

Don't overlook consumers in Africa's rural areas

By [Ben Leo](#)

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It's a mistake to rule out rural spaces and consumers, especially in Africa. Global commerce is fiercely competitive, with business leaders and investors still waking to the vast potential of Africa's burgeoning consumer market. The continent, now home to more than 1.1 billion people, will account for one-fifth of the world's population by 2025. Sub-Saharan Africa's population stood at 1.03 billion last year. What's especially significant is that well over 637 million - 61.6% - of these men, women and children live in rural areas.



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Rural areas are arguably the most overlooked spaces in Africa. This is true both in terms of government services as well as corporate attention. Decision-makers have very little access to credible information about these remote rural spaces, and as a result, they can be tempted to act on misconceptions about an area's economic activity, population, needs, and potential. Whether true or not, misconceptions and sparse data can make rural areas unattractive prospects for investment, sales, and corporate expansion.

61.6% is a massive consumer segment to neglect simply because of inadequate information. This is particularly true in the case of digital banking, a business sector that has much to gain from, and offer, the hard-to-reach regions of developing nations. Geospatial analysis methods provide vital illumination for business leaders and investors by filling crucial gaps in their understanding of rural African consumers.

Rural and poor are not the same thing

The opinion that "rural" always equates with "poor" is no longer sound. More and more Africans are entering the consumer class, and many of these are in peri-urban or rural areas, creating appealing new investment opportunities. Moreover, it's too simplistic to view elevation in economic status as stemming solely from traditional rural-to-urban migration.

Over the past two decades, the discovery of resource-abundant areas in Africa has drawn workers away from cities to rural zones, where they establish economically vibrant centres. This has certainly been the case in Zambia, with the expansion of mining investment in the territory. Even those who uphold rural-to-urban movement patterns continue to maintain their traditional homes, properties and fields. As their income has increased, so too has their investment in the countryside.

Migration in Africa is a multi-direction process, transporting consumers and their capital with it – including to rural areas. Good data on these emerging rural consumers can illustrate promising opportunities that may not be immediately visible from the outset.

Rural business opportunity

One of the areas where rural potential has been identified by investors is mobile financial services. The rise of digital banking in the region has been spurred by [Sub-Saharan Africa's status as the fastest growing mobile market in the world](#). 420 million unique mobile subscribers were recorded in 2016, along with 731 million SIM connections, and a SIM penetration rate of 74%. By 2020, those same figures are expected to jump to 535 million subscribers, and almost 1 billion SIM connections (85% penetration).

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Building on this widespread communications availability, mobile-facilitated monetary transactions help to create a more financially inclusive society. In terms of rural populations, the move to digital banking has multiple benefits. There is the time-saving convenience, of course, of no longer having to travel to physical bank buildings in urban centres to perform transactions. Ease of use has also streamlined the movement of funds between developed and undeveloped areas, matching population migration patterns in both directions. The result is a more interconnected digital economy, where the contribution of rural areas is more noticeable at a national level, and more likely to gain notice from other future investors.

There certainly has been digital banking buy-in throughout Africa. In cash-strapped Zimbabwe, Econet's EcoCash, a mobile-enabled funds transfer service, became so popular that [by mid-2017 electronic money counted for 70% of all financial transactions in the country](#). In the rest of the region, over 140 mobile money services, including cross-border remittance systems, were in place by the end of 2016.

Effective data collection strategies for rural spaces

Obvious investment potential exists – from digital banking to FMCG – but gathering information on rural spaces and consumers can be daunting at first if you are restricted to traditional methods like household surveys. The effort and expense to reach out-of-the-way locations makes this approach unfeasible for most companies.

Geospatial analysis overcomes these hurdles by using sophisticated algorithms which are applied to already-existing data sets, such as census data, surveys, and satellite imagery. No need to scavenge for more information. A crucial part of the

process is the use of geospatial co-ordinates. In Fraym's case, multiple data sets and analyses are applied to areas as small as one square kilometre, to generate precise information on populations. This way, it becomes possible to pinpoint new customers, size potential markets, and locate new sites for stores or projects. In terms of digital banking prospects, useful data points to apply in analyses could include existing communications technologies, mobile network reach and the location of rural SMEs with much to gain from digital banking.

Hyper-local results gained from geospatial analysis are often surprising. In one recent incident, a Fraym analysis revealed a high-potential advertising zone in a rural area that would have been overlooked if only district-level statistics had been used. The key to success is pinpointing the potential of the growing communities and neighborhoods within large rural provinces and districts.

Ultra-precision is especially valuable in rural spaces, which tend to be vast and lacking in conventional structure. And over time, the machine learning behind the analytical algorithms becomes extremely accurate – capable of making predictions about areas that were not heavily surveyed, for example. This functionality has huge benefits for lesser-visited and lesser-documented rural spaces. As a specific digital banking example, Fraym's frontier-pushing data science techniques have helped to identify half a million Ghanaians in the Volta region who are ready to adopt digital financial services. Three-quarters of these adopters live in rural parts of Volta, in far-flung settlements like Jambo and Kpandai.

The greater the investment made into rural Africa, the more everyone involved will benefit, from the businesses expanding their reach, to the locals presented with more choices – particularly in relation to their financial security. With a combination of relevant data and cutting-edge analysis, truly profitable decisions can be made. It's time to end to the era of anecdotes guiding your attitudes toward rural spaces.

ABOUT THE AUTHOR

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