



# Zambia: Open for Business

How can digital solutions developed during the pandemic catalyse and maintain momentum of investment into Zambian businesses?

**Report**

May 2021



# Zambia: open for business

## *A note from the team*

---

Dear Colleague

Impact Capital Africa (ICA) is delighted to be partnering with Prospero to deliver a series of virtual events and reports over the course of 2021 entitled **Zambia: Open for Business**.

After a difficult year for Zambian business and investment, we're working with leaders in the market to maintain Zambia's impact investment momentum and help power Zambian businesses to recovery in 2021. The Open for Business events are run on a small scale with hand-picked participants to facilitate highly discursive sessions with actionable outcomes, from investor meetings to targeted pitch events.

Having addressed the emergence of remote due diligence and the changing needs of Zambian growth businesses in our first two reports, this edition addresses the disruptive evolution of digital adoption across all walks of life around the globe and looks at how this can create opportunities for investment in Zambian businesses.

Beginning with a review of the impact of COVID on Zambian buying habits and digital adoption, this report looks at the opportunities which are developing around new niches. As mobile internet usage increases and Zambians become more comfortable using digital services, the report highlights the successes of those entrepreneurs who have positioned themselves to capitalise on this shift.

We investigate the opportunities this change creates in the investment landscape, including the new tools and practices which businesses need to adopt to drive investor relationships. Finally, we assess the relative merits of both digital and in-person tools for investors and growth businesses, mapping the potential strengths of each in the deal origination and progression process.

We look forward to discussing how these channels to market will evolve and what the benefits to the Zambian investment landscape will be with you over the course of 2021.

Kind regards,

**The ICA Team**



## 5 key take-aways: Summarising the main points

1

### **It has been a tough year – but it isn't all doom and gloom**

Although 2020 was a hard year for businesses and investors alike, it has catalysed change and driven efficiency measures which will benefit the survivors in the long term. The ability to make full use of online resources as well as refining their approach presents a positive route towards recovery through difficult times.

2

### **Digital participation has moved ahead at pace**

Although the pandemic has compounded the challenging economic situation in Zambia, it has also accelerated a move towards digital participation, eCommerce and eGovernment services. Several entrepreneurial businesses have benefitted from this growth, and it will drive new niches for opportunity on the road to recovery.

3

### **Digital, strong financial management and networks are key**

A hybrid approach to due diligence is evolving, utilising digital approaches in tandem with engaging local networks to conduct prioritised on-the-ground interactions. This represents an opportunity to build these networks and cost-effective solution models. Strong financial management remains critical, and even more important than pre-COVID, both for business success and as an investment requirement.

4

### **Digital does have its drawbacks**

Digital is great but you can't just convert all traditionally in-person communications to a digital format. To make the most of digital opportunities, everyone needs to refine their skills and understanding and find the right balance to remain focussed on their priorities.

5

### **A hybrid approach to business communications reaps rewards**

A hybrid model for investment communications will allow investors and growth businesses to pick and choose the formats which match the context, and which work best for all parties to increase market understanding, originate deals and get those deals over the line.



## The challenge: the impact of COVID and the economic crunch on Zambian business

- ▶ The Zambian economy faced challenges before COVID-19, but the pandemic has exacerbated these issues. According to the African Development Bank, real GDP in Zambia contracted by an estimated 4.9% in 2020.
- ▶ The African investment landscape in general has taken a hit; Partech Africa's latest annual report showed a 30% drop in investment from \$2.02bn in 2019 to \$1.43bn in 2020. Their report does show a 44% increase in funding rounds however, agreeing with ICA's recent findings that investors are deploying smaller amounts over multiple rounds of funding in order to mitigate risk, particularly in terms of new investments.
- ▶ ICA has also observed that growth businesses are looking for different kinds of capital compared to their requirements two years ago. Their need for working capital is driving a short-term increase in demand for grants and working capital loans (in many cases seeking concessional pricing), rather than purely growth capital.
- ▶ It's not just growth businesses that are adapting: investors have found ways to adapt to lockdown situations, including relying more heavily on their own networks for referrals and adapting the due diligence process to encompass clear virtual goals as well as seeking on the ground partners to validate critical information. This highlights the need for trusted local networks and partners.
- ▶ For both businesses and investors, networks and relationships will play a more vital role than ever. *"The value of trusted in-country representation is playing an even more important role. Finding accurate information, and having someone, or an organisation you trust on the ground, will be critical. This is where I see the real opportunity"*, says Clive Shamwana of Corvus Solutions.
- ▶ All of the investors and growth businesses interviewed by ICA in the writing of this report have adapted their approach to their deal process and are using more digital platforms to both initiate deals and to get them over the line. While the limitations of digital life are evident, the mood is increasingly positive and a route to recovery is taking shape.

### KEY TAKE-AWAY:

Although 2020 was a hard year for businesses and investors alike, it has catalysed change and driven efficiency measures which will benefit the survivors in the long term. The ability to make full use of online resources as well as refining their approach presents a positive route towards recovery through difficult times.



## The pandemic has shifted consumer needs and habits, opening up new market opportunities

- ▶ In a wider context the switch to digital solutions during the pandemic has had a profound impact on businesses and lifestyles globally. *“In Zambia the pandemic shone a light on e-commerce. Things we take for granted moved to online platforms. eGovernment services are on the rise and Zambians are now more comfortable using them. Zambians can bank online or order food online. Although these services were available digitally before 2020, but they have blown up over the last year”*, explains Japhet Mesa, Co founder at eAfricaExpo Zambia Limited, organisers of the Zambia Ecommerce Expo and Conference
- ▶ According to the ZICTA ICT survey of 2018, only 7.3% of Zambians had an email address, a key tool needed to access online services and e-commerce. As part of Zambia’s 7th National Development Plan and Vision 2030 projects, the country now boasts mobile network coverage to almost 92% of the population. The selection of a fourth mobile network operator, Zambian-owned Beeline Telecoms, will serve to drive down the cost of mobile internet and increase digital participation further.
- ▶ Whatever the government’s commitment to increasing access to the internet and digital services, nothing could have catalysed a quicker increase in digital uptake than the pandemic, with the Bank of Zambia recording a 26% increase in mobile payments from January to April 2020 alone.
- ▶ As consumer habits shift, so too will their needs. Opportunities will open up for entrepreneurs ready to fill new niches. Zambia’s fintech start-up Zazu, for example, is onboarding customers at a rate of around 400 new accounts per day.
- ▶ Food delivery service AfriDelivery, a food delivery service with ambitions to become a B2B e-commerce platform, recorded 100% growth in annual terms in 2020. AfriDelivery’s CEO and founder, Afshon Wallace, told UNCTAD that the business grew on two fronts during the pandemic. *“We managed to keep delivering from shops, restaurants, supermarkets and pharmacies while also finding more businesses to partner with. It’s been a powerful period for us, even though the growth was related to the pandemic.”*

### KEY TAKE-AWAY:

Although the pandemic has compounded the economic challenges in Zambia, it has also accelerated a move towards digital participation, eCommerce and eGovernment services. Several entrepreneurial businesses have benefitted from this growth, and it will drive new niches for opportunity on the road to recovery.



## Get to grips with digital, finance and network/collaborative approaches

- ▶ The inability to meet face to face has impacted the investment process in many ways, but there are two main areas which are emerging as key: during deal origination and during due diligence. At these times personal interaction is critical, and this has had a knock-on effect on deal progression in Zambia. In particular, investors who have less exposure to the Zambian market are finding it harder to understand market dynamics.
- ▶ Digital interactions are seen as more efficient, offering access to individuals and information remotely for the cost of an internet connection, a process that may otherwise take a week out of the office and thousands of dollars in travel budget.
- ▶ A move towards effective digital communication during the deal process can accelerate timelines. Conversations can be booked as needed, rather than relying on travel cycles, and both sides of the equation are more ready to prioritise and share information digitally to ‘front load’ the deal process and maximise time spent face to face.
- ▶ Another benefit of digital interactions, and in particular pitching platforms or online events, is that they also enable investors to increase visibility of opportunities outside their primary markets and to engage with new markets in a low-risk way. This is great news for smaller markets such as Zambia, which have struggled through a lack of ‘boots on the ground’ in comparison to markets such as Nigeria or Kenya.
- ▶ The role of in-country proxies, discussed at length as a solution at ICA’s roundtable session in February (see ICA’s report - Building due diligence: the investor view), is something investors are seeing as a good halfway point between physical and digital interaction, particularly while quarantine requirements exist for international travel in many countries. The need for relationships with trusted partners, as well as a more open approach to sharing pipeline information, will open up further opportunities in a hybrid world.
- ▶ Events that are critical to deal origination have had to adapt quickly. Pan-African events have mainly switched to online offerings, and Zambia-specific events such as ICA’s pitching sessions or Prospero’s roadshows achieved great results in a digital-only format. In future, event organisers will be able to offer a mix of digital and face to face products. *“The barrier of virtual events is limited interactions. On the other hand virtual events do provide more flexibility in terms of availability and ability to attend events from anywhere”*, explains Nasilele Ng’umbi of Aflife.

### KEY TAKE-AWAY

Companies, both SMEs and investors, that embrace digital solutions have clearly fared better than most, both in isolation and as part of a hybrid approach to business communications. Strong financial management is pivotal, both for business success and as an investment requirement and making the most of boots-on-the-ground networks can bridge gaps.



## Digital is great but it has its limitations

- ▶ Although the shift to digital has brought new opportunities, digital communication has its downsides. The main one is the loss of quality and credibility versus physical interaction. As one investor told ICA: *“It’s just the ability to make a REAL connection with new people”*. Related to this are the limitations on the number and depth of interactions which can be achieved and maintained virtually, as well as administrative issues like poor internet connections or coordinating across multiple time zones.
- ▶ An oft-cited problem with digital is the ‘white noise’ of digital distractions, particularly in digital events or pitching sessions, which can reduce the quality of interactions and limit their effectiveness. Trying to ‘attend’ a conference, reply to instant messages and stay on top of emails all on the same screen will often end in a dilution of all channels. Melissa Tickle of FINCA explains *‘It is harder to step away from day-to-day work and allocate time for these events because it’s so easy to switch between the virtual platform and other zoom calls. Physical events are just overall more serendipitous and I’m more likely to meet a ton of new people that open unexpected doors.’*
- ▶ This ‘white noise’ issue is often most notable when a previously live event – a conference or workshop for example – is replicated on a digital platform. Whereas an investor might commit a day or two to be present at an event in order to benefit from networking opportunities and peripheral interactions, a long duration virtual event is unlikely to achieve the same level of engagement. Moving to a digital platform suggests a complete rethink in approach is wise. ICA’s Tiffany Moore comments that: *“At ICA we found it much more helpful to deliver a series of short, highly targeted events for investors and SMEs rather than try to replicate our ICA conference format. These events have included 1-hour investor pitching sessions and dedicated roundtable discussions on key topics, each with carefully selected audiences, in order that participants feel that they are spending their time effectively”*.
- ▶ Of course, even this approach has its limitations. The distance created by digital interactions necessitates more focus and clarity to ensure goals are reached. For investors taking part in digital pitch events, for example, without the informal networking element to back them up, it can be increasingly hard for growth businesses to get a good feel for what investors are looking for, their parameters and their values, all of which are essential foundations for successful long term relationships.

### KEY TAKE-AWAY

Digital is great but you can’t just convert all in-person communications to a digital format. To make the most of digital opportunities, everyone needs to refine their skills and understanding and exercise discipline to remain focused on their priorities.



- ▶ For growth businesses, this move to a digital environment has also required a shift in mindset and skills. Previously, key communication events took place in person-to-person, backed up with telephone or WhatsApp calls. But since early 2020, critical convenings have been taking place digitally, usually with a significant video element. Businesses have to be super-prepared and ready to handle presentations and Q&A sessions digitally. This has meant a rapid learning curve in the technicalities of Zoom settings and screen sharing plus overcoming connectivity and bandwidth issues as a matter of urgency. It also takes more preparation.
- ▶ At ICA, we have seen that firms seeking investment benefit enormously from one-to-one preparation support in advance of any event where they have the opportunity to demonstrate or present their business.
- ▶ Just as importantly, the growth in digital solutions has revealed shortcomings in how business leaders come across via virtual platforms. Tara Vicars, ICA's communications expert, reflected that *"People have spent years honing skills for getting their message across in person but have yet to grasp that there are additional things to consider when trying to do the same virtually"*. In response, the ICA team has developed resources and support to help firms bridge this communications gap. Please contact us [tara@impactcapafrica.com](mailto:tara@impactcapafrica.com) to find out more.



## Understand the pros and cons of different approaches and select according to your context

- ▶ When asked whether they would prefer to choose digital or physical meetings during the investment process, the ICA community was firmly in favour of a mix of the two.
- ▶ In terms of physical interactions, the Impact Capital Africa community sees them as essential for getting deals past crucial benchmarks. However, adding a digital layer and touchpoints can serve to maintain relationships and investment momentum through the most time consuming and inefficient parts of the physical process, as well as opening doors to investors and companies that otherwise may not participate in an in-person event.
- ▶ Moving forward, both investors and growth businesses will need to have a toolkit of physical and digital solutions from which they can choose methods that work best for them. *“I think that it is possible to, faster and more efficiently, make a pipeline of high quality as you can align expectations more quickly”,* says Niels Bojsen of Kukula Seed. *“and the same goes the other way: as a potential investee it is easier to determine which potential investors are relevant to speak with.”*

### KEY TAKE-AWAY

A hybrid model for investment communications will allow investors and growth businesses to pick and choose the formats which reflect the context and work best for all parties in order to increase market understanding, originate deals and get those deals over the line.

IMPACT CAPITAL AFRICA		Interactions: When digital? When in-in person?		
	Market knowledge	Deal origination	Due diligence	
Physical	<ul style="list-style-type: none"> <li>• Deeper market engagement</li> <li>• Meeting key players</li> <li>• Maintaining relationships</li> <li>• Vetting local partners</li> <li>• Sense of the market</li> </ul>	<ul style="list-style-type: none"> <li>• Relationship building</li> <li>• Site visits</li> <li>• Live events</li> <li>• Introductions</li> <li>• Spontaneous connections</li> <li>• Market context</li> </ul>	<ul style="list-style-type: none"> <li>• Validation / fact checking</li> <li>• Site visits</li> <li>• Management team relationships</li> <li>• Partner relationships</li> <li>• On the ground context</li> </ul>	
Digital	<ul style="list-style-type: none"> <li>• Macro market intelligence</li> <li>• Size of the opportunity</li> <li>• Economic trends</li> <li>• Key sectors</li> <li>• Rapid information gathering</li> </ul>	<ul style="list-style-type: none"> <li>• Lead sharing</li> <li>• Pitching platforms</li> <li>• Digital roadshows</li> <li>• Social media</li> <li>• Casting a wider net</li> <li>• Initial pipeline build</li> </ul>	<ul style="list-style-type: none"> <li>• Initial information build</li> <li>• Sharing documentation</li> <li>• Contextual data</li> <li>• Ad hoc interactions</li> </ul>	





---

## Can the ICA team help you?

---

Speak to us for details about  
consultancy services, partnerships  
and sponsorship opportunities

Contact [tiffany@impactcapfrica.com](mailto:tiffany@impactcapfrica.com)

---

[www.impactcapfrica.com](http://www.impactcapfrica.com)

 [@impactcapfrica](https://twitter.com/impactcapfrica)



**Emma Parker**  
Founder & Non-Executive Director  
emma@impactcapafrica.com

**Tiffany Moore**  
Engagement Manager  
tiffany@impactcapafrica.com

**Tara Vicars**  
Marketing Director  
tara@impactcapafrica.com

May 2021

