Prepared for:

Enterprise Mauritius

Workshop
“Doing Business in Zambia”

Prepared by:
Munich Advisors Group

Port Louis, Tuesday 1st of July 2014

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Munich Advisors Group

Content

1. OBJECTIVES OF THE MARKET RESEARCH

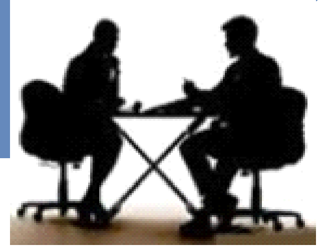
Enterprise Mauritius

- ✓ To assess the **competitiveness and export potential** of the selected **Mauritian products** in the Zambian market
- ✓ To identify **targeted and relevant importers** who would be **interested to import Mauritian** products
- ✓ To determine **key success factors for Mauritian suppliers** to penetrate the **Zambian market**

2 RESEARCH METHODOLOGY

Desk Research

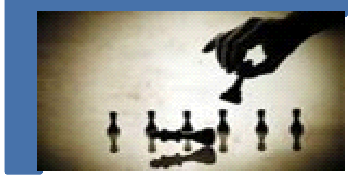
Interviews with relevant importers



Product Testing

Mystery Shopping

Marketing Strategies & Recommendations



3. TRADE BETWEEN MAURITIUS AND ZAMBIA

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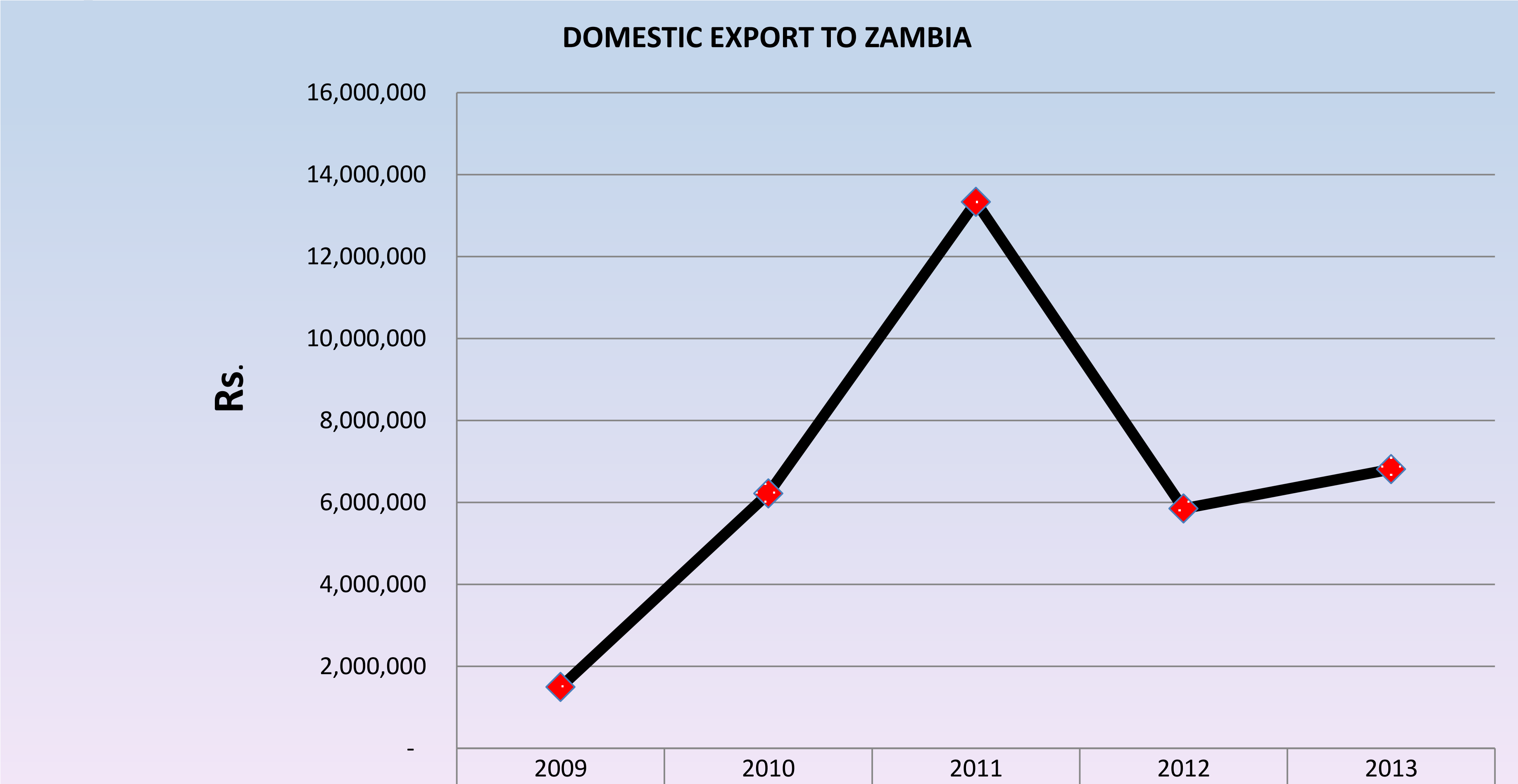

	2009	2010	2011	2012	2013
DOMESTIC EXPORT TO ZAMBIA	1,493,215	6,219,707	13,336,243	5,850,976	6,809,680

Statistics Mauritius, 2013

TRADE BETWEEN MAURITIUS AND ZAMBIA-DOMESTIC EXPORT BY SECTOR

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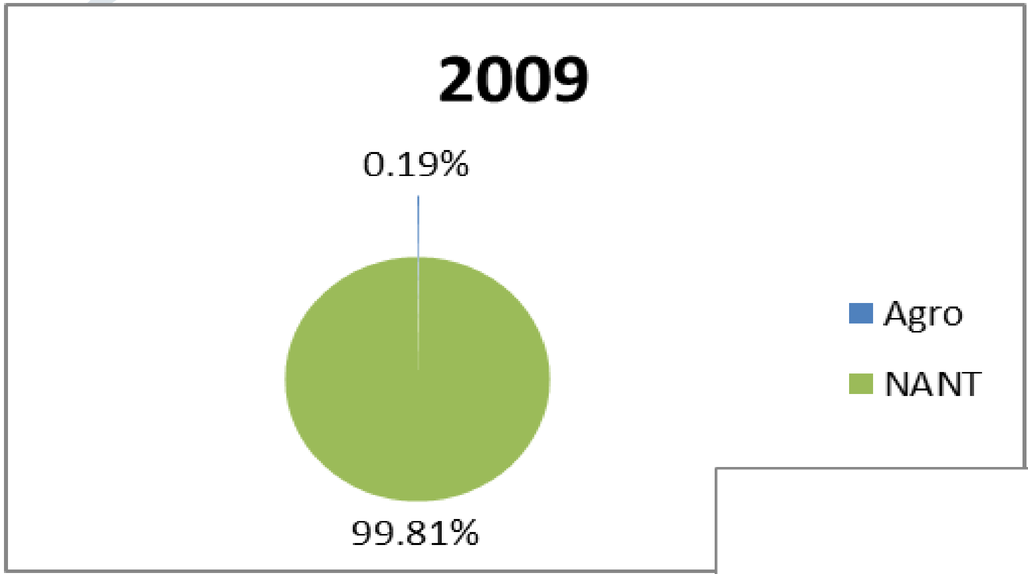

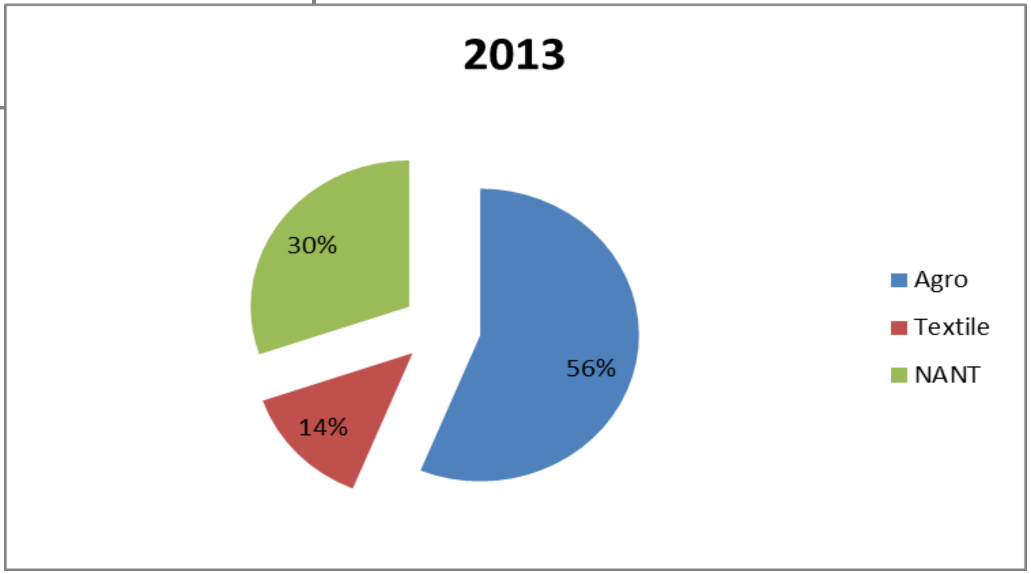

Statistics Mauritius, 2013

TRADE BETWEEN MAURITIUS AND ZAMBIA- MAIN EXPORT PRODUCTS

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Main Exports Products	2009 (Rs.)	2010 (Rs.)	2011 (Rs.)	2012 (Rs.)	2013 (Rs.)
Printed books, brochures, leaflets	789,427				
Trade advertising material, commercial catalogues	356,403		2,285,932		
Napkins and napkin liners for babies of paper		2,126,079	2,440,350		
Sanitary towels and tampons and similar sanitary articles of paper		1,978,019	2,621,384		
Food preparations		1,390,816			
Other napkins and napkin liners for babies				3,211,904	
Preparations used in animal feeding					3,824,416
Fertilisers containing nitrogen phosphorus and potassium					1,730,474
Babies' garments & clothing accessory of cotton,knitted/crocheted					923,502

- **Sourcing Destinations:** Mauritius is ranked 27th in terms of Zambia Value Imports. Its main sourcing countries are South Africa, Congo and China

- **Air Access:** No Direct flight (have to transit through Dubai, South Africa or Kenya)

- **Sea Freights:** 3 Different Ports (Durban, Beira and Dar-es- salaam)

  - Freight Rate through Durban for a 20 ft container is around 9,556 USD (550 USD Sea Freight, 9006 USD Inland Haulage)

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- **Cargo Charges:** *(Via Johannesburg, by SAA)*

Minimum	**MUR 1536.00**
≤100 Kg	MUR 58.00/Kg
+100Kg	MUR 53.00/Kg
+300Kg	MUR 44.50/Kg
+500Kg	MUR 40.00/Kg
+1000Kg	MUR 37.00/Kg

- **Health Regulation:** Advised to take Yellow Fever vaccination and Malaria medication two weeks before travelling

- **Communication:** 3 main mobile operators (Airtel, Zamtel and MTN)

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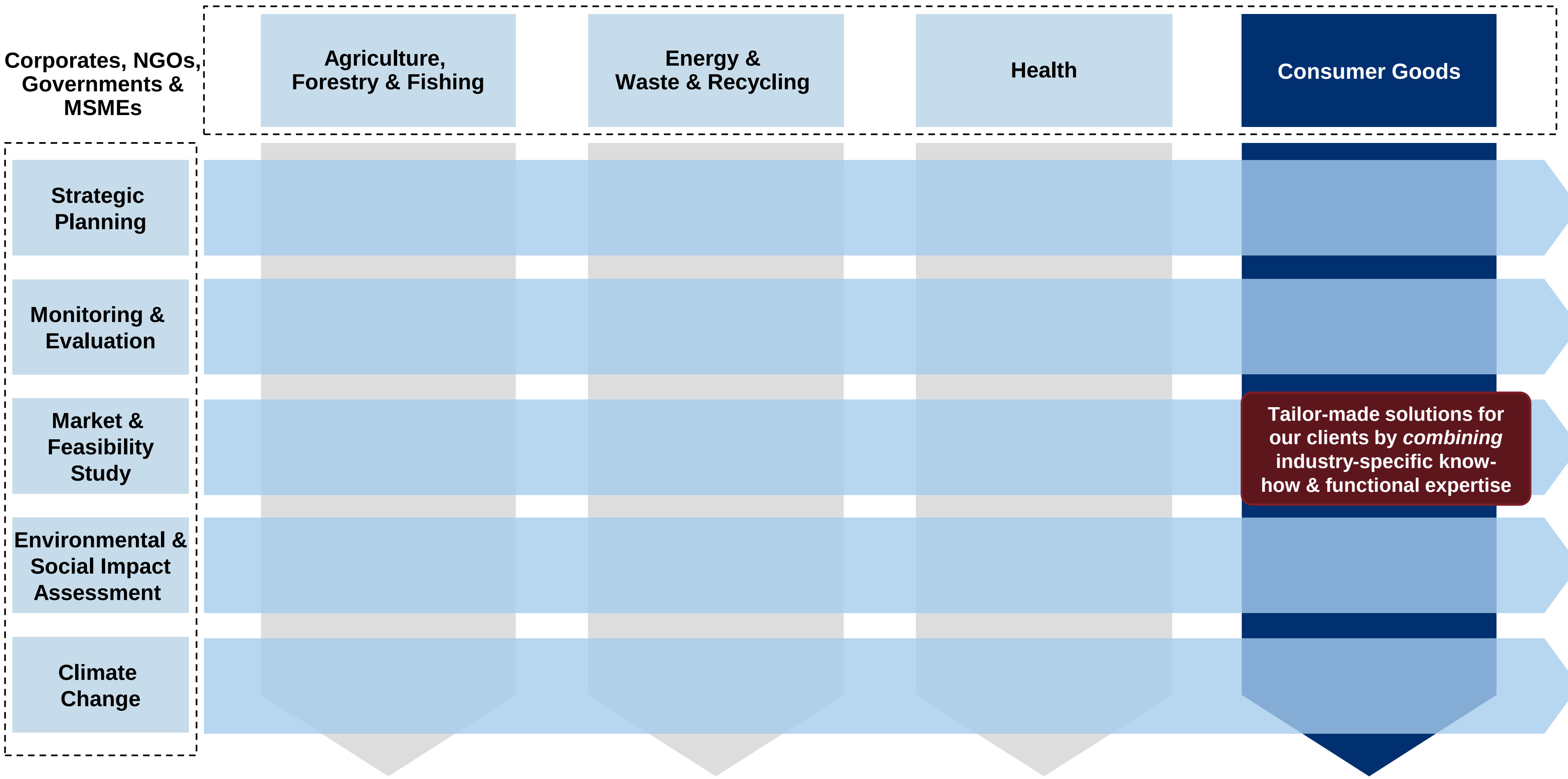
- **Financial Services:** 19 Commercial banks (operates from 8.15 am - 2.15 pm, from Monday to Friday)
- **Internal Travelling:** Good Road Infrastructure and Internal connecting flights to different provinces
- **Language:** English is the Official language
- **Currency:** Zambian Kwacha (1 USD= 6.13 ZMW)
- **People:** Warm and Friendly

Content

Munich Advisors is a consultancy firm with focus on Africa and expertise in various sectors and market studies

Munich Advisors Group - Competence Centres



NGO = Non-Governmental Organisation, MSME = Micro, Small & Medium Enterprises

As CEO of the Munich Advisors Mr Chibesakunda has gained experience in Africa in several sectors in the last 7 years

Summary – Emanuel Chibesakunda

Education

- Diploma in Marketing & Sales from UC Berkeley, USA
- MA. Mechanical Engineering from Technical University Munich, Germany

Employment Record

- Munich Advisors Group,
  CEO
- Booz Allen Hamilton
  Senior Associate Manufacturing Core Team
- BMW South Africa
  Project Manager Supply Chain Management
- BMW AG
  Optimisation of Logistics and Distribution Channels

Selected Project Examples

- Emerging Markets Strategy for pharmaceutical company including Sub-Saharan Africa
- IT-Strategy for Quantities Handling for a European telecommunication company
- Corporate RFID Strategy for international ICT company
- Sales Re-Organization & Performance Management System for European telecommunication company
- Business Assessment of Security Innovation Strategy for international ICT company
- Monitoring Database for Civil Society for Poverty Reduction organization in Southern Africa
- Africa strategy for European agrochemical producer for 54 African countries with 15 detailed country entry strategies
- 5-year corporate strategy for UK-based agriculture player operating in 8 African countries
- Market study on deforestation (REDD+) of a national park in Southern Africa for a division of United Nations
- Emerging Markets Strategies for agriculture, building materials and energy company for Africa
- Social school project with sustainable materials
- Lessons learnt for agriculture project of the EU with 10,000 farmers in Southern Africa

Content

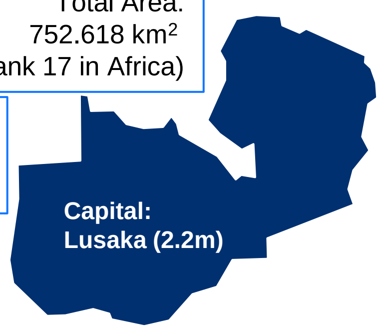
The former British colony is one of the world's fastest economically reformed countries

Zambia – Introduction

Total Area:
752.618 km²
(rank 17 in Africa)

Arable land:
3.4m ha
(rank 23 in Africa)

Water area:
9,220 km²



Demographics

- The Republic of Zambia is a landlocked country in Sub-Saharan Africa
- The Common Market for Eastern and Southern Africa (COMESA) is headquartered in Lusaka.
- The population is concentrated mainly around Lusaka in the south and the Copperbelt Province to the northwest.
- Zambia was the British protectorate of Northern Rhodesia towards the end of the nineteenth century until it gained independence in 1964
- In 2010, the World Bank named Zambia one of the world's fastest economically reformed countries
- Politics in Zambia take place in a framework of a **presidential representative democratic republic**, whereby the President is both head of state and head of government
- **Lake Kariba** is the world's largest artificial lake and reservoir by volume

Source: United Nations, Worldbank, Zambia Advisor
Munich Advisors Group Analysis 2014

Zambia's labour force of 6m people is mainly engaged in subsistence farming

Zambia – Demographics

72.1%
Literacy
Rank **22**
in Africa

Rank **12**
in Africa

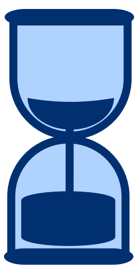
5.8
births per woman

Mauritius has the least births in Africa with 1.5

ENGLISH is Zambia's official language

Life Expectancy

Average in Africa:
59.1
years



57.0
years

Rank **31**
in Africa

Population 14.1m

Labour Force 6m

Demographics

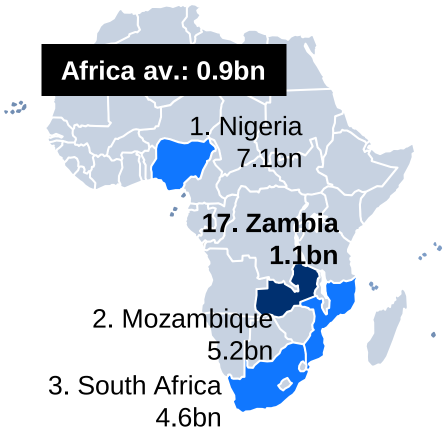
- Zambia's population comprises more than 70 Bantu-speaking ethnic groups.
- Some ethnic groups are small, and only two have enough people to constitute at least 10% of the population.
- The majority of Zambians are **subsistence farmers**, but the country is also fairly urbanised, with 40% of the population being city residents.
- The predominant religion is a blend of **traditional beliefs** and **Christianity**.
- Expatriates, mostly British or South African, as well as some white Zambian citizens (about 120,000), live mainly in Lusaka and in the Copperbelt in northern Zambia
- They are either employed in mines, financial and related activities or retired.
- Zambia also has a small but economically important Asian population, most of whom are Indian Muslims.

Source: Economist 2010, Worldbank
Munich Advisors Group Analysis 2014

Although corruption remains a problem, Zambia is among Africa's top 10 when it comes to ease of doing business

Zambia - Economics

Net FDI inflow (USD; 2012)



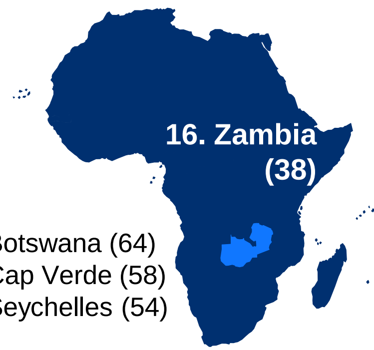
Credit Rating (2013)

1. Botswana (72.5)
2. Mauritius (65.0)
3. South Africa (57.4)

⋮

11. Zambia (35.0)

Corruption Perception Index (2013)

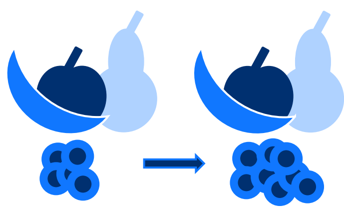


1. Botswana (64)
2. Cap Verde (58)
3. Seychelles (54)

Ease of Doing Business Rank (2014)

Africa: 8

World: 83



6.2%
inflation rate
(av.: 7.3%)

Economics

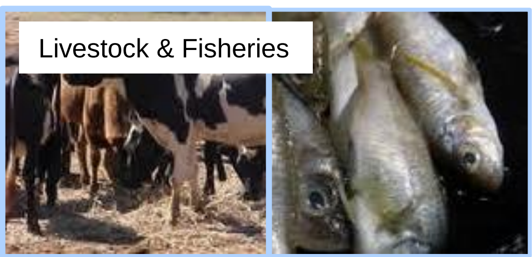
- Growth in real GDP accelerated to 7.3% in 2012 from 6.8% recorded in 2011 while inflation declined to an annual average of 6.2% in 2012 from 8.7% in 2011
- In the next two years, growth is expected to remain strong and inflation low
- Privatization of copper mines in the 1990s greatly increased copper mining output and profitability to spur economic growth
- Copper output has increased steadily since 2004, due to higher copper prices and foreign investment
- Despite marked improvements in economic performance, Zambia has yet to achieve significant gains in social and human development.
- The poverty headcount remains high, with about 60% of the population still living below the poverty line
- Zambia's dependency on copper makes it vulnerable to depressed commodity prices
- A record high copper prices and a bumper maize crop in 2010 helped Zambia rebound quickly from the world economic slowdown that began in 2008

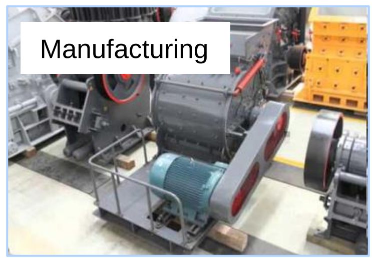
Source: United Nations, Worldbank
Munich Advisors Group Analysis 2014

Despite vast potential and stated commitments to diversification, the mining sector continues to dominate the economy

Zambia – Development

SNDP priority growth sectors





Description

- The policy of Government is to accelerate private sector investment so as to achieve increased and diversified growth
- The overall effect intended is the creation of decent employment in the various areas of investment
- Main policy document is the Sixth National Development Plan (SNDP) which has recently been revised.
- Types of industry present in Zambia: copper mining and processing, construction, foodstuffs, beverages, chemicals, textiles, fertilizer, horticulture
- Natural Resources in Zambia: copper, cobalt, zinc, lead, coal, emeralds, gold, silver, uranium
- Accelerating growth and reducing poverty will necessitate increasing the competitiveness of the Zambian economy
- This can be done by reducing the cost of doing business and ensuring that the rural economy, contributes meaningfully to overall growth.

Source: Worldbank
Munich Advisors Group Analysis 2014

Content

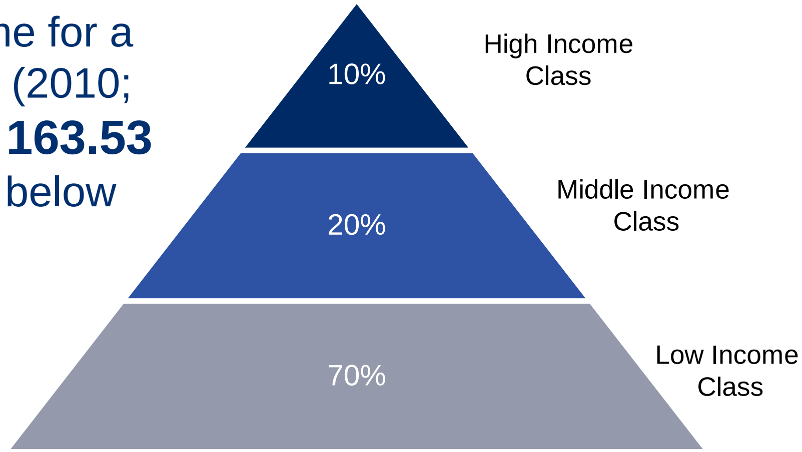
By 2020, more than half of African and Zambian households will have discretionary spending power

Zambia – Consumer Market

Mean monthly income for a Zambian Household (2010; current USD): **USD 163.53**

66.8% had incomes below **USD 117.65**

Distributor's Perception (2013 Interviews)



GDP (USD; 2012) Total: **20.6bn** per capita PPP: **1,469**

Zambia is classifieds as **Lower Middle Income** (GNI per capita 2012: **USD 1,036-USD 4,085**)

60% of the population lives **below the poverty line** and **42%** are considered to be in **extreme poverty**

Description
▪ Though the economy is dependent on copper, the agriculture sector is the major employer (70% of the population). ▪ However, the sector's potential to contribute to the country's development remains largely underexploited. ▪ Zambia's economic growth so far has not translated into significant poverty reduction ▪ The urban picture is far better than the rural ▪ Poverty incidence e.g. in Lusaka and Copperbelt is fairly low (22% and 34% respectively) ▪ In the rest of the country, which is dominated by agriculture, poverty rates are greater than 70% ▪ Vice President Guy Scott has said the 2014 National Budget will shift its focus from job creation towards income distribution for the benefit of the poor.

Source :Lusaka Times; Living Conditions Monitoring Survey of 2012; Worldbank
Munich Advisors Group Interviews 2013

The Zambian textile market is diverse, segmented, competitive and supplies all age groups, incomes, genders and locations

Zambia – Consumer Market – Textile & Clothing

Salaula Traders in Lusaka

Street Traders have formed an informal market where textiles and apparel products are sold to the locals on a daily basis. Their market share should not be underestimated and needs to be factored in as potential competition. In addition, the Patriotic Front government has given street vendors the free hand to run the streets of Lusaka and major towns in respect of the President's directive that they are to be left alone. Since the Patriotic Front took over government the streets have been littered with vendors who are trading at every street corner.

Supply Structure

- Major high-end suppliers and distributors source their commodities directly from manufacturers in countries like:
  - China
  - Turkey
  - South Africa
  - United States
  - United Arab Emirates
  - India
- Hence there are **no major importers, suppliers, wholesalers, distributors or agents** as all major retailers source directly from the source.
- Distribution channels vary from **wholesale** to **retail** to **traders on the street** and include own outlets, outsourced retail outlets, wholesale stores and street agents.

Source:
Munich Advisors Group Interviews 2013

Zambia offers market opportunities for both, high and low quality/price textiles whereby the informal sector needs to be considered

Zambia – Consumer Market – Textile & Clothing

Top 10 Major Buyers/Players and Market Shares	
1	Ndanji Fashions (Men/Women wear)
2	Geo Pepe Trading (Unisex wear)
3	City Clothing Factory (School uniforms, defence forces and protective wear)
4	Le Petite (Kids wear)
1	African Pride
2	African Textiles (Z) Ltd.
3	Continental Textiles Ltd.
4	House of Ester
5	Kutowa Designs
6	Lamoz Fashions Ltd.
7	Nangaunozye Fashions Ltd.
8	Sakiza Spinning
9	Swarp Spinning Mills Ltd.
10	Vula Safety Distributors

80%
informal sector

20%
formal sector

Quality and Demand

- **High-end customer**s are **quality concerned** and pay more for branded clothing items
- **Cheap and affordable brand new** and **second hand** clothing also find their way to the market in **middle and low income areas**
- The interesting age bracket between 15 to about 35 years of age is different in urban and rural areas
- This group in **urban areas** prefers the **latest design of clothing** unlike their counterparts in the **rural areas** who **do not bother on design** and version of clothing
- The demand for affordable textiles still remains very high in both rural and urban areas
- Prices vary in different commodities due to different sources available, types in quality and cost of transactions
- No particular price structure could be determined for importer, wholesaler or retailer
- The research showed that the **retailer** normally achieves the **highest margin** around 30% with the importer margins around 10% - 25%

Source:
Munich Advisors Group Interviews 2013

Mauritian textile products are seen to be of high quality in a competitive environment

Zambia – Consumer Market – Textile & Clothing

"The current market environment is very competitive as it is difficult to compete against the informal market, which is not paying regular taxes and duties on their products"

(Ndanji Fashions)

"The major demand is the ability of the supplier to meet tailor-made design requirements triggered by Sport Clubs"

(Geo Pepe Trading)

"We are sourcing about 75% of high quality products from South Africa and approximately 25% of low-end products from China"

(Geo Pepe Trading)

"We perceived the full range of Mauritian products as of high quality based on tactile analysis of the texture and colours of the samples"

(Ndanji Fashions)

"Main requirements:
1) sourcing price of the products
2) Lead-time of the products
3) Flexibility to define own designs for the apparel"

(City Clothing Factory Limited)

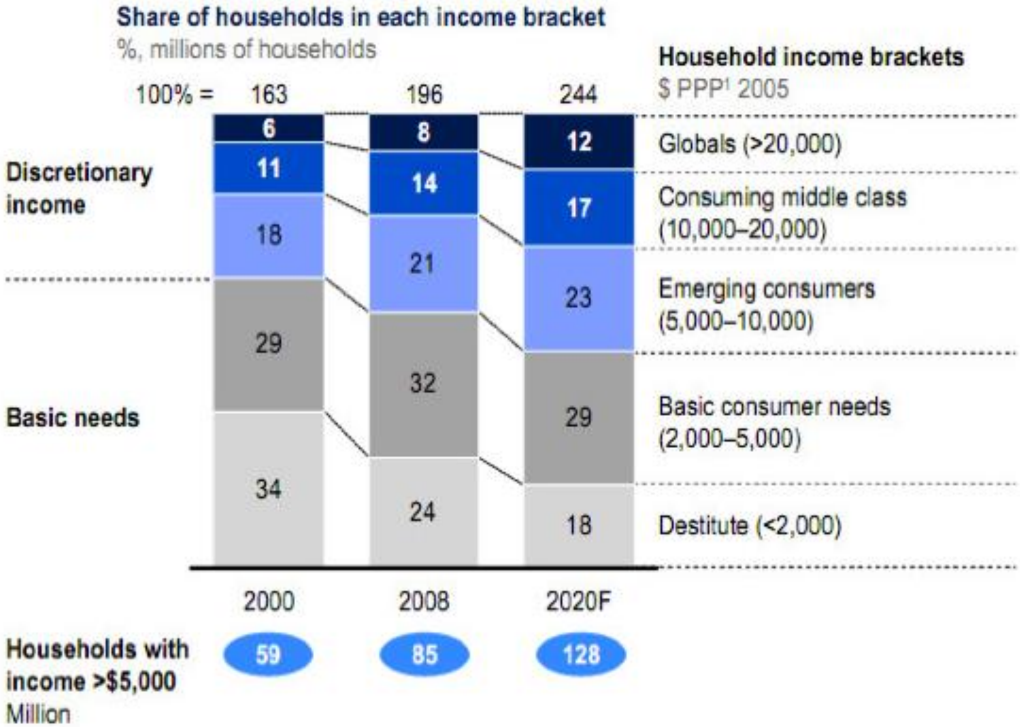
"There is high demand for material and uniforms for schools with an estimated 2 million school children"

(City Clothing Factory Limited)

Source:
Munich Advisors Group Interviews 2013

The Zambian Fast Moving Consumer Good market is predicted to grow with the rising income levels of the Zambian population

Zambia – Consumer Market – Agro and FMCG (Fast Moving Consumer Good)



Purchasing power parity adjusts for price differences in identical goods across countries to reflect
differences in purchasing power in each country.

Consumer Expenditure & Retail Markets

- The chart shows that a **doubling of consumer spent** by 2023 is predicted and the number of households with discretionary income will rise by 50% in the same time period
- The demand for FMCG in Zambia is continuously growing with the **consumer expenditure estimated to grow by 9% every year**
- It is also estimated that 30% of consumer account for 70% of consumer expenditure
- The FMCG sector in Zambia is growing significantly through the growing population

- The **retail market in Zambia** consists of the following seven categories:
  1. Retail sales in non-specialized stores
  2. Other retail sale in non-specialized stores
  3. Retail sale of food, beverages and tobacco in specialized stores
  4. Whole sale goods
  5. Retail sale of pharmaceutical and medical goods, cosmetic and toilet articles
  6. Retail sale via mail order houses
  7. Retail sale via stalls and markets

Note: For the purpose of this report, the product categories Agro & Agri and Chemicals were classified under FMCG according to ISIC (International Standard Industrial Classification) standards
Source: Canback Global Income Distribution Database (C-GIDD); McKinsey Global Institute; Munich Advisors Group Interviews 2013

Zambia's informal market for FMCG is among the highest in Africa with about 55%

Zambia – Consumer Market – Agro and FMCG (Fast Moving Consumer Good)

Mom-and-pop stores have a share of possibly 85% of the informal FMCG market

Key Major Buyers & Players	
1	Gatbro International Ltd. – largest in terms of volume (in USD)
2	Innscor – Biggest in consumer retail
3	L&A Distributors
4	Cold Chain
5	Proto Trading
6	Horizon Distributors
7	Brands Africa
8	Comox Trading

Value Chain & Major Suppliers

- The informal economy is a key feature of life in Africa — estimated to account for around 42% of GDP in 2000 with the highest figures in Zimbabwe (59.4%), Tanzania (58.3%) and Nigeria (57.9%)
- South Africa is the least informal market — only 28.4% of GDP
- The estimated figure for Zambia is around 55% of GDP
- Although not apparent, informal markets have structures, rules and a flow, which businesses can tune into if they are prepared to invest sufficient time and effort
- The Zambian FMCG suppliers provide a wide range of commodities starting from **Agro products** like pastas, noodles and fruit pastes to **chemical products** including soaps and beauty products
- The **major suppliers** of products who directly deliver to customers **remain South African companies**, which have links with and established distribution channels through supermarkets and other leading channels

Source: KPMG 2012
Munich Advisors Group Interviews 2013

FMCG are mainly supplied by supermarkets – found in shopping centres in the urban and distributed by informal traders in the rural

Zambia – Consumer Market – Agro and FMCG (Fast Moving Consumer Good)

The **price structure** of FMCG products is in line with the overall pricing structure of the major supermarkets.

The **supermarkets** intend to achieve a **profit margin of around 30%** leaving the **importers and distributors** with margins around **20%** for the products sold to the supermarkets.

Agents selling to rural areas normally mark-up their products between **50-100%**.

Key Supermarkets (all South African subsidiaries):	Major shopping centres (suburban name in brackets):
Shoprite	Arcades Shopping Centre (Roma)
Spar	Mandahill Centre (Olympia)
Pick & Pay	Levy Business Park (Down Town)
Food Lovers Market	Makeni Mall (Makeni)
Game	Cross Roads (Kabulonga)
Mr. Price	

Source:
Munich Advisors Group Interviews 2013

Distribution Channels & Major Buyers

- The distribution channels in Zambia for FMCGs are centred on malls and business parks
- Markets in the suburbs of the major cities are the second market place for FMCGs in Zambia
- Traders serve the rural population (60%) in Zambia with FMCGs products mainly through barter trading
- The rural area is increasingly becoming a cash economy however the day-to-day demand for products is still served by local farmers
- The landscape of **major buyers** in Zambia is dominated by **South African chains**, which have expanded into the market
- The informal sector however relays mainly on sourcing from the bigger chains and distributes the products into the suburbs of cities or into the rural areas
- These supermarkets have managed to capture **clientele from all income brackets** and are supplying all agro commodities from fresh produce to dry foods usually of South African origin
- The companies also supply chemicals and sanitary articles - with intentions of opening more outlets in Zambia

The FMCG market is facing competition from the informal sector as well as volume and logistic challenges

Zambia – Consumer Market – Agro and FMCG (Fast Moving Consumer Good)

"75% of our products are coming from South Africa and about 25% from other countries including Zambia"
(Food Lovers Market; Retailer)

"Customers normally go for Western brands but however are driven by price. The brand loyalty to products is therefore not very strong"
(Spar Zambia, Chipata; Retailer)

"Competition is coming from the informal trading sectors including Indian and Muslim shops and Tuntembas (local stores), which account for about 60% of the trading distribution sector"
(Innscor Distributors; Distributor)

"One of our requirements is the **exclusive right for one country**. In addition the new products are not allowed to conflict with existing brand obligations"
(Brands Africa; Distributor)

"Cleaning products are slow moving products in the company network"
(Kavulamungu Bargain Centre (KBC); Distributor)

"An own distribution network is key in Zambia therefore we established our own distribution network of trucks and agents in Lusaka, Kitwe and Ndola"
(L&A Cash and Carry; Distributor)

"Our requirements are the price of the products but also the ability to supply products in large volumes for the growing outlet structure"
(Gatbro International Ltd.; Distributor)

Source:
Munich Advisors Group Interviews 2013

Most light industry products are produced for end users rather than as intermediates for use by other industries

Zambia – Consumer Market – Other Manufactured Products

Zamshu – Product Example

Key Major Buyers/Players and Market Shares

The key major buyers in Zambia are the construction companies such as Velos or Brunelli Construction. However, they only supply the larger projects and do not represent the main market, which are smaller companies and individuals.

Products, Demand and Distribution & Supply

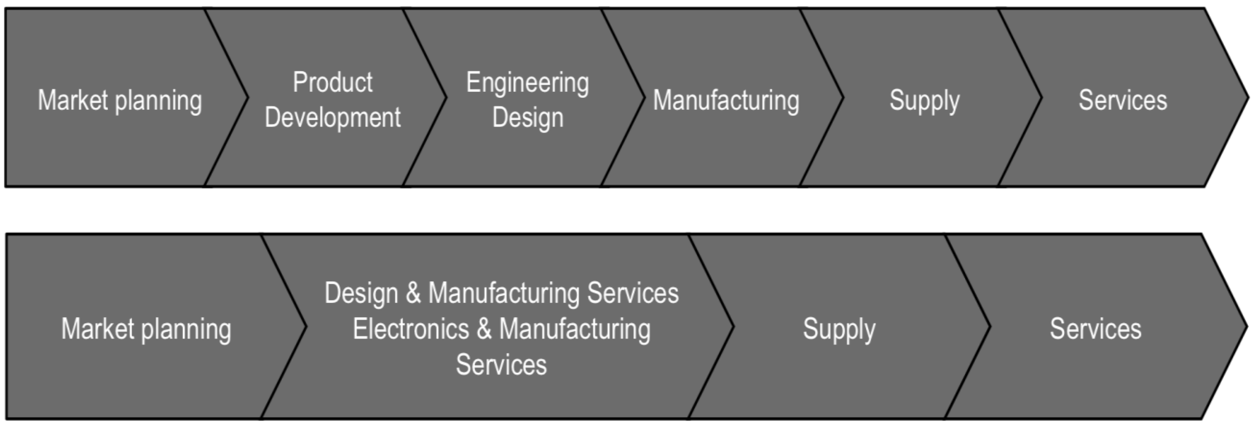
- The **demand** for manufacturing products in Zambia is **growing** with the increasing middle class
- Customers demand - beside standard construction materials - mainly window frames, doorframes and gates
- Other engineering products are either produced by local smaller suppliers or sourced from nearby South Africa
- The **leaders in the light industry** distribution are **local hardware stores** and **markets** that distribute all types of light engineering products for home use and industrial use
- **Bigger companies** including MicMar and Handyman's Paradise **stock high quality products** and have **huge capacity** to distribute to industry and to the mining sector
- The local retailers are currently **supplied directly** from manufacturers from South Africa or overseas

Source:
Munich Advisors Group Interviews 2013

Import costs are still one of the main reasons for excessive pricing of manufactured products in Zambia

Zambia – Consumer Market – Other Manufactured Products

Figure 1: Light Industry Value Chain



Price Structure & Value Chain

- The prices of products in Zambia are still high compared to other countries in the region
- This is due to the fact that Zambia is landlocked and most of the products have to be **imported** over **1,000 km** and beyond
- Their imported manufacturing products are sometimes **2-6 times more expensive** than in other countries
- Market planning is usually conducted before product development and design to ascertain the level of demand for commodities
- **Manufacturing** is done **locally or internationally** and distribution channels are usually local hardware stores, supermarkets, local markets, own distribution systems and sometimes sold on the streets of major towns and cities

Source:
Munich Advisors Group Interviews 2013

The market environment for other manufactured goods in Zambia is very competitive

Zambia – Consumer Market – Other Manufactured Products

"Today we are sourcing from South Africa and China as well as from the increasing number of local suppliers"

(MicMar)

"Hardware trading is very competitive in Zambia and customers know the right quality and they have high bargaining power and command over prices"

(Handyman's Paradise)

"Furniture business is becoming very competitive and profit margins were decreasing because of the increase in the number of suppliers targeting the same clientele"

(Mikalile Trading)

"Office furniture is a fast mover due to the number of office spaces and constructions being made in urban areas in Zambia and therefore accounted for 90% of the sales"

(Mikalile Trading)

Source:
Munich Advisors Group Interviews 2013

Content

Denim trousers of all the included products have the highest import potential in Zambia

Textile & Clothing - Denim Trousers/Jeans & Blouses

Example Ndanji Fashion – Denim Trousers

Selling Price: USD 50

Profit Margin: 70%

Buyer Feedback:

High quality; Competitively priced (FOB); Interested in Jeans from Mauritius

Buyer Requirement:

centred on the price, as he has to compete with second-hand clothing

Blouses

- Blouses have experienced an increase in import figures from USD 470,132 in 2007 to USD 1,723,249 in 2013
- Despite that, the import potential for Mauritian blouses is low (1 of 10)
- This is mainly because of high landing cost and competition from Chinese products
- Ndanji Fashion for example did not have blouses in their product range at all
- Also the other interviewed textile & apparel companies did not provide any feedback/showed interest in blouses

Denim Trousers/Jeans

- Denim Trousers/Jeans have experienced a steep decline in import figures from USD 870,000 in 2007 to USD 26,000 in 2013
- Quality and prices for Mauritian jeans were seen to be competitive
- Most suppliers and distributors were not aware of ways to obtain Mauritian products
- The high end market was interested in branded items and EM needed to explore ways of exporting international brands including Wrangler, Guess and others to Zambia
- Import taxes:
  - 25% Customs Duty
  - 16% VAT
- Of all analysed products, jeans have the second highest potential to be exported from Mauritius into Zambia (8 out of 10)
- The interviewees perceived the current market environment as very competitive as it was difficult to compete against the informal market, which is not paying regular taxes and duties on their products

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Shirts of all products have the highest import potential in Zambia and interviewees were also interested in T-Shirts and Polo Shirts

Textile & Clothing - Shirts and T-Shirts & Polo Shirts

Shirts

- Shirts have experienced an increase in import figures from USD 326,264 in 2007 to USD 811,189 in 2013
- Shirts have the highest import potential (9 out of 10) due to high quality and competitiveness in price
- Shirts had a profit margin of 20% at Ndanji Fashion
- Ndanji indicated interest in men's shirts and jeans and was also looking for casual shirts from Mauritius

T-Shirts & Polo Shirts

- T-Shirts & Polo Shirts is by far the biggest segment in terms of import figures with 38% of all products in the textile category included in the study and a CAGR of 35% from 2007 to 2013
- Both products have a high import potential due to high demand and high number of distribution channels (6 and 7 out of 10)
- During 2012, Geo Pepe Trading supplied between 20,000 and 30,000 T-Shirts with a turnover of USD 0.5 million
- T-Shirts were commented to not fully meet the local taste
- Geo Pepe showed immediate interest for Polo Shirts
- The polo boy shirt would have a retail price of $25 to $30 with 15% duty but it would be sold for 100% profit

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Kids wear could convince potential buyers with modern designs whilst ladies tops seemed less attractive for the Zambian market

Textile & Clothing - Kids Wear and Ladies Tops

Ladies Tops

- Ladies Top is with 93% the fastest growing segment from USD 23,508 in 2007 to USD 1,211,091 in 2013
- No buyer feedback was given on ladies tops

Kids Wear

- Kids wear have experienced an increase in import figures from USD 186,560 in 2007 to USD 1,154,366 in 2013
- Kids wear has a medium import potential (5 out of 10) due to high landing cost and high competition from Chinese and south African products
- Ndanji Fashion perceived the prints on kids wear as modern designs
- The *Fit U* print set baby wear would have a retail price of $30 at Geo Pepe Trading

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Lingerie and swimwear are both not attractive for the Zambian market and no buyer feedback on these products could be obtained

Textile & Clothing - Swimwear & Lingerie

Lingerie

- Lingerie have experienced an increase in import figures from USD 55,833 in 2007 to USD 443,919 in 2013 and is with a CAGR of 41% the second fastest growing segment within the textile & apparel sector
- Lingerie has a low import potential (2 out of 10) due to low demand and presence of local companies
- No buyer feedback was given on lingerie

Swimwear

- Swimwear have experienced an increase in import figures from USD 7,515 in 2007 to USD 17,441 in 2013
- Swimwear has a low potential (2 out of 10) due to high landing cost and competition from Chinese products
- No buyer feedback was given on swimwear

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Fruits are experiencing freight challenges whilst fertilizer has a high demand but is challenged with little knowledge

Agro & Agri – Fruits and Fertilizer

Fertilizer

- Fertilizers have experienced an increase in import figures from USD 116,456,259 in 2007 to USD 554,654,873 in 2013 and is with 87% share the main import good in the Agro & Agri category
- Despite that, Bio-Fertilizers have a low import potential (4 out of 10) due to inadequate knowledge on the product
- Fertilizer is exempted from all customs and excise duties as well as VAT
- Gatbro was interested in bio fertilizers but needed to know the cost of freight
- Bio fertilizer is a product currently not widely known and used within Zambia
- The existing volumes for bio fertilizer were perceived low with normal fertilizer being subsidized by government making the market for bio fertilizer challenging
- Feedback on bio fertilizers revealed that the packaging was good but most local small-scale farmers had no or little knowledge on the product
- Livestock was interested in getting samples of products from Mauritius for bio fertilizer. The cooperative requested Enterprise Mauritius to send products and prices for consideration (quoted up to the doorstep)

Fruits

- Import data for fruits were not available
- Fruits have a medium potential (5 out of 10) due to low demand by Zambian consumers
- Fresh fruits are VAT exempted; 16% VAT applies to dried fruits
- Food Lovers Market was interested in Mauritian fruits if the products land at good prices but indicated that freight was a challenge
- Also Innscor showed interest in Fruits and indicated that Zambians are always looking for quality

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Pasta and noodles have the second highest import potential in Zambia; sugar confectionary was not successfully considered

Agro & Agri – Sugar Confectionary and Pasta & Noodles

Feedback: Kazuma Enterprises

- Kazuma was previously importing **pasta** from Italy and stopped doing so as there was no demand for the products
- Kazuma indicated that Zambian **buyers preferred known brands**, globally visible or known from trips to UK and South Africa
- CEO: "Everything was about brands and South African brands influenced how people were spending"

Pasta varieties at Food Lovers

Sugar Confectionary

- Sugar confectionary have experienced an increase in import figures from USD 3,885,033 in 2007 to USD 6,487,816 in 2013
- No buyer feedback was given on sugar confectionary

Pasta & Noodles

- Pasta have experienced an increase in import figures from USD 1,166,286 in 2007 to USD 9,414,977 in 2013 and is with a CAGR of 42% the third fastest growing segment in the Agro & Agri category
- Pasta and Noodles have the second highest potential (8 out of 10) due to high demand and high number of distribution channels
- Food Lovers indicated that $0.50 was a competitive price
- Innscor showed interest in Noodles and Pasta and indicated that Zambians are always looking for quality
- L&A showed interest in noodles from Mauritius
- Kavulamungu Bargain center indicated that the packaging was good but they advised to pack the pasta in carton boxes for preservation
- Kazuma Enterprises has a standard profit margins for noodles and pasta between 30 to 35%

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Although interviewed companies showed interest in biscuits and canned food, these products only have medium import potential

Agro & Agri – Biscuits and Canned Food & Vegetables

Biscuits

- Biscuits have experienced an increase in import figures from USD 3,958,257 in 2007 to USD 11,814,634 in 2013 and is with a CAGR of 41% the second fastest growing segment within the textile & apparel sector
- Biscuits have a medium import potential (5 out of 10) due to presence of local manufacturers and imports from South Africa and China
- Gatbro was interested in biscuits, but needed to know the cost of freight
- Brands Africa used to produce biscuits but stopped due to high competition from local producers.
- They are normally looking for a 15% mark up on food products

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Feedback L&A (Cash and Carry)
The company was planning a trip to Mauritius in December 2013 to explore import options for canned food because there are no canning facilities in Zambia. Particular interest exists for Tuna.

Canned Food & Vegetables

- Canned food & vegetables have experienced an increase in import figures from USD 1,462,955 in 2007 to USD 3,530,053 in 2013
- Canned food & vegetables have a medium potential (5 out of 10) due to low demand by Zambian consumers
- KBC was interested in importing canned beef and chicken from Mauritius
- KBC currently imports products from United Arab Emirates, India, South Africa and Hong Kong
- Canned food is also imported by Kazuma Enterprises with a standard profit between 30% and 35%

The spirits market in Zambia is determined by the informal market and unfair competition

Agro & Agri – Beer, Wine and Rum

Rum

- Rum has experienced a decline in import figures from USD 22,985 in 2007 to USD 8,497 in 2013
- Apart from 25% customs duties and 16% VAT, 60% excise duties apply to the import of rum
- No particular buyer feedback was given on rum

Wine

- Wine has experienced an increase in import figures from USD 685,187 in 2007 to USD 917,308 in 2013 and is with
- Apart from 25% customs duties and 16% VAT, 60% excise duties apply to the import of wine
- Kazuma Enterprises revealed that the wine prices were too high at $10 landed in Zambia and that freight costs of $2,000 from Mauritius to Durban and $10,000 to Lusaka was an important element to consider


Kazuma Warehouse

Example: Phoenix Beer

Phoenix beer was coming through Zimbabwe into Zambia to the black market at a price of ZMW80 (or $ 14.50) for a case of 24 (the usual price on the regular market would be around ZMW190 or $ 34.50, which includes Excise Duty and VAT). This system has created parallel competition, which was the biggest threat in the industry

Beer

- Beer has experienced an increase in import figures from USD 2,107,608 in 2007 to USD 35,726,413 in 2013
- Beer is with a CAGR of 60% the second fastest growing segment in the Agro & Agri category but only has a share of 6%
- Apart from 25% customs duties and 16% VAT, excise duties of 40% (for clear beer) and 35% (for opaque beer) apply to the import of beer
- Beer, rum and wine have a medium potential (6 out of 10) due to unfair market practices and high cost of promotion. Beer presents the best opportunity
- According to Kazuma, bottled beer is a fast moving item and canned beer a "slow mover"
- Kazuma is interested in beer and is willing to get consignments at a good price

Source: United Nations 2013
Munich Advisors Group Interviews 2013

One of the interviewed companies showed interest in Mauritian fruit paste but remains sceptical

Agro & Agri – Preserved Fruits (Fruit Paste)

Preserved Fruits (Fruit Paste)

- Preserved fruits have experienced an increase in import figures from USD 558,342 in 2007 to USD 1,191,554 in 2013 with a CAGR of 13%
- Supermarkets are leading providers of preserved fruits
- Innscor showed interest in fruit pastes and indicated that Zambians are always looking for quality
- Innscor is sceptical about unknown commodities and would need concessional stock to reduce the risk
- There are standards/norms, packaging & labelling requirements for fruit flavoured drinks in Zambia

Meeting with Spar Chipata Procurement Officer

Source: United Nations 2013
Munich Advisors Group Interviews 2013

PVC pipes could be imported into Zambia if the quality demands are met – Catheters only have a low potential due to very low demand

Light Engineering – Industrial PVC and Catheters

Industrial PVC

- For the product category Industrial PVC no specialized import data was available as no HS Codes were available
- PVC pipes have a medium potential (4 out of 10) due to competition from South African
- The product samples presented to MicMar were perceived as of high quality compared to the products currently available in the market
- This was a plus as their main requirement is quality
- 4 years ago, MicMar imported 60-90 tons in 2-3 consignments of galvanised pipes from Mauritius but were not satisfied and now they are importing from Tanzania and also from South Africa
- Handyman's Paradise pointed out that PVC products presented from Mauritius were of good quality and price. The company imports pipes from China at very competitive prices with a lead-time of 6 months

Catheters

- Catheters have experienced a decline in import figures from USD 1,059,973 in 2007 to USD 428,215 in 2013 with a CAGR of 13%
- Catheters are tax and duty exempted
- Medical Equipment has a low potential (1 out of 10) due to low demand
- Keisha Medical and Diagnostic Centre: The catheters presented by Enterprise Mauritius were good but only few customers demanded for them
- The products are sourced from Italy, South Africa, India and China
- KMDC had no particular interest in the products from Mauritius, as the market is not big enough in Zambia
- The second interview partner **Biogroup** confirmed that the largest medical institution University Teaching Hospital (UTH) would only require 100 catheters per quarter
- With the supplier from Mauritius requiring minimum order quantities of 100 per order the market size in Zambia seems not attractive

Source: United Nations 2013
Munich Advisors Group Interviews 2013

The main constraint to the potential of beauty products as well as perfumes & toilet waters is the competition from South Africa

Chemicals – Beauty Products and Perfumes & Toilet water

Beauty Products

- Beauty products have experienced an increase in import figures from USD 1,692,752 in 2007 to USD 7,098,507 in 2013 with a CAGR of 27%
- Beauty products have a medium potential (6 out of 10) mainly because of tight competition from South African companies
- Spar, for example, is sourcing their beauty products locally (Comox and Brands Africa) and from South Africa (Spar Northrand)
- Spar in SA has defined standards for their products valid fro all franchises

Perfumes & Toilet Water

- Perfumes & toilet water have experienced an increase in import figures from USD 317,922 in 2007 to USD 779,941 in 2013 with a CAGR of 16%
- Apart from 25% customs duty and 16% VAT, perfumes and toilet waters attract excise duties of 20%
- Perfumes & toilet waters have a medium potential (6 out of 10) mainly because of tight competition from South African companies
- No buyer feedback was given for this product category

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Zambia imports 60% of its chemical products from South Africa, 40% are sourced locally with Trade Kings being local leader in chemicals

Chemicals - Laundry soap; Dishwashing Liquid & Hand Wash and Floor & Toilet cleaner

Laundry Soap

- Laundry soap has experienced an increase in import figures from USD 276,009 in 2007 to USD 1,194,070 in 2013 with a CAGR of 28%
- Laundry soap has a medium potential (6 out of 10) mainly because of tight competition from South African companies
- KBC was interested in importing smart detergent and smart soap from Mauritius
- Ally & Sons indicated that Zambia made improvements in with companies such as Trade Kings, which is producing 65 different items such as soaps and detergents

Dishwashing Liquid & Hand Wash

- Dishwashing Liquid & Hand Wash have experienced an increase in import figures from USD 1,923,453 in 2007 to USD 28,788,454 in 2013
- With a CAGR of 57% this is the second fastest growing segment in the category chemicals and the biggest by volume
- Dishwashing Liquid & Hand Wash have a medium potential (6 out of 10) mainly because of tight competition from South African companies
- No buyer feedback was given for this product category

Floor & Toilet Cleaner

- Perfumes & toilet water have experienced an increase in import figures from USD 841,654 in 2007 to USD 17,596,877 in 2013
- With a CAGR of 66% this is the fastest growing and second biggest segment in this category
- Floor & toilet cleaners have a medium potential (6 out of 10) mainly because of tight competition from South African companies
- No buyer feedback was given for this product category

Source: United Nations 2013
Munich Advisors Group Interviews 2013

The market for paints seems not very attractive considering tight competition from local manufacturers and high transport costs

Paints

Paints
▪ The category “Paints And Varnishes (Including Enamles And Lacquers) based on Synthetic Polymers or chemically Modi” is growing with a CAGR of 22% since 2007. ▪ The second category differentiated by the HS Code 3209 has been growing in Zambia by 4% per year and reached a market size of US $2.6 million in 2013. ▪ Paints have a low potential (3 out of 10) due to logistics being too expensive and presence of over 20 local manufacturers ▪ MicMar confirmed these challenges

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Paper & Printing products have only low import potential due to local competition and brand affinity in Zambia

Paper & Printing – Brochures, Leaflets & Envelopes; Books and Toilet Paper & Similar

Brochures, Leaflets & Envelops and Books

- Imports of brochures increased at a CAGR of 3% and had a market size of USD 2.5 million in 2013
- The growth of Books has remained almost stable in the last six years with a market size of USD 9.8 million
- Brochures and books are customs duty and VAT exempted
- Brochures and books have a low potential (2 out of 10) due to low demand and presence of local companies
- There are seven major printing companies in Zambia that offer printing services at competitive prices
- Services offered in Zambia include printing of flyers, catalogues, business cards, signage, fabric and more
- Certain Zambian institutions still opt to print from Dubai and South Africa

Toilet paper and similar

- For the product categories Baby Diapers and Sanitary Articles no HS Codes were available and therefore one of the higher categories “Toilet Paper & Similar” was selected
- This segment shows a CAGR of 37% between 2007 and 2013 and an import volume of USD 15.3 million
- Sanitary paper articles have a low potential (2 out of 10) due to presence of local manufacturers and imports from South Africa and China
- The local leaders in the industry are Sobi Industries and Impo
- Zambians prefer well known brands such as Always, Stayfree, Huggies and Pampers

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Potential buyers were interested in footwear from Mauritius though the competition from local producers and China is tuff

Footwear & Leather Products

Buyer Feedback Footwear

- The shown footwear samples from Mauritius sparked the interest of **City Clothing** however concerns were raised around the pricing of the products
- Footwear is currently sourced from Bata Company, which is producing locally
- **Livestock** was also interested in getting samples of footwear
- MicMar buys industrial shoes locally from Zamleather, Bata Zambia and other local producers. Other sources include South Africa, Dubai and China

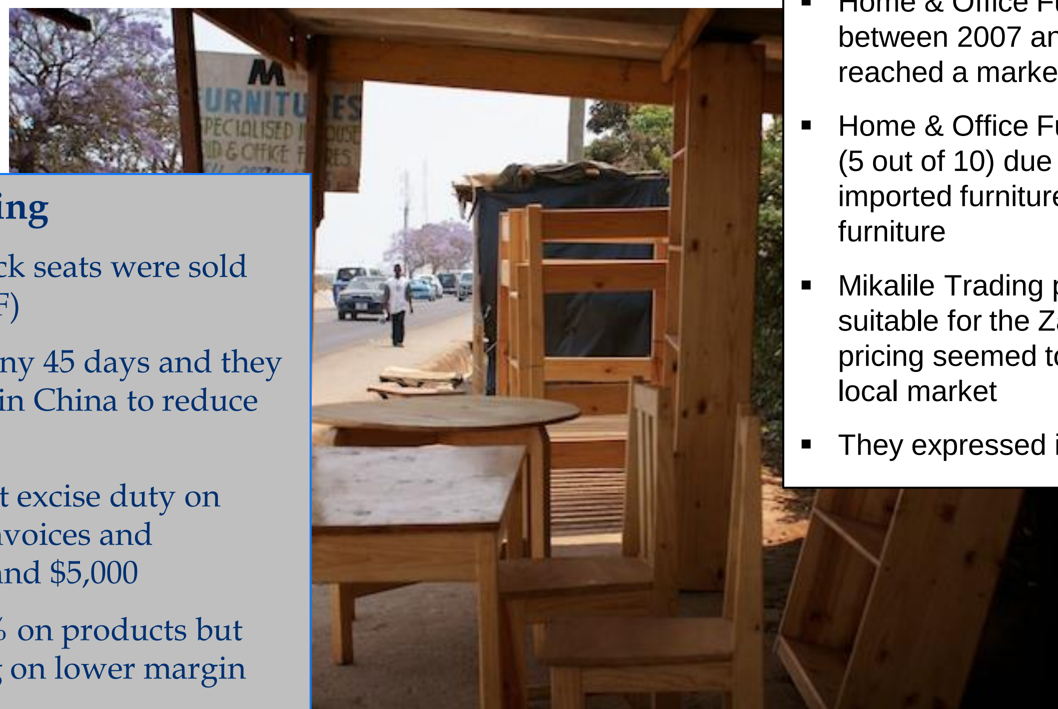
Shoes, Handbags & Belts

- **Shoes** are the biggest segment in this category and have experienced an increase in import figures from USD 2,034,164 in 2007 to USD 4,768,687 in 2013 with a CAGR of 15%
- The small segment **handbags** has been growing in the same period by 10% and reached the market size of USD 42,000 in 2013
- Imports for **belts** has decreased between 2007 and 2013 by 27% and reached a minimal size in 2013 with USD 32,000
- Shoes, belts and handbags have a medium potential (4 out of 10) due to presence of local manufacturers and imports from South Africa and China

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Mauritian office furniture could trigger potential buyers' interest – with suitable design and pricing

Home & Office Furniture



Example: Mikalile Trading

- Leather front and cloth back seats were sold between $1,000-$1,800 (CIF)
- Shipment takes the company 45 days and they have established an office in China to reduce process time
- They further indicated that excise duty on containers depended on invoices and averaged between $4,000 and $5,000
- The profit margin was 25% on products but the company was working on lower margin with high turnover
- China, Malaysia and Brazil are the main source countries for Mikalile

Home & Office Furniture

- Home & Office Furniture has been growing between 2007 and 2013 with a CAGR of 17% and reached a market size of USD 50.2 million in 2013
- Home & Office Furniture have a medium potential (5 out of 10) due to high competition from imported furniture and low demand for home furniture
- Mikalile Trading perceived the products as suitable for the Zambian market. Design and pricing seemed to be potentially attractive for the local market
- They expressed interest in office furniture

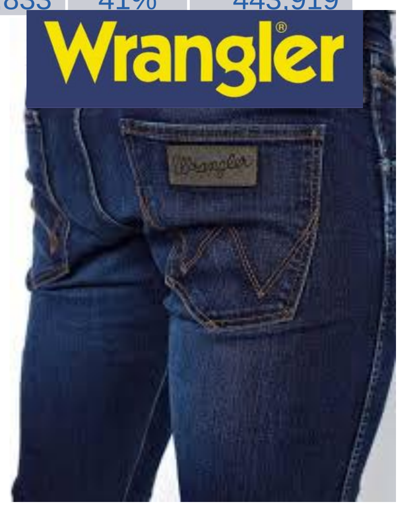
Source: United Nations 2013
Munich Advisors Group Interviews 2013

Content

For Mauritian products to compete effectively there is need to beat the landed price and quality from the two dominant regions

Textile & Apparel

Textile & Apparel			
Products	**2007**	**CAGR**	**2013F**
Denim Trousers/ Jeans	870	-44%	26
Blouses	470,132	22%	1,723,249
T-Shirts & Polo Shirt	543,410	35%	3,230,020
Kids Wear	186,560	33%	1,154,366
Shirts	326,264	16%	811,189
Ladies Top	23,508	93%	1,211,091
Swimwear	7,515	15%	17,441
Lingerie	55,833	41%	443,919



Source: United Nations 2013
Munich Advisors Group Interviews 2013

Description

- The **market landscape** of textile and apparel is very **diverse and competitive**
- Major high-end suppliers and distributors source their commodities from **China and South Africa**, but also from Turkey, United States, Dubai and India as well as some European countries
- **High-end customers** are fully aware of **quality issues** and pay more for branded clothing items
- On the other hand, **cheap and affordable brand new and second hand clothing** also find themselves to the market **in middle- and low-income areas** where people care less about the brand but focus more on durability
- **Prices** for T-shirts, jeans and shirts were **competitive** but most suppliers and distributors were **not aware of ways to obtain Mauritian products**
- Other products that would be attractive for the Zambian market included fabric materials for uniforms and beddings
- On the **high-end markets** in shopping malls, **smart shirts** presented as samples were very attractive to the market and would **compete favourably even for middle-income markets**
- In terms of **jeans**, the **high-end market** were interested in **branded items** and EM needed to explore ways of exporting international brands including Wrangler, Guess and others to Zambia

Small entities give competition to established companies because they are involved in illegal smuggling of commodities

Agro Processed and Chemical Products

Agro & Agri			
Products	**2007**	**CAGR**	**2013F**
Fruits	NA	NA	NA
Sugar Confectionery	3,885,033	9%	6,487,816
Pasta	1,166,286	42%	9,414,977
Biscuits	3,958,257	20%	11,814,634
Canned food and Vegetables	1,462,955	16%	3,530,053
Beer	2,107,608	60%	35,726,413
Wine	685,187	5%	917,308
Preserved fruits (Fruit Paste)	558,342	13%	1,191,554
Rum	22,985	-15%	8,497

Chemicals			
Products	**2007**	**CAGR**	**2013F**
Perfumes and Toilet water	317,922	16%	779,941
Beauty Products	1,692,752	27%	7,098,507
Laundry soap	276,009	28%	1,194,070
Dishwashing liquid & Hand Washing	1,923,453	57%	28,788,454
Floor and toilet cleaner	841,654	66%	17,596,877

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Description

- The **major supplier** of products directly to customers are **South African** companies, which have established distribution links through supermarkets and other important channels
- Mega supermarkets include Shoprite, Spar, Pick & Pay and Food Lovers Market
- These supermarkets have managed to **capture clientele from all income brackets** and supplying **all agro commodities** from fresh produce to dry foods
- Differences exist in supply systems in supermarkets with Shoprite using a **strictly South African oriented supply system** while Spar has a **semi-decentralized system** that also allows the **participation of local suppliers**
- The best way to access these distribution channels is to **link Mauritian manufacturers to leading South African distributors**
- Customers are **aware of leading brands so** there would be **need for heavy product promotions** and advertisement
- **Local wholesale and retail companies** are **spread across the country** and are also emerging. They range from big with high traffic to small home shops called Tuntembas
- However, there are **other large distributors** that supply supermarkets and hold a **high potential to partner with** as long as there is a **lower landed price** and **consistency of supply** is guaranteed by Mauritian firms
- Most of them source their products from **giant distributors** including Gatbro and Innscor; others manage to **import** some of their products in **mixed loads**

Light engineering and leather products are very price and quality sensitive – animal feed and fertilizer are facing local competition

Light Engineering; Footwear & Leather; Animal Feed Preparations; Bio Fertilizer

Light Engineering			
Products	**2007**	**CAGR**	**2013F**
Industrial PVC	NA	NA	NA
Instruments and Appliances used in medical (Catheters)	1,059,973	-14%	428,215
Footwear & Leather Products			
Shoes	2,034,164	15%	4,768,687
Handbags	24,181	10%	41,791
Belt	218,842	-27%	32,007

Light Engineering & Footwear/Leather

- In order to succeed in light industrial, the **quality and price has to be very good** and the commodities have to be transported in **mixed load containers** to maximise on business
- Mauritius needs to provide **a variety of light industrial items** that are attractive and with **high quality**
- After sample presentation, it was noted that the quality was high but suppliers showed **concern on transportation costs**
- Light engineering products have a **medium to high potential** but need to compete with other products from China, South Africa, Tanzania and Dubai

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Animal Feed & Fertilizer

- The market environment for **animal feed** was discovered to be **very competitive** in Zambia due to **the presence of local suppliers**
- **Local sourcing** of input materials allows the local suppliers to sell their products at **low prices**
- This area was seen to be a **low potential area for EM** companies because of the capacity of these firms, which already have economies of scale accruing to them
- They are able to charge a **low price for a premium product** because of reduced cost of production and **minimal transport cost** which is usually shared with the end customer

Animal Feed & Fertilizer			
Products	**2007**	**CAGR**	**2013F**
Fertilizer	116,456,259	30%	554,654,873
Animal Feed	1,112,191	47%	11,205,432

Preference of well known brands as well as high quality and low price from local manufactures are obstacles for paints and paper/printing

Paints, Paper & Printing

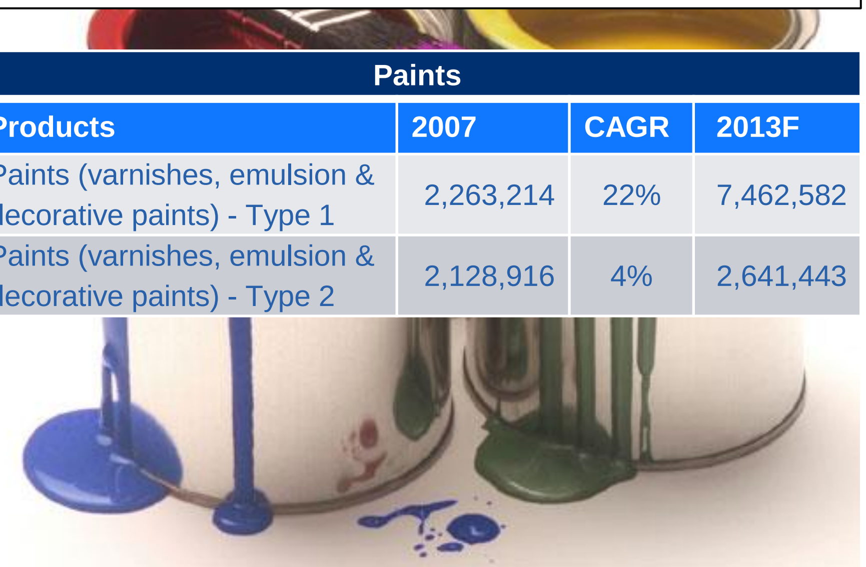
Paper & Printing			
Products	**2007**	**CAGR**	**2013F**
Brochures, leaflets and envelops	2,144,576	3%	2,515,406
Books	9,818,338	0%	9,758,399
Baby Diapers	NA	NA	NA
Sanitary Articles	NA	NA	NA
Toilet paper and similar	2,325,363	37%	15,319,686

Paper & Printing

- The demand for these services is high but the **presence of local firms** makes it hard to penetrate the sector
- However, certain customers prefer printings from South Africa and Dubai at **very low printing cost with high quality**
- Therefore, Mauritian printing companies need to compete on price and quality of the services
- On the paper sanitary articles, demand in Zambia is very high but so is competition
- Furthermore, Zambians **prefer buying well known brands**, which are mainly imported from South Africa (e.g. Pampers, Always, Stayfree and Huggies)

Paints

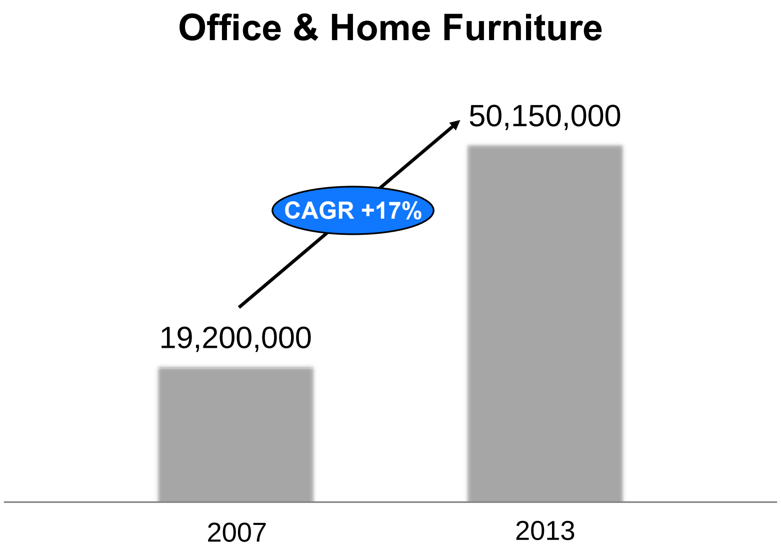
- Paints are a **low potential** due to the high logistics cost and the presence of **international** leading paint manufacturers like Plascon and **local** manufacturers who exceed 20 in number
- The best way to enter this market would be to **establish a paint manufacturing plan**t within the country to cut down transportation costs and compete on quality



Paints			
Products	**2007**	**CAGR**	**2013F**
Paints (varnishes, emulsion & decorative paints) - Type 1	2,263,214	22%	7,462,582
Paints (varnishes, emulsion & decorative paints) - Type 2	2,128,916	4%	2,641,443

Source: United Nations 2013
Munich Advisors Group Interviews 2013

Office furniture moves much quicker than home furniture – Mauritian products would need high levels of promotion



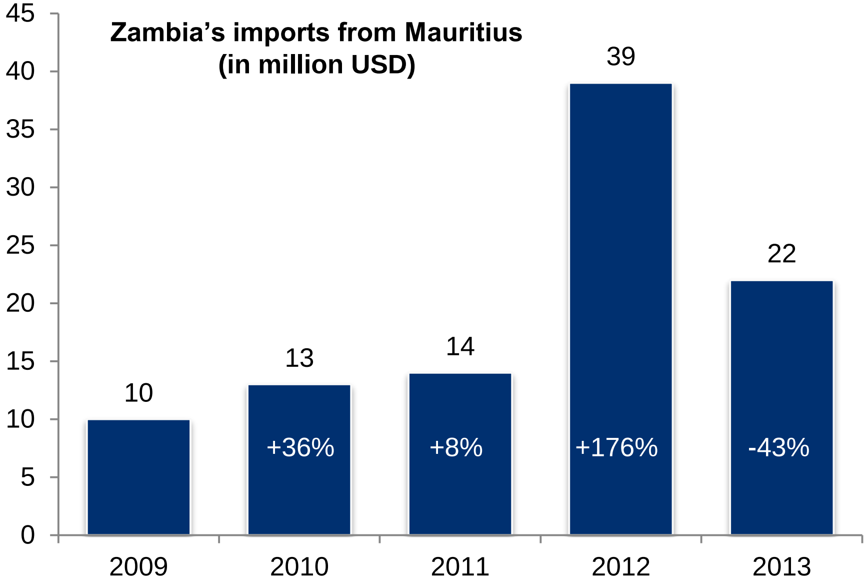
Furniture

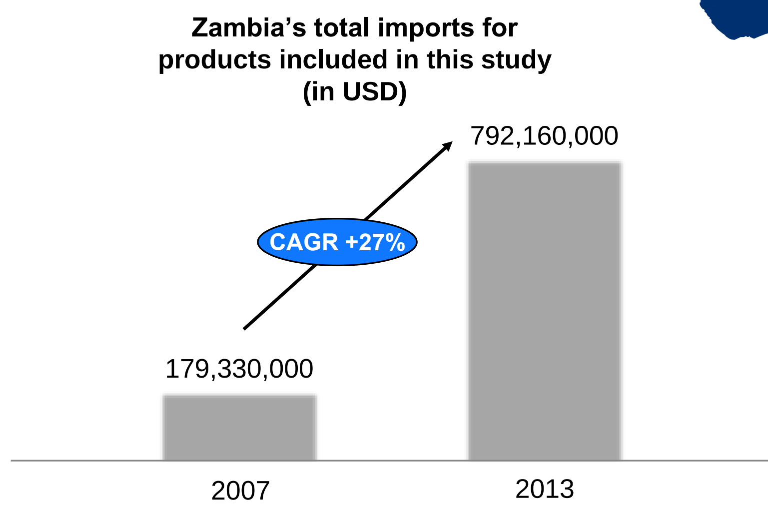
Description
▪ Furniture business in Zambia has become **very competitive** which can be attributed to an influx of South African and Chinese companies that import furniture ▪ According to the Managing Director of Mikalile Trading, **office furniture is fast moving** because of the current expansion of office space in the country while **home furniture remains on the slower side** because of the consumption patterns of the Zambian customers who rarely change home furniture ▪ The other competition comes from **local manufacturers** that tend to satisfy the needs of the local **medium to low income** groups ▪ Therefore, regardless of profit margins in this sector, competition is very high and the only way Mauritian companies may penetrate the market is by offering high quality products at competitive prices, with **high levels of promotion** for products

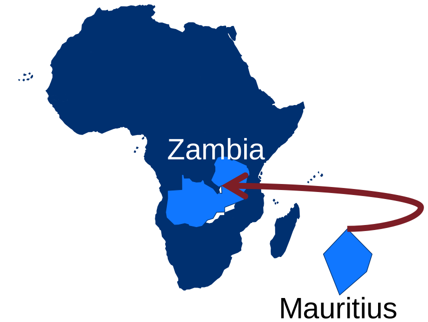
Source: United Nations 2013
Munich Advisors Group Interviews 2013

The imports from Mauritius have grown over the last 5 years with a peak in 2012

Import Trends from Mauritius into Zambia 2009-2013







Description
▪ The import figures from Mauritius have grown on average of the last 5 years by 44% ▪ This positive trend saw the pick in 2012 with an increase by 176% and coming back to average trend levels in 2013 with US $22 million ▪ Zambia's import volume from all over the world for the products included in the study was USD 7.9 million in 2013

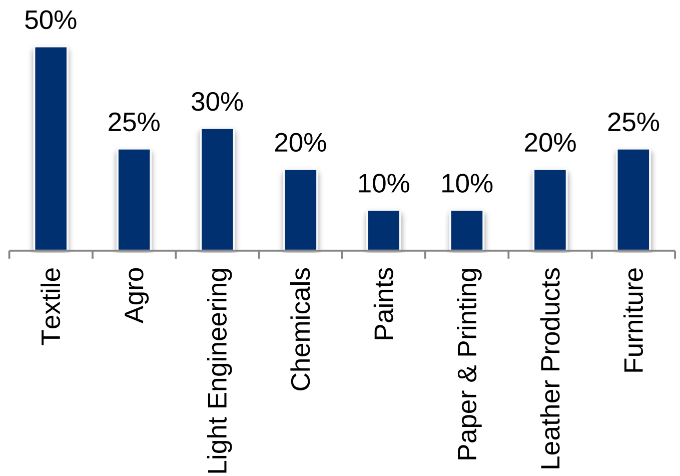
Source: United Nations 2013
Munich Advisors Group Interviews 2013

Apart from the market potential for each product, several other factors need to be taken into consideration for decision-making

Key Success Factors

ZBS Certification Mark

Average Profit Margins (estimated)



Source: ZBS, ZRA
Munich Advisors Group Interviews 2013

Description
▪ **Profit Margins** – The importer and retailer have to achieve certain profit margin, which has to be met by Mauritius exporters. The most profitable sectors are textiles (50%), followed by engineering (30%) and furniture (25%). Stiff competition comes from local producers and products from countries such as China
▪ **Legal Environment** – The standard duties and taxes applicable are VAT, Customs Duty and Exercise Duty. The standard VAT on products is 16% and most products in Zambia attract 25% Customs Duty. Beer attracts 40% whilst wine and rum attract 60%. Fertilizer, books and medical equipment are VAT exempt to support the strategic industry sectors
▪ **Standards/Norms** - The Zambia Bureau of Standards (ZBS) is the Statutory National Standards Body for Zambia. This body determines packaging, labelling, quality and regulations defining all standards and norms of products. However, there is no enforcement of most of the standards due to the lack of control personnel
▪ **Advertising Channels & Cost** - The most common advertising channel in Zambia is the newspaper, followed by radio and TV. The costs for a newspaper advert vary and are around USD 300. The cost for airing a radio advert range from USD 15 to USD 60, TV adverts range around USD 1,000 depending on time and length of advert. A billboard in Lusaka will cost US $1,800 per month
▪ **Transport Cost** – The estimated transport cost for the import of products from Mauritius to Zambia are approximately USD 0.12 per kilometre per ton. The cost from the popular port Durban to Lusaka is USD 7,700 per 30-ton truck. The cheapest transport cost are from Beira to Lusaka at USD 3,700, however the port is sometimes very congested with waiting times up to four weeks

On the ground interviews unveil the diversity and curiosity of Zambia's market environment

Selected Facts & Anecdotes to Take Away

The **spirits market** in Zambia is very competitive for formal suppliers due to high black market supply.

Whilst the formal market is paying **Excise Duty on Alcohol of 60%** the **informal market** is **avoiding** those taxes and gaining a big price advantage.

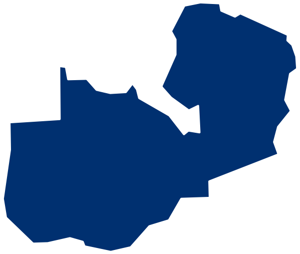
In addition, those informal suppliers such as the ones on the local COMESA market **evade taxes by closing and forming new companies** as soon as the company size would require them to start paying corporate taxes.

Zambian potato growers get **90%** more for their potatoes than Australian farmers.

185 **USD** is the cost for a **one-month unlimited internet subscription** in Zambia

Supermarkets are **leading providers** of:

fruits, fresh fruit pastes and concentrated syrup, pasta, noodle, flour, canned food and vegetables, fried snacks, sweet biscuits, precooked snacks and dairy products.



Local suppliers of noodles have **production links in China** but label products as **'Truly Zambian'** and sell them for very competitive prices.

Source: Munich Advisors Group Analysis 2014

Content

MARKET PENETRATION STRATEGIES

Enterprise Mauritius

- ✓ EM Workshop on " Doing Business in Zambia"
- ✓ Invitation to Zambian potential importers for MAITEX 2014
- ✓ Inward Buying Mission
- ✓ Signing MOUs with Key Trade Associations (ZDA and ZACCI)
- ✓ CPP in 2015
- ✓ BSM in 2016