

The background of the slide is a close-up, high-resolution image of the South African flag. The flag's design is visible, featuring a red triangle at the top, a green triangle at the bottom, and a white horizontal band in the center. A yellow and black diagonal band crosses the white band. The flag is shown with realistic fabric texture and lighting, giving it a three-dimensional appearance.

South Africa Briefing

Teddy Gray and Emily Jerman

Agenda



History and Background



Current environment



Emerging market opportunities



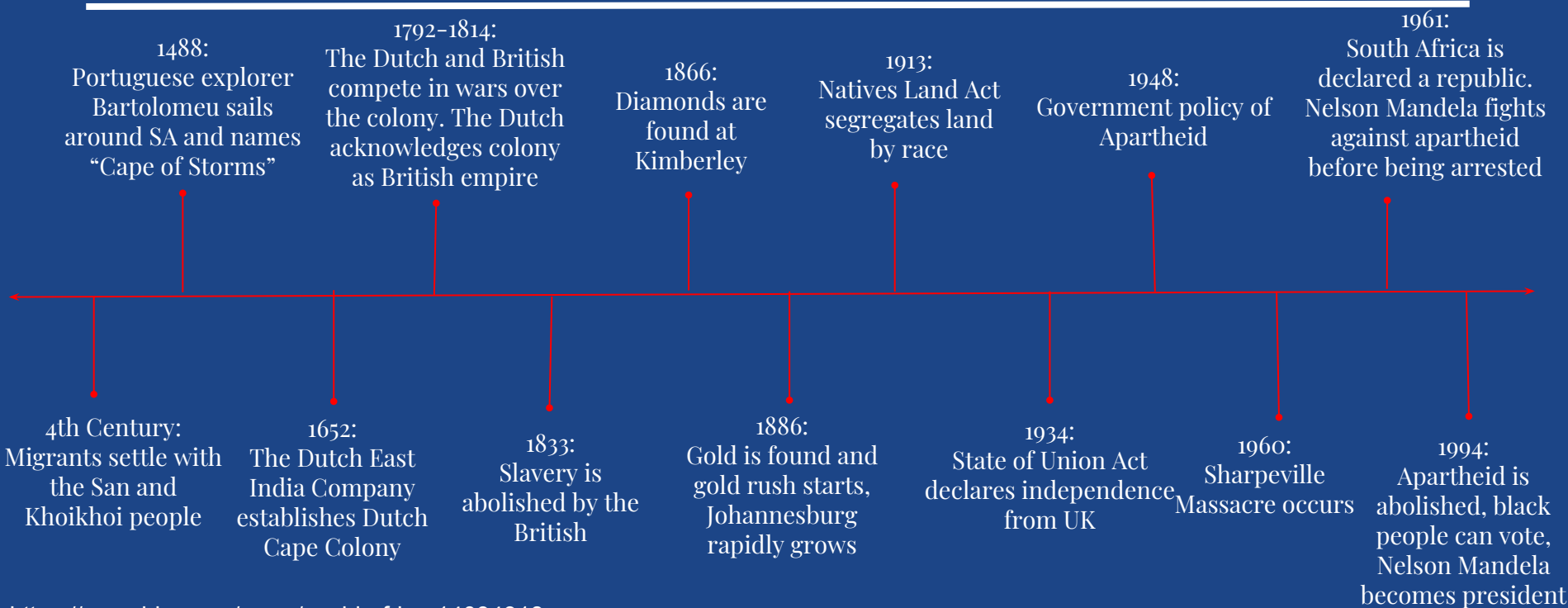
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History and background



South Africa Timeline



<https://www.bbc.com/news/world-africa-14094918>

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South Africa has one of the most diverse populations in the globe



South Africa Population: 57.88 Million



24th largest country in the world

11 official languages

isiZulu, isiXhosa, Afrikaans, English, Sesotho, Sepedi, Setswana, Xitsonga, isiNdebele, Tshivenda, siSwata

Ethnic diversity

Black African.: 79.4%
White: 9.2%
Mixed.: 8.8%
Indian/Asian.: 2.6%

Age structure

0-14 y.o.: 28.1%
15-24 y.o.: 17.4%
25-54 y.o.: 42.05%
55-64 y.o.: 6.71%
65+ y.o.: 5.81%

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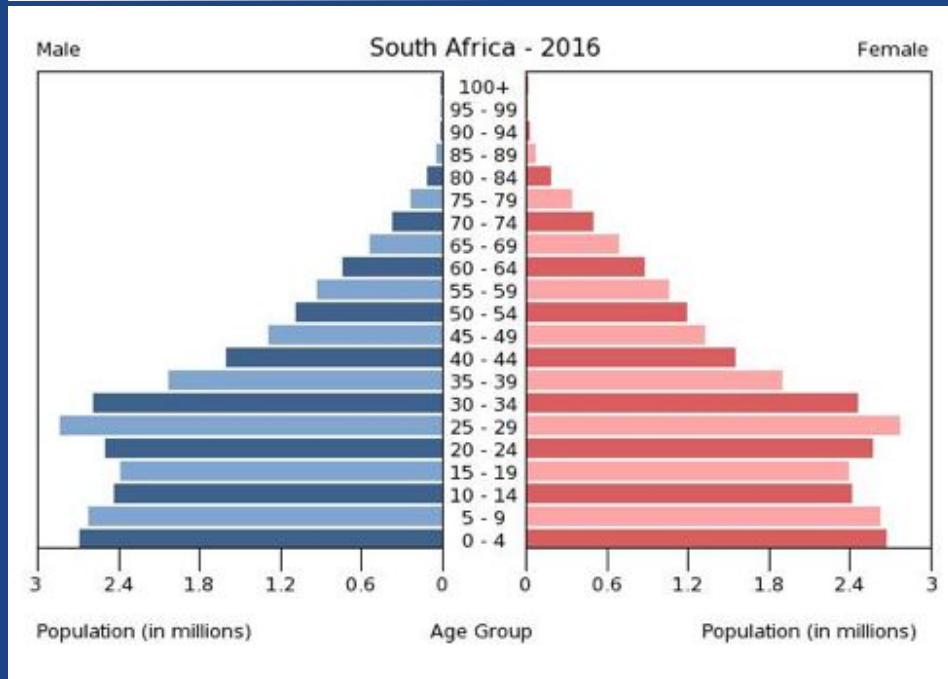
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Source: The World Factbook, Worldometers, IndexMundi



Gender is evenly split with women taking the lead



Female 51%
(29.5m)

Male 49%
(28.2m)



<https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html>

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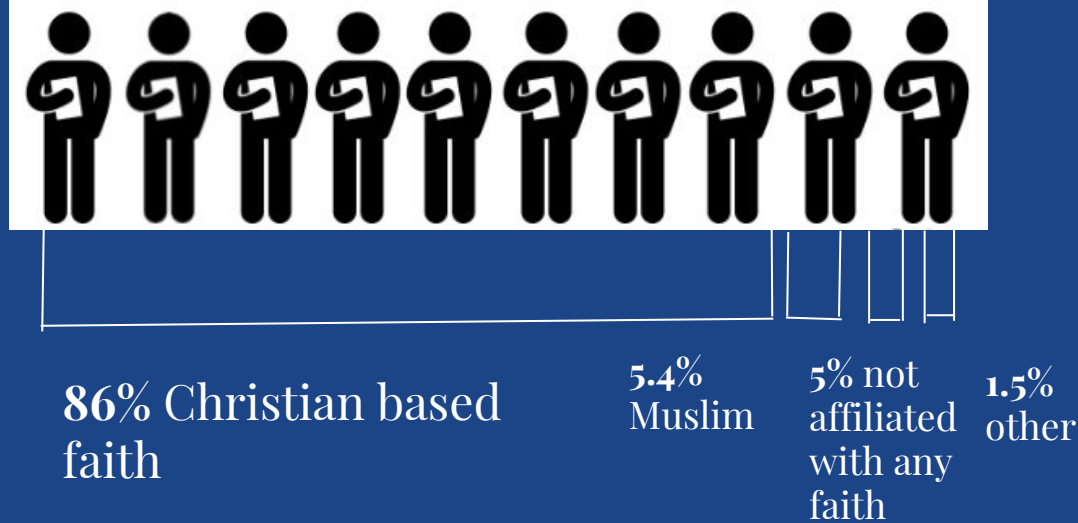
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Christianity is the largest faith in South Africa

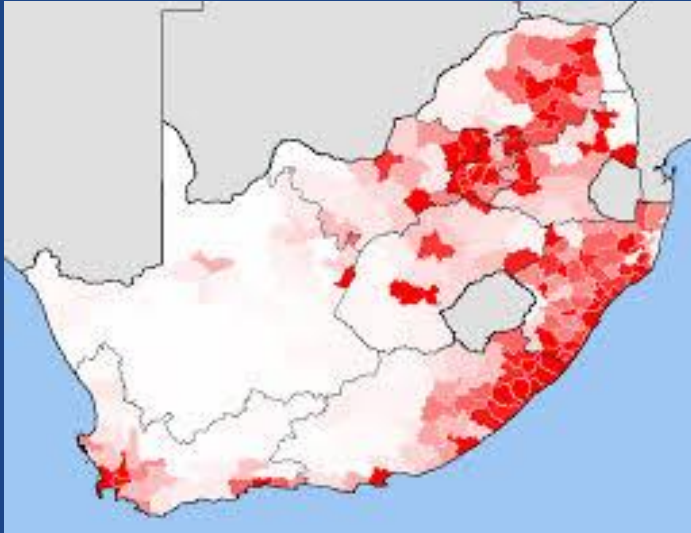


Before the Republic of South Africa was constructed, all religions were equal and treated equally





Population concentration along the south



Most of the population is concentrated on the southern and southeastern coast. Also, around Pretoria

The eastern half of the country is more densely populated than the west 41.4 people for every sq. kilometre of land

<https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html>

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“What an unequal society” - 20 years on, South Africa is slowly changing



Apartheid existed for 300 years. After 20 years since it ended, discrimination is still a problem. It leaves behind social illness which still exists today. The poverty gap in SA is 27.9%.



Education among black people has improved but 8% of black South Africans are still uneducated (vs. 0.8% of whites). The government is trying to change this since the Bantu Education Act.



South Africa has improved their rate of women as senior officials and managers. SA moves to 15th in Global Gender Pay Gap Index.



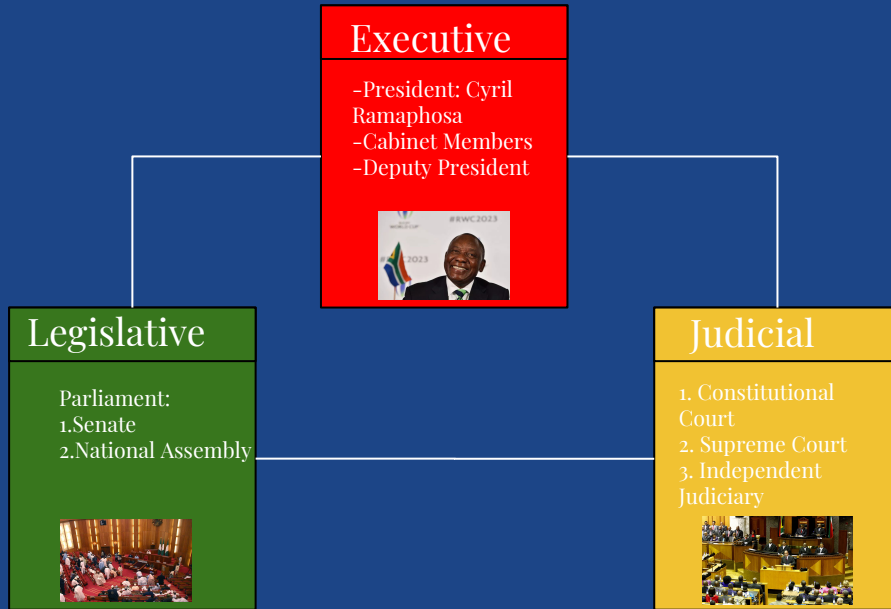
<https://www.news24.com/MyNews24/raceclassgender-in-an-unequal-south-africa-20160118>



South Africa's President aiming to change the corrupt political nature of the country



Parliamentary Representative Democratic Republic



Corruption in SA

- ❖ SA is the 73rd least corrupt nation out of 175 countries (2018)
- ❖ SA scored 43/100 on the 2018 Corruption Perceptions Index (non-corrupt=100)



African National Congress is the Republic of South Africa's governing party. This political party has won every election since 1994 (post apartheid).

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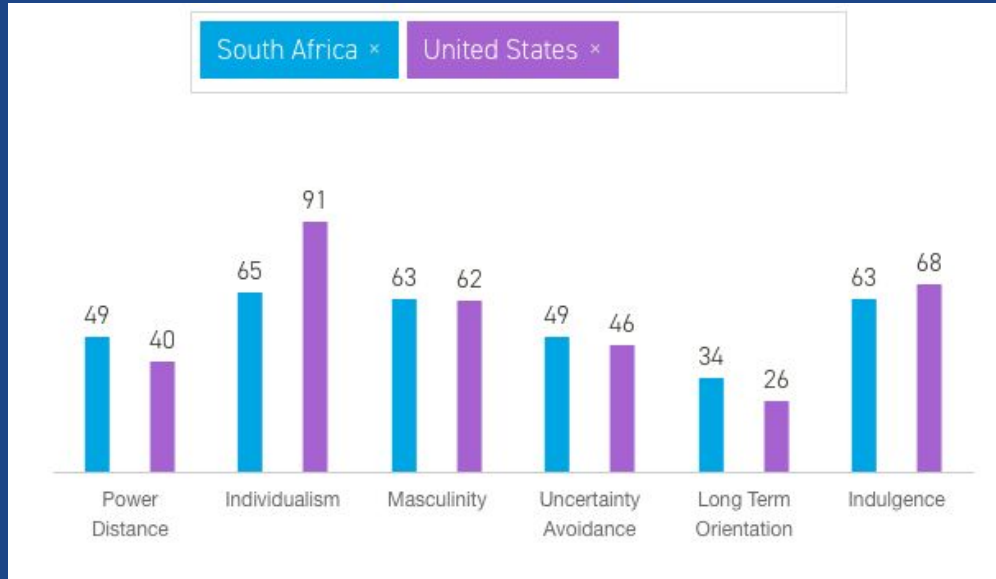
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Hofstede's cultural representation of South Africa vs. USA



Medium power distance

Highly individualised

Highly masculine

Low on certainty

Low on long term orientation

Highly indulgent

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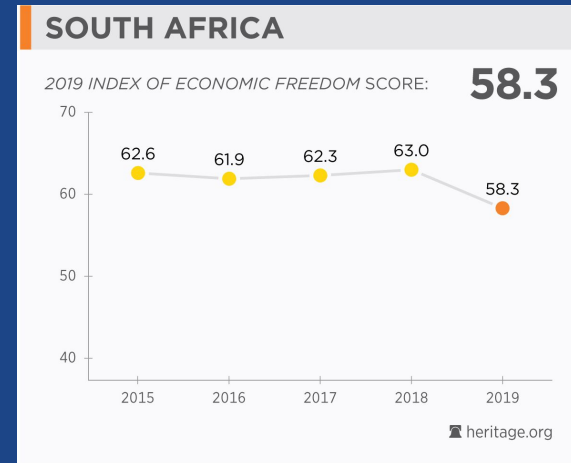
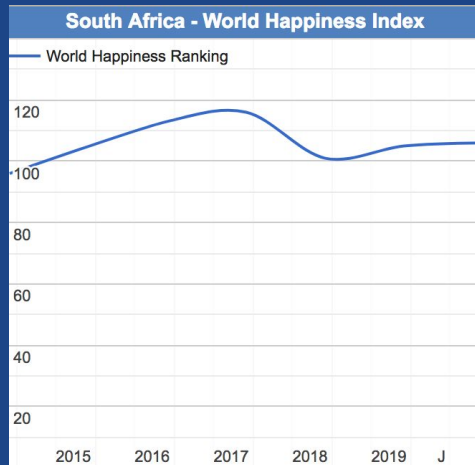
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SA happiness and freedom index shows a conflicting view to Hofstede



41st happiest country in the world

3rd least free country in the world



<http://thehappinessshow.com/HappiestCountries.htm>

<http://alumni.media.mit.edu/~kris/FreedomIndex.html>

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South Africa is very passionate about sports



Most Popular Sports in South Africa

1. Football/ soccer (most popular)
 - ❖ Hosting World Cup in 2010
2. Rugby
3. Cricket
4. Water Sports
5. Golf
6. Horse Racing



Economic and Current Environment

South Africans are pleasant in business environments, but there are a few things to keep in mind



It is important to establish relationships:

- ❖ South Africans are hesitant to do business with strangers, so connections and references are important to establish credibility
- ❖ Seek to obtain introduction letters from mutual contact

First meetings:

- ❖ Should be more about getting to know each other rather than a strict discussion of business matters
- ❖ Bringing gifts to business meetings is advisable, but avoid lavish gifts because that can be seen as bribery or misconceived
- ❖ South Africans are more likely to do business with expats if they trust and know you

Dress Code:

- ❖ Men: Dark colored suit and ties. Shirts usually light in color with a basic design
- ❖ Women: Wear conservative dresses and skirts rather than pantsuits.
- ❖ **Remember:** Winter is between June and August, so plan to dress somewhat more warmly in these months

Other tips to keep in mind:

- ❖ Never raise your voice and always keep a mild tone when conversing
- ❖ It is considered rude to point your index finger at someone
- ❖ Avoid the "V" peace sign and having hands in pockets
- ❖ It is rude to refer to a female professional as "miss"
- ❖ South Africans are quite friendly and openly express affection



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Source:
expectica.com

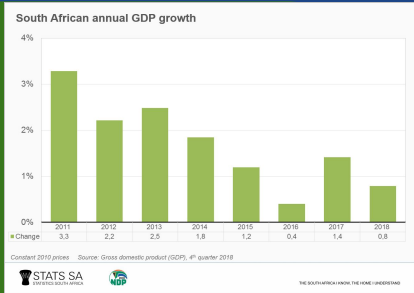
Economic Growth hindered by high unemployment rates



“South Africa is a middle-income emerging market with an abundant supply of natural resources; well-developed financial, legal, communications, energy, and transport sectors; and a stock exchange that is Africa’s largest and among the top 20 in the world” -Index Muni

The economy has been decelerating for several reasons:

- High unemployment/Low savings rate
- Political instability/management
- Reduced demand from China has had strong impacts on the SA economy, which is heavily dependent on commodities exports
- Rand remains weak
 - Has continued to decrease. Currently 14.31%
- Weak education system
- Skills shortages
- Increased global competitiveness



27.1%

Unemployment Rate (2018)

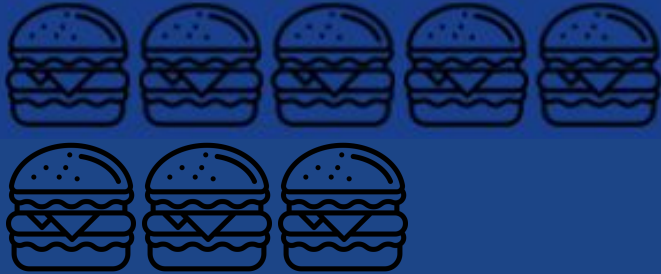
❖ Ranked #9 of the world’s 20 unemployed rated countries

Influencing factors:

- Low education attainment and weak education systems results in unskilled workers.
- Low levels of job creation



Big Mac Index indicates the PPP



\$5.58 US



\$2.24 South Africa

<https://www.economist.com/news/2019/01/10/the-big-mac-in-dex>

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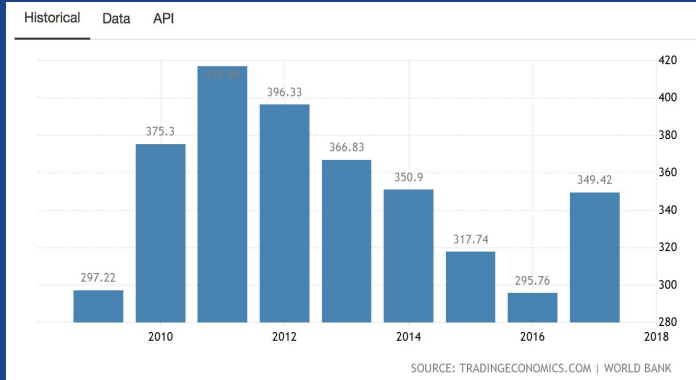


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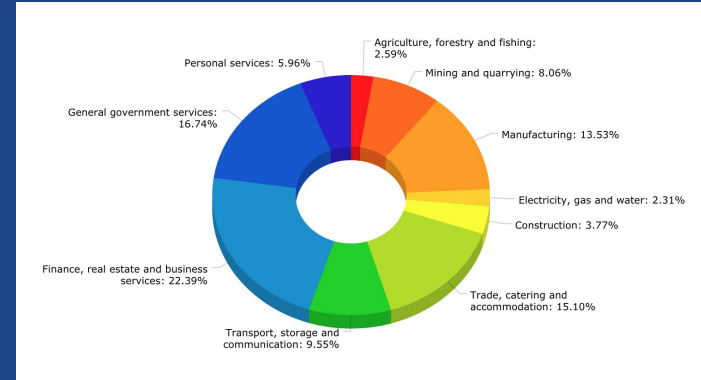
SA's Economy contributes approximately 25% of Africa's GDP



South Africa's GDP



Relative contributions to SA's GDP



- ❖ GDP in SA was worth 349.2 billion US dollars in 2017
- ❖ The GDP value of SA represents 0.56% of the world economy
- ❖ Largest economic sectors:
 - Finance, Government, Trade
- ❖ Main industrial sectors:
 - Mining, mineral resources, manufacturing, and processing

- ❖ In 2017, manufacturing fell to approximately 13.5%, continuing its slide down from where it was many years ago and the mining sector's contribution decreased to about 8% of the country's GDP.
- ❖ The Winners: Trade, Finance, Real Estate, and Business Services, Transport, and Communication
 - Trade has made some significant gains in terms of its relative importance to the SA economy

SA's ANC Party and its political assassination problem has caused civil disturbance



- South Africa has seen 90 political murders since 2016, almost one per week. And unlike the violence that ravaged the country during apartheid, it is not rivalry between parties, but members of the ANC killing each other.
- Municipal councillors are the most common victims – either because they have denounced corruption or because of competition for lucrative posts
- There is no doubt that the assassination situation worsened dramatically during Jacob Zuma's rule. By the end of Zuma's rule it seemed that political assassination had become an entrenched feature of public life, with serious consequences for democracy
- The goal of these assassinations is to consolidate power and silence whistleblowers



Ramaphosa has made a promise to reduce political corruption. The removal of the country's top prosecutor, Shaun Adams, has created an opportunity for Ramaphosa to take action



Violence against migrants to South Africa isn't going away

- A major challenge and opportunity SA faces is immigration from other parts of Africa, with refugees (many illegal) seeking asylum from persecution or simply migrating towards one of Africa's richest economies.
- Competition for jobs and opportunities means tension and violence between the refugees and local communities – along with poverty and crime
- The government and civil society are both culpable
 - A lack of law enforcement
 - The gov. Continues to sideline migrant violence





There is a lack of resources in current firms to meet domestic and international demand



Discount Retailers:

- Consumer retail markets have consistently grown by about 4% annually since the recession
- Consumer's preferences have shifted towards brands and value, which is good for global firms



Agriculture Processing Firms:

- This sector contributes a significant amount to South Africa's exports, but has seen a slowdown in growth
- There are few major players, so international firms can target domestic markets



Oil and Energy Firms:

- Renewable energy becoming increasingly popular, reducing their reliance on other nations
- International energy companies can get their foot in the door with their knowledge
- Consumption is out matching production. Room for opportunity and to get involved.



Consumer Profile: South African consumers are concerned and cautious

- South African consumers are under tremendous financial pressure as a result of high inflation and imminent job loss
- Many South Africans are living paycheck to paycheck. No surprise, then, that they are cutting back on spending, delaying purchases, and shopping around for the best deals

Four Traits of South African consumers

1. They proactively search for savings
2. They are brand loyal - if the price is right
3. Once they trade down, they might not go back
4. They shop across channels and find value at discounters

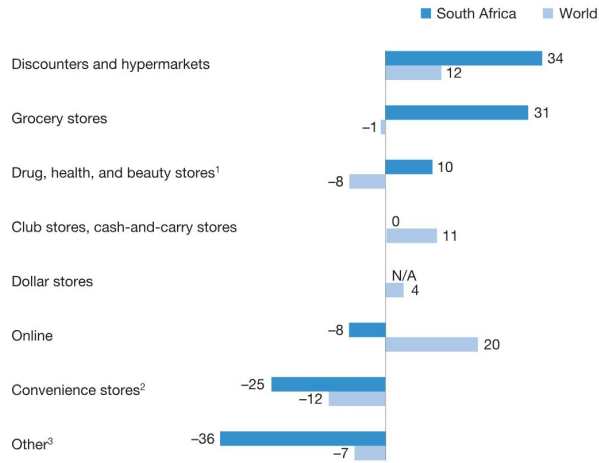




International retailers and Consumer Products Companies that offer discounts will prosper

South Africans say they're shifting their spending toward discounters, hypermarkets, and grocery stores.

Net change in household spending by channel cluster in past 12 months, %



- The majority of South African consumers are tightening their spending by comparing prices, seeking out sales and promotions, and searching for better deals
- Over 30% of South African consumers have shifted away from normal stores to hard discounters and hypermarkets
- If international retailers and consumer goods companies can market value and provide the right prices for the SA consumers, they will succeed

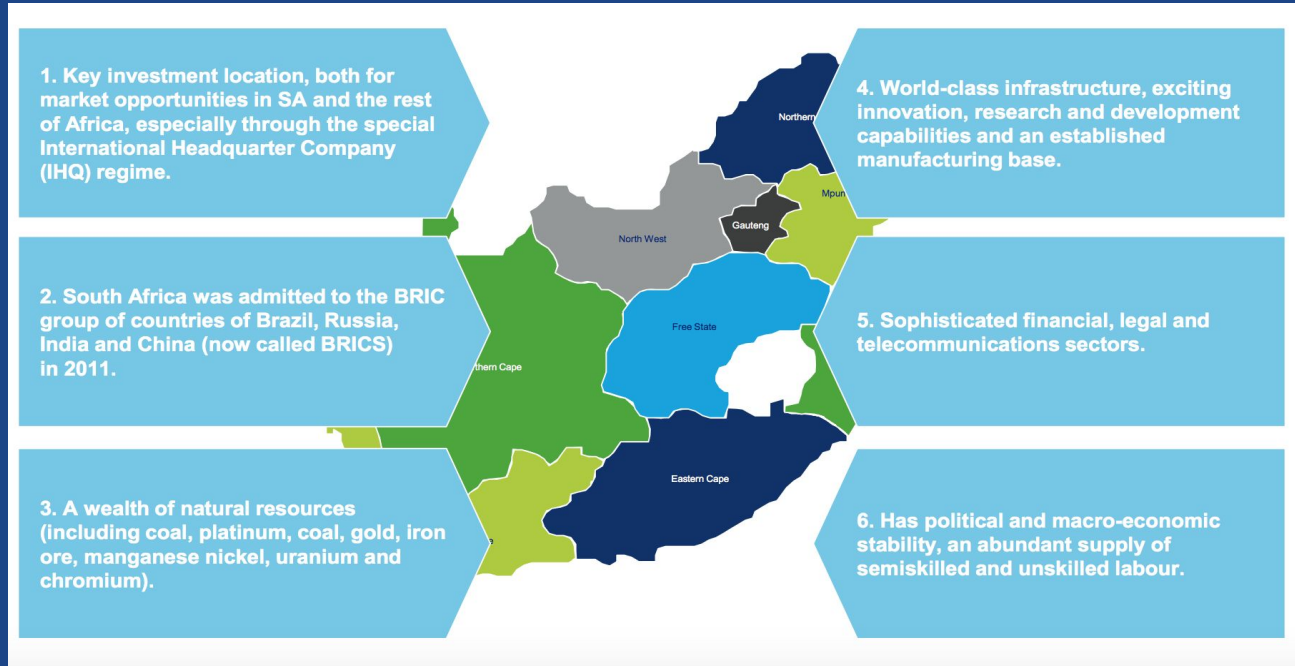


Emerging business opportunities

South African Market: “Open for Business”



Despite a slowing global economy, South Africa remains one of the most promising emerging markets. It is also Africa’s most sophisticated and diverse economy



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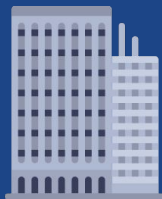
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Five Industrial Opportunities for Global Business to Thrive in South Africa



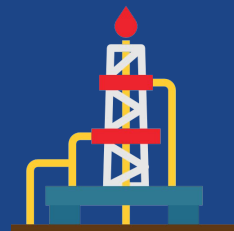
Advanced
Manufacturing



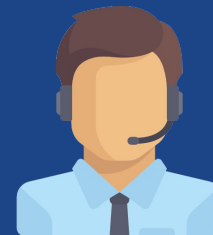
Infrastructure
productivity



Raw and Processed
Agricultural exports



Natural Gas Drilling
and Export



Service
Exports

Although production and business in these sectors remains weak, each sector has forecasted growth over 15% annually in regards to international and domestic demand, which is very promising. This opens the door of opportunity for international businesses to enter



Oil and Gas offer a huge opportunity to international businesses looking to establish a presence in South Africa

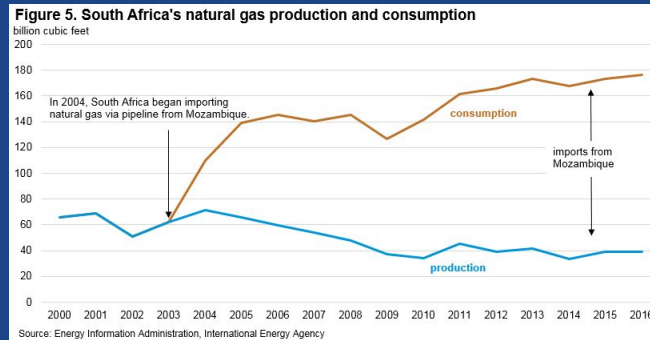


- Recent discoveries of major gas and oil deposits in South Africa could dramatically improve the prospects for SA - reducing imports, driving economic growth, and reducing CO2 levels in power generation

- Heightened availability of oil and gas reserves in Gauteng Province represent a great investment opportunity

- The only commercial production of oil and gas in SA has been in the Bredasdorp Basin, in a block operated by PetroSA.

- The largest source of natural gas in SA is through Sasol's Mozambique pipeline, which transports gas extracted from Mozambique's Pande and Temane gas fields.



Mozambique's Key Energy Statistics		world rank
Total Primary Energy Production 2016	0.538 Quadrillion Btu	67
Total Primary Energy Consumption 2016	0.281 Quadrillion Btu	93
Proved Reserves of Natural Gas 2018	100 Trillion Cubic Feet	15
Primary Coal Production 2016	6,819 Thousand Short Tons	30



Marketing Management



Ports, roads and railways are key to distribution in SA



96% of exports are via the sea - many to Europe, Asia, USA and Africa



SA road network is 747,000km which is the longest of any African country. 19% of these are toll roads



10 Airports in South Africa are responsible for 10 million person departures yearly



Extensive rail network, 14th longest in world connecting SA to its ports

<https://www.brandsouthafrica.com/investments-immigration/business/economy/infrastructure/south-africas-transport-network>

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Advertisements online and via applications continue to grow in place of TV and Radio traditional options



South Africans are increasingly spending time online with shoppers totaling 21.5 million in 2019. 42% of SA spend 3+ hours online



Ad campaigns on mobiles target 86% of SA users. They are often using funny messages via social media apps



The TV and Radio market is declining but is still frequently used as a traditional media outlet for many advertisements

Digital advertising spend in SA estimated at \$285 mil, \$1.22 bil on TV and video advertising

<https://www.eshopworld.com/blog/south-africa-ecommerc-e-insights-2017/>

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Consumers in South Africa are price sensitive and prefer promotion than brands



South African shoppers expect low and fixed prices for their everyday goods. They will pay the set and fixed price rather than haggle

Shoppers are very price aware of their well known products, so are aware when they are changed

Brand loyalty is low as price is priority. So, they would rather get a good deal than the brand they prefer



Tips to enter SA market in 2019

The South African market is sophisticated so entry must be well-planned and take into consideration a variety of factors:

Economy and politics

10% of population earns 45% of national income

Volatile rand-dollar exchange rate

Fragile political system

Companies Act and the Companies and Intellectual Property Commission

Consumer

Consumers are price-sensitive

Consumer protection laws

Rise in use of social media - advertisements are well received



Operation

Unreliable electricity supply network

Large retailers are concentrated within 5 metropolitan regions

Market tends to stick to know suppliers

There are a variety of websites which can aid entrance:

- Export.gov
- Expatica
- Start-up overseas
- Forbes

<https://www.export.gov/article?id=South-Africa-Market-Entry-Strategy>
<https://www.expatica.com/za/employment/self-employment/starting-a-business-in-south-africa-105905/>

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Questions or comments?

