

Intra-Africa expansion and business success for fintech firms

Why adapting marketing strategies is crucial

Inherent risks of doing business abroad

Doing business in an unfamiliar country never comes without significant risks attached. Indeed, firms often face a plethora of different obstacles when deciding to venture into unknown territory.

By definition, any company entering a new nation is playing catch-up with domestic firms. Incumbents boast a considerable advantage in already having customers and key infrastructures in place. Such instances highlight the 'liability of foreignness' that can be further compounded by geographical distance and country-of-origin (COO) effect.

These and other challenges are of course much greater in certain areas than others. For instance, plenty studies conclude that it is invariably a somewhat daunting prospect for organizations planning to enter emerging markets. Any tricky issues are generally magnified in such situations.

Emerging market challenges

The African continent provides a perfect illustration of the difficulties that most firms face. That this even applies to those planning to engage in intra-African expansion is most telling. For a start, prevailing levels of ethnic and language diversity are considerable. Prevailing heterogeneity makes it nigh on impossible to adopt a one-cap-fits-all marketing strategy. Instead, organizations are much better advised to embrace a 'horses-for-courses' approach whereby elements of the marketing mix are tweaked to suit local idiosyncrasies.

According to various scholars, any business targeting bottom of pyramid (BOP) consumers' needs to focus on 'availability, affordability, acceptability and awareness.' Strategies should be driven by these issues and determine such as how products are designed. In this respect, offerings will ideally be basic, highly functional and robust. Being adaptable so that upgraded features can be easily integrated is more than useful too.

Recent advances in technology serve to further showcase the issues concerned. Innovation in this area is deemed critical to overall economic development in Africa, not least because of the scope for impact in various key sectors that include healthcare, education and financial services.

Where development is concerned, financial technology (fintech) is widely seen as having a leading role to play. Many people in Africa are currently unfamiliar with financial services and widening access to a greater number of consumers is a central goal of fintech companies.

Continued investment in African fintech firms indicates the growth that is ongoing in the sector. That being the case, there is an urgent need to define likely challenges when entering new markets. This can then help inform these companies as to how they can adapt marketing strategies to ensure intra-African expansion ultimately succeeds.

Factors to aid expansion success

In similar scenarios, working with local partners is a proven means of addressing disadvantages faced by new kids on the block. However, many fintech organizations report struggling to find suitable people to work with. Lack of appropriate skills, poor motivation and involvement in corruption are common reasons cited for this difficulty.

Get the right people on board though and it can certainly make all the difference. But who exactly are the right people? In most cases that will prove to be knowledgeable locals who have influence within their community. Businesses employ such individuals on either a formal or informal basis to endorse the brand. This is particularly important with fintech given the lack of technological knowledge among most consumers. Skepticism is naturally high as a result.

Relationships are king within collectivist societies so involvement of fellow community members offers considerable reassurance. Smart firms go further by utilizing local people even before they enter the market. Taking this step helps ensure that consumers are adequately informed about the value in what the company is offering.

It goes without saying that education in any context requires effective communication. If anything, it is even more critical here. Traditional forms of media have minimal impact so companies have to find more creative ways of reaching potential customers. Marketers are therefore increasingly exploiting social media platforms for this purpose. And again, identifying and using key community influencers on these channels can significantly aid the cause. In addition to this, local connections can be exploited to facilitate offline events like workshops and social gatherings.

Diversity is often extensive even within individual markets. Consequently, differences in language and culture are the norm. But successful negotiation of such barriers is possible with help from community members, meaning that firms are able to segment markets accordingly. Given the notorious problems with infrastructure, it is similarly wise to form local partnerships in order to gain access to efficient distribution channels.

Given the low income status within target markets in African nations, price is obviously a thorny issue. Making products and services affordable is a must. This is especially crucial at the outset when the main objective is to persuade consumers to use the product. With technical products, usage is a critical indicator of success along with customer volume. Evidence shows that strategies like 'pay-as-you-go' and 'buy one get one free' are proven ways of hooking people in. Achieve that and making it profitable for the organization can be addressed later.

It is rarely plain sailing in these contexts and organizations are bound to make mistakes along the way. Being able to learn from them is what matters though. Companies

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determined to do this undoubtedly become better equipped to attract customers and capture a share of the market. Developing the right strategies is of course critical. However, any positive impact could well prove short-lived unless a flexible approach is adopted. That way, a business will be aware of local nuances and be agile enough to adjust its strategies as needs evolve.

Comment

The review is based on: "The internationalization of African fintech firms: marketing strategies for successful intra-Africa expansion," by Zara Hammerschlag, Geoff Bick and John Manuel Luiz, published in International Marketing Review. High levels of heterogeneity even within individual territories increases the already significant challenges faced by firms embarking on intra-Africa expansion. In order to secure market share, such companies must adjust their marketing strategies to consider local nuances in both targeting and communication processes.

Keywords:
Marketing strategy,
Emerging markets,
Africa,
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Further reading

Hammerschlag, Z., Bick, G. and Luiz, J.M. (2020), "The internationalization of African Fintech firms: marketing strategies for successful intra-Africa expansion", *International Marketing Review*, Vol. 37 No. 2, doi: [10.1108/IMR-05-2019-0130](https://doi.org/10.1108/IMR-05-2019-0130).

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