



Brief: Packaging Industry & Market Sierra Leone June 2017



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SOBA Background

Sierra Leone Opportunities for Business Action (SOBA) is a private sector development programme that uses a market systems approach to facilitate pro-poor economic growth in Sierra Leone. The programme collaborates with private sector businesses in three primary areas: (1) agriculture, (2) renewable energy, (3) professional services and entrepreneurship markets, to trial and to scale innovative and inclusive business practices that reduce poverty and improve economic opportunities for poor women and men.

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Introduction

Reliable access to quality, affordable packaging is a key challenge confronting the food and consumer goods processing industry. The lack of a local packaging supplier balanced against the high cost and complexity of managing imported packaging has meant that many local processors must settle for inferior options. Current packaging options limit shelf life, detract from consumer confidence, and discourage supermarket and distributor stocking – ultimately hindering the competitiveness and sale of local products broadly.

Sierra Leone Opportunities for Business Action (SOBA) conducted an assessment of packaging for food and consumer goods in early 2017. The analysis reviews Sierra Leone's packaging sector – specifically the supply, demand, gaps and opportunities – in order to inform a business case and programme interventions to improve packaging performance for the local processing industry. This is a brief of findings and recommendations.

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Sierra Leone Packaging Market

Current Market Size

In 2015, Sierra Leone imported US\$2,489,749, or 97.74 metric tons, worth of plastic sacks, bags, and cones (excepting ethylene polymers). In 2014, the value reached US\$2,916,563. The decrease can be attributed to increased production of local plastics, mainly from Milla Group and followed by Safari.

Also in 2015, Sierra Leone imported US\$860,273, or 228 metric tons, of cartons, boxes and cases of corrugated paper or board. A new company, 1-Africa Industries Limited, producing paper based packaging (cartons) locally started its operations in 2016. Their production volumes are, however, still low – too low to significantly impact import volumes yet.

Target Market

Medium and large tier processors or distributors of high quality and fast-moving processed consumer foods and goods offer the strongest inroad for improved packaging investment in Sierra Leone. Typically, these companies source raw material locally and add value or finish the products locally. These companies are underserved by current packaging options – resulting in undervalue, underpricing, and limited sale of their goods. As a result, these companies have a strong incentive to invest in the packaging and branding of their products. By distinguishing their goods from other, lesser quality or impure/diluted competitors and signaling quality and value, they'll be able to increase prices and to grow sales concurrently.

To date, there are only a small number of businesses producing these products. Though they do offer a case for improved packaging investment, the type of investment – be it trade, branding, or machinery – should be noted. Goods that fall in this category can be described as:

- Higher priced
- Widely consumed
- Sold in supermarkets
- Where imported alternatives are sold expensively by comparison

By comparison, most processed goods both made and sold in Sierra Leone cannot be categorized with the above. Accordingly, most companies do not constitute an opportunity for improved packaging. Companies or individuals operate with tight profit margins and/or at low scale. These products can't compete with high margin and imported options; their target customers value cost-competitiveness above all else. Improved packaging for this band of goods would significantly raise costs, outpricing the market. It would not be cost competitive for these companies to invest more in packaging.

Low-cost, low-quality plastic packaging produced in Sierra Leone services the bulk of the food processing industry currently. Three local companies produce most of these plastics in country: Milla Group, Safari, and G. Shankerdas & Sons. Even though the quality of the packaging is poor, this is not a pressing problem. The current product serves the market purpose well and both sellers and buyers are happy with it.

Recommendations for Packaging Suppliers

Changes in tactics coupled with small investments would open the small and growing business market for packaging manufacturers and suppliers in Sierra Leone and, potentially, sub-regionally.

- Suppliers should **concentrate production and marketing toward high-end products** with large markets.
 - **Many companies are willing to invest in packaging; they simply don't know where to go and what is on offer.** Improving connectivity with local firms and greater awareness regarding packaging options would help. Simple activities, like participating in a Business Clinic, leading a workshop or engaging a business association, would attract interest, support local companies, and help to build a client pipeline.
 - Most **packaging customers have limited knowledge about the kind of packaging they really need.** It is not uncommon for them to order the wrong packaging for their products or packaging that does not meet standards. Typically, packaging requires a significant cash outlay and when mistakes are made, few companies can afford to fix them. Engaging with companies locally – especially those that can provide direction and guidance – would add a lot of value for local producers and minimize risks. Companies are willing to pay higher prices for risk reduction.
 - Suppliers should **consider bulked services to drive demand and to build a customer pipeline.**
- By combining both the manufacturing and importation functions, companies would address a wider market need and develop a long-term pipeline.
 - Offering in-house graphic design services and product labelling alongside packaging is both needed and likely to grow packaging customers. Moreover, in the long-term, improved packaging drives goods sales that further drives demand for more and more expensive packaging.
- Offer **smaller minimum order volumes.** Accepting orders for smaller purchase quantities will lower the barrier to entry and help to outcompete foreign companies that typically offer strict minimum quantity orders. Often companies are willing to pay a high price to procure more incrementally.
 - Consider **servicing the sub-region.** Neighboring Guinea and Liberia are as underserved and challenged by packaging as Sierra Leone. The wider market offers greater potential, warranting more investment.

Recommendations for Consumer Goods Companies

Matched by new packaging options, changes in processed foods and consumer goods companies' perceptions would also help to open packaging options and to grow sales.

- Companies should recognise the **critical role packaging plays in product sales and pricing.** Most of the high-end consumer products

can sell for a lot more and at higher volumes if packaged well.

- **Packaging is not always as expensive and complicated as perceived** by most food and consumer goods processors. Sometimes, the solutions already exist and are even available nearby. However, poor information and limited networks help to keep packaging a mystery for many small companies with limited exposure and skill.
- Though there are packaging options in Sierra Leone, these are limited. It doesn't mean that they can't work. **Carefully considered designs and concepts can both match supplier capabilities and meet consumer and certification demands.**
- **At times, simple changes can make a big difference.** Limited understanding of the requirements to resell locally and sub-regionally as well as poor understanding of customer priorities limits opportunities. Many firms need more work to understand and to engage their customers. They also need help to adapt products to certification and consumer needs through improved packaging and branding guidance.
- **Consider cooperative efforts** to address packaging needs. Bulk orders for imported packaging reduces costs, for example. Or, leveraging shared brands like Made in Sierra Leone or 100% Quality Bo Soap help grow recognition and boost quality perception more widely.