

High operating costs impact customer service in Africa

Although their transition to middle class status has been fairly rapid, African consumers have embraced new mobile technologies that keep them informed of the growing array of brands, products and services. These, however, are not always easily available to them.

According to Jan van Zyl, head of property development at Novare Equity Partners in Ghana, "The unmet needs of the middle classes in Africa are diverse. While suppliers are able to make the market aware of their offerings via mobile technology, they also need to go to where their customers are located geographically."

High operating costs

He noted, however, that high operating costs in emerging countries are arguably the biggest factor inhibiting the proper servicing of consumers, forcing some companies to operate only in areas where margins are sufficiently wide.

Logistical challenges like poor infrastructure, unreliable transport and services and bureaucratic importation procedures are examples of impediments to physically reaching many middle class customers. In addition, limited skills in fast-growing emerging markets require resources for training.

Van Zyl said, "Differences in customs, languages and legal systems between countries, make it difficult to apply business approaches universally across all customers. Marketing strategies, for example, will differ substantially within different regions of the same country, and even more so when moving across geographic lines.

Brands should serve their customers

"That said, brands that serve their customers well tend to have a loyal following, which in some cases has resulted in oligopolies and institutions that do not easily allow access to new entrants."

While there are huge advantages to being an early or even first mover in developing markets - consider the success of some of the first cellular providers - by entering uncharted waters, companies expose themselves to various risk factors.

Van Zyl added: "They also open markets for others to follow and need to be willing to invest further to fully reap the financial rewards. For this reason, companies should take a make long-term view on their commitments in Africa, and not leave the door open for the competition when future expansion is required.

"Business risk can be mitigated by partnering with a company that is familiar with the market, bearing in mind that companies established in Africa may be feeling the pressure of new entrants and be open to partnerships as a way to

ensure their long-term success."

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