



 **Lioness Data**

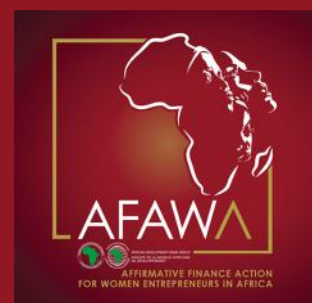
Lionesses Business Confidence Report

Assessing the Business Impact of COVID-19 on Africa's Leading Women Entrepreneurs

Q1 2021



NEW YORK UNIVERSITY



FOREWORD



Africa's women entrepreneurs are enduring unprecedented challenges in the Covid-19 era. Even before the pandemic spread, women-led businesses faced significant hurdles, like access to financing, as they often lack the collateral or assets to secure loans or the experience in working with financial institutions that perceive their businesses as an investment risk. Now, women entrepreneurs from all corners of the continent are losing their businesses at a faster pace than men. Pandemic-related lockdowns compound the situation—cross-border trading has been negatively impacted and with that, the decline of women's access to market opportunities, access to finance, and opportunities to grow their businesses. Add to all this, the expectation that women—including women entrepreneurs—take on the burden of care and education for children.

Given these new realities, governments, development institutions, and the private sector must commit to finding innovative solutions to help African women entrepreneurs bounce back from the pandemic and reinvent themselves.

The African Development Bank, through its Affirmative Finance Action for Women in Africa (AFAWA) initiative, is committed to

accelerating women entrepreneurs' ability to access finance and the required knowledge to get back on their growth path. AFAWA aims to unlock up to US\$5 billion by 2026, in collaboration with financial institutions and women entrepreneurs. The Bank is also committed to working with African governments to ensure that inclusive policies are in place to enhance women entrepreneurs' ability to access financing and trade.

The Lionesses Business Confidence Report and Index come at an opportune time. Their compilation and findings based on the experiences and insights of, and lessons learned by, Africa's women entrepreneurs provide the blueprint for innovative solutions to accelerate the growth and impact of women entrepreneurs across the continent. We celebrate this organization's ongoing mission to identify 100 "Lionesses"—extraordinary African women role models who serve as an inspiration to other women entrepreneurs in rebuilding from the pandemic's challenges. Through AFAWA, the Bank is pleased to collaborate with Lionesses of Africa on the latest Lionesses Business Confidence Report and Index. We look forward to future opportunities to work together. The African Development Bank encourages women entrepreneurs, financial institutions, and government agencies to view the Report and Index as a rich resource of data, as well as a starting point for interventions to rebuild African economies.

A handwritten signature in cursive script that reads "Beth Dunford".

Dr. Beth Dunford, Vice President for Agriculture, Human and Social Development, African Development Bank

INTRODUCTION

This Lionesses Business Confidence Report shares insights derived from a survey of Africa's leading women entrepreneurs. The report leverages Lionesses of Africa's established 100 Lionesses network, a project that identifies and celebrates 100 leading African businesswomen whose examples inspire other women to pursue and realize their dreams of founding and growing successful businesses. These highly experienced women entrepreneurs have built successful businesses at scale, across industry sectors and represent the footprint of the Lionesses of Africa network across the continent.

This report precedes the Lionesses Business Confidence Index (LBCI), launching second-quarter 2021. The experiences and perspectives of these business leaders provide context to the LBCI, especially in light of the extraordinary business impact caused by COVID-19 on Africa's women entrepreneurs.

Whereas LBCI will provide a forward-looking view of the African economy from the perspective of leading women entrepreneurs, surveying their confidence in their national economies as well as their businesses, capital spending, hiring, revenues, and ability to access financing, this report addresses the response of leading women entrepreneurs to the COVID-19 pandemic. It illuminates how these women-led businesses performed through the height of the pandemic, their performance against expectations in first-quarter 2021, and their current response to the ongoing impact of COVID-19.



FOCUS

This report focuses on four key areas:



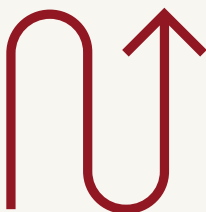
The impact of COVID-19 on business performance. Leading women entrepreneurs report on their satisfaction with actual versus expected revenues for first-quarter 2021 and the time they expect it will take for them to return to pre-COVID-19 business activity.



How leading women entrepreneurs financed their companies' activities through 2020 and into first-quarter 2021 and where they sourced these funds. It also sheds light on whether these women will be looking to source external financing going forward and how confident they feel in the willingness of financial institutions to provide it.



The importance of digital transformation in the time of COVID-19. Leading women entrepreneurs report their confidence in their companies' digital capabilities and how they plan to change spending on digital technology.

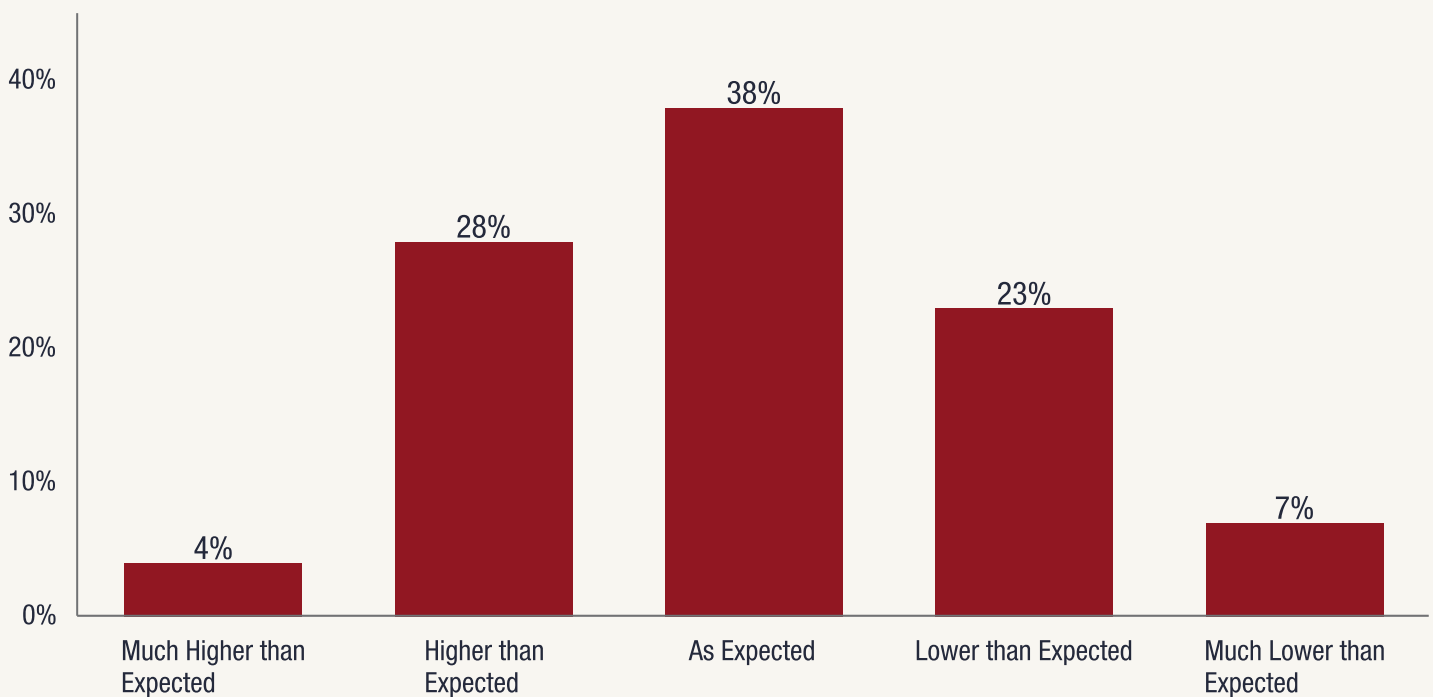


The operational challenges caused by COVID-19. Leading women entrepreneurs indicate how COVID-19 has significantly changed how they operate their businesses and which of the changes they believe will become permanent. The women also identify the most important challenges facing their companies in 2021.

FIRST QUARTER SALES REVENUES

The Lionesses Business Confidence Survey illuminates how COVID-19 is affecting Africa's leading women entrepreneurs and how their businesses are performing relative to their expectations. Lionesses were asked how first-quarter sales in 2021 compared with their prior revenue expectations for the quarter. They varied in how they rated their companies' first-quarter sales revenues: 32% reported that first-quarter revenues exceeded expectations (4% reported revenues were "much higher than expected" and 28% "higher than expected"), 38% "as expected," and 30% did not meet expectations (23% "lower than expected" and 7% "much lower than expected"). There is a trivial net-positive of +2% for first-quarter revenues; this establishes a baseline net-positive against which subsequent surveys can be compared.¹

Based on Your Expectations, Rate Your Company's Sales Revenues for First-Quarter 2021 (January, February, and March).



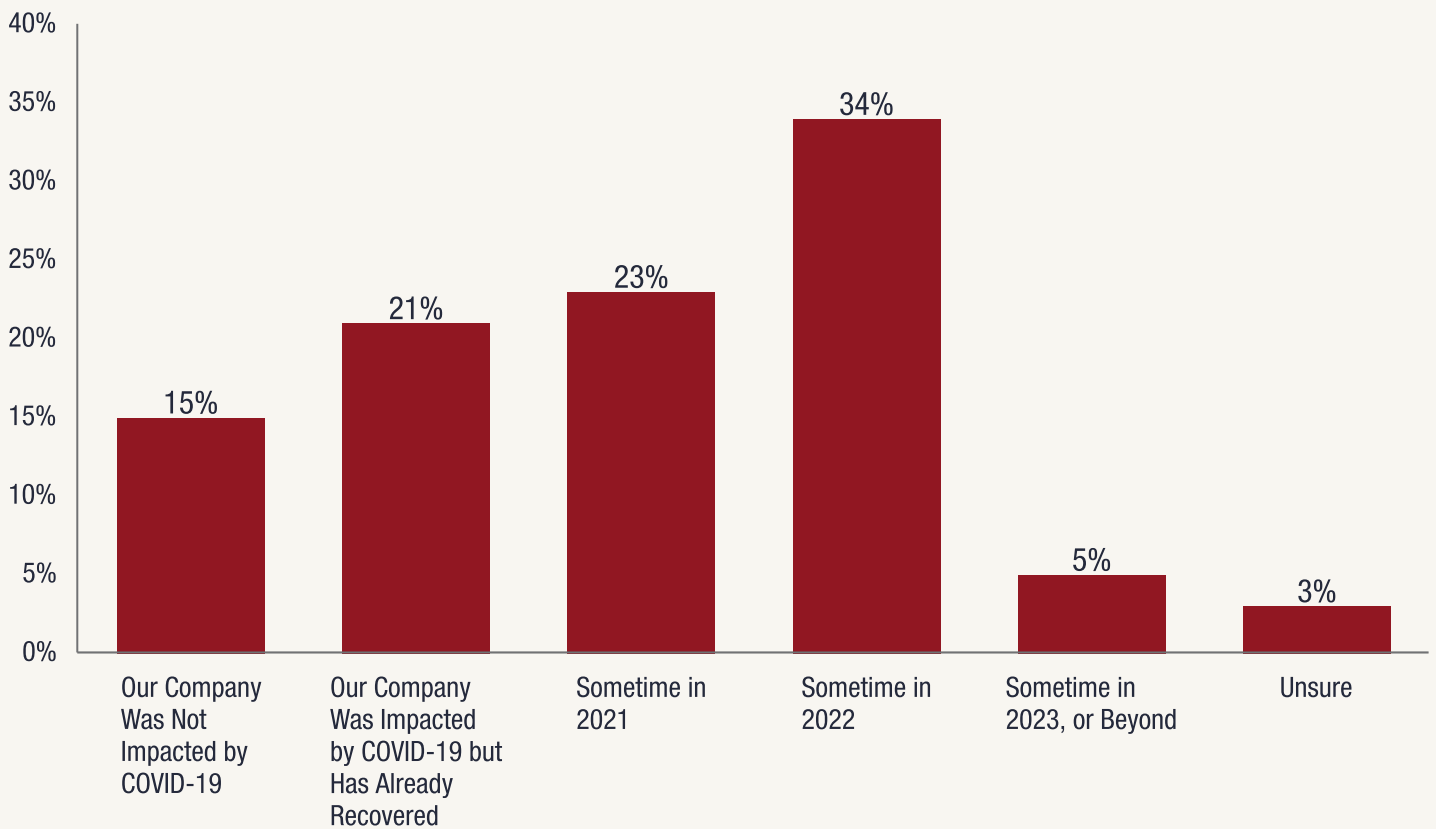
There was some regional variation in first-quarter revenue experiences. Lionesses in East Africa were significantly more likely to respond that sales revenues exceeded their expectations, compared with those in other regions.

¹The net-positive is the difference between the percentage of respondents who reported their Q1 2021 revenues were higher than expected and the percentage who reported that their revenues were lower than expected.

COVID RECOVERY

The Lionesses Business Confidence Survey provides an opportunity to learn about leading businesswomen's expectations for when their businesses will recover from the impact of the COVID-19 pandemic. A majority (59%) indicate that their businesses were quite resilient, responding that they either weren't impacted by the pandemic, have already recovered, or expect to recover during 2021. A small minority (5%) expect a recovery to pre-COVID-19 levels in 2023 or beyond.

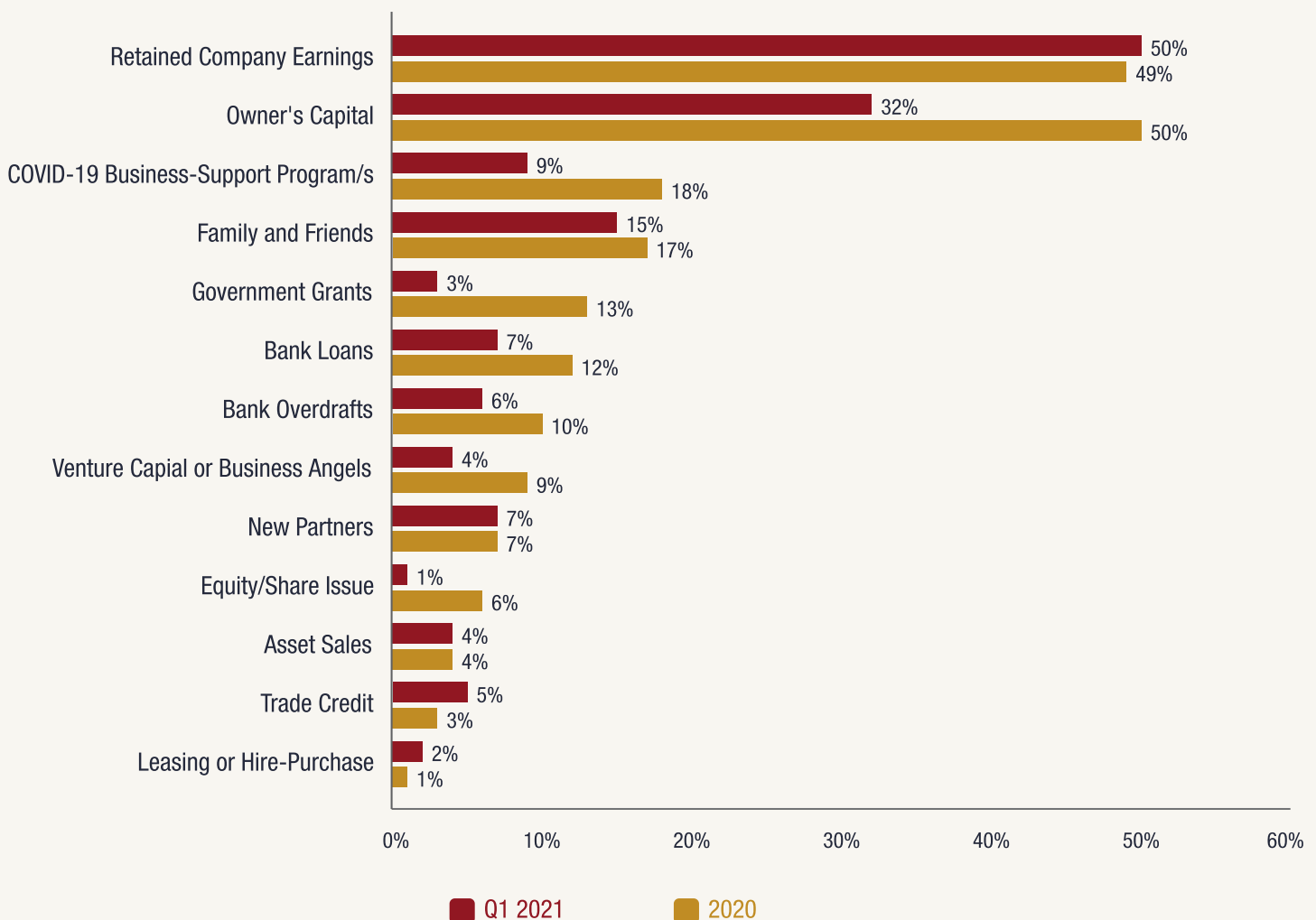
When Do You Expect Your Company to Recover to pre-COVID-19 Levels?



SOURCES OF FINANCING

The Lionesses were asked where they sourced funds to finance their company activities through 2020 and into the first quarter of 2021. The most common source of financing was retained company earnings and owner’s capital. The use of retained earnings was similar in 2020 and Q1 2021 and was very similar across regions; close to half of the Lionesses in each region reported financing their activities using retained company earnings. Across the board, there was a marked decrease in the use of owner’s capital in Q1 2021 compared with 2020.

Did You Use Any of the Following Sources of Financing to Fund Your Company’s Activities?

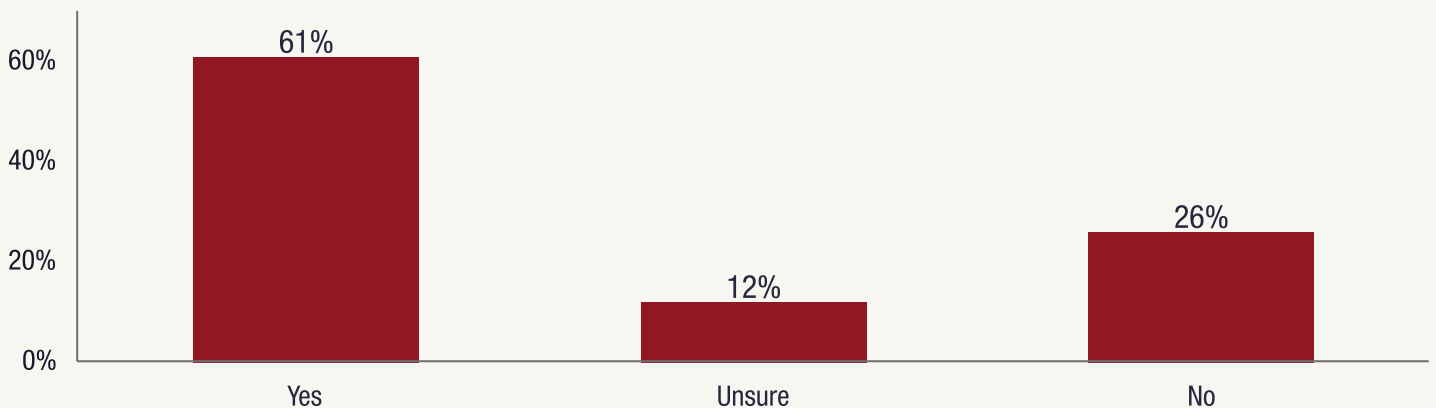


In 2020, 18% of Lionesses reported receiving COVID-19 business support, while 9% received it in Q1 2021. Lionesses in East Africa were more likely to receive assistance from a COVID-19 business-support program (29% in 2020 and 17% in Q1 2020) than those in other regions.

SEEKING EXTERNAL FINANCING

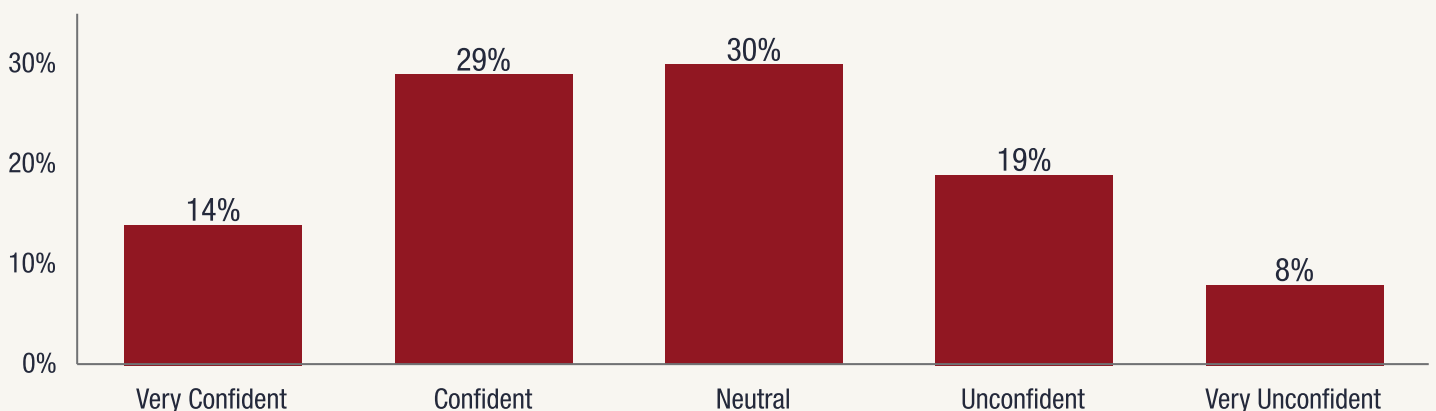
The Lionesses Business Confidence Survey addresses the external-financing plans of Africa's leading businesswomen over the next six months and how confident they feel in the willingness of financial institutions to provide these funds. Across regions, there is widespread interest in securing external financing; 61% report they anticipate looking for it in the near future. Lionesses in East Africa were the most likely (78%), and Lionesses were more likely to report doing so if their companies' sales revenues had been lower than expected in the first quarter.

Will You Be Looking for Any External Sources of Financing to Fund Your Company's Activities in the Next Six Months?



More of the Lionesses (43%) anticipate that financial institutions will be willing to provide loans or credit to their business in the next six months than lack confidence in their willingness to provide funds (27%), while 30% were neutral. Surprisingly, there was no relationship between a Lioness reporting near-term plans to seek external financing and her confidence in the willingness of financial institutions to provide it. Lionesses in Southern Africa report the lowest levels of confidence.

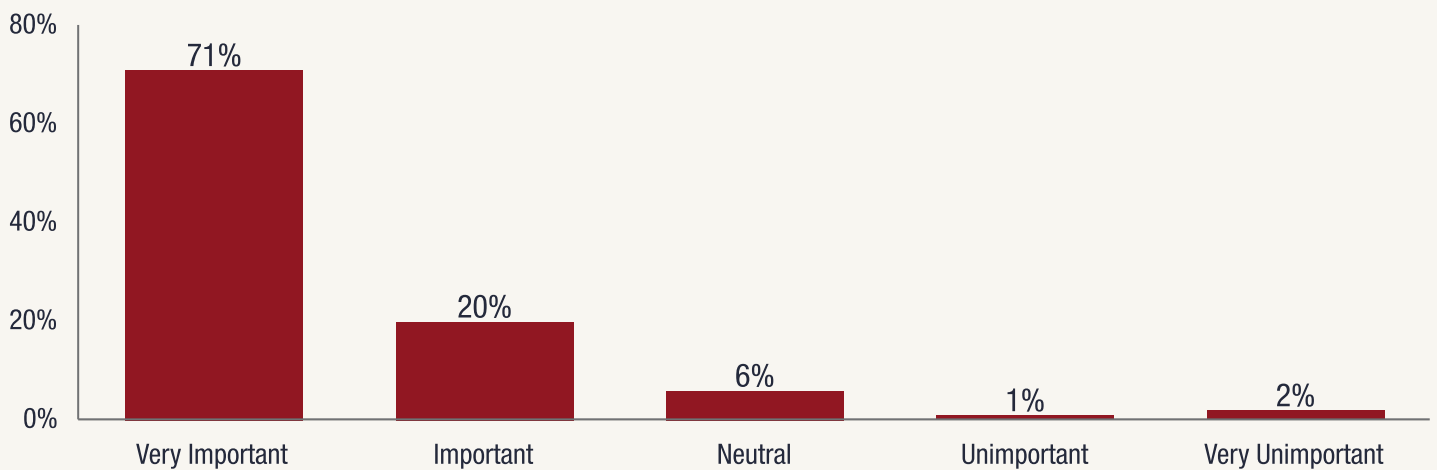
How Confident Do You Feel in the Willingness of Financial Institutions to Provide Your Company with Loans or Credit in the Next Six Months?



DIGITAL TRANSFORMATION

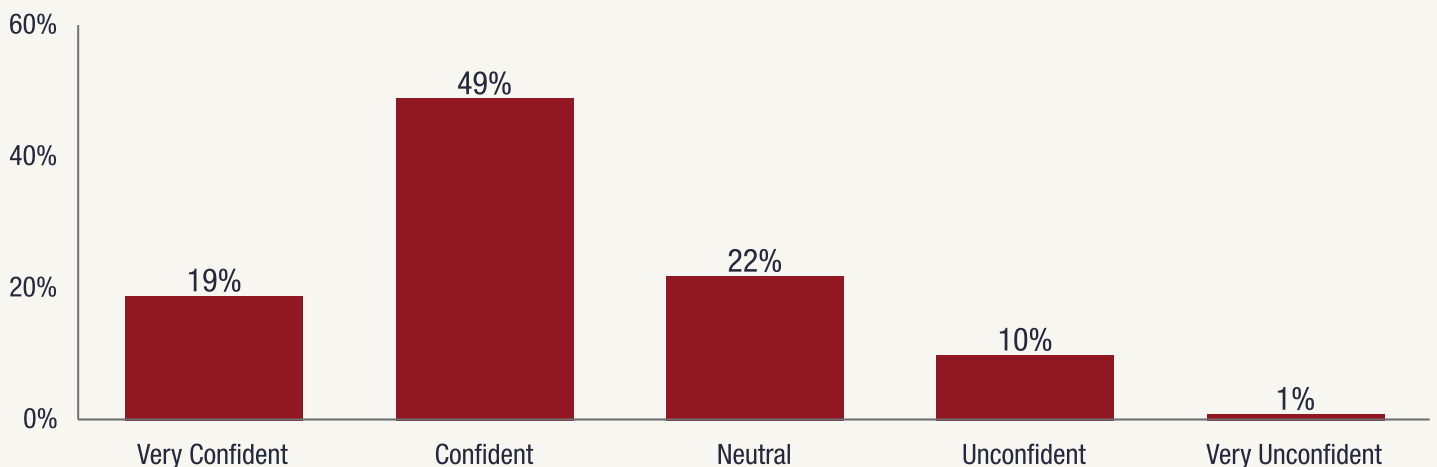
The Lionesses Business Confidence Survey demonstrates the importance of digital transformation to Africa's leading women entrepreneurs in the time of COVID-19. 91% regard digital transformation to be important to their company (71% reported "very important" and 20% "important"), and only 3% regard it as inconsequential (1% reported "unimportant" and 2% "very unimportant").

How Important Is Digital Transformation to Your Company as a Result of COVID-19?



Despite the overwhelming recognition of the importance of digital transformation to their companies, only two-thirds express confidence in their companies' current digital capabilities. Lionesses in West Africa were the most confident, with 84% reporting they are "confident" or "very confident" in their capabilities.

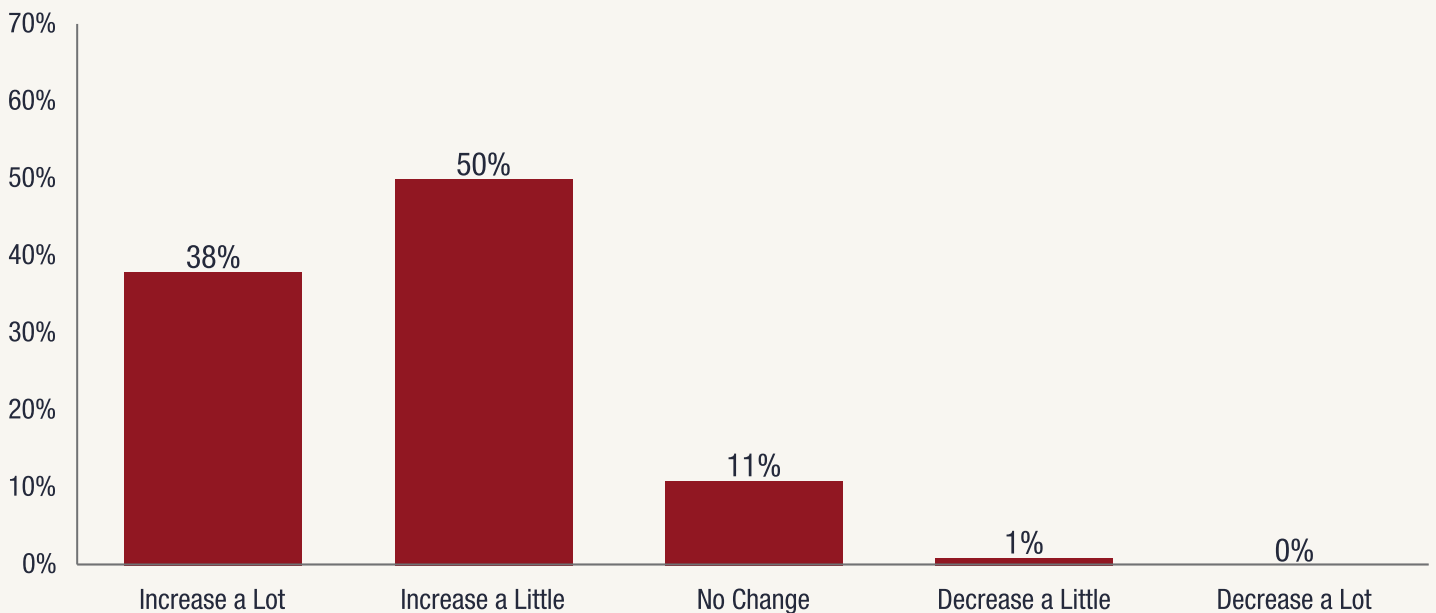
How Confident Are You in Your Company's Current Digital Capabilities to Meet Your Needs?



DIGITAL SPENDING PLANS

Leading women entrepreneurs also reported on how they plan to change spending on digital technology, with the vast majority anticipating an increase in spending (88% reported plans to increase spending; 50% “a little” and 38% “a lot”). Lionesses in East Africa were significantly more likely to report plans to increase digital spending “a lot” than in other regions; with 63% reporting plans for sizable increases in digital spending. Lionesses who reported digital transformation to be important to their companies as a result of COVID-19 were significantly more likely to report plans to increase spending on digital technology “a lot.”

How Do You Plan to Change Spending on Digital Technology over the Next Six Months, Compared with the Previous Six Months?



Lionesses were asked open-ended questions concerning changes to their business operations as a result of COVID-19, which of these changes they believe will remain beyond the pandemic, and what they believe to be the biggest challenge facing their companies.

In what significant ways has COVID-19 changed how you operate your business?

Lionesses' most commonly reported change to how they operated their businesses as a result of COVID-19 was digital transformation, starting with their business models, which many pivoted to digital. A major operational adjustment was to remote working, both for administrative- and management-team members and for production teams. Lionesses also say they have diversified and pivoted their product and business offerings to respond to changing market needs. Another significant operational adjustment was a move to digital marketing to reach existing and new customers online. Lionesses say they used social-media platforms, particularly Instagram, to raise brand awareness and sell products and services directly to customers. Lionesses also migrated their customer and employee communication to digital, using apps such as WhatsApp and Zoom to better engage both internal and external stakeholders.

“We are now focused on connecting with our audience, clients, and potential clients via digital means.”

—100 Lioness, Rwanda

“Covid has really pushed us to start diversifying the business quickly both in terms of digital tech, product offering, as well as geographical expansion.”

—100 Lioness, Nigeria

“We have gone online and used social media to spread the word about our products. It has been an eye-opener as to just how influential these platforms are.”

—100 Lioness, South Africa



Which of the changes to how you operate your business caused by COVID-19 do you believe will become permanent?

Lionesses most commonly expect the shift to digital transformation in their businesses will become permanent. Many say they are diversifying their product and business offerings to service changed market needs. For many, digitization of marketing and sales is set to become permanent, with the development of e-commerce functionality their key focus. Lionesses also believe that remote working, including new hybrid work-from-home/work-in-office models, will be permanent, with some intentionally reducing their office/factory space and expense.

“Remote work will become permanent as it proved that presence in a building is not mandatory for efficiency.”

—100 Lioness, Angola

“We have now seen that work that can be outsourced and digitized is as efficient as having internal teams. This keeps the working environment very flexible.”

—100 Lioness, South Africa

“Increased use of digitization is making business transactions faster on all fronts from supply chain, customer acquisition, customer engagement, etc. Online sales is now a necessity. There will be less reliance on the middleman, the retail stores.”

—100 Lioness, Kenya



What do you think is the most important challenge facing your company in 2021?

Lionesses point to financing being the biggest challenge facing their businesses in 2021. Maintaining cash flow in difficult trading conditions is particularly highlighted, along with the ability to access operational and growth funding when required. Many indicate that their efforts in digital transformation will continue to be a priority and challenge in 2021. Another key challenge was the need to find new customers, including finding ways to enter export markets. Lionesses also say that people management and talent acquisition is an ongoing challenge, particularly with finding specialist skills. The continuing impact of COVID-19 and the uncertainties for business and economies present an ongoing risk-management challenge, according to women entrepreneurs.

“Capital raising is the biggest issue, with investors having low appetite as a result of current economic uncertainties.”

—100 Lioness, Tanzania

“It’s very challenging because of financial constraints...It is going to be very difficult to get back on our feet.”

—100 Lioness, Rwanda

“Staying visible to our customers in the aggressive world of digital marketing. It’s easy to get lost in the sea of big players in this space.”

—100 Lioness, Morocco

“The uncertainties around COVID-19. Lockdowns and social-gathering restrictions affect customer buying behavior.”

—100 Lioness, Nigeria

CONCLUSION

Lionesses have emerged from a year of enduring severe economic strain in 2020 to show early signs of recovery in the first quarter of 2021. 70% of Lionesses say they either met or exceeded their own expectations for sales revenues for the first quarter and a majority (59%) expect to return to pre-COVID-19 business levels before the end of 2021, with over a third (36%) having done so already.

Lionesses financed their companies' activities through 2020 and into first-quarter 2021 largely by tapping internal sources of financing. The women overwhelmingly reported using retained earnings, personal capital, and funds from family and friends to finance their business operations to weather the impact of COVID-19.

Having leaned heavily on internal sources of financing through 2020 and first-quarter 2021, a majority of the Lionesses (61%) anticipate looking for external financing in the near future. Less than half (43%) have confidence in the willingness of financial institutions to provide the loans or credit they will need.

Overwhelmingly, the Lionesses regard digital transformation to be essential to their company, with 91% reporting it as "important" or "very important." While two-thirds (68%) have confidence in their companies' current digital capabilities, the majority (88%) report plans to increase spending on digital technology.

In open-ended responses, there were three dominant themes: digital transformation, remote working, and access to capital. Lionesses underscored the importance of digitizing operations, moving online, and expanding their online presence. They indicated changing attitudes towards workspace, with many reporting that the transition to remote work will be enduring. Finally, Lionesses describe the urgent need for accessing external financing and the challenges they face in securing it. Surprisingly, only a small minority (7%) considered COVID-19 to be the most important challenge facing their company in 2021.

ABOUT THE COLLABORATORS

New York University

The Marron Institute of Urban Management at New York University is a provostial institute that operates as a think-do tank. The Institute's mandate is impact. It invests in faculty and practice scholars who conduct on-the-ground research and programming, working alongside practitioners and the publics they serve to gain insights and test new approaches with the potential to dramatically improve the quality of life in cities across the globe. The Institute brings a multidisciplinary approach, with expertise in the natural and social sciences, engineering, and governance. Through innovation, experimentation, and data analysis, the Institute promotes responsive decision-making in all sectors. The Institute addresses critical challenges in service delivery and development across six continents.

For further information about the Marron Institute, visit www.marroninstitute.nyu.edu



Lionesses of Africa

Lioness Data is the research unit of Lionesses of Africa Public Benefit Corporation, a social enterprise advancing Africa's women entrepreneurs. Lioness Data taps into a growing network of over 1.3 million women entrepreneurs across Africa for actionable insights that help investors, policymakers, and development agencies make faster and better data-driven decisions. Lionesses of Africa builds and delivers development programmes, business tools, community platforms, digital media, networking events and information resources that women entrepreneurs need—connecting them with key global markets for growth. Lionesses of Africa's community stretches across 54 African countries and thousands of users in the Diaspora in Europe and North America.

For further information about Lionesses of Africa, visit www.lionessesofafrica.com



African Development Bank

African Development Bank's AFAWA Programme is a pan-African initiative to bridge the \$42 billion financing gap facing women in Africa. AFAWA finance leverages the Bank's financial instruments to transform Africa's banking and financial landscape, creating incentives for lending to women in business. AFAWA's technical assistance includes advisory services to financial institutions to ensure successful implementation of their product portfolios for women and strengthens the capacity of women entrepreneurs through training to enhance business productivity and growth. AFAWA engages with governments and other stakeholders in Africa, in an enabling environment, to support legal, policy, and regulatory reforms and strike down the structural barriers impeding women in business.

For further information about African Development Bank, visit www.afdb.org/en

