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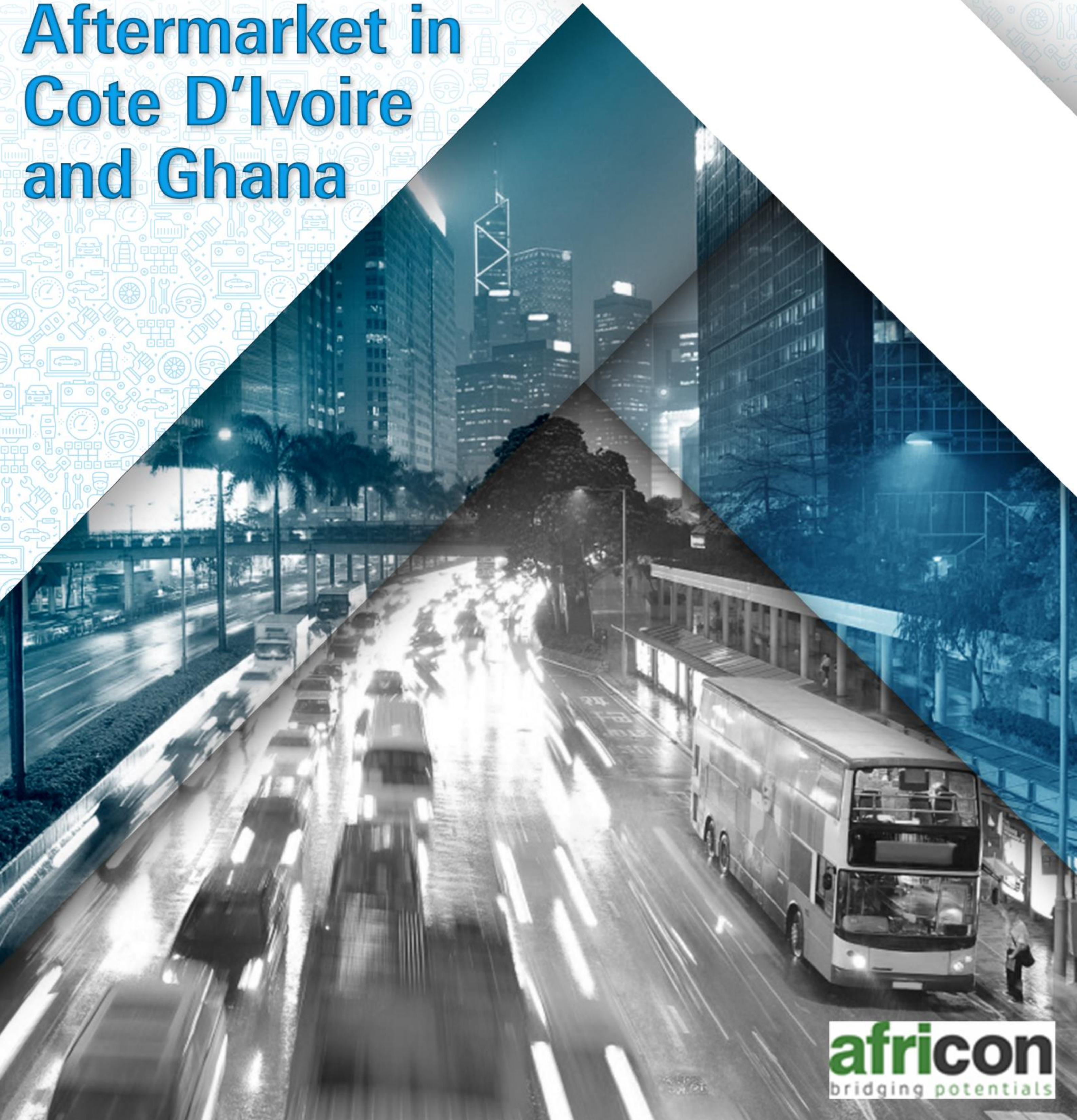
The Automotive Aftermarket in Cote D'Ivoire and Ghana



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About the authors:

africon GmbH is a Germany based consulting company, supporting companies from all over the world to expand their business in Africa. We consult the management of companies in developing and implementing their individual Africa strategies. With representations in Nigeria, Ghana, Kenya, Ethiopia, Tanzania, Cote D'Ivoire, and South Africa, as well as a network of partners across the continent, we have worked on more than 35 projects in the automotive market across Africa in the last few years. We gathered most of the automotive data noted in this article locally, from companies operating in the Ivorian and Ghanaian automotive industry.

Cote D'Ivoire

Since 2012, Côte d'Ivoire has witnessed strong, consistent economic development; however, the COVID-19 problem caused a dip in 2020. Nevertheless, the nation continues to serve as the economic center and a major player in Francophone West Africa.

Prior to the pandemic-induced shock, Côte d'Ivoire had one of the most resilient economies in Africa and the globe, growing at an average annual rate of 8% since 2012. However, Ivorian consumers and businesses were negatively impacted by the global health crisis, which caused the growth rate to fall to 1.8 percent in 2020[1].

While the primary growth drivers in 2019 were the construction sector and public investments, the manufacturing sector, services, and exports are helping the economic recovery in 2021. The economy is strengthening once more with GDP increasing by >6% in and beyond 2021[2].

Ghana

Ghana has over the past decades been one of the most stable and fastest growing economies in West Africa. The country saw strong economic development (7 percent between 2017 and 2019) before the COVID-19 pandemic, but this growth has since been interrupted. Households were significantly impacted by the economic recession, and it is predicted that

[1] World Bank
[2] IMF

the poverty rate climbed slightly from 25 percent in 2019 to 25.5 percent in 2020[3]. For the entire year 2021, it was 10 percent. This was brought on by rising prices for food, non-food items, and exchange rates, which persisted until the first quarter of 2022. The rate of inflation has since March 2022 exceeded 20% each month with a still rising trajectory. Nevertheless, the relatively conducive business climate is a major factor to the IMF's prediction that growth will remain above 5% per annum over the next years.

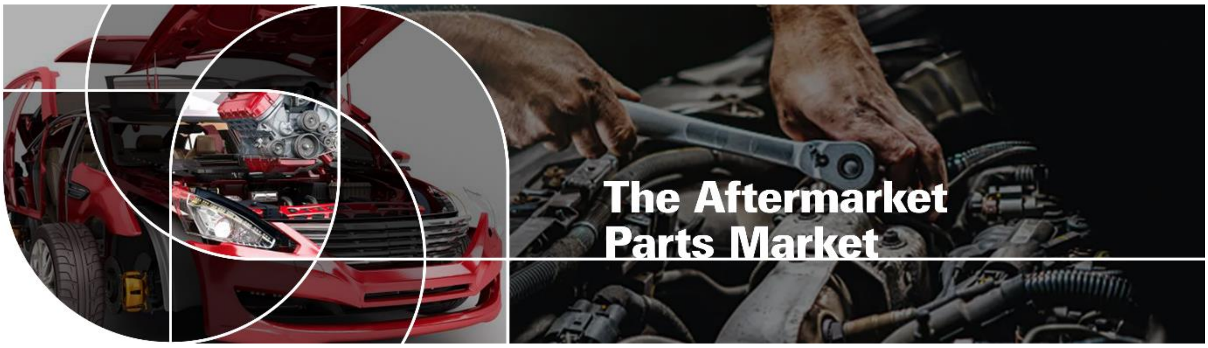
Total vehicle imports into both Ghana and Ivory Coast have skyrocketed over the past years. The value of light vehicles imported into Ivory Coast more than doubled over the past 6 years, while the import of heavy vehicles (trucks, buses) almost doubled as well. On an annual level, both vehicle categories recorded a growth of more than 10%. While growth in Ghana has been slightly slower, especially in the car category, figures are nevertheless impressive at an average 11% and 10% annual growth for cars and heavy vehicles respectively. Over the 6-year period, Ghana overall imported around twice as many vehicles as Ivory Coast. For both countries, used vehicles imported from the USA, UAE and Europe accounted for most of the total supply. In heavy vehicles, China is the leading supplier nation, with Chinese brands of trucks and buses becoming increasingly visible locally.

Despite the economic impact of the global pandemic, the Ivorian NEW light vehicle market growth in recent years has been relatively strong, with volume increasing from 7,500 in 2012 to relatively consistently more than 10,000 units over the past few years. New vehicle sales in Ghana remained below 10,000 units in recent years on the other hand. The limited credit availability for prospective buyers of new cars is a main hurdle for new vehicle sales growth in both countries.

However, various national and international stakeholders are currently actively engaged in promoting the vehicle assembly industry in especially Ghana, which may bring about positive developments over the medium term.

In total, there are around 1.2m vehicles on the road in Ghana, with Ivory Coast following at around 0.8m (excluding trailers, 2 and 3 wheelers).

[3] World Bank

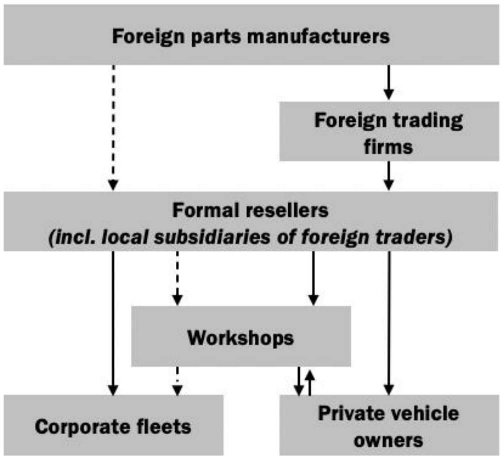


Driven by growing local vehicle parcs, spare parts markets are equally growing for both countries. While the Ghanaian parts market is around twice as large as that of its francophone neighbor, Ivory Coast has been catching up quickly with annual growth in imported parts increasing by almost 20% between 2015 and 2021. In Ghana, growth stands at “only” 10% per annum over the same period.

Ghana is a slightly more price conscious country for the automotive aftermarket than Ivory Coast. While cost effective parts manufactured in Asian factories are leading many parts segments in both countries, the margin of their overall lead is slightly lower in Ivory Coast. Major reasons for this circumstance are, among others, still relatively low incomes, old vehicle parcs and relatively low labor costs in workshops.

Both Ghana and Cote D’Ivoire have a very similar distribution structure. Global parts manufacturers usually supply parts via international trading firms. Most of these trading firms are based in the UAE and the EU. Some of them, such as Korri Group and C. Woermann, have local offices in Ghana and Ivory Coast with local stock and major sales operations. Other global (trading) firms which were previously more focused on the sale of vehicles and other products, have over recent years also ventures into aftermarket parts distribution. For those trading companies that are only exporting into Ghana and Ivory Coast, smaller local resellers, as well as larger local fleets serve as important local buyers.

Local resellers then supply workshops, other corporate fleets, and private vehicle owners. OE workshops occasionally buy IAM products as well, especially when the right products are not in stock.



E-commerce so far plays a rather limited role in both countries. Foreign online platforms are sometimes used to import parts, especially due to a higher trust in foreign sources. For the resale within the countries, vast majority of buyers prefer to "see and touch" the products before ordering. Additionally, logistical challenges to enable reliable e-commerce systems are yet to be solved. Nevertheless, many stakeholders believe in future solutions to these challenges and are increasingly keen to explore opportunities in the digital space in Africa.

Fleet owners in both countries are relatively quality conscious and worried about inferior quality parts. A major local fleet owner in Ghana is for example VIP Company limited, whose main business is passenger transport. The company has a fleet of almost 1000 buses and brands within the fleet include Scania, Kia and Yutong. The company mostly sources its parts from local resellers and distributors. The general tendency among fleet owners is that fleets consist of a mix of Asian and European vehicles and service is mostly done in-house. Most fleets source their parts from local resellers, and some import on their own.

Despite owning a smaller share of vehicles in the overall vehicle parc, fleets tend to buy higher quality parts than most average consumers, as vehicle breakdowns incur costs to the business, but are sometimes only an "inconvenience" for private drivers.

OUTLOOK

Despite still being smaller markets compared to leading African countries such as Nigeria, South Africa, and Egypt, both Ghana and Ivory Coast hold enormous potentials. With growth in both countries forecasted to remain very high, they are likely to play an increasingly important role for the African automotive aftermarket.

Due to growing market sizes, parts manufacturers are likely to pay more attention to both countries. Over the next years, africon expects the localization of distribution structures to increase. While so far only very few global parts manufacturers have own staff and structures in the region, they should and will move closer to their customers in this regard. The importance of e-commerce parts sales and other digital automotive services (repair & service, insurance, ride hailing etc.) may well rise to significantly increase convenience to local drivers and vehicle owners. Over the longer term, local value addition for sale to the aftermarkets and possibly to local vehicle assembly operations may also become more important. E-mobility faces significant obstacles such as a lack of charging infrastructure and insufficient power supply. While specific use cases may well be able to circumvent these challenges, it is unlikely that a large share of the vehicle fleet will move to electric drive technologies over the medium term.

To ensure a foothold in these promising future markets, local and global firms should make use of early mover advantages.

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