

COVID-19 Destructive Aftermath with Greater Opportunity for Innovation and Marketing in Zambia's Industries

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Introduction

COVID-19 is perhaps the most feared pandemic of the 20th century not because of its mortality rate but rather because of its impact on the world economies. According to the World Health Organisation (WHO), COVID-19 has so far claimed one million lives world over against an accumulated 38.4 million infections globally (World Health Organisation, 2020). Although the mortality rate of COVID-19 cannot be quantified yet it is said to be relatively low. Health experts still argue that the pandemic is ongoing and we might see an increase in the number of infections. However, with the possibility of a vaccine being developed looming, it may not be the case. It is predicted not to surpass the mortality of earlier pandemics such as the Spanish flu and others (Visitsak, et al., 2020).

The destructive impact of COVID-19 is not only on the loss of human lives but also on its detrimental effect on economies in Southern Africa. Research by the Organisation of Economic Corporation and Development (OECD) indicate that COVID-19 will reduce trade between China, Europe and African countries and this may shake commodity-driven growth meant for job and wealth

creation (OECD, 2020). Africa is still able to export its raw materials to China and Europe. Zambia in particular has high grade copper that China demands to sustain its sectors such as construction and engineering. The lockdown that was caused by COVID-19 will push demand for local products and boost the continent’s manufacturing sector. This assertion and assumption may present Africa with huge opportunities for innovation and marketing.

Economic Outlook for Sub-Saharan Africa

Table 1: Outlook of SADC countries

Country	Population, 1995 (Millions)	Average Annual Growth Rate of Population, 1980-95	Average Annual Growth Rate of Population, 1992-2010	GDP, 1995 (Millions of dollars)	GNP, 1995 Per Capita (U.S. dollars)
Angola	11	2.9	2.8	3,722	410
Burundi	6	2.8	2.5	1,062	160
Ethiopia	56	2.7	2.8	5,287	100
Kenya	27	3.2	2.2	9,095	280
Lesotho	2	2.5	2.1	1,029	770
Malawi	10	3.1	2.4	1,465	170
Madagascar	14	3.0	2.8	3,198	230
Mauritius	1	1.0	1.0	3,919	3,380
Mozambique	16	1.9	2.4	1,469	1,110
Namibia	2	2.7	2.3	3,033	2,000
Rwanda	6	1.4	3.5	1,128	180
Tanzania	30	3.1	2.6	3,602	120
Uganda	19	2.7	2.6	5,655	240
Zambia	9	3.0	2.1	4,073	400
Zimbabwe	11	3.0	1.6	6,522	540

Table 1 shows the growing population and the GDP for all SADC countries.

The International Monetary Fund (IMF) predicts that sub-Saharan Africa’s growth in 2020 will be around -1.6% and this is the lowest recorded so far (IMF, 2020). The negative growth is a serious threat to

countries that have a weak manufacturing base and whose economies are market-driven rather than production-driven, Zambia falls in the latter category. Zambia's inflation rate in the last two years has moved from a single inflation rate at 6.8% to 13.4% in 2020 (Plecher, 2020). This indicates that the spending power for domestic buyers will reduce and the demand for imported products will drop, giving rise to demand for local products which are priced lower than the imported products. The sub-Saharan region is characterised by inter-trade among neighbouring countries, especially for consumer goods. This means that with the decline in economic growth in the region, many countries will decide to reduce exports so that they can first satisfy their local markets to ensure food security for their nationals.

Zambia's Economic Outlook

Zambia's export rate against GDP stands at 37.4% while the import rate against GDP stands at 38.24% (World Bank, 2019), implying that the country is still dependant on importation as against exports. COVID-19 expectations are that the economy will grow negatively in 2020 and this will shrink markets and create high inflation rates to make it impossible for many businesses to

conduct trade. The government has created policy for COVID-19 relief for small scale businesses through the Bank of Zambia (BOZ) through an injection of 10 billion Zambian Kwacha (about 500 million dollars) as a stimulus package (Bank of Zambia, 2020). The injection of 10 billion Kwacha into the Zambian economy is said not to be enough to bail out small scale businesses in many sectors of the Zambian Economy, particularly that the economy is not well diversified and requires more innovation and marketing ideas (Bank of Zambia, 2020).

Performance of Trade Sectors in Zambia

KPMG reports that wholesale and retail trade in Zambia's trade sector sits at 25.4% as the highest trading sector, followed by mining at 13% and then the finance and business sector at 11.6% (Kazilimani & Kruge, 2017). The reality in the Zambian trade sector is that most of the products sold in chain stores are mainly imported from South Africa. This reduces opportunity for growth for domestic products. During the COVID-19 period the gap in commodity supply is likely to be high as countries such as South Africa are likely to reduce exports on consumer goods and this creates a huge opportunity for local farmers in the

consumer goods sector to take advantage of this gap in supply.

The trade sector is likely to reduce in performance and contribution to GDP in 2020 as the growth of the world's GDP drops to -5.1% and world trade also drops to -18.3% (The Economist, 2020). The indicators in Zambia's economy show that the country needs to put in place strong measures to ensure that it creates a strong shield against the economic effects of COVID-19. Innovation and capital injection in sectors such as agriculture and food production are vital to reduce the cost of food and reduce the reliance on importation of food products. The country has huge advantage since it has massive chain stores already operating in the country with well-designed distribution channels. Zambia's massive investment in the road sector means that the government has given life to the agriculture sector as the collection and marketing of food products has become easier due to improved communication and road infrastructure (Ministry of works and supply, 2020).

Tax Incentives for Businesses

The Zambian government has targeted a real GDP growth of 3% for 2020 in line with the expected GDP growth for the region

projected at 3.6% (PWC, 2019). To stimulate this growth, the 2020 national budget has provided tax incentives for key business sectors such as manufacturing where import tax for equipment has been suspended. This incentive is meant to drive growth in the sector and ensure that more Zambians engage in manufacturing.

The government has also removed speculations on VAT and Sales Tax by stating that the reversion back to VAT will build confidence in local businesses and also boost sales.

Taking Advantage of Economic Indicators

Zambia's economic indicators against the world economies appear solemn with debt ratios that are too high, claiming over 46% of total national income (PWC, 2019). The economic indicators present an opportunity for Zambian local businesses to begin to innovate survival strategies that will grow the economy from a locally-driven base rather than dependency on imports. The policy drive should conceivably be to improve FDI from the current 2.9% of GDP to over 10% in the next fiscal year (The global economy, 2019) with high investment in infrastructure and tax incentives to businesses, there is a high possibility to grow

FDI levels and to also encourage local businesses to innovate products and services.

Innovation and Marketing for Zambians

To survive the economic effects of COVID-19, the service industry needs to resort to online businesses or virtual trading through social media and the creation of Mobile apps which will add value to their businesses. Educational institutions have had to offer their services using online means and many companies such as food selling have developed and enhanced their online presence to offer delivery and online payment systems. These measures are likely to boost growth in the trading sector with expectations that the marketing functions will become more innovative in terms of branding and responding to economic changes. The benefit of online branding is becoming visible in many businesses as a result of aggressive online and social media marketing by many organisations (Faseeh & Fayaz, 2019).

Marketing Strategies during COVID-19

During the COVID-19 period, rebranding and business re-engineering processes are not things to ignore. The future for marketing is in the application of social media which allows high interaction and reduces

marketing expenditures (Gil, et al., 2020). In the advent of COVID-19 if a business is not on social media then it has no direction.

Businesses that never thought they would have an online presence are forced to rethink their strategies and create web platforms as well as social media platforms. The use of the internet and social media has changed consumer behaviour and the way companies conduct business (Yogesh, et al., 2020). Mobile apps and social media are becoming the new norm for service delivery and online sales. Businesses should become smart and invest in ICT development if they want to attain growth, revenue and large market share.

Land-locked and Land-linked Challenges and Opportunities

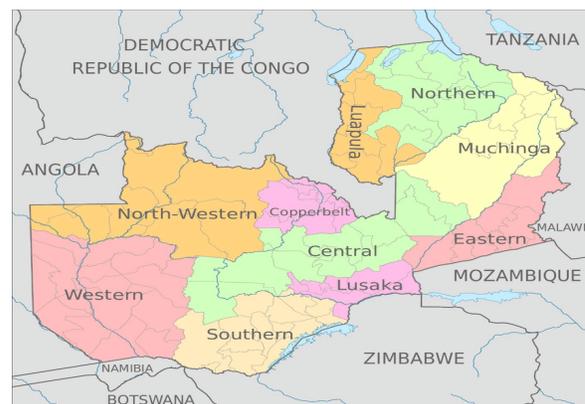


Figure 1: Map of Zambia and eight Neighbours

Figure 1 shows a map of Zambia with eight neighbouring countries that poses a

challenge on the one hand in terms of cross-border security as well as aggressive neighbouring countries using Zambia as a dumping area for their cheap exports. On the other hand, Zambia's strategic geographic location surrounded by eight countries offers a milieu and myriad of incalculable market and strategic opportunities in terms of trade such as Zambia serving as a bread-basket to the neighbouring countries and also logistically serving as the hub for many humanitarian and international coordination of relief efforts by the UN and its ancillary agencies. Besides these, Zambia is a member of the Southern Africa Development Cooperation (SADC) and also member of the Common Market for Southern Africa (COMESA) (See Tables 1 and 2 for membership of both regional groupings). The post-COVID period should be utilised and exploited by Zambia to expand its scope of intra-regional trade by Zambia exploiting opportunities in tourism and hospitality, agriculture, mining, energy generation, and provision of services such as finance, transport and logistics, medical services, education and ICT. Zambia is a potential net exporter of maize and horticultural products as well as exotic fruits. Besides, Zambia has large reservoirs of fresh water bodies for transport,

irrigation, fishing and related activities which can be innovatively managed to increase foreign exchange earnings. In 2021, the African Continental Free Trade Area (ACFTA) Agreement will be rolled out. That will be a further avenue for Zambia to exploit by increasing its internal capacity to export her minerals such as gold, copper, manganese, lead, cobalt and gem stones.

Conclusion

While COVID-19 looks like a destructive element to business growth and world economies, it also presents opportunities for innovation and marketing. African countries must now invest in technology and provide incentives for developers of online platforms and mobile apps so that many businesses can afford this technology to survive in the various markets they are operating in. Zambia has projected low growth rate in the coming fiscal year but this can be overcome by local businesses investing in online branding and also taking advantage of government incentives to support weak SMEs.

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