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## Into the Wild

With its bad roads, widespread occruption, dicey legal systems and the often penent threat of violence, there are few more challenging settings for a business than Africa. But that's what attracted Vikram Chand and his Singapore company, Vega Foods. Yet is obtained to so new argomore, be says. "Many of the obvious attractive opportunities have already been taken. You have to look at what others decided to nose by."

Encouraged by a Singapore government push to spur investment in Africa, His should an unusual index villages far from the big African cities. His company, as market are addistributor of pushaged food products, caster to the company, as the state and distributor of pushaged food products, caster to the deminant global concerns such as Neulfs and Unilews. Vegs's dering has part is products on abelievs in more than two down countries, including Ghanas, Senegal and South Africa. And the upstart's experience can now help other coverage enterprenare decide whether the whould follow.

So far that experience has been mixed. After it started in 2002 Viga Foods outfly grange of or base in Comerow. Annual sales topods from rillion in 2008 and plans were to double that by 2012. Whipsawing commodity prices and the economic downtum basked that any 2012. Whipsawing commodity prices and the economic downtum basked that agal and aske have breakled for the last two years. The closely hald company word disclose its current revenue and whether it 'mainting a portfil. But I continues to invest in developing the taste for its own branch of paint oil, condensed milk, timed meet and canned to the continue of the continues to invest in developing the continues to present indeed and of the continues to invest in developing the continues of the continues to invest in developing the continues of the continues to invest in developing the continues of the continue

Chand,  $x_1$ , may be the model of the new global entrepreneure. Deen to Indian-Angle parents in Jagan where his infatte settled after World War. It, he was educated in London and has been managing his family's various businesses for much of his career. He is managing director of Keybee Enits, mainly a testile trading company, as well as the founder and other executive of Vega. After working in House Root and the Section Section 1992. After working the House Root and Care Section 1992. The the deal pines for us. 'His office overchoizing company and the section of the Section 1992. The section 1992 is the section of the Section 1992 is the section 1992 in 1992. The section 1992 is the section 1992 in 19

He became interested in Africa in the late 1990s. Singapore's economic planners had noticed that the continent was largely ignored as a market by many global concerns wary of basing operations there. Affarcade by the potential of doing more business with Africa's rising middle class, Singapore rolled out tax breads and other initiatives to prod local investors in that direction. A U.N. report in 2007 said Singapore businesses were than those of China. Indis. Malavsia or South Kores.

Today Vega's 25 trucks and jeeps fan out across the continent from four coastal distribution centers to a network of village market centers. There customers find the company's lively greenand-red logo on banners, stalls and most of all on stacks and stacks of its products under eight brand names, from Splash for carbonated drinks and fruit juices to Noc-1 for confectors.

Shoppers were gratified but surprised the first time they are all of this. Whe knew we had to make a big visual impact, "says Canad. He explains that packaged goods in rural marketplaces typically were the unsold or dumaged products that jobbor brought landa, which often prompted supprison about their quality, But Vega, he says, brought the benefits of a modern branded product, such as consistency and predictable quality, to people who expect product, much as consistency and predictable quality, to people who expect developing market share, which, in rural Africa, involved products free samples. Shoppers were soon buying Vega products by the cardioad.

But then the price of the edible oils used in many of its products—the Achilles' heel of the food distribution business—started gyrating. And the price of one of its main products—palm oil, widely used for cooking in tropical Africa—also want business.

Vega kicked off an offensive to reduce its exposure to these costs. It aimed to sell less oil, which had accounted for a third of Vega's sales in 2008; now it's just 10%. And Vega's traders began to more aggressively take out futures contracts on the commodities market in Malaysia, which, along with Indonesia, accounts for most of the world's salm oil production.



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The most important step was to extend the product line to include higher-

margin items. To find out which ones to sell where, Vega began to leverage consumer data it picked up in promotional campaigns. Each village has a different culture, and marketing depends on tracking sales in that village back to previous promotions, a time-consuming process. But in this way Vega was able to identify a hot-selling dairy product in Cameroon; now it has a 60% market share. Today Vega offers 79 products in 11 major categories

Fighting for mindshare in rural Africa calls for community-based marketing. "We try to become identified with the people and the causes that are taken most seriously," says Chand, In Ghana, for example, Vega has sponsored schools, clinics and sports teams, most notably the national teams in track and field and boxing. "Ghana is mad about sports, but like a lot of African countries faces challenges funding teams. This wins us a lot of goodwill."

Running such a decentralized company requires finding management talent in each country: a tall order for two reasons. Africa, especially the former French West Africa where Vega's business is strongest, has a heritage of staterun economies and socialist politics. "It's a question of incentives." says Chand, explaining that in these societies the free enterprise mentality has fragile roots. "You've got to find the people who have internalized the forprofit ethic

Competition from multinational corporations is a bigger problem. Africans are emerging from a subsistence economy and have a craying for consumer goods, McKinsey, the worldwide consultancy, estimates that the number of African households with discretionary income will rise 50%, to 128 million and will account for \$1.4 trillion in spending by 2020. Global brands such as Procter & Gamble and even smaller ones such as PZ Cussons are well established in Africa and are hiring; it's hard for players such as Vega to bid for talent

The solution, says Chand, is to carefully structure compensation packages to reward ambition, "When you want to join a multinational, you expect immediate gain and social status for it. We are looking for a different value set, one that encourages people to act independently.

One Vega sales manager values that. Sulaiman Musah turned down the large companies setting up in Accra, Ghana to work for Vega. "In a smaller company I have much more autonomy," he says. "I can run my piece of the company like it's my own business."

Vega is one of many companies that have taken advantage of Singapore's push to do more business with Africa. Last July Singapore's national trade agency held a high-profile conference in Singapore that brought investors together with government officials and prospective partners from 17 African countries.

Singapore is certainly doing more business with Africa, racking up \$7.4 billion in exports and imports last year, a 12% increase over 2009. And the investment flows both ways, Nigeria's Sahara Energy International, a \$5.4 billion developer and operator of oil-andgas facilities around the world, was attracted to Singapore by the same advantages that all modern economies can boast, and that special tax deals and other incentives find hard to beat-a stable political environment and a robust commercial and legal infrastructure. The company based its entire global trading operation, its major line of business, in Singapore,

Would Vega Foods have plunged into the heart of Africa without special incentives? Chand says yes-but perhaps not so aggressively. The battle for market share is just beginning in Africa; he counts on Vega's all-out approach to carve out an unassailable position before rivals get there.

