

Growth in remittances brings opportunity for African brands

A new trend in remittances is emerging and is fast becoming a new paradigm shift in the way in which retail and service brands should be positioning themselves in thriving African Markets.



By [Veejay Archary](#) 26 Feb 2013

According to The World Bank's "Send Money" Africa report, 2012 saw 30 million African migrants send close to US\$60 billion in remittances to 120 million recipients, a very substantial figure which when unpacked explains the booming African economy and reveals co-creation opportunities for business and brand with aspiration to move into Africa.

Not only is this an opportunity for intellectual property and expertise to be exported to other continents, but as money circulates within Africa, reported to having six of the fastest growing economies, more and more disposable income is available as the continents inhabitants demand more attainable and aspirational lifestyles.

Giving brands the power

Based on the assumption that this collective fortune is being remitted to sustain friends and families, one would assume that this presents a most opportune time in which retail and service brands need to step up and take action in satisfying the most basic needs for these recipients in the markets they serve. Africa is fast becoming a technological power hub enabling remittances to become just one of the most favourable channels to give brands the power to position themselves, lead their category and expand into new markets.

Key economic growth insights advocate that as the increasing flow of money circulates, people will demand an increase in retail and service brands, communication needs will automatically be stepped up as an expression of their lifestyle needs; as countries start to consciously build business inevitably, demand for infrastructure and services will step in.

This figure however does more than entice retail stores to gain economies of scale and achieve a continental footprint; it has contributed to the size of the African middle class that in 2010 was already close to 350 million people according to the African Development Bank.

One may ponder just how far an impact this may have from a branding perspective and more interestingly just what the possibilities are for established brands.

The growth of Africa

This growth of Africa's middle class, as with any developing economy, is to a large extent dependent on human motivation and sufficient expansion of services and infrastructures that cater to consumers seeking personal fulfilment and change in order to achieve personal growth, this is explained by Maslow's hierarchy of needs. Thus explains the initially puzzling influx of services like medical aid and insurance.

Furthermore, the demand for infrastructure is ever-present in the fact that Africa is now the second most connected region globally in terms of mobile subscribers as stated by Informa Telecoms & Media.

The growth in IT and Telecoms has enabled exponential growth for mobile money transferring systems like Kenya's M-Pesa which is clearly visible considering the booming middle class and the opportunity to increase the volume of remittance handled. Ultimately services and technology including travel and tourism will arguably always be the second tier to economic growth and will develop in years to come.

Crossing borders

A safe prediction will be that several brands will understand the state of development of the country and try to size the opportunities within the remittance space, especially when considering a discrepancy of 21.65% between the least (UAE to Egypt) and most expensive (South Africa to Malawi) corridors to send money into Africa.

Retail stores, banks and mobile solutions (to name a few) could leverage their footprints and established money transfer offerings to overcome national borders.

The breakdown of borders created by national constraints unlocks doors to innovative partnerships, product offerings and even marketing campaigns where John Doe in the DRC instantly receives his prize money after winning a competition hosted by Shoprite (operating out of South Africa)

In order for brands to obtain this platform on which they can expand and interact with stakeholders with less constraints they will have to encourage harmonisation of regulations relating to remittances on a continental scale. Which could ultimately serve as the first step in moving towards an African Free Trade Area, uniting six of the 10 fastest growing economies.

Opportunities for brands

In a continent whereby livelihoods and the trend in remittances is steadily stimulating growth and helping economies to prosper, new exciting opportunities for brands are now arising.

Once described as the "hopeless continent" as labelled by *The Economist* a decade ago, Africa has quickly transcended the "hopeful continent." The mere example of Africa innovating and catering for its ever-growing middle class is proof and clearly evident in the breakdown of its national borders enabling a kaleidoscope of viable brands to now flourish on a much larger playing field.

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