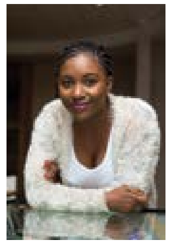
FOCUS

ZIMBABWE SHUTDOWN

On August 8, Zimbabwe celebrate Heroes' Day – the commemoration of those who fell in the liberation struggle. In 2016, there is a different struggle; this one against a crumbling economy and a shortage of money. It is a story of violence, burning buildings and angry people. Most of all, this is a business story – one that touches entrepreneurs on one of Africa's great trade routes from Cape Town to the Congo.

The Border On A Slow Road To Nowhere

As Zimbabwe banned goods from crossing the border from South Africa, entrepreneurs are turning to unlawful ways to survive.



STORY BY ANCILLAR MANGENA
PHOTOS BY THABANI MAPHOSA

The Breakeven Blues

With Zimbabwe's economy on the rocks, entrepreneurs are doing whatever they can to keep their business' doors open.

BY ANCILLAR MANGENA


Amish and Ketan Naik

The drive to Zimbabwe's capital, Harare, is slippery in light winter rain. The sky is full of rich grey clouds; on the ground, the country is paved with cracked roads, poverty and struggle.

On the way, many businesses are boarded up, their paint peeling and doors closed. As we arrive in Harare, many shops are packed with imported goods, but, in Workington, an industrial suburb in the south west of Harare, there is a stubborn survivor – a factory that has been producing Zimbabwean products since 1978.

Rank, founded by Amish and Ketan Naik's grandfather, is the leading stationery supplier in Zimbabwe. It also distributes paper and board to the printing industry and manufactures plastic goods. Their grandfather arrived in Zimbabwe, via Zambia, from India in the late 1960s.

Business in Zimbabwe thrived until the country hit hyperinflation in the early 2000s. Although the factory is stacked with goods and 102 employees, like many businesses here, the lack of money in the banks threatens its survival.

The company has ample money in the bank but it can't take it out to buy raw materials.

"We are being optimistic because if we are being pessimistic about this whole thing it won't end well. We have been breaking even for the last six months, last year we were 3.5 percent down. We believe this year we are going to be 20 percent down or probably more," says Ketan.

The company will cut the number of goods they produce to survive. They say they will try managing their overheads, because their staff is the last cost they want to cut.

"We will work within our means; effectively we will produce what we can in terms of what we can purchase in terms of raw material. It also means we have narrowed our gains down, guided by our industry," he says.

It's been a struggle over the last decade to keep the doors open.

"We had to scale down to the minimum. We were down to almost 10 percent, or less than 10 percent, because we were trading simply to pay wages. In the past, during high inflation, it came down to where our staff would just come in to have a meal because by the time they got their money, and went home, it was worthless," says Amish.

The Naik brothers say their biggest threat is the weak economy. In a way, the recent ban on basic goods imports, which everyone is complaining about, may help companies like them.

"We estimated, for example, that in the exercise book industry, 40 percent was being imported from South Africa and 60 percent bought here. The tariff protection came in August 2015 and there has been a shift, we can say nine to ten percent or so increase, on our manufacturing, and the statistical growth shows it boosted our production," says Amish.

It's a 542-kilometer drive from Johannesburg to Beitbridge. As we arrive the sun is shining its warm golden light over the bridge connecting South Africa and Zimbabwe. There are no birds chirping over the Limpopo River. It seems like a peaceful morning, until you get closer.

There is pandemonium as hundreds of cars line up to be stripped and searched before proceeding into Zimbabwe. A journey to Harare is delayed by at least three hours. President Robert Mugabe's government has banned the importation of basic goods from South Africa. All banned goods are confiscated.

Priscilla Ngwenya is a woman in the autumn of her life. She has brown wrinkly skin, dull brown eyes and a jutting jawline that makes her look tired of suffering. On this day, she says she has endured pain and penury working for her grandchildren at home in Zimbabwe. She is not about to let anyone else gain from her sweat, nor her liters of cooking oil that she is trying to import.

"I will not work for the police. I work too hard for you to take food I bought for my family for yourselves. If I can't get this to my hungry grandchildren, then no one else will have it," she says as she pours 20 liters of cooking oil onto the street that she carried 2,000 kilometers from her job as a domestic worker in Cape Town.

Zimbabwe's Ministry of Industry and Commerce banned basic imports

"We buy from South Africa because it is cheaper and it's the only way for us to survive."

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Another Zimbabwean entrepreneur, Frank Buyanga, with a finger on the pulse, featured in FORBES AFRICA in 2013 when he had an Interpol notice imposed on him by government. He is back in business in Zimbabwe and thinks that the ban on imports is sensible as it protects home-grown industry.

"The advantages of doing business in Zimbabwe are the highly educated and generally honest workforce, good infrastructure and sophisticated business climate, especially when compared to other countries in Africa, except Botswana, Namibia and South Africa. The main disadvantage is the increasing level of corruption," says Buyanga.

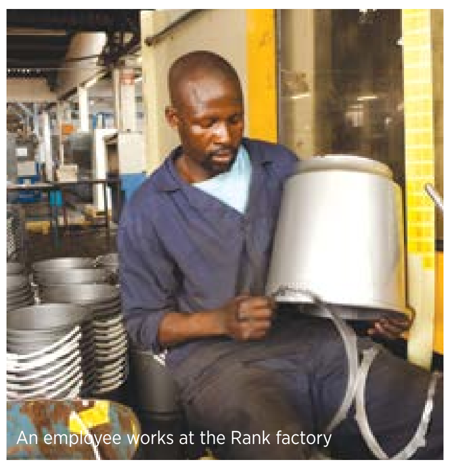
Ketan agrees the ban could work; but not with a weak economy.

"It doesn't help as much because where there is a shortage created by us not having raw materials, the smugglers start because they now see an opportunity. If there is a shortage in the market of the product, the pricing would mean 50 percent mark-up".

Even Rank's suppliers are not happy.

"Our suppliers are saying to us that, 'Guys we have supplied the goods you need to pay for those'. We have sort of done a reverse circle where initially we had to pay upfront; we built our relationships so that they provide us with credit facilities. Now we are ok, the credit facilities need to be reduced to zero and start paying upfront because we are not able to sustain them," says Ketan.

Making a bit of money through exports into neighboring countries is not an option because it is expensive to manufacture products in Zimbabwe.



An employee works at the Rank factory

> **The advantages of doing business in Zimbabwe are the highly educated and generally honest workforce,**
>
> Frank Buyanga

"A Malawian manufacturer, for example, would buy raw materials from the same places as us. But, we would pay let's say $300 for a job yet they would pay less than $100 for that same job. How do we compete? Their expenses become lower, therefore their goods are cheaper."

Rank is not the only Zimbabwean company running a tight ship.

On the other side of Harare, Melissa Mafunga, Managing Director at Hamilton Finance, says 30 to 50 people walk into their offices each day seeking to borrow money, most of these, struggling small business owners.

"Sometimes they come borrow money because they want to buy stock or pay a little bit of salaries. From here, I see that many small businesses are run on credit. Due to the cash challenges the country is facing, the default rate has risen by 75 percent this year. So we make sure we hold collateral before we lend out money," she says.

Joyce Nousenga, General Manager at Hamilton Insurance, says business is slow because insurance is at the bottom of the list for companies.

"Even companies are slowing down on their purchase of insurance and most people opt for minimal cover, of which most of it is statutory. Business is tough for everyone, so much that they can't even protect the little they have through comprehensive insurance," she says.

We leave Amish and Ketan with hope that they will carry on breaking even in a country that is struggling to do so.

of goods, such as cooking oil, coffee creamers, hair extensions, body creams, building material, furniture, baked beans, cereals, peanut butter, jams and mayonnaise. It is all part of a "Buy Zimbabwe" campaign that government hopes will see factories built in its land.

With millions worth of goods going into Zimbabwe, South Africa is the largest importer to the country and the biggest trading partner.

"[The ban] is a desperate move by Zimbabwe, to try and preserve their currency and to stimulate internal trade, however [it is] not viable as no local company can provide the basic consumer goods that South Africa offers," says Ian Cruickshanks, Chief Economist at the Institute of Race Relations.

"This government is very stupid. We buy from South Africa because it is cheaper and it's the only way for us to survive. Buying anything made in Zimbabwe is very expensive. The rands I earn can't support my family," Ngwenya screams throwing the empty bucket on the ground at Beitbridge.

The ban on imports has irked many like Ngwenya. Next to her is a man breaking the plastic electrical conduits he isn't allowed to take across the border.

Just days before, traders burned a warehouse, where the confiscated goods were held, and barricaded the roads with rocks and burning tyres, forcing the closure of the border, believed to be the first time in history.

"I buy goods in South Africa and sell them here in a small shop in Bulawayo. That's the way I have been surviving and keeping my family afloat. I used to be a teacher but I couldn't deal with the lack of payments by government and I decided to get into business," says Prudence Dube.

Tuleka Ngci, of GoAfrica, who has been transporting goods from South Africa to Malawi since December, says business has been slow after traders blocked the Beitbridge border. Ngci transports goods such as groceries, fruit and vegetables from South Africa through the Zimbabwean border to Malawi every week.

"If we can't pass through the border to buy goods then that means there's no business for us. Customers blame us for what is happening in Zimbabwe and as a result we find ourselves in the middle of a crossfire we don't even understand," says Ngci.

"The restriction against imported goods is threatening the livelihood of people and when people are hungry they get angry. And in this case who knows who they'll take out their anger on."

According to Dube, many Zimbabweans turn to smuggling.

"My business is registered, I pay duty for the goods I buy, and I employ six people. If this ban is not lifted, I will have to go the smuggling route like most informal traders in the country. That will be a disadvantage to government. I don't think they thought this through and looked at how we would be affected," she says.

Smuggling goods in open sight seems easy enough to do. At the border, some authorities are not shy to take bribes. We carried a two-liter cooking oil bottle to test the system. The man doing the checks told us cooking oil could no longer be imported into the country before asking for a bribe to let us through.

"I have a lot of friends who never pay anything. The officials are also hungry so they just pocket whatever they can get from people," says Dube.

Most small businesses smuggle goods with the help of transporters like Bongani Sibanda.

"Because of the economic situation in Zimbabwe, smuggling is an everyday thing and we see ourselves as business people providing a service. I carry groceries, and whatever else people send from

"I work too hard for you to take food I bought for my family for yourselves."

accenture
High performance. Delivered.

By William Mzimba
Chief Executive South Africa & Sub-Saharan Africa at Accenture

DIGITAL DISRUPTION
– ARE SOUTH AFRICA'S BANKS LOOKING IN THE RIGHT DIRECTION?

The digital business models of non-traditional players are capturing more of the banking value chain, putting as much as 32 percent of bank revenues at risk. Yet South African banks believe that the biggest threat of disruption comes from within the traditional banking sector.

Banking will be the number one most impacted industry by digital disruption in the next three years as digital business models are putting banks' revenue at risk. Third party providers such as telcos and retailers, as well as non-traditional players like Google, Apple and Facebook, are extending banking services into non-banking digital ecosystems.

To compete on this level, banks will need to transform themselves through strategic and digital enablement into what the Accenture Technology Vision for Banking 2016 calls an "everyday bank" – one that interacts with customers every day to meet their financial and non-financial needs, playing a bigger role in their lives before, during and after transactions.

How will they achieve this?

According to Accenture Technology Vision for Banking 2016, there are five emerging technology trends shaping the new business landscape – the platform economy, digital trust, the liquid workforce, intelligent automation and predictable disruption. The first three of these trends will be particularly important for local banks to take note of.

About 84% of platforms will be the glue that brings organisations together in the digital economy. The massive amounts of data that banks generate and collect can provide a springboard to create and exchange value across ecosystems, with banks playing different roles in a number of value networks simultaneously (e.g. as a platform provider or ecosystem collaborator).

South African banks should identify the roles they want to play within various ecosystems and begin to forge partnerships with a range of other non-financial services companies and start-ups. This will be vital to embrace disruptive growth and transformational change.

The liquid workforce of the digital age is one that adaptable, change-ready and responsive. While banks are already using technology innovation to empower their workforce and to operate more effectively, they need more than the right technology. To adapt faster and increase competiveness, banks will need to make their workforce agile and highly adaptable. This will mean a change in the business and workforce culture, banking skills development and diversity into teams, and employing new sourcing strategies to leverage a broader and global pool of on-demand skills to meet rapidly changing or evolving needs.

Digital trust is the final, but perhaps most important element, for local banks. Despite bankers' acknowledgement of the importance of trust, banks face a digital trust paradox. While customers trust banks to hold their money and personal data, the Accenture Technology Vision for Banking 2016 report shows they are sceptical when it comes to banks always giving the best service value and advice that benefits them. In addition, nearly 80% of bankers strongly agree that they are exposed to more risks than they are equipped to handle as a digital business. Banks will need to combine stronger ethics with tighter security to grow relationship trust.

Some of the rewards of successfully implemented digital strategies: consider an increase in revenues of up to 55% and cost reductions of up to 30%! The real deal? Digital takes centre stage in this new era of banking. To fully participate, South African banks need to act now.

Drawing on Accenture's banking experience and assessment of some well-defined consumer-to-business (C2B) ecosystems, banks should also increase focus on partnering with Fintech start-ups and continue emphasis on removing friction from the customer journey.

Remaining competitive will be a multi-faceted journey of transformation – banks will need to embed digital into the business, transform their culture, redefine the customer experience and re-invent their value proposition, playing a range of new roles in a broader partner ecosystem.

South Africa to Zimbabwe, twice a week. As long as it is not drugs or any illegal goods I see myself as helping people," he says.

Sibanda says the ban will affect his "business". More bribes mean higher fees.

"It will also bring in more business to us because those who cross the border to stock up themselves may be afraid to smuggle things so they will commission us," he says.

Sibanda worked at a shoe factory in Bulawayo for 15 years before being thrown out by the factory closure. He now makes around $2,500 a month, enough to send his daughter to university in South Africa.

Sibanda may be making a buck, but the Zimbabwean economy isn't.

According to media, the Chief Executive Officer of the Zimbabwe National Chamber of Commerce, Christopher Mugaga, estimates Zimbabwe could be losing $1.5 billion every year through smuggling of goods. The figure is more than one third of the country's $4 billion national budget. Local industries have closed shop as their products fail to compete with the cheap smuggled products, cutting 100,000 jobs over the last five years. The government is said to make $60 million per month from duties charged at Beitbridge.

At the Beitbridge border post, Zimbabwe Revenue Authority (ZIMRA) Acting Commissioner General, Happias Kuzvinzwa, in a statement, has urged members of staff to desist from corruption.

"It is time to wipe away corruption! We must all know that we are accountable to the nation and seriously consider our duty as custodians of revenue laws in this country," he says.

He says ZIMRA will intensify lifestyle audits to decrease numbers of goods smuggled into the country.

As we drive off, it seems trouble and smuggling at the border will not go away anytime soon.

EIGHTY YEARS AND OUT

BY AVIWE MTILA

For 80 years, the Jadeja family have been running a business in Musina, a town near the border between South Africa and Zimbabwe. This year could be the last.

In what has been a rough and tumultuous week for those whose livelihoods depend on the trade between Zimbabwe and South Africa, Rocky Jadeja and his family are leaving Musina. The reason is the ban on food imports into Zimbabwe.


Rocky Jadeja

"If [the] ban continues, I would say maybe within a month or two, you will see 80 percent of Musina will be empty. We have to look for another option because Musina's business relies completely on Zimbabweans. We have a local trade which is only at the end of the month when they get their salaries, but 99 percent comes from Zimbabwe," he says.

Jadeja has built up Mega Cash & Carry over the last 23 years with the help of trade with Zimbabwe.

"It's affected us very badly because since last week Friday the whole town was closed," says Jadeja.

Businesses in Musina opened up shop for the first time on July 8 since the imposed ban on June 17.

Despite the ban, many Zimbabwean crossed the border to buy commodities in Musina. Concerned their goods would be seized by officials on their way back, they weren't buying as much as they normally would.

Others that had the same fear opted to make their own way across illegally. Fearing for their safety, identities were guarded.

"We are not going to cross at the border, we will go back over the river," says one trader from Zimbabwe.

The people in charge in Musina were not willing to talk. FORBES AFRICA made efforts to get comment from both the local police and the Beitbridge border control officials.