



## **The Success Series: How to Build Winning Businesses in Africa**

Ten minutes with Massmart:

Massmart's experiences on the role of retail in growing the agri-value chain into Africa.

As a continent, Africa is almost impossible to describe with any degree of accuracy as it varies so greatly from country to country. Cultural, political, developmental and economic differences make it one of the most complex regions in the world. For the same reasons, however, it is also ripe with opportunity for those who understand its complexities.

At Deloitte we are committed to helping our clients make the most of Africa's potential by providing the expertise, advice and tools that will help ensure sustainable success.

In this series of case studies, we explore the ins and outs of building a winning business in Africa by sharing the wisdom of companies that are helping pave the way.

One of the sectors with the most commercial potential in Africa is agri-business. Some of South Africa's largest agri-business firms are located in KwaZulu-Natal (KZN) and the industry contributes 3.6% toward the local KZN economy and employs 3.8% of the KZN population. However, the sector has so much more to offer to the provincial, national as well as regional African economy.

Earlier this year, Deloitte hosted an event focused on the KZN agri sector, with the view of the sector

being a potential driver of growth not only in the province but also into Africa. Following his participation in the panel entitled From Farm to Fork: The Role of Retail in Driving Agri Business in KZN Mr Kuseni Dlamini, Chairman of Massmart presented his views in an interview conducted by Dr Martyn Davies, Managing Director: Emerging Markets & Africa at Frontier Advisory Deloitte. What follows provides a brief summary of the interview.

**Dr Martyn Davies [MD]:**  
**Considering that Africa's growth story is no longer a commodity-driven one, and with headwinds such as currency depreciation in many countries, what measures is Massmart taking to adapt to the new African consumer reality?**

**Mr Kuseni Dlamini [KD]:**  
The major driver for Massmart as a retailer in Africa is to look at how we can serve our customers better. How do we innovate to be able to provide them with the right products that they need, at the right quality, and at the right price? We have watched Africa facing the challenge of falling commodity prices, and that is an area of serious concern. What is encouraging is that many countries are increasingly decoupling themselves from being commodity-driven. Notwithstanding

the fall in commodity prices, we are still seeing our stores doing relatively well in the rest of Africa. Nigeria is an example of a country that is resource-dependent, but we have stores there that are in good shape and that are doing well, and we are thus continuing our investment there.

While Africa continues to rise, the new normal now speaks to diversifying the economic base and the diversification of revenue streams. This ensures that more economies on the continent become more resilient. We are bullish about Africa's prospects, though we still see areas for improvement, such as in infrastructure, customs and border controls. What is necessary now is more innovation to ensure we unlock efficiencies, and to ensure that we have customs clearing processes, border controls processes and ports that are efficient.

**MD:**  
**Certain economies in Africa are experiencing low growth, particularly some of the more resource-dependent countries in West Africa. Others, in East Africa and which are less resource-dependent, are experiencing high growth. How does a company like Massmart rethink its strategy in light of this situation in Africa where there are pockets of high growth and pockets of low growth?**

**KD:**  
We need to conduct analyses on a region-by-region, country-by-country and city-by-city basis and then adjust our strategy accordingly. Often economies revolve around cities and you cannot escape having a strategy focused largely on tier one cities. Often you will start by locating and establishing a footprint in the capital or the largest cities (in economic terms), and then you look at expanding from there.



**MD:**

**Africa has a similar challenge to that of India where there is often a knee-jerk reaction to large multinationals like Massmart coming into the market. The belief can exist that these corporations will not develop local suppliers and might actually force these out of business. How does a company like Massmart think about its local procurement strategy, to develop local suppliers and offset the potential displacement of local suppliers?**

**KD:**

Massmart sees itself as a catalyst for the creation of small businesses. In markets we have entered, where there were few small businesses, we now see businesses that have become established as a result of our supply chain. Zambia is a good example: 100% of the food we sell there comes from local businesses that supply us. Before Massmart or large retailers were in the country, there was no opportunity for these small businesses to make money through supplying larger retailers – so it is not a zero-sum game.

When we expand we are always looking for win-win outcomes and we want local businesses to benefit from us being there. That is our strategy because if they benefit, we benefit. If they can employ more people then we can have more customers. So we have a big interest in looking out for small businesses. We try to strengthen those that are there, and facilitate the creation of those that are not.

**MD:**

**How disruptive is e-commerce for Massmart? Is it a threat to traditional retail in this part of the world?**

**KD:**

We do not see it as a threat. We see it as a new means to reach our customers more quickly. We have an omni-channel approach to responding to new trends in retail.

We are embracing innovation, and e-commerce and mobile commerce are such examples. We are looking at how to reach our customers in new ways and for our customers to be able to access us 'around-the-clock'. For example, in South Africa, we have the 'click and collect' service. Customers can order online and collect their orders from lock-up boxes at their nearest garage. So, we are embracing innovation.

**MD:**

**How does an organisation like Massmart adapt its strategy to a heterogeneous region like Africa? Clearly a 'one-size-fits-all' approach is not suitable. How much is Massmart willing to change its business model to cater for local demand?**

**KD:**

We have to be responsive to local demand and preferences, so we are very open to that. You will find that what works in Northern Nigeria will not necessarily work for Southern Nigeria. What works in Maputo may not work for the rest of Mozambique. As mentioned earlier, one has to analyse each region, country and city. We need to respect the local conditions. We also try to make sure that we embed

ourselves as a local corporate player in every market in which we have a presence. If you go to Mozambique you will find that 100% of the people there that work for us are Mozambican. The same is true for Zambia and Botswana. We train locals and we integrate them into the Massmart way of doing things so that they can apply that when running our stores in their countries. We do exhibit flexibility but we are also consistently looking for ways to provide lower prices to our people, allowing our customers to save more and thus live better in every area where we operate.

**MD:**

**Massmart is in around 13 countries in Africa. Where to next?**

**KD:**

We are looking for new markets for expansion and Massmart is bullish about Africa, but we have and will continue to take a measured long-term approach. We are looking at being a powerful and positive force for the modernisation of retail in Africa. We are seeing great potential in the rise of the African consumer and the rise of the African middle class. The growing population of sub-Saharan Africa will greatly



*Mr Kuseni Dlamini, Chairman of Massmart*

underpin the profitable expansion of our business here.

**MD:**

**Are there any new countries you could mention which are interesting to Massmart?**

**KD:**

We are looking at building scale where we already are, while continuously analysing new markets that we might consider entering.

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