# South African brands overcome unstable conditions, growing 3%

The latest Brand Finance Africa top 50 valuable brands in South Africa have been announced, indicating that despite the recession, political instability and a higher unemployment rate, the total value of brands has increased 3% year-on-year from R384bn in 2016 to R395bn in 2017. MTN remains the most valuable brand.


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Jeremy Sampson, director of Brand Finance Africa, states, “South Africa is in many ways typical of an emerging market with an economy founded on natural resources and mining, underpinned by banking and telcos. However, when a country is struggling to grow at 1% whilst its brands grow by 3% it says much about the future potential if not interfered with.”

## Banking sector headed up by Capitec

The banking sector – comprised of nine brands, outperforms all others, with a total brand value of R100bn, making up nearly 25% of the total brand value of the table. Telecoms follows in second with R73bn and retail in third with a total value of R49bn. According to Lafferty’s 2017 Global Bank Quality benchmarking study, it ranked South African banks as the most sound in the world, reaffirming the potency of the industry.

Capitec is not only the nation’s fastest growing bank brand, but the fastest growing brand overall. Its brand value is up 25% to R5bn, with a brand strength rating of AAA-, claiming the title as one of strongest South African brands in the table overall. Capitec’s customer base continues to grow, with over 120,000 new customers added every month, putting the bank closer to 8.4 million customers at the end of 2016. The bank attributes its success to its simplified and affordable product offering, providing a competitive advantage over the often complex products offered by competitors. At the end of February 2017, Capitec enjoyed headline earnings of R3.8bn. It also scores highly on customer satisfaction – the bank emerged as the best in South Africa, garnering a score of 83.3% on the South African Customer Satisfaction Index (SAcsi) in April 2016.

Like Capitec, First National Bank boasts an AAA- rating making it one of the nation's strongest brands. The bank launched its own-branded smartphones as it expands into the mobile banking space. Mobile banking in Africa has blossomed as banks sense new opportunities that arise from an increased digital presence.

Dr. KLM Makhubela, CEO of Brand South Africa, comments, "South African commercial brands help to fly the country's flag high – domestically and internationally. In today's market, it is crucial that we stand apart from the crowd. The competition is no longer only on a local stage, organisations now compete on the global stage." FNB have truly embraced this mentality. It is the first financial services firm in South Africa to launch its own smartphone; the company is already a pioneer nationally and it may well be that the technological advancement is to gear it up to compete on an international level.

## Retail remains fragile

Like the banking sector, there are nine retail brands in the table, with a total value of R48.6bn. Recently, retail spend has recovered but it remains fragile as a result of the weakening value of the rand, severe droughts, and rising interest rates to name a few.

Despite this, grocery retailers demonstrated resilience and positive performance in 2016, registering 9% growth overall, slightly stronger than the 8% from the previous year. Spar is the fastest growing retail brand, up 15% in value to R10.4bn and Shoprite, the most valuable retail brand, is up 2% to R11.1bn; and Clicks is up 7% to R3.4bn. However, the tough trading environment in South Africa is likely to persist especially in light of the political uncertainty undermining consumer confidence. As a result, the long-term outlook of the retail industry remains to be seen, retailers will have to differentiate themselves in order to remain competitive in a challenging environment.

## MTN retains position

MTN remains the nation's most valuable brand, with a value of R40.8bn, up 10%. The company's financial results for 2016 reflect the most challenging year in the company's 22-year history, fuelled by regulatory, macro-economic and political challenges. In spite of these conditions, MTN continues to strive for growth. MTN invested R4.6bn to improve its network, working towards its aim of unlocking value in the digital-and data-adoption space for future growth. Data revenue contributed 20% to its revenue in the quarter ending March 2017. Having said that, MTN's brand value is nearly 30% lower than it was at its peak in 2014, illustrating a downward trend for the brand despite its growth. Vodacom, the nation's second most valuable brand with a value of R24.3bn, is closing the gap. Should MTN continue its regressive trend, it may be that Vodacom closes the gap and usurps MTN as South Africa's most valuable brand in the near future.