A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from NOVA – School of Business and Economics

ASSESSMENT OF SUB-SAHARAN AFRICA'S MARKET ATTRACTIVENESS FOR PREMIUM APPAREL RETAILERS

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Abstract

This work project analyses the market attractiveness of Sub-Saharan African countries for premium apparel retailers. A preliminary screening by means of country ranking was conducted in order to rank all 49 Sub-Saharan African countries according to their overall market attractiveness. A subsequent in-depth analysis identified the most promising market for premium apparel retailers to enter in the near future.

Keywords:

Sub-Saharan Africa, International Market Selection, Emerging Markets, Apparel Retailing

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1. Introduction

International market expansion has been a prevalent strategy for apparel retailers to explore sales growth opportunities and establish brand recognition worldwide. In the past decades apparel retailers registered growing levels of market saturation in Europe and the U.S., which shifted their focus to dynamic emerging markets in Asia (Euromonitor. World Market for Apparel and Footwear, 2018). Taking international market selection (IMS) further, this work project analyses the potential of Sub-Saharan African countries as the next expansion target for apparel retailers. Consequently, the aim is to identify the most promising Sub-Saharan African market for premium apparel retailers to enter in the near future.

Often largely underestimated, most Sub-Saharan African markets exhibit favourable market characteristics for apparel retailers such as increasing urbanization rates, an emerging middle class with growing purchasing power, a shift towards formal retail formats, an enormous young generation and the dispersion of communication technologies driving the demand for international apparel brands (Deloitte, 2015). Nonetheless, there is not one general IMS strategy for Africa that apparel retailers may follow. Sub-Saharan African countries differ vastly in terms of market potential, business dynamics and economic development. For this reason, the report aims at providing insights into relevant market dimensions of all 49 Sub-Saharan African countries.

To my best knowledge there are no academic articles existent, which focus on IMS in Sub-Saharan Africa in conjunction with apparel retailing. The performed country ranking analysis follows Cavusgil's Market Opportunity Index (2004), which is customized according to the apparel retail industry by means of various academic IMS articles and industry reports such as the African Retail Development Index (A.T. Kearney, 2015).

The report proceeds with a literature review, which discusses the main academic approaches to IMS. The third chapter presents an introduction to the report's methodology including the techniques and measures used. In the fourth chapter, an insight into the global apparel industry is provided, followed by the presentation and discussion of the country ranking results and an in-depth analysis of the two most promising countries identified in the analysis. Subsequently, the conclusion presents the most attractive Sub-Saharan African market for apparel retailers to enter. The report closes with indications of theoretical and managerial implications and limitations with regard to the scope of the report coupled with directions for future research.

2. Literature review

IMS normally follows the retailer's decision to internationalize business operations and precedes with market entry mode decisions and the development of marketing strategies. The literature on IMS is characterized by high fragmentation and a lack of empirical studies. Table 1 provides an overview of the prevalent IMS approaches to preliminary foreign market assessment. There are two main approaches to IMS, namely the formalized and structured systematic approach and the non-formalized, non-systematic approach (Papadopoulos and Martín, 2011).

Most of the systematic market grouping and market estimation methods present deficiencies that may be reduced through combining methods. For instance, Cavusgil et al. (2004) propose a complimentary approach consisting of country clustering and country ranking. Whereas country ranking identifies the most attractive markets to enter in a sequential matter, country clustering indicates similarities across the identified countries in order to deploy standardized regional marketing strategies. Other researchers like Gaston-Breton and Martín (2011) address IMS deficiencies - such as the ignorance of the target markets heterogeneity in IMS literature - by proposing extended IMS models. In this case they recommend a two-stage model, which consists of macro-economic screening of the target markets followed by micro-economic

<table>
<tr><th colspan="4">Systematic Approach (Quantitative)</th></tr>
<tr><th>Market Grouping</th><th colspan="3">Market Estimation</th></tr>
<tr><td>Country Clustering
(Cavusgil et al., 2004)</td><td>Country Ranking
(Cavusgil et al., 2004)</td><td>Econometric methods
(Papadopoulos, 1988)</td><td>Trade off model – Shift Share model
(Papadopoulos et al., 2002)</td></tr>
<tr><td>Multicriteria approach that organises potential target countries with similar political, economic, commercial and cultural environment into homogenous groups.</td><td>Multicriteria approach to rank potential target countries in terms of their aggregate market potential.</td><td>Method to forecast product demand in potential target countries by means of regression analysis.</td><td>Extension of the shift share model with focus on demand potential and trade barriers, while considering the strategic orientation of the firm.</td></tr>
<tr><td>+ Provides insights into structural similarities, which enables standardization of marketing strategies</td><td>+ Managers may choose industry related variables and customize weightings</td><td>+ Focuses on product specific variables</td><td>+ Rather inexpensive method due to limited amount of trade data series needed</td></tr>
<tr><td colspan="4">+ Enable analysing a large number of markets – beyond the limits of psychic distance
+ Reduce subjectivity and bias stemming from informants and exchange partners</td></tr>
<tr><td>- Lacks measurement of demand
- Requires complete data series to perform exploratory factor analysis in SPSS</td><td>- Does not provide indication for further internationalization strategies</td><td>- May only be applied for mature products with stable demand
- Requires secondary, rare and expensive product data</td><td>- Lacks product specific indicators
- Limited to only two dimensions</td></tr>
<tr><td colspan="2">- Lack product specific indicators due to unavailable and/or expensive secondary data; sole reliance on macroeconomic indicators</td><td colspan="2">- Do not provide indication for further internationalization strategies</td></tr>
<tr><td colspan="4">- Unreliable and outdated secondary data, which lacks comparability across countries
- Ignore target markets heterogeneity
- Limited validity of systematic methods due to dynamics of emerging markets</td></tr>
<tr><th colspan="4">Unsystematic Approach</th></tr>
<tr><td colspan="2">Relationship Model
(Andersen and Buvik, 2001)</td><td colspan="2">Informant Concept
(Brewer, 2000)</td></tr>
<tr><td colspan="2">Identification and screening of potential international partners through previous information gathering. Market selection results from successful development of personal relationship with potential partner.</td><td colspan="2">The firm selects countries by means of their internal network of formal and informal representatives in international markets. The number and extent of knowledge of the informants proposing a country for expansion is the relevant decision factor.</td></tr>
<tr><td colspan="4">+ Market insights reduce the perceived psychic distance – especially with regard to emerging markets</td></tr>
<tr><td colspan="2">- Not relevant for firms seeking non-contractual entry modes</td><td colspan="2">- Opinion of informants and decision making is subject to bounded rationality</td></tr>
<tr><td colspan="4">- Lengthy process of relationship and network development, including various phases</td></tr>
</table>

Table 1: Overview of systematic and unsystematic IMS approaches

segmentation to identify similar consumer groups. Papadopoulos and Martín (2011) broaden this mindset by questioning the traditional country selection approach and acknowledging the importance of cross-national consumer segmentation. In the context of Sub-Saharan Africa, both approaches prove to be difficult to apply considering the lack of national and cross-national consumer specific data and the costs involved in acquiring primary data. Restrictions with regard to primary Sub-Saharan African consumer data may also apply to the research of Sakarya et al. (2007) who take into account the volatile and dynamic business environment of emerging markets by proposing four complementary criteria to consider when assessing market attractiveness: long term market potential, cultural distance, competitive strength of the industry and customer receptiveness.

Kumar et al. (1994) propose a simple sequential IMS model, consisting of three-stages. The screening stage is characterized by inexpensive preliminary, macroeconomic assessment of all potential countries. The following identification stage aims at short-listing the most attractive countries by evaluating available industry and product- specific data. In the final selection stage each of the short-listed countries is assessed with regard to firm-specific indicators.

According to Papadopoulos (1988), most SME's and MNC's do not approach IMS systematically. Limited by financial and human resources, SME's are still largely influenced by the psychic distance construct, which firms aim to reduce through unsystematic IMS approaches. SME's tend to expand their business operations intuitively and often in response to export sales of international customers. MNC's on the other hand rather use internally produced primary product specific data than deficient secondary databases to derive new market opportunities. In addition, MNC's find systematic IMS approaches not profitable considering the lack of strategic extent in the methods (Papadopoulos et al, 1988).

The tendency to follow unsystematic IMS approaches is strengthened by unreliable, outdated and - in the context of Africa – vastly incomplete secondary macroeconomic data. Exchange partners and informants may provide valuable insights into complex business dynamics prevalent in Sub-Saharan Africa. Nevertheless, the cooperation with an exchange partner may only result within contractual entry modes. (Andersen and Buvik, 2001)

3. Methodology

Due to the complexity of analysing secondary data for all developing and emerging 49 Sub-Saharan African countries, a systematic approach to IMS was followed. A combination of country clustering and country ranking proposed by Cavusgil et al. (2004) was chosen to reduce the downsides of the individual systematic approaches. The vast amount of data points missing in numerous data series across the country set and specifically for Eritrea, Somalia, Djibouti and South Sudan impeded to perform the cluster analysis by means of SPSS. Despite the removal of various data series and countries, the Kaiser-Meyer-Olkin Measure of Sampling Adequacy still accounted for less than 0.6 indicating that the data set is not suitable for factor analysis.

Considering the incompleteness of macroeconomic data series as well as an enormous lack of data with regard to the apparel industry in Sub-Saharan Africa, a sequential three-stage decision model was followed. First, an initial screening by means of country ranking, following Cavugil's Market Opportunity Index (2004), is performed. The macroeconomic measures were selected considering the desired market and consumer characteristics for premium apparel retailers. To avoid scale effects and incorrect weighting, data values were converted into standardizes z-scores with a scale from 1 to 100 (1=lowest score, 100=highest score). Subsequently, weights were assigned to each dimension according to their perceived relative importance for premium apparel retailers. The variables within each dimension were weighted equally. The weighted average scores of all dimensions were then aggregated to an overall market attractiveness score for each Sub-Saharan African country. Due to the initial higher weighting of important dimension, a compensatory approach was followed meaning that no minimum scores for key dimensions were set and trade-offs between scores were permitted. The selected dimensions, variables and weightings are presented in Appendix IV. Occasionally, the problem of missing data resulted in incorrect dimensions scores. To ensure the overall validity of the scores, outliers were therefore intentionally excluded. The secondary data for the country ranking was collected from ten statistical databases inter alia: World Bank, World Trade Organization, World Economic Forum and Euromonitor. The base year of the secondary data is 2016, whereas certain indicators were only available for 2015 e.g. HDI or for 2017 e.g. Gini Coefficient. In addition, various industry and market research reports e.g. from A.T. Kearney, Deloitte and Euromonitor were utilized.

The first five dimensions describe market potential. The most significant dimension is perceived to be market consumption capacity as sizeable consumer expenditure (per capita) positively correlates with high income levels and is symptomatic of premium and luxury products sales. In addition, the variable 'income share held by highest 40%' indicates the size and wealth of the middle and upper class, which is the main target group of premium apparel retailers. Even though GDP per capita PPP is vastly recognized as an important proxy for wealth and standard of living, Tatjana Wolff from Planet Retail questions its equal distribution among the population– especially in oil rich countries like Angola – which explains its position as the second ranked dimension. Equally weighted, market receptiveness is perceived to be an important dimension as the governments openness towards trade and the ease of doing business are critical success factors when doing business in Sub-Saharan Africa. The following dimensions 'market size' and 'market growth rate' are weighted lower, as premium apparel retailers rather aim for value sales than for volume sales. Further, the economic development and country risk dimensions are important to consider in the context of Africa and may be customized with regard to the premium retailer's sentiment towards risk. The lowest weighted dimension 'social development' gains in importance with increasing levels of FDI and are especially relevant for premium retailers setting up stores and recruiting local employees. Please consult Appendix V for a detailed description of the used variables.

Following the country ranking the top countries were further evaluated by taking into consideration available apparel industry specific variables e.g. consumer expenditure (per capita) of apparel and footwear, development level of retail sector and size of apparel imports. Lastly, an in-depth analysis of the two most attractive markets was conducted considering indicators such as market competition, market channel conditions, infrastructure, FDI and import regulations, non-tariff trade barriers, foreign exchange regulations and labour force.

To complement the country ranking, a qualitative systematic approach in the form of primary data collection through expert interviews was followed. Each telephone interview lasted for approximately 30 minutes. The first interview was conducted with Derek Engelbrecht, Africa Consumer Products Leader at Ernst & Young South Africa. The second interview was conducted with Tatjana Wolff, Retail Analyst at Planet Retail Germany specialized in Sub-Saharan Africa. The interviewed persons were questioned to name and evaluate attractive markets for apparel retailers, critical success factors and risks as well as relevant indicators for IMS decisions in Sub-Saharan Africa (Appendix I: Interview Questionnaire). The answers were integrated throughout the thesis.

4. Assessment of market potential for premium apparel retailers in Sub-Saharan Africa

4.1 Analysis of the global apparel industry

The global apparel and footwear market accounts for USD 1,696.2 billion[1]. Figure 1 illustrates the dispersion of global Apparel and Footwear sales across categories and Figure 2 across geographies.

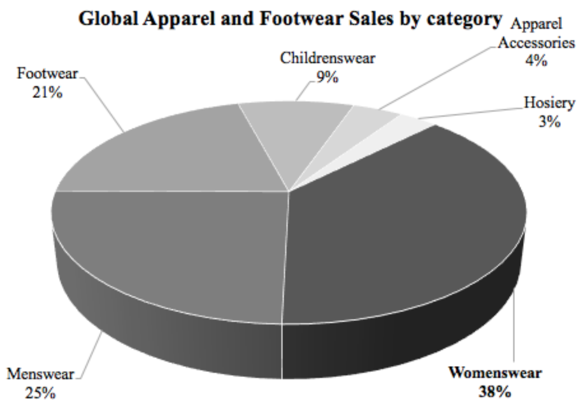

Figure 1: Global Apparel and Footwear Sales by category
Source: Euromonitor. Global Apparel and Footwear 2018

According to Euromonitor, the most consumed category in Southern Africa is footwear, which outperforms all other categories in terms of absolute growth in the forecast period. Derek Engelbrecht from EY South Africa explains the great sales performance of footwear with the fact that in Sub-Saharan Africa, shoes express personal aspirations, especially among men.

The industry is characterized by high fragmentation with the top five apparel companies accounting for only 9% of the value share in 2017. The strong growth performance of all major retailers across all geographical markets reflects an increasing market consolidation (Euromonitor. World Market for Apparel and Footwear, 2018).

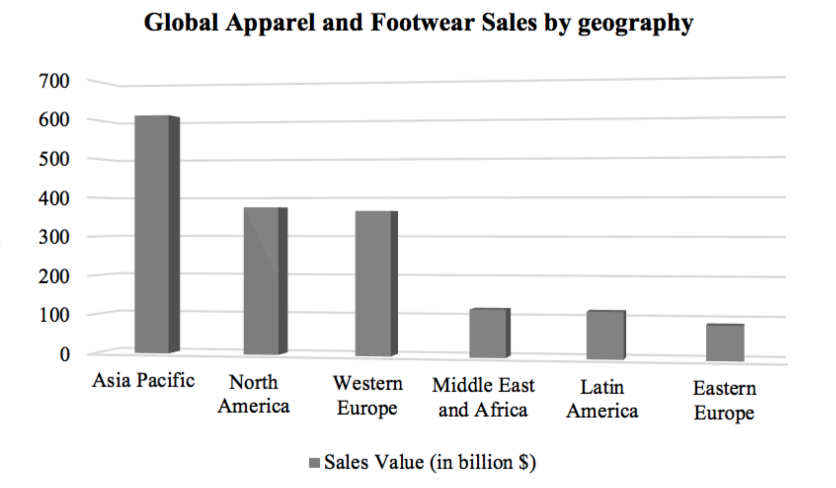

Figure 2: Global Apparel and Footwear Sales by geography.
Source: Euromonitor Database

Within the apparel industry store-based retailing remains the most significant distribution channel accounting for 48% of global sales value. Consumers around the world put emphasis on examining the

[1] Retail RSP, fixed exchange rate, constant prices

size, fit and fabric quality of the garments in-store. Nevertheless, internet retailing presents the second most important sales channel (16%) characterized by strong growth that even outpaced the value share of department stores. The interaction between store-based retailing and e-commerce is vital to convey a consistent brand identity (Euromonitor, Consumer Trends, 2018). In the period 2012-2017 the apparel and footwear industry recorded a CAGR of 1,2% in value sales and a CAGR of 3,1% in volume sales reflecting the continuing expansion of fast fashion brands in North America and emerging markets. The fast fashion concept refers to the speed to market process taking only about 2-4 weeks for retailers like Zara. By taking inspiration from ready-to-wear collections of well-known designer brands, and not developing individual trends, fast-fashion retailers reduce the time spent on the design process. The key to minimize lead times is a fast reacting supply chain and choosing suppliers operating closely to the distribution centres. The speed to market process allows the fast fashion retailer to quickly adapt to consumers preferences leading to a minimum stock pre-order of only 15% as opposed to the common 60%. The reduced lead times further enables the retailer to sell-out approximately 85% of their collections at full prices which surpasses the industry average of 50%. Fast fashion strongly impacts consumer expectations of frequently changing collections at low prices and pressure traditional players to accelerate their supply chain as well. Even premium brands such as Tommy Hilfiger and Lacoste adapted to the industry developments by introducing the "See Now, Buy Now" strategy. After showcasing the collections on the runway, the garments are immediately made available to purchase online (Euromonitor. Fast Fashion, 2016).

The focus of the thesis is on vertically-integrated[2] premium brands, often referred to as "Affordable luxury", positioned between "Ultra luxury" brands such as Louis Vuitton or Gucci and 'Mass market' brands such as fast fashion retailer Zara or H&M. The key target group of premium brands is the rising middle class, primary in emerging markets, characterized by an

[2] Internalization of all business processes - from the design process to the in-store sale - with the exception of outsourcing manufacturing.

increasing female workforce and rising disposable income. Especially millennials in emerging and developed markets are key customers of premium brands, striving to demonstrate their status with affordable luxury products. According to Derek Engelbrecht from EY South Africa, one of the critical success factors for apparel retailers in Sub-Saharan Africa is to offer high quality products as aspirational African consumers are limited in their disposable income and therefore unable to afford frequent repurchases. Apparel brands operating in the premium segment are for instance: Calvin Klein, Tommy Hilfiger, Diesel, Guess, Massimo Dutti and Lacoste. Appendix II presents an overview of categorical price differences between fast fashion, premium and luxury retailers. The premiumization trend also affects the remaining apparel industry with fast fashion retailers offering premium priced products to improve the quality image of their brand as well as luxury brands increasingly offering affordable fashion items to reach a larger group of consumers (Euromonitor. Consumer Trends, 2018).

4.2 Country Ranking – Discussion of the results

Table 2 presents the results from the country ranking analysis. South Africa is leading the country ranking with a score of 67,92. As the largest and most developed apparel market (USD 13,410.4 million) in Sub-Saharan Africa, South Africa presents a well-established commercial infrastructure, an enormous market consumption capacity, a sizeable middle and upper class as well as political stability and a favourable business environment. Nevertheless, the aggregate of numerous international retailers and local South African apparel retailers result in a saturated and highly competitive retail market environment (A.T. Kearney, 2015). In addition, consumer expenditure growth on apparel and footwear only accounts for a moderate CAGR of 2,3% and new retail development is slowing down. Due to the listed downsides, South Africa cannot be identified as the most attractive market for premium apparel retailers to enter in the upcoming years.

Mauritius is the second most attractive market for premium apparel retailers to enter and ranks best in the dimensions: market receptiveness, economic development, country risk and social development – indicating a favourable business environment. The country in the Indian Ocean presents the second highest per capita consumer expenditure (USD 491) on apparel and footwear among the top 15 Sub-Saharan countries, a significant CAGR of 5,4% and a well-developed formal retail network. All premium retailers sampled are present in Mauritius (see Appendix III), which indicates a growing competitive environment and market saturation. Coupled with property development stagnation due to limited urban space, Mauritius is not found to be an attractive market to be entered at this point of time as well.

Ranked third, Botswana scores high with regard to economic development and low country risk. The country is characterized by a small population with high per capita consumption on apparel and footwear accounting for USD 237 and a comparable high CAGR of 6,9% with regard to total consumption of apparel and footwear in the forecast period 2016-2021. The strong consumer purchasing power reflects an affluent middle class in Botswana with 87,4% of the income share held by the wealthiest 40% of the population. 27,8% of Botswana's population can be categorized as Millennials who have a high affinity towards premium quality international brands and according to Euromonitor, 20% of Botswana's women are economically active, representing a great potential for womenswear. The absence of international premium retailers in the market makes Botswana an interesting market for further in-depth analysis.

Nigeria is ranked fourth and presents the largest market with regard to population size in Sub-Saharan Africa. The overall apparel and footwear market size accounts for USD 1,288.5 million with a CAGR of 5,3% (2017-2022). Nigeria's dynamic middle and upper class is sizeable and represents 1.69 million households living on a disposable income of over USD 25 000, approximately 16% thereof in Lagos (Euromonitor. Apparel and Footwear in Nigeria, 2018).

Country	Score	Rank	Market consumption capacity Score	Market consumption capacity Rank	Market Intensity Score	Market Intensity Rank	Market receptiveness Score	Market receptiveness Rank	Market Growth Score	Market Growth Rank	Market Size Score	Market Size Rank	Commercial Infrastructure Score	Commercial Infrastructure Rank	Economic Development Score	Economic Development Rank	Country Risk Score	Country Risk Rank	Social Development Score	Social Development Rank
South Africa	66,92	1	86,7	1	45,7	6	63,7	13	49,2	42	68,3	2	84,5	1	66,5	5	76,4	6	28,6	44
Mauritius	55,82	2	9,3	37	74,0	3	93,0	1	37,7	47	47,8	4	30,8	11	77,7	1	93,3	1	87,6	1
Botswana	55,12	3	45,6	5	59,1	5	70,7	4	60,0	32	35,9	8	18,7	30	69,4	2	91,8	2	44,0	36
Nigeria	52,97	4	69,1	2	19,5	11	46,3	34	59,9	33	72,4	1	53,5	3	46,0	34	45,9	22	63,4	11
Seychelles	52,77	5	0,7	49	100,0	1	72,1	2	57,8	36	50,5	3	33,6	9	62,8	8	71,2	8	42,3	37
Namibia	49,66	6	46,1	4	36,5	7	65,3	9	53,1	39	28,3	13	37,7	7	60,9	9	81,0	4	32,4	42
Kenya	46,48	7	36,7	10	9,8	20	58,1	19	80,7	9	30,1	11	54,4	2	54,2	19	61,1	12	52,7	31
Ghana	45,94	8	23,4	23	13,9	14	66,6	7	67,3	27	39,4	7	33,7	8	60,3	10	77,8	5	67,5	5
Cabo Verde	45,8	9	25,6	20	21,9	9	62,6	14	58,6	34	43,2	6	21,4	22	64,2	6	82,8	3	61,9	16
Rwanda	45,4	10	30,2	13	5,3	29	70,1	5	93,3	1	19,8	26	29,8	13	68,3	3	60,3	13	56,1	26
Cote d'Ivoire	43,11	11	23,7	21	11,7	17	57,4	20	84,0	8	30,8	10	40,2	4	56,4	14	58,1	14	55,9	28
Gabon	41,98	12	18,9	31	63,2	4	41,9	40	58,2	35	43,9	5	18,3	32	57,5	13	42,3	27	61,1	18
Zambia	41,29	13	39,7	7	12,6	15	60,7	16	73,2	16	26,5	15	17,4	34	55,6	16	44,2	25	50,0	33
Senegal	40,67	14	17,1	32	7,7	23	56,9	21	78,3	12	26,6	14	27,3	15	54,3	18	76,4	7	58,1	25
Tanzania	39,98	15	16,0	33	8,5	22	47,2	31	92,7	2	21,4	24	38,2	6	53,3	22	51,3	18	72,1	2
Lesotho	39,91	16	37,0	9	9,1	21	71,2	3	62,5	31	24,7	19	16,7	35	46,9	32	62,7	11	22,8	45
Burkina Faso	39,35	17	14,9	34	4,8	31	66,3	8	92,6	3	15,6	30	20,8	25	56,0	15	57,9	15	63,9	10
Cameroon	38,89	18	47,4	3	11,4	18	31,1	46	71,6	21	29,4	12	21,2	24	47,1	31	41,8	28	59,8	20
Benin	37,74	19	21,2	26	6,3	24	52,0	27	67,4	26	13,3	32	30,9	10	50,2	26	70,4	9	59,8	21
Uganda	37,72	20	19,1	30	5,0	30	58,3	18	86,8	6	23,2	22	27,7	14	53,5	21	35,7	33	66,2	8
Togo	37,32	21	25,7	19	3,8	36	64,5	11	74,4	14	11,7	35	17,9	33	54,6	17	48,5	20	58,9	24
Swaziland	37,18	22	34,0	12	28,3	8	65,0	10	47,9	43	25,7	16	26,3	18	53,6	20	N/A		31,6	43
Sao Tome and Principe	36,79	23	1,0	48	10,1	19	68,8	6	65,9	29	25,1	17	15,1	38	57,7	11	68,8	10	69,6	3
Madagascar	35,94	24	19,8	29	3,9	35	61,2	15	77,9	13	9,0	38	19,7	27	51,6	25	47,3	21	65,9	9
Ethiopia	35,48	25	10,8	35	4,7	32	43,7	37	90,0	4	24,9	18	38,8	5	52,3	23	36,1	32	61,1	18
Mozambique	35,37	26	22,7	24	2,9	38	64,0	12	71,2	22	20,7	25	30,7	12	62,9	7	28,7	35	20,7	46
Niger	34,12	27	2,1	46	2,0	40	48,5	30	87,1	5	6,0	42	16,4	37	N/A		50,5	19	61,7	17
Malawi	33,71	28	23,7	22	2,7	39	60,7	17	69,1	23	10,2	37	9,4	43	40,9	37	53,4	17	55,1	30
Angola	33,67	29	29,6	14	21,6	10	41,5	41	69,0	24	18,7	27	13,8	41	45,7	35	20,0	38	62,9	12
Mali	33,59	30	6,5	39	6,1	25	52,4	26	85,8	7	13,9	31	26,6	17	47,4	30	45,8	23	60,7	19
Congo, Rep.	33,32	31	28,6	16	18,9	12	56,2	22	50,0	41	9,0	38	14,0	40	51,8	24	29,6	34	55,8	29
Guinea	33,12	32	6,1	41	5,5	28	45,4	36	79,2	10	11,3	36	25,6	20	68,3	4	39,7	29	62,8	13
The Gambia	32,39	33	26,0	17	4,5	33	53,6	25	68,4	25	17,2	29	24,0	21	46,5	33	25,1	36	36,4	39
Equatorial Guinea	32,08	34	3,1	43	91,7	2	46,6	33	38,6	46	21,5	23	6,6	46	39,4	38	1,0	47	69,3	4
Guinea-Bissau	31,95	35	29,3	15	4,3	34	49,5	29	78,8	11	3,8	46	16,6	36	48,1	29	23,5	37	46,4	35
Liberia	31,94	36	8,8	38	1,4	42	54,3	24	51,5	40	7,8	39	27,2	16	57,6	12	54,6	16	67,2	6
Zimbabwe	31,75	37	42,3	6	5,8	26	39,9	43	47,3	44	23,5	21	18,9	29	35,1	40	19,9	39	62,2	15
Mauritania	31,04	38	9,4	36	12,0	16	55,7	23	65,7	30	17,5	28	11,5	42	41,9	36	37,0	31	67,1	7
Sierra Leone	30,56	39	6,3	40	3,8	37	45,6	35	72,6	20	12,1	33	18,5	31	50,0	28	44,5	24	67,1	7
Comoros	30,29	40	35,7	11	3,9	35	42,7	39	57,6	37	7,2	40	21,4	23	22,7	41	43,8	26	41,6	38
Sudan	30,19	41	20,0	28	15,4	13	31,8	45	66,9	28	32,4	9	20,1	26	50,2	27	3,6	45	59,1	22
Djibouti	26,63	42	1,5	47	N/A		49,5	28	33,3	48	12,1	34	15,1	39	N/A		39,0	30	56,0	27
Congo, Dem. Rep.	26,16	43	22,2	25	1,4	41	24,2	47	73,0	18	24,1	20	19,1	28	20,3	42	19,3	40	58,9	23
Burundi	25,12	44	5,3	42	1,3	43	43,6	38	73,5	15	5,3	43	26,2	19	37,9	39	10,4	43	62,5	14
Central African Republic	24,24	45	37,0	8	1,0	44	47,0	32	56,6	38	4,6	45	N/A		13,9	44	15,9	42	34,9	40
Chad	20,64	46	21,0	27	5,6	27	33,9	44	39,8	45	6,2	41	9,1	44	15,3	43	18,6	41	52,3	32
South Sudan	15,05	47	25,8	18	N/A		N/A		72,7	19	7,2	40	N/A		N/A		2,0	46	34,3	41
Somalia	13,68	48	2,5	44	N/A		40,5	42	73,0	17	4,8	44	2,4	47	N/A		1,0	47	N/A	
Eritrea	5,99	49	2,4	45	N/A		N/A		N/A		1,0	47	8,1	45	N/A		6,3	44	49,0	34

Table 2: Country Ranking results for Sub-Saharan African countries

Nigeria presents a moderate per capita consumption on apparel and footwear of USD 90. Nigerian consumers are characterized by a strong brand consciousness and put a great emphasis on premium quality to an adequate price. Despite the prevalent ethnic tailor-made clothing identity, the demand for international premium and luxury brands remains strong especially among the young urban Nigerian population. Nigeria's millennial generation accounts for 21,2% and 17,4% of the women are economically active (Euromonitor. Apparel and Footwear in Nigeria, 2018). Therefore, Nigeria is perceived to be the second most attractive market for retailers and is further analysed in the in-depth analysis.

Top 15	**Consumer Spending on Apparel & Footwear in USD**	**Per capita spending on Apparel & Footwear (USD)**	**CAGR % (2016-2021)**	**Import of Clothing in USD**	**Tariff rate % on Clothing**
South Africa	**10 850 800 000**	194	2,3	**1 740 700 000**	41,02
Mauritius	620 073 500	**491**	5,4	73 500 000	**4,28**
Botswana	532 628 800	**237**	6,9	**94 200 000**	41,02
Nigeria	**16 740 700 000**	90	-1,1	52 000 000	20
Seychelles	47 687 300	**504**	4,5	7 400 000	**17,58**
Namibia	473 128 500	191	**7,9**	**152 700 000**	41,02
Kenya	**1 843 700 000**	38	4,6	70 700 000	25,17
Ghana	1 774 100 000	63	5,5	40 200 000	20
Cabo Verde	80 640 400	3	6,7	5 800 000	34,06
Rwanda	485 913 400	41	6,5	20 400 000	25,17
Cote d'Ivoire	1 366 500 000	58	4,7	38 900 000	20
Gabon	362 278 100	183	7,0	10 800 000	30
Zambia	680 950 500	41	**8,4**	50 300 000	25
Senegal	796 436 500	52	**11,0**	22 900 000	20
Tanzania	3 072 200 000	52	5,6	68 000 000	25,17

Table 3: Apparel industry specific indicators for the top 15 most attractive Sub-Saharan African markets with the base year 2016.
Source: Euromonitor, Planet Retail and World Trade Organization

Apart from Botswana and Nigeria there are several other attractive markets to watch in the medium term. The Seychelles, for instance, are characterized by robust economic development, a high degree of market receptiveness and an overall low country risk. Moreover, the market presents the highest per capita expenditure on apparel and footwear in Sub-Saharan Africa (see Table 3). Nevertheless, as the predominant tourism industry is primarily focused on upmarket tourists, the Seychelles might rather constitute an attractive target market for luxury retailers.

Furthermore, Namibia performs extremely well across all dimensions and ranks especially well with regard to consumption capacity. High per capita spending (USD 191) and a positive growth rate of 7,9% on consumer spending on apparel and footwear might offset the high import tariffs for international retailers.

Another significant group of markets to be highlighted are Gabon (ranked 12th), Cameroon (ranked 18th) and Equatorial Guinea (ranked 34th) – major oil producers with sizeable GDP per capita and/ or consumption capacity. Whereas Equatorial Guinea can be eliminated from the list of attractive markets due to high country risk scores and Cameroon due to a remarkably low performance with regard to market receptiveness, Gabon may indeed present an attractive market for premium apparel retailers. The small country presents striking high per capita spending figures on apparel and footwear (USD 183) coupled with a comparable high CAGR of 7%. Nevertheless, the over-reliance on oil exports and the consequent possible negative effects on the economic development should not be underestimated.

Kenya and Ghana are in the transition phase to be identified as attractive markets for premium apparel retailers. Both perform well across all market attractiveness dimensions and are extremely attractive with regard to the market size, but still show rather low per capita consumer spending on apparel and footwear and a predominant informal retail sector (A.T. Kearney, 2015). Another group of dynamically growing markets that still lack consumption power but should be observed in the medium to long-term are Rwanda (ranked 10th), Tanzania (ranked 15th), and Burkina Faso (ranked 17th).

4.3 In-depth analysis of the two most attractive markets

As previously discussed, the two markets found to be the most attractive for premium retailers to enter are Botswana and Nigeria. In the following section an in-depth comparative analysis is conducted in order to identify the most attractive market among the two to enter in the short to medium term.

4.3.1 Market competition

Botswana’s formal apparel retail market is largely dominated by South African brands. 89,9% of Botswana’s clothing and textile import originate from South Africa. (WITS, 2018). According to A.T. Kearney (2015) the overall retail market is saturated with regard to market players and market share. Nevertheless, it is assessed an attractive retail market for new brand concepts that can withstand the competitive landscape. The lack of non-South African, international premium apparel brands might therefore entice European and American brands to enter Botswana and profit from first mover advantages over international competitors.

In 2015, Nigeria abolished the ban of textiles and apparel import, leading to a steady influx of international apparel retailers and franchisees. Symptomatic of the apparel industry, Nigeria’s competitive landscape is highly fragmented. The sportswear brands Adidas and Nike hold the highest brand shares in the market with 3,6% and 3,1% respectively. Premium apparel retailers Calvin Klein and Levi’s hold 0,9% market share respectively (Euromonitor Apparel and Footwear in Nigeria, 2018). Even luxury apparel retailers e.g. Hugo Boss and Ermengildo Zegna identified Nigeria as an attractive market and entered as first movers in 2013 (Euromonitor. Final Fashion Frontier, 2013). Initially dominating the Nigerian market, several South African apparel retailers e.g. Woolworths and Truworths exited the market naming high business costs and supply chain challenges as a reason (PWC, 2016).

Market channel conditions

Botswana’s formal retail sector is well developed, with most shopping malls and new property development located in the capital Gaborone and the second largest city Francistown. Retail rents amount for 32 USD/m^2/month in Gaborone (JHI and Urban Studies, 2016). Due to Botswana’s rather small urban population size, increased levels of saturation in retail space can be detected, which leads to only a moderate shopping centre growth rate of 25% for the forecast period 2017- 2020 (Statista, 2017).

A.T. Kearney (2015) characterizes Nigeria's formal retail sector as 'developing', indicating an increasing shift from the informal retail landscape to modern retail establishments. Within the past years, Nigeria recorded an enormous growth of new shopping mall development in order to cater the demand of the rising middle class for modern shopping opportunities. (A.T. Kearney, 2017). Shopping mall growth of 61% is estimated for the forecast period 2017-2020 (Statista, 2017). Contrary to Botswana, the shopping mall developments are widely spread across more than ten of Nigeria's largest cities with most of them located in Lagos, Abuja and Port Harcourt. Urban Studies estimates the retail rents to amount for 40 USD/m^2/ month in the largest city Lagos, exceeding Botswana's retail rents in shopping malls. According to Urban Studies, the developer's intention to build shopping malls exceeding 25 000m^2 cannot be realized yet due to the lack of prospective tenants (JHI and Urban Studies, 2016). Besides store-based retailing, Nigeria presents enormous e-commerce opportunities with 49,7 million internet subscribers in 2017 and a forecasted CAGR of 10,4% (2017-2022) (Euromonitor Apparel and Footwear in Nigeria, 2018).

4.3.2 Infrastructure

Botswana is a landlocked country which is greatly dependent on its immediate neighbour South Africa with regard to importing goods. South Africa scores best in the dimension 'commercial infrastructure' in Sub-Saharan Africa, reflecting a well- developed port infrastructure, air transport and logistics system. The majority of Botswana's imported goods enter at the port of Durban in South Africa and are re-exported and transported by train to Botswana. Despite its solid infrastructure, Botswana has faced water and electricity shortages in the past years – mainly caused by continuous drought in the region (Export.gov, 2018).

Nigeria's infrastructure on the other hand is characterized by various deficiencies such as a poor and largely unpaved road network, lack of railways, congested ports, lack of electricity, inefficient bureaucracy and the prevalence of corruption, which increases the cost of doing business in Nigeria. Especially the delays of importing goods at Nigeria's ports present a challenge to premium retailers who aim at frequently launching new collections by adjusting their supply chain to the fast-fashion concept (PWC, 2016). Delays are mainly due to the destination inspection policy of imported goods on arrival (Export.gov, 2018).

4.3.3 FDI and Import Regulations

Botswana has a comparable low corporate income tax rate of 22%. The value added tax for products accounts for 12% and the government does not impose price controls. As part of the Southern African Customs Union (SACU), Botswana holds a free trade agreement with the other member States: South Africa, Namibia, Lesotho and Swaziland. The external tariffs on clothing imports account for 41,02% ad valorem in Botswana - one of the highest custom duties imposed on clothing worldwide. On the consumer level the increased import costs due to high tariffs may result in lower margins for apparel retailers as well as rising consumer prices, leading to a possible decline of consumer spending on premium apparel and footwear (KPMG, 2016). Investors may benefit from tax holidays and subsidies if the investment involves inter alia the employment and training of Botswana citizens and is found to contribute to the diversification of Botswana's economy (Export.gov, 2018).

Nigeria's corporate income tax rate accounts for 30%. The value added tax of 5% has to be paid to the federal government and state government respectively. Nigeria is a member of the free trade bloc Economic Community of West African States (ECOWAS) (see Appendix VI for member information). The external tariff rate on clothing accounts for 20% ad valorem. Even though Nigeria abolished the ban of imported textiles and apparel in 2015, there is still an import ban on "all types of footwears, bags and suitcases excluding safety shoes used in the oil industries, sport shoes and knocked down canvas shoes", provoking sales losses for apparel retailers when operating in the market. According to the Nigerian law, all imported goods need to be insured by a local insurance company. As a result of the named protectionist measures, 80% of apparel and footwear present in the Nigerian market originate from illegal imports and second-hand clothing (Euromonitor. Apparel and Footwear in Nigeria, 2018). Investment incentives in form of tax reductions are only granted for labour-intensive or pioneer industries – which excludes the apparel retail industry (Export.gov, 2018).

4.3.4 Non-tariff trade barriers

Investors might face inefficient red tape procedures with regard to the acquisition of licenses and permits in Botswana. To avoid bureaucratic obstacles and fully benefit from government incentives, industry experts recommend entering the market via local partners. Another trade barrier apparel retailers - operating in the creative industry - may encounter, is Intellectual Property Protection. In Botswana, foreign brands need to register and validate their trademarks and patents locally (Export.gov, 2018).

In Nigeria the most prevalent trade barrier is corruption and despite existing legislation, violations are not sufficiently enforced. The same applies to International Property Rights. A lack of public awareness, cross-border smuggling and corruption exacerbate the current state.

4.3.6 Foreign exchange regulations

Botswana's economy prospers from diamond wealth accounting for 75% of export income and approximately 50% of government revenues. Nevertheless, Botswana attempts to diversify and stabilize its economy by driving growth in the agriculture and tourism industry (Euromonitor. Botswana, 2017). In Botswana, investors do not face foreign exchange controls. Due to the availability of sufficient foreign exchange, the government does not impose transaction restrictions. Further, apparel retailers may open bank accounts denominated in foreign currency. The crawling peg exchange rate of Botswana's pula ensures solid exchange rate stability as fluctuations are only possible within set limits. Botswana does not impose any restriction with regard to remittances. When exiting the market, the apparel retailers are entitled to repatriate all revenues immediately (Export.gov, 2018).

Nigeria's economy, on the other hand, is less diversified and mainly driven by the oil and gas industry, which accounts for 90% of the export income and approximately 70% of the government revenues (Deloitte. African Trends, 2017)**.** The strong dependency on the oil and gas sector makes Nigeria's economy vulnerable to a decline in oil prices, which may result in the decrease of foreign exchange and the devaluation of the local currency naira. In 2015, for instance, Nigeria imposed import controls in the form of import bans, high tariffs and quotas in order to reduce demand for foreign exchange and maintain the stability of the naira. Since then, foreign companies importing textiles and clothing have been prohibited access to foreign exchange reserves which results in repatriation limitations. Foreign exchange remittances may take several weeks to be processed depending on the availability of foreign exchange. The negative forecast CAGR of -1,1% (see Table 3) in consumer spending on apparel and footwear might reflect Nigeria's uncertain economic development in this sector (Export.gov, 2018).

4.3.7 Labour Force

Botswana's unemployment rate of 17,7% (in 2016) reflects an unskilled labour force emerging from high internal inequality. Intensive training is required to develop skilled employees and increase low productivity levels. Foreign investors are frequently challenged with obtaining work and residence permits for foreign managers, resulting from the governments aim to employ qualified Botswana citizens for manager positions. Recent changes in the immigration law may enhance the current visa restrictions (Export.gov, 2018).

Even though Nigeria's unemployment rate accounts for only 5%, the country faces similar challenges with regard to a largely unskilled labour force. Despite the prevalence of low wages, overall labour cost remains high due to low productivity levels. The majority of the educated population migrated mostly to the US, Europe or South Africa. Similar to Botswana, investors in Nigeria face difficulties in obtaining entry visas and residency permits due to government-imposed quotas (Export.gov, 2018).

5. Conclusion

Botswana as well as Nigeria present various attractive market characteristics as well as prevalent challenges for premium apparel retailers. Nigeria's huge market potential is presented by a sizeable, affluent and brand-conscious middle class with an enormous demand for international brands. Simultaneously, the country constitutes a series of risks that retailers have to be aware of. The most significant challenges retailers face are infrastructure deficiencies, an uncertain economic development due to the over-reliance on oil-exports and high costs of doing business due to corruption, foreign exchange controls and import regulations.

Botswana's rather small market is characterized by high per capita consumption on apparel and footwear and a positive outlook for the upcoming years. Nevertheless, the market potential is weakened by the intense competition of South African apparel retailers, which utilize their duty-free advantage over international competitors and consider Botswana as a satellite country to target with their products. The overall business environment is sound, the economy prospers, and the government is receptive towards FDI.

To reach a final decision, Robertson and Woods (2001) research results on the importance of indicators used for IMS decisions were considered. According to this, exporters perceive market potential as the most important decision criteria – specifically competition and general demand. Correspondingly, Nigeria may be identified as the most attractive market for apparel retailers to enter. Nevertheless, the result has to be seen in perspective as Robertson and Woods focus on exporters, which face lower levels of country risks than retailers opening own stores in the target market. Extremely risk-averse and cost-oriented retailers are therefore advised to either enter the market with a local partner or choose Botswana as a target market. Botswana may especially be an attractive market for international retailers with a market presence in South Africa, who are familiar with the competitive environment.

6. Indication of theoretical and managerial implications

Overall, the presented country ranking shows similar results to other market research reports focused on the retail industry such as the mentioned African Retail Development Index from A.T. Kearney published in 2015. Even though, the thesis identifies Nigeria as the most attractive market, the selected market may not fit to risk averse or cost-oriented premium apparel retailers. Managers in the apparel retail industry may therefore utilize the country ranking results and industry-specific analysis to determine the most attractive market considering firm-specific indicators e.g. financial and human resources, objectives, risk tolerance etc. As the report solely follows the systematic approach to IMS, the importance of the unsystematic relationship approach – especially in the context of doing business in Africa – should be emphasized. Local partners may provide valuable insights into the market, consumer preferences, cultural differences and may assist in finding suitable supply chain solutions for the prevalent infrastructure deficiencies (Deloitte, 2015).

7. Limitations and directions for future research

The work project is limited to the topic international market selection in its scope and can therefore not cover the subsequent parts of the internationalization planning processes e.g. entry mode selection and development of the marketing plan. In the upcoming years, further technological advancements may assist sourcing qualitative, reliable and current data. Consequently, future research should focus on identifying cross-national consumer groups in order to standardize marketing measures. In addition, Derek Engelbrecht from EY proses an IMS approach on a city level as Sub-Saharan African cities grow dynamically and capture the country's consumer spending power. Therefore, market opportunities are reflected more correctly than on a country level.

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Appendix I

Interview Questionnaire for Industry Experts

1. Which Sub-Saharan African country do you find to be an attractive market for vertically-integrated (premium) apparel retailers to enter and why? You may also name several.

2. Which macroeconomic and microeconomic indicators do you perceive to be most relevant for vertically-integrated (premium) apparel retailers when selecting Sub-Saharan African markets?

3. What are the critical factors for vertically-integrated (premium) apparel retailers to succeed in Sub-Saharan Africa?

4. Please name the major risks vertically-integrated (premium) apparel retailers may face when entering Sub-Saharan Africa?

Appendix II

Womenswear price ranges of selected apparel categories representing premium retailers (medium grey) in comparison to fast-fashion retailers (dark grey) and luxury retailers (light grey). Due to the limited access of US online stores, prices (in €) were retrieved from German online stores.

	H&M	Mango	Levi's	Guess	Diesel	Massimo Dutti	Calvin Klein	Tommy Hilfiger	Lacoste	Louis Vuitton	Gucci
Dresses	9,99 - 199	15,99-199,99	59,95-200	79,90-279,00	119-899	49,95-279	69,90-279	69,90-530	109-390	800-7300	890-9800
Skirts	4,99-199	15,99-79,99	59,95-69,95	59,90-179	149-449	59,95-249	79,90-169	59,90-490	85-180	800-1800	650-2980
Trousers	7,99-249	9,99-179,99	79,95-160	69,90-179	119-279	49,95-129	69,90-169	69,90-790	59-160	550-2200	490-2700
Tops	4,99-99	4,99-49,99	17,95-130	25,90-149	39-349	19,95-149		24,90-360	85-160	500-2600	490-3500
Cardigans/Pullover	9,99-129	19,99-59,99	54,95-140	59,90-139	119-279	29,95-129	29,90-69,90	89,90-360	79-230	650-2200	490-4200
Jackets/Coats	19,99-299	29,99-599	69,95-399,95	119,90-599	199-999	59,95-699	109,90-449,90	119,90-990	145-450	1600 9500	1300-5980

Appendix III

Market presence of selected premium apparel retailer in the 15 most attractive Sub-Saharan countries (according to the country ranking).

Top 15	Levi Strauss	Guess	Diesel	Massimo Dutti	Tommy Hilfiger	Lacoste
South Africa	✓	✓	✓		✓	✓
Botswana	✓					
Mauritius	✓	✓	✓		✓	✓
Seychelles						
Nigeria	✓		✓		✓	✓
Namibia		✓				
Kenya	✓					
Cabo Verde						
Ghana						
Rwanda						
Cote d'Ivoire		✓				
Zambia						
Gabon		✓				
Lesotho						
Senegal		✓				

Appendix IV

Dimensions, variables and weighting used in the country ranking

Dimension	Weight	Variables
Market Consumption Capacity	20.0/100	- Consumer expenditure (2016) - Income share held by highest 20% and Income share held by fourth 20% (wealthiest 40% of population (2017)
Market Intensity	12.5/100	- GDP per capita (2016)
Market Receptivity	12.5/100	- Enabling Trade Index (2016) - Trade (% of GDP) (2016) - Ease of doing business index (2016) - Tariff rate (2016) - Corporate tax rate (2016) - Trade: Cost to import (2016)
Market Size	10/100	- Urban population (2016) - Individuals using the Internet (% of population) (2016)
Market Growth	10/100	- Urbanization rate (2016) - GDP growth rate (2016)
Commercial Infrastructure	10/100	- Logistics performance index (2016) - Quality of port infrastructure (2016) - Mobile Cellular subscriptions (2016) - Air transport, registered carrier departures worldwide (2016)
Economic Development	10/100	- Inflation, consumer prices (2016) - Global Competitiveness Index (2016-17) - Economic Freedom Index (2016) - FDI inflows (% of GDP) (2016)
Country Risk	10/100	- Corruption Perception Index (2016) - Political Freedom Index (2016-17) - Country Risk Assessment (2018)
Social Development	5/100	- Human Development Index (2015) - Unemployment rate (2016) - Gini Coefficient (2017)

Appendix V

Detailed description of variables used in the country ranking. Definitions were taken from the respective source websites.

Dimension	Variable names	Description of the variables/ subcategories	Source
Market consumption capacity	Consumer expenditure (2016)	Private consumption of durable and non-durable goods as well as services.	Euromonitor Database
	Income share held by highest 20% and Income share held by fourth 20% (wealthiest 40% of population) (2017)	Combination of two indicators to estimate the distribution of income and consequently the size of the (upper) middle class.	World Bank – Poverty and Equity Database
Market intensity	GDP per capita (2016)	Proxy for wealth. Does not take into account wealth distribution.	World Bank - World Development Indicators
Market Receptivity	Enabling Trade Index	- Market access (domestic market access, foreign market access) - Border administration (efficiency and transparency of border administration), - Infrastructure (availability and quality of transport infrastructure, availability and quality of transport services, availability and use of information and communications technology) - Operating environment	World Economic Forum
	Trade % of GDP (2016)	Sum of exports and imports of goods and services measured as a share of GDP.	World Bank – Doing Business Database
	Ease of doing business index (2016)	- Starting a business - Dealing with construction permits - Getting electricity - Registering property - Getting credit - Protecting minority investors - Paying taxes - Trading across borders - Enforcing contracts - Resolving insolvency	World Bank – Doing Business Database
	Tariff rate (2016)	Tax imposed on imported goods and services. (here: Clothing)	World Trade Organisation
	Corporate tax rate (2016)	Levy posed on the profit of a firm to raise taxes.	Economic Freedom Index
	Trade: Cost to import (USD per container) (2016)	Cost measures the fees levied on a 20-foot container in US dollars. All the fees associated with completing the procedures to import the goods are included. These include costs for documents, administrative fees for customs clearance and technical control, customs broker fees, terminal handling charges and	World Bank – Doing Business Database

		inland transport. The cost measure does not include tariffs or trade taxes. Only official costs are recorded.	
Market size	Urban population (2016)		World Bank - World Development Indicators
	Individuals using the Internet (% of population) (2016)		World Bank - World Development Indicators
Market Growth	Urbanization rate (2016)		World Bank - World Development Indicators
	GDP growth rate (2016)		World Bank - World Development Indicators
Commercial Infrastructure	Logistics performance index (2016)	- Efficiency of customs clearance process - Quality of trade- and transport infrastructure - Ease of arranging competitively priced shipments - Quality of logistics services - Ability to track and trace consignments - Frequency with which shipments reach the recipient within the scheduled time	World Bank - World Development Indicators
	Quality of port infrastructure (2016)		World Bank - World Development Indicators
	Mobile Cellular subscriptions (2016)		World Bank - World Development Indicators
	Air transport, registered carrier departures worldwide (2016)		World Bank - World Development Indicators
Economic Development	Inflation, consumer prices (2016)	Inflation as measured by the consumer price index reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly.	World Bank - World Development Indicators
	Global Competitiveness Index (2016-17)	- Institutions - Infrastructure and connectivity - Macroeconomic context - Health - Education and skills - Product market efficiency - Labor market functioning - Financial market development	World Economic Forum

		- Technology adoption - Market size - Business Dynamism	
	Economic Freedom Index (2016)	- Rule of law (property rights, government integrity, judicial effectiveness) - Government size (government spending, tax burden, fiscal health) - Regulatory efficiency (business freedom, labour freedom, monetary freedom) - Open markets (trade freedom, investment freedom, financial freedom)	The Heritage Foundation
	FDI inflows (% of GDP) (2016)	Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor.	World Bank - World Development Indicators
Country Risk	Corruption Perception Index (2016)	The CPI scores and ranks countries based on the perception of experts and business executives on how corrupt a country's public sector is. The composite index is a combination of 13 surveys and assessments of corruption, collected by a variety of reputable institutions.	Transparency International
	Political Freedom Index (2016-17)	- Electoral process - Political pluralism and participation - The functioning of the government - Freedom of expression and of belief - Associational and organizational rights - The rule of law - Personal autonomy and individual rights	Freedom House
	Country Risk Assessment (2018)	Evaluation of the average credit risk of companies operating in a given market taken into account economic, financial and political data.	Coface
Human Development	Human Development Index (2015)	- Life expectancy at birth, - Expected years of schooling / Mean years of schooling - GNI per capita (PPP$)	United Nations Development Programme
	Unemployment rate (2016)		World Bank - World Development Indicators
	Gini Coefficient (2017)	Measurement of income distribution inequality.	Euromonitor Database

Appendix VI

Overview of Sub-Saharan Africa's economic blocs

Source: United Nations Economic Commission for Africa (UNECA)
https://www.uneca.org/oria/pages/regional-economic-communities

East African Community (EAC)	Burundi, Kenya, Rwanda, South Sudan, Tanzania, Uganda
The Economic Community of West African States (ECOWAS)	Benin, Burkina Faso, Cabo Verde, Cote D'Ivoire, The Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo
The Intergovernmental Authority on Development (IGAD)	Djibouti, Eritrea, Ethiopia, Kenya, Somalia, South Sudan, Sudan and Uganda
The Southern African Development Community (SADC)	Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
The Common Market for Eastern and Southern Africa (COMESA)	Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius
COMESA FTA	Burundi, Comoros, Djibouti, Egypt, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Uganda, Zambia, Zimbabwe
The Economic Community of Central African States (ECCAS)	Angola, Burundi, Cameroon, Central African Republic, Rep. Congo, Dem. Rep. Congo, Gabon, Equatorial Guinea, Sao Tome and Principe, Chad, Rwanda
CEMAC (Customs and **Monetary union** between six of ECCAS member States)	Cameroon, Central African Republic, Chad, Congo, Gabon and Equatorial Guinea
Community of Sahel-Saharan States (CEN-SAD)	Benin, Burkina Faso, Central African Republic, Chad, Comoros, Cote d'Ivoire, Djibouti, Egypt, Eritrea, The Gambia, Ghana, Guinea-Bissau, Libya, Mali, Mauritania, Morocco, Niger, Nigeria, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia
Southern African Customs Union (SACU)	Botswana, Lesotho, Namibia, South Africa, Swaziland
African Union (AU)	Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cabo Verde, Central African Republic, Chad, Comoros, Rep. of the Congo, Cote d'Ivoire, Dem. Rep. of the Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Saharawi Arab Democratic Republic, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe
Tripartite Free Trade Area (TFTA) - pending	SADC, EAC, COMESA