migrants are an important source of cash for many Africans. Developing three-way payment plans between local consumers, wage earning migrants, and local firms remains an untapped element of local pricing strategy. In addition, resource pooling among extended family members to support significant expenditures is not uncommon, thereby significantly increasing the purchasing power of family network agents.

Finally, many firms assume that the poor will buy only if products are cheap. As the MTN case suggests, this is not always the case although consumers prefer lower prices options if the perceived quality across alternative products is the same. Some commentators have argued that the poor are more likely to buy expensive items not only because they last longer but also because conspicuous expenditure conveys prestige on the consumer or the recipient of a gifted item. That is, the poor sometimes buy global products because of their reputational value in local social systems. Therefore, adapting prices to local markets may have a negative impact on that reputation as well as a declining impact on the market/sales. If reduced prices were always provided, no distinction could be made between those who use expensive cars, expensive homes, imported materials, and so on in local systems of prestige, and those who are unconcerned with the image expensive items accord them.

Adapting Distribution

As the MTN case suggests, recognizing actual resources available for distributive activities (e.g., informality, social ties, trust) and accounting for these realities can be productive in African markets (Arnould 1985). Adding to that, consider that approximately 70 per cent of Africa's population is rural and spread over a vast geographical area. This can create distribution challenges for Western firms serving this market if local relevance is overlooked. To deal with this problem, Barclays Bank embraced the traditional "susu" system and worked with the Ghana Susu Collectors Association to benefit all parties involved. Susu is a centuries-old traditional system in many African countries in which collectors pick up savings from participating households and individuals. The susu associations offer small, short-term loans that rotate among members of the group. Ghana has about 4,000 susu collectors, each serving between 200 and 850 clients daily. Overcoming its neglect of local knowledge to adopt what had long been deemed inefficient, Barclays can now reach clients who were previously out of reach. Collectors also benefits by keeping their collections safely at Barclays's branches, where they and their clients may earn interest on their deposits (UNDP 2008: 82). The mutual benefit derived from this cooperation contributes to market efficiency and makes more local financial resources available for investments.

Another example of successful adaptive distribution is one that relied on technological leapfrogging to deliver services through innovative marketing channels. Celtel International entered the Democratic Republic of Congo in 2000, when the civil war was still raging. It faced a market with widespread insecurity, poverty, depleted human capacity, and political uncertainty. There was little or no infrastructure, no regulatory framework, and no banking network. The potential customer base seemed very small, with few ways to reach them. Despite these obstacles, Celtel has gained more than two million customers in the country, allowing communities previously isolated by war and poor infrastructure to exchange information. Celtel also established Celpay (previously part of Celtel and now owned by FirstRand Banking Group) as a mobile banking system to compensate for the lack of a national banking network. Celpay proved so efficient that the government is now using it to pay its soldiers. Moreover, many women have gained financial autonomy by reselling Celtel mobile phone airtime (UNDP 2008: 45, 93, 111).

Developing Export Markets

Developing export market opportunities for Africa is an essential component of long-term economic sustainability, especially because the level of economic growth needed in these developing countries cannot be achieved from serving domestic demand alone. The lack of exports and growth in exporting markets is associated with the poor economic performance of many African countries. For example, between 1974 and 1998, only two sub-Saharan countries, Mauritius and South Africa, experienced substantial growth in manufacturing exports (Söderbom and Teal 2001). In contrast, Botswana experienced significant growth from exporting natural resources.

The Kenya cut flower export industry is considered one of globalization's success stories: an export growth market that leverages Kenya's climatic advantages and provides a remedy for low incomes bringing thousands of employment opportunities to poor rural women. Kenya enjoys 5% of the global cut flower market that generates £130 million of export earnings a year. Ethiopia's cut flower industry export sales are now reaching half of Kenya's. Over the last few years, however, the industry has been the target of NGO campaigns and media exposés for poor labor practices (Dolan and Opondo 2005; Orton-Jones 2008). Starbucks, the nation of Ethiopia, and OXFAM, the NGO, waged a recent battle over the right to trademark regional coffee varietal names, Yirgacheffe, Harrar and Sidamo. The struggle concerned the right to extract a greater share of the retail value of these regionally branded coffees either for Ethiopian subsistence producers or Starbucks, respectively. A court and public relations battle eventuated in a "win" for OXFAM activists and the Ethiopian side that may now retain the lucrative branding rights (Faris 2007; Perera 2007).

The export of natural resources has been identified as a cause of economic impoverishment in some African countries because resource extraction industries are vulnerable to boom and bust cycles, they have a limited multiplier effect, and royalty payments to governments often do not trickle down to the benefit of local populations. In some cases these problems have led to serious civil strife as in Congo. In the Niger Delta of Nigeria, governmental misallocation of oil extraction money and serious pollution has fueled a local guerrilla movement.

The case of the Ideal Providence Farms exemplifies the movement from survival to growth and shows how local products can be developed to economically empower the very poor while providing a profitable export business for the entrepreneur.

Case 2: Ideal Providence Farms (Shea Butter)

Georgina Koomson, a young entrepreneur with experience in the U.S. chemical and pharmaceutical industry, established Ideal Providence Farms in 1998. The ultimate goal of this venture was to alleviate poverty through business and market development. Koomson's choice of location was ideal for this goal. The Upper West Region of Ghana is one of the poorest regions in the country. Agriculture is the region's major economic activity and is often operated on a subsistence scale. The region faces staggering levels of poverty and unemployment, and women are two to three times more likely to be unemployed than men. These challenges, coupled with the long dry season, cause many people to leave the area to find work in other parts of Ghana and even in the bordering country of Burkina Faso. However, the region is rich in at least one renewable natural resource—shea nut (Vitellaria paradoxa). This resource is popular in pharmaceutical production, medicines, and cosmetics in particular.

Valuing Local Resources

Koomson saw an opportunity to market shea butter from the shea nut, which grew wild in the area. With a low population and a large number of unemployed women, this region provided a base level of local resources from which Koomson could convert this seemingly unmarketable product. Now, shea butter is an important and versatile product that the locals use in several ways, from cooking oil to body lotion to skin moisturizer. Ideal Providence mobilized local women to collect and organize the shea nut and then process the nuts as shea butter for export. The resulting product was packaged and readied for shipping to overseas markets. Knowing the value of the product in the overseas pharmaceutical market, Koomson sought buyers for her products in North America and Europe. She found willing partners in Canada and Germany that paid market prices for the shea butter. Because the shea nut grew in the wild, Koomson could label her brand as "organic," which became a competitive advantage over other sources of the product. By developing a market for this natural product, Koomson was able to mobilize the local population to support her business, and in doing so, she improved their incomes and skills. In turn, these should support domestic market development in the future

The core business idea for Ideal Providence Farms is local production of high-quality organic shea butter for foreign cosmetics companies. However, although the local population had experience with shea butter, they still needed to be trained to appreciate the requirements of target markets in Europe and North

America. Therefore, local inhabitants are trained in all aspects of the production process, from collecting the nuts to producing high-quality shea butter for export. They are encouraged to be creative and to propose solutions as operational problems arise. Through this initiative, local innovators developed packaging material for the finished products that mobilized the skills of traditional handicraft producers. Various other businesses have emerged to serve the needs of those who live and work around Ideal Providence Farms. A complete system of goods and services has emerged to support the needs of the company and its workers. Koomson can now leave some of the women in charge of the production facility when she travels abroad for extended periods to find new buyers for the shea butter.

Working with Local Culture

A Ghanaian of southern ethnic extraction Koomson is by all appearances a “foreigner” in the Upper West Region. Developing her product in the region required a delicate balance of marketing and political skill. She has demonstrated respect for the local culture while working to influence it, and through her firm’s employment of mostly community women, she has empowered them beyond their dependence upon their fathers, brothers, and husbands. Women in the community have little self-worth, and it is generally considered a bad investment to send a female child to school. Thus, most of the women working at Ideal are illiterate with little or no confidence in their abilities, and with minimal support from their male counterparts. With the cooperation of local leaders, Koomson secured land

and other facilities to set up a place where the women could be trained to convert their domestic expertise into marketable skills. The women are trained in marketing, production, and financial management. They are allowed to contribute to a savings plan for their children's education and send their daughters to school. Koomson's success in the market and community has enhanced her local reputation. This example demonstrates the value of mobilizing local resources for market.

One of the strategic objectives of Ideal Providence Farms is to alleviate poverty, especially among women. The informal sector, which is the driving force in most African economies, relies on 40–65 per cent female participation. There is a long history of women as primary sources of income for their families (e.g., Clark 1994). Although these women engage in what is often considered mere extensions of domestic activities (e.g., cooked foods, textiles, and household goods), their roles in developing export markets, as the Ideal Providence Farms case suggests, should not be overlooked. Women constitute a major part of the labor force and should be tapped for transforming markets.

Companies seeking to develop export markets may do well to seek alliances with such powerful, local women who have extensive trading contacts, local knowledge, and other skills. Their strategic networks and other intangible resources can support export and domestic market. Often, firms overlook these women as resources because they do not fit into the formal practice of marketing. In addition, women are deemed to lack the general set of requirements that foreign multinational companies use to assess market opportunities (e.g., limited formal education, infrastructural shortcomings in their locations). Through the use of woman as female role models, firms can tap into Africa's strong kinship-based business network structures to enhance their marketing outcomes.

Most local African producers are so small that they cannot derive economies of scale. The uniqueness of Ideal Farms makes its volume less of a factor, but for many others, production volume is important for market performance. The highlighted short case about the Integrated Tamale Fruit Factory exemplifies a way to address this problem. This firm brings together farmers and supports them in several ways to help maintain supply of raw materials. Here, too, the market is better served when the firm works with local producers to improve the socio-economic well-being of all involved.

Case 3: Export Marketing:
Integrated Tamale Fruit Company

The Integrated Tamale Fruit Company—operating in the Savelugu-Nanton District in Ghana's Northern Region, an area of widespread poverty—cultivates certified organic mangoes for local and export markets. To boost its power in the export market with higher production volumes, the company established a scalable business model that includes local farmers. Instead of acquiring a large piece of land, which is physically and financially impractical, the company produces high volumes through an outgrower scheme, which began in 2001 and today includes 1,300 outgrower farmers. Each has a farm of about one acre, with 100 mango trees that supplement the nucleus farm of 160 acres. The company

> provides an interest-free loan to the outgrowers through farm inputs and technical services, and farmers begin paying for the loan from selling mangos only after the trees yield fruit. The cost of the loaned inputs is repaid, without interest, beginning in the fifth year. Approximately 30 per cent of sales go toward repayment. The company also provides education to the outgrowers, whose ability to repay the loans depends on their ability to produce good crops. Because illiteracy makes it difficult for the farmers to meet international standards, the company began training the farmers in best practices. This arrangement allows the company to reliably source a large volume of quality organic mangoes, and the farmers can enter mango production with long-term income prospects. The nucleus farm's profits are on track to reach $1 million a year by 2010. The case examines the key challenges of the outgrower scheme and its implications for the company's business (UNDP 2008).

Other examples of this cooperative approach are found in shea butter export business of Ghana's Tungteeya Shea Butter and Honey Care Africa, which develops honey for European and American markets. Honey Care Africa is a noteworthy example because it conforms to the Sustainable Local Enterprise Network model of development, which combines a financial anchor firm (usually a foreign firm or non-governmental organizations) with a social mission for local investments in stakeholder well-being.

In African domestic markets, small enterprise success relates to business proximity to growing markets (McPherson 1995), suggesting that export market efforts include expanded intra-African trade (see case 4). The difficulties associated with expanding global social networks make consideration of intra-continental markets a necessary component of African market development. This is especially pertinent given that most sub-Saharan African countries (excluding Nigeria, South Africa, and Ethiopia) have relatively small populations and, thus, limited customer bases (McDade and Spring 2005). There are tremendous export market development opportunities within Africa. With a population of over 900 million and free trade agreement among its countries, African producers can target other African producers with their goods and services. Case 4 provides an example of how Niger used this approach. As incomes among African consumers improve and technology allows for improvements in banking facilities across the continent, intra-Africa export markets is likely to grow.

Case 4: Intra-African Onion Export Marketing

An indigenous agricultural export industry has emerged in the Niger Republic that suggests the potential for intra-continental export growth. More than 10,000 people were directly involved in this business, in which onion exports increased by one-third in the five years between 1989 and 1993 alone. This business was organized in a variety of ways. A network of producers, small-scale traders, and bulking agents funnel product to Nigerien export wholesalers, foreign importers' agents, and foreign exporters. Ivoirian and the smaller-scale Burkinabé, Togolese, and Béninoise women wholesalers send agents to buy from the bulking agents or small traders. In the consuming countries, the channel structure is essentially the inverse of this.

Profitability in this business is limited primarily by five factors: limited storage and withholding capacity for onions, a perishable crop; the physical length of the channel of distribution; poor telecommunications facilities; a lack of short-term credit to invest in buying and marketing; and illicit rent seeking by government agents. Though lucrative for both producers and channel intermediaries at the wholesale level, like many entrepreneurial initiatives, the study identified disincentives for expanded investment. Insurance is not available. Local bank credit is not available. Fear of exposure to illicit rent seeking by government agents induces successful market participants to minimize investments in storage, other commercial infrastructure, and improved packaging. Since this research was conducted, the cell phone revolution has probably resolved the issue of telecommunications. Banking facilities have also improved in some countries, such as Ghana (Arnould 2001).

Concluding Remarks

Marketing and international business strategists commonly assume that markets in Africa are constrained by factors that thwart efforts to build these markets. Although the lack of infrastructure, low levels of education, high levels of corruption, and other negative factors are indeed present in the African context, poor market development by firms appears to be grounded more in neo-colonial misconceptions than the realities of business operations in Africa (Bonsu 2009). What is important is that people find effective ways to circumvent or control these problems in their business dealings. For example, there are many successful multinational corporations with long histories in African markets (e.g., Barclays Bank, Unilever, Guinness). These firms have found ways to succeed and have been well rewarded financially for their investments. Developing African markets has become an important future for firms as developed market potential stagnates. Firms that try to understand the continent and overcome negative perceptions and roadblocks stand to gain in diverse ways.

This chapter suggests that the development of export markets for African products is a necessary ingredient for sustaining local markets for foreign goods and services. In the absence of such development, local capacity to generate income through domestic productive ventures can be stifled. If Stiglitz (2002) is correct in arguing that the "income gap" is the most significant contributor to business and socio-economic development, the lack of effective income-generating activities in Africa—regardless of what else may be done for purposes of human development—may count for nothing. Creating local capabilities and support for both export and domestic markets development requires a careful understanding of African market structures, as well as cultural and other resources that can be tapped for efficiency. The cases in this chapter offer examples of how this can be done and done well.

Traditionally, Western economics have identified the informal market sector in Africa as an impediment to market efficiency. However, this sector employs the vast majority of people and has survived in the face of significant threats over a long time. Therefore, the informal sector seems is a repository of market knowledge into which firms can tap. Indeed, the informal sector market is important because of its ability to employ local knowledge systems to increase market dynamics and efficiency. These systems provide a strong socio-cultural basis for trust and relationships among partners, dimensions that in most “developed” markets depend more on contractual agreements. International companies attempting to develop their domestic African markets would do well to abandon their traditional prejudices and plug into the informal market system, if only to gain access to the wealth of relationships and knowledge it provides. In other words, firms trying to develop African markets should employ adaptive strategies that recognize the specific nature of the African continent and the unique resources it offers—the social, cultural, political, and economic factors that contribute to creating conditions for market efficiency.

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Figure 1: MTN Distribution Outlets

A: Streetside: tabletop

B: Neighbors: Mobile-to-mobile

C: In-traffic: vendor

B: Roadside: kiosk