

Targeted expansion into African markets is a must for SA's long-term insurers and asset managers

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With Africa being the world's second largest and second most-populous continent, it makes good business sense for South African financial services companies - including those in the long-term insurance and asset management space - to be pursuing growth opportunities across the length and breadth of the continent.

This is the view of Blum Khan, CEO of the International division within JSE-listed MMI Holdings.

"As at the end of 2013, there were around 1.1 billion people living in 54 sovereign states, nine territories and two de facto independent states. What's more, Africa's population is the youngest of all the continents with 50% of the inhabitants being 19 years old or younger," he said.

"It is very important to note that financial inclusion policy initiatives are driving some of the changes in Africa and creating opportunities. In sub-Saharan Africa, for example, it is estimated that only 24% of adults have a bank account, even though Africa's formal banking sector has grown strongly in recent years. There is

no doubt that Africa provides the opportunity for South African companies - and from elsewhere in the world - to diversify their earnings and develop growth markets for the future."

According to Khan, MMI's approach to Africa is about growth, diversification of revenue and taking its intellectual property and capabilities into these exciting new markets that are opening up. He said MMI is currently working closely with major mobile phone network operators to bring financial services to market via this incredibly effective channel.

Growth potential comes with many challenges

While Africa offers undoubted growth potential, Khan said it also poses many challenges and obstacles which need to be overcome. MMI's focus is on understanding client needs and developing relevant customer value propositions for the particular African markets that it is targeting. "Having operated in the South African Development Community (SADC) region for more than a decade, we have an established base which gives us a good springboard to grow elsewhere on the continent. One of the major challenges is growing this business to scale so that we can optimise our resources. We also have to consider organic growth and growth by acquisition, which always requires very careful examination of the very few good deals that become available," added Khan.

Due to Africa's diverse nature, Khan said the challenges of regulation, currencies, distribution capacity, human resource skills and low financial services penetration have to be tackled. He stressed that realising that there is no one size fits all model is a big

step in the right direction - the next step is to analyse individual markets, understand client needs and develop appropriate propositions to meet these needs.

"Significantly, Africa's willingness to adopt new technologies - in some cases at a quicker pace than in South Africa - offers exciting opportunities for product delivery. However, whatever market we are interested in requires a structured process of research and market segmentation as a prelude to any market penetration," he said.

"For us, there is no doubt that we are committed to growing our market presence in the rest of Africa and we want this business to be a meaningful contributor, contributing 10-20% of group earnings over the next decade," concluded Khan.