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Captive Power Generation: A viable power solution for SME businesses

Content Non-Generators: The business model reshaping our world

+ Making Big Data Actionable

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Foreword

Segun Agbaje

Welcome to the 3rd edition of The Corvus, a financial and economic publication of Guaranty Trust Bank plc.

Due to the spill over of the economic challenges in 2016—which saw the Nigerian economy slide into its first recession in 25 years—economic analysts are predicting a modest economic recovery in 2017, the best outcome of which is an exit from recession. Nothing short of a rapid and radical economic growth and development can deliver the country's ambition of significantly reducing poverty and low productivity, amongst others, by the year 2020. How to achieve such accelerated economic growth in the face of volatile commodity prices, low foreign exchange earnings and grossly inadequate economic infrastructure is the central focus of this edition.

Rather than dwell on the aforementioned challenges, the articles in this magazine explore the exciting opportunities in Nigeria's retail and SME sectors and their immense potential to spur accelerated economic growth. Such perspective is not only optimistic, it is forward-looking and productive.

To unlock the immense opportunities in the retail and SME sectors, we need the right blend of public policies and private initiatives, and this magazine provides a keyhole into several segments of both sectors. In power, Captive Power Generators are proffered as a quick fix to the single most important infrastructural challenge facing the Retail and SME sectors, while in trade, a strong case is made for a cluster approach to SME

empowerment in order to boost local productivity.

The need for businesses to find new areas for growth inspires an analysis on how to leverage big data to create innovative services and forms the core objective of an examination of Content Non-Generators as a viable business model to connect Nigeria's large consumer base to local products and services. With financing being a major panacea for the subdued business environment, propositions are laid out for Corporate Investment in Affordable Housing and Crowdfunding for SMEs, all of which would optimise the Retail and SME sectors.

In light of the above, this edition of The Corvus offers ideas and strategies which couldn't be more pertinent, given the current state of the Nigerian economy. I believe that you will find the edition an exciting and insightful read.


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Crowdfunding: An Alternative For SME Funding

Nadine Lawal and Charles Eremi

In 2014, an estimated $16.2 billion was raised globally representing a growth of 167%, up from $6.1 billion raised in 2013, an average of $57,000 raised per hour globally, 325 projects launched per day in Q1 2014, and over 1,250 dedicated platforms worldwide. These are just but a few mind blowing statistics from the global crowdfunding phenomenon.

But what exactly is Crowdfunding? How does Crowdfunding differ from Crowdsourcing? Is all the social media buzz around it really worth it? How can small businesses and start-ups in Africa tap into this borderless and social media powered funding opportunity?

Crowdsourcing vs crowdfunding – Sometimes confused as referring to the same thing, these two words, though related, carry slightly different meaning. Crowdfunding is actually a subset of crowdsourcing as the latter refers to the process of accessing a wide group of people via the internet to benefit from their expertise, resources, knowledge or time. Crowdfunding focuses on the financial aspect of the resources. Other subsets of crowdsourcing exist, namely cloud labour, distributed knowledge, crowd creativity and open innovation. This write up focuses on crowdfunding as an alternative financing for SMEs.

The term crowdfunding emerged in the mid-2000s and is widely attributed to Michael Sullivan, a blogger. It however only became a viral phenomenon in the late 2000s with the arrival on the scene of two major funds raising platforms, namely, IndieGoGo and Kickstarter. Whereas previous platforms focused on donations to charitable organizations, the latter platforms offer ordinary individuals the opportunity to fund projects of their choice, from profit projects to non-profit oriented ventures but with no prospect of obtaining any money back.

Today, crowdfunding is broadly defined as the online practice of raising funds from a large pool of individuals handing out small monetary contributions for causes or projects they share a common interest in. The contributors' interests vary from pure emotional attachment to the pursuit of a bountiful return on investment grounded on the hope that the business idea supported will be the next business start-up success story. The abiding principle of most crowdfunding platforms is the access they provide to average investors to participate in early-stage investing while also giving entrepreneurs access to alternative capital providers.

There are four broad variants of crowdfunding: donation, rewards based, equity and lending. But before we continue our discuss, let us review some basic crowdfunding terminologies and the basic crowdfunding process.

Project Creator
This is the fundraiser, the individual or company soliciting contributions or pledges for a project.

Backer
Member of the public who commits an amount of money to a project.

Pledge
Financial sum the backer has committed to give to the project if the project meets its financial goal

Reward
A tangible gift to backers in exchange for their contribution; generally the maiden edition or early prototype of the goods or service being promoted or for which funding is sought.

Platform
Website enabling fundraisers to have access to members of the public.

Equity
Shareholding in the promoted business which is promised to the backer in exchange for his contribution.

The Process
1. Project creator or entrepreneur posts a funding request on an online platform

2. Terms & conditions (including perks) for contributors as well as the monetary goal of the project are presented.

3. Project description and business plan where applicable are reviewed by members of the public.

4. Contributors make their pledges to the project.

5. If the monetary goal is met at the end of the campaign period, funds are transferred to the crowdsourcer.

6. If the monetary goal is not met at the end of the campaign period, funds may only be transferred to the crowdsourcer if the campaign was run on a "flexible funding" basis and not an "all or nothing" basis.

Under the *donation scheme*, contributors give money to a project and expect nothing in return. As crowdfunding campaigns are carried out on the web, it is generally expected that project initiators will maintain their benefactors' interest through update reports and captivating videos. These videos can in turn be re-broadcast by enthusiasts, which will likely lead to greater online reach and ultimately greater fundraising. Backers with a keen interest in this scheme are community oriented individuals who are keen on supporting local entrepreneurship or a particular cause with a sentimental value to them.

The *rewards based* type of funding guarantees a promised product or service (free of charge or at a discounted price) to the backer as reward for his contribution. In this case, the initiator has effectively pre-sold the goods or service he seeks funding for in exchange for money. A sense of belonging (to a closely knit club) is a key component of the giving decision process for backers in this scheme. The thought of being among the chosen few to own a special edition of an item is also an appealing factor for members of the public to donate under such schemes.

Equity crowdfunding entails the upfront commitment by the project creator, to issue or pledge shares of the company (existing or soon to be registered) seeking funds to backers based on the quantum of their contributions to the share capital. This model generally appeals to small investors with substantial savings who wish to have control in the choice of funds in which their money is invested in.

The last type of crowdfunding is the *lending scheme*. Here, investors inject money in return for a handsome profit. Both principal and interest are paid on a monthly basis. Though the model is predominantly suitable for small businesses with short-term working capital needs, several venture capitalists have joined the throng of individuals in the funding pool. The result has been the recent surge in regulations, especially in the United States and France, surrounding the entire crowdfunding system. Some merely see the government's involvement as an attempt by traditional lenders to stem the flow of funds diverted from them by an increasingly social media aware population. This position is however arguable for a number of reasons, one of which is that most businesses pursuing this alternative financing style do so for lack of a better option. They have either been unable to borrow a sufficient amount from family and friends or were denied funding by traditional lenders. Also, in countries like the USA, extant legislation (Jumpstart Our Business Startups [JOBS] Act (2012)) came about by the desire of the proponents of crowdfunding to legalize soliciting of funds from unaccredited investors.

Where do we stand in Africa in terms of social media activity and how can entrepreneurs benefit?

There were 329 million unique mobile phone subscribers in sub-Saharan Africa representing a 38% penetration rate as at June 2014 and undoubtedly, thanks to the proliferation of lower cost mobile devices, a higher penetration will be reported once 2015 and 2016 data are released. In terms of mobile data usage, records show that 75,000 terabytes of data were consumed on a monthly basis across sub-Saharan Africa in 2014 and this is expected to grow to 764,000 by 2019. Facebook records show that in early 2014, there were more than 11 million unique and active users of the platform in Nigeria. It is reported that as at January 2015 there were 103 million active social media accounts in Africa; a pale number compared to the continent's population, but this number is growing fast year-on-year. So it is safe to conclude that Africans are increasingly online and active on social media. An online presence therefore bodes well for realizing the full potential of crowdfunding in Africa.

Crowdfunding as a means of alternative financing is growing around the globe and there is no reason for African SMEs to be excluded from the sweeping wave of change. It is commonly acknowledged that access to financing is limited for small businesses globally but even more so in Africa. Their very nature impedes their ability to obtain credit from institutions such as banks and microfinance institutions. SMEs are either start-ups with little or no tangible and valuable assets to traditional lenders or existing businesses with weak structure in terms of hierarchy and segregation of responsibilities. In addition, they operate for the most part on thin margins and are unable to produce accurate financial information on their business in a timely manner.

Crowdfunding provides a breath of fresh air in the lending landscape for SMEs in the fact that access is open to all businesses regardless of their geographical location. The model rides on the advent of internet and thrives on the wings of social media. The access to capital barrier is therefore removed. Another upside for SMEs and start-ups is that the cost associated with processing an equity based or lending based scheme is relatively low compared to the traditional medium; no management or commitment fee; limited legal fee; the sole costs to worry about are the platform fee and/or payment processing fee which generally peaks around 10% of the total contributions and is a function of the project meeting its fundraising goal or not. It can be argued that the lending rates are themselves on the high side; but the conundrum is for SMEs to answer: easy access to loans at relatively high rate with no asset encumbrance or no access to funds at all?

Raising debt or capital via crowdfunding can equally be an appealing prospect for SMEs as it offers a platform to test the market viability of the product or service to be offered. The equation is simple: *Right online marketing strategy + Great and useful product/service = Quick uptake by backers.* The right marketing strategy is important in disseminating information to the public about the project via family and friends. Little awareness means little chance of meeting the project goal. It is of more significance to the SME as it provides quality feedback to the entrepreneur. Analysis of the reason for failure can be carried out and findings used to adjust the product or service quality to meet the market expectations or re-strategize the winning marketing plan prior to launching the product via other means.

It should also be noted that young start-ups generally do not have at their disposal the colossal advertising budget which well-established brands enjoy. Crowdfunding is therefore a windfall that start-ups should grab: mass advertising at very little cost. Furthermore, analytics can help identify the best target segment for the product/service by focusing on the type of backers that were first or primarily attracted. This, of course, will save time in terms of go-to-market route.

Another important advantage of online funds sourcing for SMEs is the fact that at a click of a button (or a few), a locally oriented product/service can become a global affair. Here is where the African diaspora could play a significant role in the development of the economies they originate from. Instead of the never ending monetary inflow to support families and friends, it might be a better alternative -though the effect will certainly not be felt in the short or medium term- to empower them to become economically self-sufficient by backing business ideas they might proffer and nudging them towards crowdfunding as a method to raise funds for their embryonic businesses. Like a wiseman once said: Give a man a fish and you feed him for a day, teach a man to fish and you feed him for a lifetime.

Does crowdfunding sound the trumpet for the decadence of traditional banks?

Long standing financial institutions have little to fear. Statistics show that only a minute percentage of lending is carried out on crowdfunding platforms across the globe.

It should also be recalled that the key role of banks is financial intermediation, i.e. deposit taking/gathering savers' wealth on one side to distribute it to those who require capital/avail credit facilities on the other side. Lending is therefore only one portion of the activities of banks.

The regulatory framework surrounding deposit taking makes it virtually impossible for a non-financial institution to venture into this arena. This means that even crowdfunding platforms require the existence of traditional banks to hold the funds they gather from donors.

Beyond pivotal intermediation, banks play a societial role in every economy. Not only do they symbolize safety of savings to all citizens, they are also the backbone of most payment systems - they process all electronic payments on a daily basis and of international trade through which a country's economic fabric enhances its competitiveness and creates employment opportunities.

Is it all rosy then in the world of crowdfunding? Far from yes.

One of the pitfalls entrepreneurs potentially encounter by going through the crowdfunding route, is the risk of losing focus. Free or cheap money can be easily wasted. Also for those opting for equity funding, they face the risk of being exploited by more astute venture capitalists who could usurp the business idea in the long run. Some crowded ventures have recorded failure rates in terms of execution.

The loss of intellectual property is an equally real threat faced by entrepreneurs who choose the crowdfunding option. Their ideas are exposed to the public with the real possibility of being stolen. Also in question, is the extent to which intellectual property rights are enforceable on this side of the globe. An unequivocal committment on the part of the judiciary is key to address this concern.

Another limitation to the uptake of crowdfunding in Nigeria and in most countries of West Africa is the limited income available to the under 30's. This segment of the population is unfortunately the most active online especially socila media.

The major downside however, is the legal and regulatory vacuum that exists in most African countries around this scheme. The concern is not merely about a plethora of laws that will deter entrepreneurs or limit their sourcing reach, but rather about the lack of formal expertise required to accompany and help SMEs navigate the waters of more complex structures such as equity and lending crowdfunding. It would be a pity to see great business ideas die in the boardrooms due to the disparate objectives of directors, the majority of whom are unknown to the entrepreneur and got voting rights by virtue of their capital contribution.

Key to the success of an equity or lending crowdfunding campaign is the ability to attract the right investors/lenders. In the West African context, there is still a missing link between upright investors and genuine entrepreneurs. For the pairing to take place, due diligence and accountability are fundamental elements required to ensure a mutually beneficial partnership between the parties. Opportunities exist in this lacuna.

It is our belief that there is a door of opportunity, wide open as a matter of fact, for a credible institution, through collaboration with a well-established non-governmental/not-for-profit organization, to create a platform for the SMEs to reach the crowd. The structure is paramount to the success of crowdfunding in Africa and in Nigeria especially, where trustworthiness in financial dealings may represent a cause for serious concern on the part of contributors.

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Content Non-Generators: The Business Model reshaping our World

Ojinika Onyeabo

Introduction

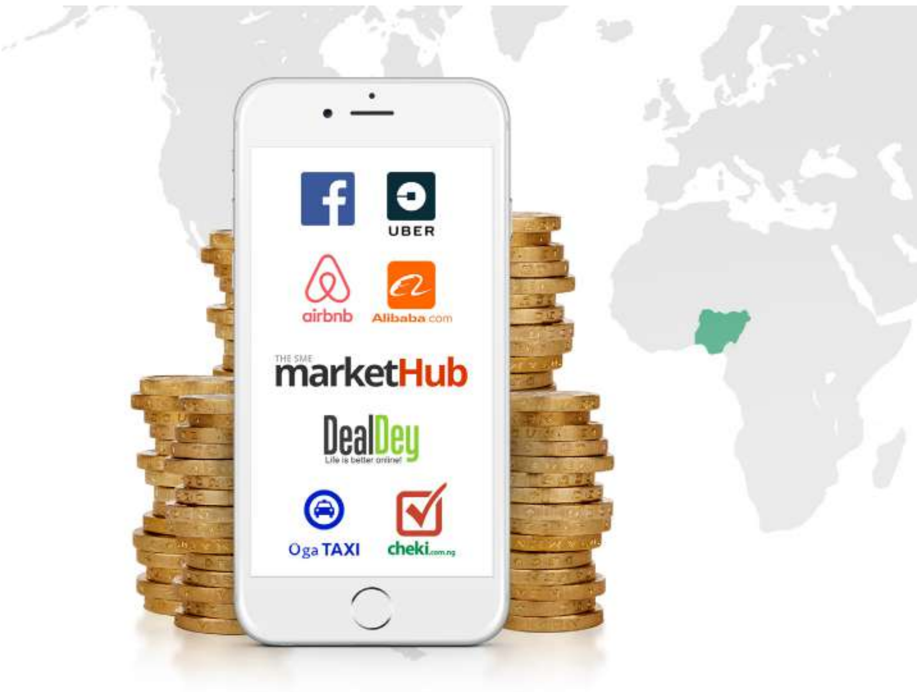
"More people own a mobile device than a toothbrush", states Erik Qualman, published author of Socialnomics . If you're like me, that quote may at first, lead you to realize the questionable state of the world's personal hygiene. Most importantly however, this statement couldn't more powerfully capture the essence of the twenty first century man and what his foremost basic need is: Connection.

A key driving force of this paradigm is the Millennials (young people aged between 16- 36), who have come of age at a time of rapid technological change, globalization and economic disruption (Goldman Sachs 2016) . These individuals thrive on instant access and connection and do this primarily through their mobile phones. According to a study by Nottingham Trent University, the average millennial uses his/her smart phones for an average of five hours a day, and glances at their mobile phone screens about 85 times a day. Even more fascinating is the fact that they use mobile applications (Apps) 85% of the entire time they spend on their phone . These Apps could range from online games, social interactions to other functional facets of their lives. Mobile phone apps have now single-handedly become the most powerful mechanism to connect people across the globe.

In today's global economy, therefore, the world is a potential market and businesses are beginning to realize that having their icons (mobile apps) on every smartphone's homepage is the most valuable real estate in the world. Smart businesses not only understand this, but have ridden this wave to build some of the biggest brands the world has come to know. This explains why the world's largest taxi firm, Uber, owns no cars; the world's most popular media company, Facebook, creates no content; the world's most valuable retailer, Alibaba, carries no stock; the world's largest accommodation provider, Airbnb, owns no property. These highly successful businesses realize that value is not in actual products, but in creating a platform that connects people to products. These companies are now known as Content Non-Generators (CNG).

Content Non-Generating Business Model

Content Non-Generators, also known



as Network Orchestrators operate a very simple but highly efficient business model with primary focus on two major revenue streams. Firstly, they create a network of peers where participants interact and share in value creation. They may sell products or services, build relationships, share advice, give reviews, collaborate, co-create and more, but what they really do is control the interface between the consumer and the provider of goods and/or services. This is an incredibly valuable proposition because they carry none of the costs of providing the service but charge fees from the millions of transactions and interactions that take place on their platform. Secondly, the more users interact on the site, the more attractive the site is for advertisers and the more advert revenue they can attract for showcasing brands on the platform.

CNG have, in recent times, outperformed companies with other business models on several key dimensions including higher relative valuations, faster growth, and larger profit margins. They deliver value to millions of people through Network Capital. According to Harvard Business Review, CNG, on average, receive valuations two to four times higher, than companies with other traditional business models. These ratios are high because market valuations tend to reflect investor expectations of future cash flows and studies show that companies with the higher valuation metrics outperform less valuable companies on future cash flow expectations, growth, profitability, and Return on Assets.

Other business models can be grouped into three (3) broad categories including:

Asset Builders
Develop, distribute, sell and lease physical goods. They deliver value through the use of physical capital.

Service Providers
Deliver value through human capital in the provision of services to customers on billable hours for which they charge.

Technology Creators
Develop and sell intellectual properties, and deliver value through Intellectual Capital.

An analysis of recent valuation of CNGs relative to asset builders, service providers and technology creators further corroborates the widening gap. Snapchat recently filed for an IPO and was valued between $25 and $30 billion, whilst Tesco (one of the world's largest retail chain stores with annual turnover of ~$60billion) has a market cap of $18 billion. Just recently as well, Microsoft bought the social media giant, LinkedIn for over $26 billion. These companies (Snapchat and LinkedIn) have only been in existence for 5 and 14 years respectively, compared to Tesco that has been around for 98 years.

Looking beyond the valuation, CNGs also outperform companies with other business models on both compound annual growth rate and profit margin as the value creation performed by the network on behalf of the organization reduces the company's marginal cost. For example, AirBnb leverages its network's housing assets; Uber leverages technology to manage a network of drivers and passengers.
Whilst this business model is currently highly successful and rapidly being replicated in various spheres, it is important to remember that all business relationships do not stay static, particularly if there are huge profits involved; they evolve. And so the future should see existing interfaces, extending beyond their initial footprint to try to win more territories. This has already begun as for instance, Facebook's attempts with news content now makes it a news channel and thanks to Autoplay video, it will soon be a way to watch TV content. Snapchat's discovery features have turned the Instant Messaging (IM) platform into a way to consume TV content and so on. Everything evolves.

Why are Content Non-Generators Outperforming?

The success of this business model is hinged on certain principles which essentially involve changes in management's mindset from the traditional to a more disruptive approach. Some of these changes include:

Assets

These companies are beginning to focus more on intangible assets (brand, technology etc.) as tangible (physical) assets are gradually becoming a burden. These businesses have however made their people (staff and customers) their greatest tangible assets.

Technology

As customers are increasingly becoming more tech-savvy, these businesses are also becoming digitized as they understand that the best place to meet customers is where they are and not where you want or hope for them to be. These businesses continually find easier ways of connecting to the customers and then proposing these ways to the seller at a little charge.

Leadership

The ideological shift from being the boss-at-the-top to co-creator who knows how to motivate, inspire and work alongside others employees to develop the network and achieve customer satisfaction.

In the Nigerian Context

Sub-Saharan Africa provides interesting market dynamics due to its sheer population and untapped business opportunities. According to Venture Africa, "Sub-Saharan Africa is currently undergoing a mobile digital revolution with consumers, networks and even media companies waking up the possibilities of 3G and 4G technology." Africa's consumer spending is estimated to exceed US$1.4 trillion annually by 2020 (US$400 million is already being realized in Nigeria) and e-commerce in Africa will generate about US$75 billion in revenue by 2025, contingent on most African economies improving power, transportation, broadband connectivity and other infrastructure, says McKinsey Global Institute. This provides a large market for content non-generators in terms of users and less competition.

In addition, "the rise of cheap smartphones will allow vast portions of the population – from middle classes in cities to small businesses in rural areas – access to mobile broadband," states Fredrik Jejdling, sub-Saharan Africa head of Swedish tech company, Ericsson in a recent report by the company. Therefore, inexpensive mobile phones and mobile broadband connections are driving internet access and usage in countries where fixed internet has been out of consumer's reach due to lack of infrastructure and affordability. The report predicts that the number of devices connected to the internet will rise to about 930 million by late 2019, with three in four mobile subscriptions at the time to be internet inclusive. These statistics are particularly encouraging for indigeiuos CNGs like Cheki, Property 24, Jiji, DealDey, SME Market Hub, Domestico.com.ng, Oga Taxi etc., who are currently operating this business model.

Cheki

Cheki is a Nigerian online market place where car dealers, importers and private seller post their cars for sale. Cheki works with clients throughout

the purchasing process to ensure that transactions are completed with ease and payment made to the right person. Rather than individually visiting the hundreds of different car dealers, customers can get quotes from various dealers on the website, thereby saving money and getting the best deals. Cheki is the highest ranked vehicle online platform in Nigeria with approximately 80,000 vehicles listed, over 45,000 daily visitors and 1.5 million visitors monthly on the site. The online platform serves to bridge the gap between sellers and buyers of automobiles by bringing the Nigerian car market to the comfort of your homes and devices.

No doubt this has improved the lives of millions of Nigerians who use this service, as people now have a price comparison guide and a third party to monitor the transaction process, making it as seamless and as fraud-free as possible. It has also had an enormous effect on the competitive framework of the automobile sale industry as car dealers' premium on cars have reduced significantly due to the availability of accessible alternatives to customers.

DealDey

DealDey is another player in the very active Nigerian e-commerce space. Deal Dey, which means "we have discount deal(s)" in pidgin english, is a digital site that aggregates daily online discounts on popular goods and services. It brands itself as the largest online deals platform in sub-Saharan Africa with over 1 million users, 15,000 active merchants and 20,000 verified businesses. Whilst there are speculations regarding the intrinsic value of the company compared to the deal value. Dealdey has grown overtime to become one of Nigeria's stop shop for mega deals that would not have been easily accessible about a decade ago. The success of Dealdey and other online retailers further emphasizes the untapped business

opportunities on the continent. Taking into consideration, the sheer size of the African population, the growing usage of the internet and the emerging new-age customers, managing a platform where people converge to find solutions to their needs and ensuring that the platform is very easy to use and always up-to date.

Oga Taxi

Oga Taxi is the first and biggest indigenous taxi app in Nigeria which connects drivers and passengers. It is the main competitor of Uber in the Nigerian market and currently operates in Lagos and Abuja. Their business model is similar to that of Uber where drivers can sign up to be Oga Taxi Drivers and make money monthly. Though Uber is still the biggest app based taxi company in the world, it is getting a good run for its money in most countries from indigenous companies such as Littelcabs in Kenya, OlaCabs in India, Didi Chuxing (or Didi) in China etc.

The content non-generator story can be replicated in other sectors of the Nigerian economy including the petroleum sector. Following all the issues surrounding the availability and pricing of petroleum products, a new kind of tech start-up could emerge using this business model in the petroleum sector. For instance, Fill Ya Tank; a Nigerian mobile application that uses crowd sourcing methods to inform car owners/drivers of petrol stations that are selling the products at the approved pump price, whilst blacklisting filling stations that sell above the said price, or any other start-up can take it a step further by connecting fuel and diesel suppliers who already have the product loaded in their trucks with prospective buyers who want these products delivered to them at various locations by simply hitting a button within an app. This could come in handy especially for those whose car suddenly runs out of fuel. For a country like Nigeria that is still heavily dependent on petrol for nearly everything mostly for domestic power generation, a new set of start-ups could spring up and probably dominate that market using this business model. With the cost of building a filling station in a good urban location coming in as high as a N150-200 million and the cost of buying a truck with safety features for mobile fuel delivery costing a little above N50 million, it could cost the start-ups a lot less to go into the business. It is also efficient as you only drive to where you're needed with the help of a tech system.

Whilst this model may not necessarily be easily replicated in the public sector, due to lack of trust among those in government, the government has a big role in ensuring the success of this model by creating an enabling environment for them to succeed. This model has been found to be one of the newest forms of export available to countries across the globe.

OTHER BUSINESS MODELS

Not too long ago, social media disrupted the media and communications industry through the way it shared information. The next phase of sharing is taking place physically as people are sharing goods, services, time and space (think Airbnb). It's 2017 and people are using marketplaces to re-use and recycle products; getting what they need from each other and bypassing inefficient institutions.

Business models such as Sharing Model, Value for Many model, Collaborative Buying etc. are also making waves in enabling the business environment by providing opportunities that entrepreneurs can take advantage of in enhancing economic activities and productivity. It's however not the idea of sharing that's new, as people have been doing that for eons. Before it had a name and became a cutting-edge concept, the sharing economy had outposts in the American economy. For instance, Carpooling has long been a way of sharing both the cost of commuting and leveraging an expensive asset — the private automobile (which sits idle more than 90% of the time). Some observers in the last few decades recognized carpooling as a vanguard phenomenon, but that's what it was. The same basic concept, technologically assisted, has been applied to nearly every aspect of modern life. And it's enabled cost savings, convenience and environmental benefits on a large scale.

The world has slowly but finally realized we are actually in the relationship business. The brands that enable shared values are the companies that are leading the pack for change. The market seeks purposeful brands, local and personalized, on-demand models. Companies that meet the needs of these new markets will become resilient brands. They are innovative, agile, empowering, built to last and profitable.

What a time to be alive!

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A Cluster-Based Approach to Small and Medium Enterprise Transformation in Nigeria

Moyo Dada

As global enterprises continue to leverage technology to drive innovation in their business environment, they are more compelled to support activities that include crowd-sourcing, co-operation as well as subcontracting; they are positioned to capitalize on new opportunities. Nigeria is lagging behind and as a start needs to uplift her SME space from inertia by embracing the prominent cluster-based approach.

The web of digitization, growing trend of innovative shared-service business model, has proven to be the master stroke in the pursuit of scale for promoters of Small and Medium Enterprises (SMEs) globally. Nigeria would need to follow suit in its drive to develop a sustainable base of small businesses; but it would be best to prioritize the development of internal capacity by providing holistic support for the ailing SME sub-sector. There is a growing need for financing, productive skills, infrastructure and basic amenities needed to create a supportive business environment.

India's on-going economic resurgence was on the back of a program to boost internal capacity, free-up trade policies, bridge their infrastructural gap, eradicate corruption and grant more attractive trade conditions to partner nations. Their efforts to support the SME space has received positive sentiments from global investors. This is evidenced as the bulk of global FDI's have begun to flow into India to help combat her stark infrastructural deficit and her laudable efforts to drive a cashless economy.

Understanding the cluster-based approach and its benefits to the broad economy

A cluster approach would simply imply the support to a collective group, working for a similar purpose, with similar resources and similar impediments. The generality of the issues faced would allow firms in a cluster forge a deeper market understanding, receive insights and attain economies

of scale as experience is shared by the collective, alongside other resources. According to Porter (1990), clusters are geographic concentration of interconnected companies, service providers, firms in related industries, and associated institutions (universities, R&D, Chambers, etc.) in particular that compete but also co-operate.
One of the earliest documented clusters occurred in 18th century Britain where the SME clustering phenomenon was made popular during the cotton industry-led revolution. There was a huge market for cotton and subsequently cotton factories became the dominant feature of the Pennines who were then known as the "backbone of England". These clusters were located in "geographical confines" which meant they were deep in expertise and constantly challenged to improve. In those days, the location of textile industrial districts were dependent on the availability of constant power supply and nearby fast-flowing rivers to aid the manufacturing process. This paved the way for Britain to become a key international trade partner.

Other examples of clusters in Europe include: Automotive Industry, Media, Telecommunications, Financial Services, Satellite Navigation and Aerospace in Munich, Germany; Digital media, videogames, mobile development, fashion and textile in Belfast, Northern Ireland; Biotechnology, Information Telecommunications, Communications and Composite material in Nantes, France; and Design, Textile & Fashion, Energy & Media in Barcelona, Spain. In Nigeria, we have Leather clusters in Kano, Fashion and Garment clusters in Aba; Mobile phones, Computers & other accessories in Computer Village, Ikeja; tie and dye clusters in Abeokuta and Osogbo and automotive clusters in Nnewi.

SMEs are deeply affected by the globalization of markets, due to internationalization, all firms are forced to act and think globally. For SMEs operating in Europe, there is a European Union (EU) cluster policy guide for the domestic SME players to govern cluster-specific affairs and this has helped to foster a supportive business environment, interconnect their systems, create room for sub-contracting and generally, capitalize on new opportunities that present themselves (Szapo & Durkop, 2015).

So what are the broad benefits of this cluster-based approach to the broad economy?

Economies of Scale

Financial institutions generally, are unwilling to finance small borrowers on an individual basis partly due in part to the high cost of frequent small credit provisions. However, they may be more willing to disburse loans to a cluster that assembles small borrowers at a reduced cost. Clustering would significantly reduce a broad spectrum of costs to both the SME customer and the lending institution as effort and resources can be channeled with a greater degree of accuracy and efficiency. It will further leverage on a strong relationship-based approach, which has been identified as the key element to increase loyalty and share of wallet within the space. It would also drive quality output for the customer as their needs would be met more closely and may then translate to increased liability and revenue for domestic banks'.

Risk Management

A cluster-based approach can become a strong source of relevant industry and business-model related data which can be used to enhance sectorial experience, build sound risk management framework, enhance credit records, and evaluate client readiness. When small businesses are clustered, banks would have a chance of gaining greater insights and achieve a deeper learning of the industry due to experience. Monitoring is also a key risk-management element in the financing cycle; clustering would simplify this process by allowing lending institutions identify and react to associated risks; this would also provide greater flexibility to the lenders.

By leveraging the experience garnered

from the cluster, banks are better positioned to identify and react to associated risks, provide flexibility and simplify monitoring activities. Banks are also able to provide customized solutions aimed at addressing the specific needs of the clusters.

International Trade Opportunities

Cluster support will enable SMEs tap into the opportunity to become integrated in the world supply chain, establish linkages and drive their export potentials. It will also increase foreign exchange-earning opportunities and improve balance of trade position in the economy.

Innovation

The cluster-based approach will spur innovation and provide deeper industry knowledge which will allow the promoters gain better alliance and knowledge spill-overs due to the close proximity of similar businesses. It will drive quality control whilst fostering competition and innovative thinking. This could be a key index to set the economic wheels in motion.

Conclusion: The Need to get it Right and the Steps to Recovery

A healthy business environment makes for a healthy economy. When the business environment is vibrant, entrepreneurship opportunities open up, trade flows that result in business growth and economic prosperity are created.

The unfriendly business environment, inadequate financing options, dearth of infrastructure, absence of trust and weak management experience are key factors hampering the development and sustainability of the Nigerian SME sub-sector. The government and financial markets need to do more to encourage entrepreneurship and education to achieve economic development.

So how do we open up our banking landscape to drive the success of a cluster-based approach to SME transformation?

For the Government

Building industrial parks would provide cluster participants with access to requisite services and infrastructure to aid productivity and development. Provision of other shared infrastructure services such as collocation, shared-lease arrangements, crowdsourcing etc. would encourage innovation, specialization, greater economies of scale, resource optimization amongst many other key sectorial benefits. Support services would grow, sub-markets would also evolve from the larger markets and efforts can be directed and specified to meet more pressing needs.

To foster a more supportive environment, government can adopt a regional approach, as opposed to creating individual state clusters. This creates for comparative advantage, more efficient support and greater penetration.

The enactment of supportive regulation and policies is a veritable tool as the government can use its powers to insert firmer regulations and provide banks with greater degree of transparency to the SME's financial records. In Europe, the European Union (EU) cluster policy guide was enacted to govern cluster-specific affairs and help foster a supportive business environment, interconnect their systems, create room for subcontracting and position domestic SMEs to capitalize on new opportunities that present themselves (Szapo & Durkop, 2015).

For Banks

Embracing the cluster approach may require domestic banks to step-away from their traditional principles of lending, and adopt a more supportive SME-centric model by replacing the 5Cs approach; Character, Capacity, Capital, Collateral and Conditions that govern our current lending principle with the revised 4'C approach "Customer Focus, Cost Control, Cross-sell and Containing risk (Ramachandran, 2007). The volatile business environment in Nigeria has transferred the lending burden to commercial banks who are now expected to act as venture capitalists and move away from their core banking principles. For these banks to find opportunity amidst a fuzzy market riddled with varying headwinds, more informed and calculated risks must be taken.

Conventional plain-vanilla offerings such as term loans, guarantee's & indemnities amongst other various banking products and customer credit requirements with low customization; could be replaced with a range of tailored products such as innovative debt-financing, vendor remittance and retail payment solutions, cash-management services, forex solutions, advisory and consultancy, amongst other made-to-measure solutions. If the lending institutions target their efforts directly at cluster-specific needs, it will enable the banks to turn into a one-stop-financial super market.

Entrepreneur sensitization through trainings or workshops for the promoters of the SMEs can represent significant investment to human capacity development which would be far-reaching. The ever-evolving business landscape means that promoters need to constantly improve their knowledge base in order to stay ahead of industry trends and consumer behaviour.

A call to action

Finally, the promise of a vibrant SME sector has the potential to be a catalyst for employment generation, improvement of local technology, upscaling of infrastructure, increasing local competition and revenue increment for players, development of indigenous entrepreneurship, business longevity and forward & backward integration opportunities with the micro-industries and international supply chains. All these are attainable if we can successfully remove the impediments to SME sustainability. The quickest way to remove these impediments is to cluster our industries and focus on supporting these clusters for the greater interest of the economy and for SMEs to thrive.

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Captive Power Generation: A Viable Power Solution for Small and Medium Businesses in Nigeria

Onyedimmakachukwu Obiukwu

The last time the National Bureau of Statistics (NBS) updated its data, there were 37 million Small and Medium Scale Enterprises (SMEs) in Nigeria, more than the total number of people in Australia and New Zealand in February 2017. The combined contribution of these SMEs to the Nigerian economy however, put at just over $250 billion by the NBS report, was $150 billion less than the GDP of the Australian city of Sydney in 2016, which has a population of just under five million people. The reason for such a wide differential between the potential and output of Nigeria's SMEs is not far-fetched; limited access to finance and markets is further compounded by low levels of skilled manpower and technology. The single most significant stumbling block to SMEs realising their full potential, however is infrastructural, and here Nigeria's poor power supply stands out.

The highest volume of power supply that Nigeria has ever attained is 5,074 megawatts, which it achieved in February 2016. This figure, which the country is yet to replicate to date, is less than 4 percent of the 160,000 megawatts that power industry experts estimate the country needs for rapid economic expansion. Even if Nigeria were to meet its target of 20,000 megawatts by the year 2020, which is regarded in some quarters as highly ambitious, it would still fall significantly short of meeting the country's power needs. Regardless, the Nigerian SME sector, given the critical and immediate role that it is required to play to pull the Nigerian economy out of recession and jumpstart growth, can no longer wait—not even for the 2020 power target—to solve its power challenge.
Ten years ago, the Nigerian government, through its Financial System Strategy 2020, highlighted targeting of SME clusters for infrastructural support, as critical to solving their power challenge. Today, with these clusters still bereft of adequate power supply, Captive Power Generators (CPG) can step in and fill the gap. The case for CPG is apt; industrially, they can guarantee SMEs security of power supply, commercially, they require significantly less time and money to develop when compared to traditional power, and technically, they can be configured to the specific industrial demands of SME clusters.

What are Captive Power Generators?

Captive Power Generators are industrial scale power-generation facilities set up by a company to provide a localised source of electricity primarily for its own use or for the use of its customers. These generators come in two types; Captive Power Plant (CPP) and Back-up Generators. CPPs are typically bigger than 1 MW and designed to serve as primary power source to many companies, such as in Industrial Estates, or solely for the owner's own use, while Back-up Generators, which range from smaller household units (10 kW) to larger industrial units (up to 10 MW) are built for use if other power sources fail. While the use of the latter is prevalent in Nigeria, and upon which SMEs currently depend for running their businesses, the focus of this article is on the former.

Captive Power Plants are typically powered by fossil fuels (diesel, gas or gasoline) but can also be run on renewables such as wind, solar, biomass. With the rich gas reserves in Nigeria, gas-fired captive power plants will be the most competitive and attractive solution for captive power generation. A gas-fired captive power plant will also significantly lower carbon dioxide emissions in comparison with the environmentally unfriendly generators that pervade Nigerian homes and business spaces. Gas-fired captive power plants can also provide more than just electricity when used in a combined heat and power (CHP) configuration. Through such configuration, the power plant will generate electricity as well as heat in the form of steam, which is required by petrochemical refineries and paper

mills. This can be taken further to tri-generation whereby absorption chilling technology is applied to produce cold water that can be used for refrigeration. While the development of gas-fired captive power plants may be impeded by challenges surrounding gas distribution in the country, its potential to provide electricity and other infrastructural needs to industries far outweigh the roadblocks to its achievement.

Why Go Captive?

Currently, SMEs, and most businesses in Nigeria, rely on individually purchased, operated and serviced generators as their major source of power supply. The result was over N17 trillion spent by Nigerians on fuelling generators between 2010 and 2015, per a report by electricity-focused NGO, Good Governance Initiative. Another study, built on the survey of SME owners in South-West and South-South Nigeria, reveals that over 70 percent of small business owners consider individually operated generators not good for their businesses as they spend nearly 50 percent of their annual income on the fuelling and maintenance of their generators.

An in-depth analysis of the potential benefits of Captive Power Generators was recently conducted by PricewaterhouseCoopers (PwC) and commissioned by General Electric. The report focused on the Economic Benefits of Captive Power in Industrial Estates in Indonesia. Like Nigeria, they are unable to adequately provide, via the national grid, the power for the rapid industrialisation that its economy demands. While the report focused on the benefit of captive power to medium and large enterprises, its foundations—Indonesia's framework to drive economic growth via Industrial Estates and Special Economic Zones—are similar to Nigeria's policy frameworks for the development of its own SME sector, thus making Indonesia a relevant reference point for Captive Power Generators in Nigeria.

Among the questions the aforementioned report sought to answer were the benefits of captive power to tenants and developers in an industrial estate as well as how captive power can help achieve capacity expansion and electrification targets. To this end, the report submitted that CPGs could help eliminate the estimated $415 million that Indonesian businesses lose to power blackouts yearly because of damage to machinery or buildings, ongoing overhead expenses, inventory damage or spoilage, overtime required to make up lost production and generator fuel costs. The report also reveals that high quality power supply, owing to CPGs, would not only attract investors and encourage economic activity but would also lift Indonesia in the global competitiveness rankings by as much as 5 places.

Going Captive

As demonstrated above, while CPGs possess huge potential that, if leveraged, could transform Nigeria's SME sector and indeed the economy, the process of developing a CPP is quite complex. According to PwC, project development timelines for Captive Power Plants are likely to span 2-3 years and involve several predetermining factors ranging from regulation to mode of financing. The latter is the easier part as it often comes down to either project financing, where the sponsor is directly responsible for the cash flow, or balance sheet financing, which typically involves debt financing based on cash flow generated by the project.

The major sticky points to the development of Captive Power Plants in Nigeria are in regulations, where the laws governing CPGs are quite restrictive. According to the definition of Captive Power Plants in the Electric Power Sector Reform Act of 2005 "generation of electricity for the purpose of consumption by the generator and which is consumed by the generator itself and not sold to a third party". This runs contrary to the power industry understanding of a "captive plant" to be a plant that is owned and operated by a third party who sells the power from the plant to a customer or group of customers.

Beyond the issues of financing and regulation, the development of any Captive Power Generation project is a complex task that demands experience, expertise and a degree of patience. First, like working on any other venture in Nigeria, the project developer needs to be nimble; understanding that the rules and road map are not very clear and ever willing to adjust his schedule and resources to accommodate for that. It is also essential to enter local partnerships with co-developers, to facilitate a smoother market entry and project development, and with clients— in this case SME clusters or industrial estates, to guarantee the financial viability of the project. Perhaps, most importantly, it is imperative that the project developer be as self-reliant as possible to ensure control over the entire value chain ranging from the operation of the power plant to the distribution channels. Where all the issues mentioned above are effectively and efficiently taken care of, the success of the Captive Power Generation project is virtually guaranteed with enormous rewards certain for the project developer, its clients and the economy at large.

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Affordable Housing in Nigeria – The Challenge and the Opportunity

Eyitayo Olabode and Babatunde Maiyegun

Arguably, the most important demographic trend that will shape the world over the course of this century is the rapidly rising population in Africa. UN Projections suggest that population in Africa will more than double to over 2.5 billion by 2050. Nigeria, with projected population of 413 million is expected to overtake America as the world's third most populous country. By some estimates, Lagos has already overtaken Cairo as Africa's most populous city and its head count is expected to exceed 40 million by 2050. According to a World Bank Report, Nigeria had an annual estimated average urbanization rate of 3.75% per annum for the period 2010–2015, with 47% of the country's population currently living in urban areas. The growth of Nigerian Cities has created a need for increased volumes of quality commercial and residential real estate of all types.

This demand has attracted local and international investors to the sector. The emerging and growing middle class is responsible for the demand across the residential and retail property development, while businesses, emerging from its attractiveness as an investment destination, are responsible

for demand in industrial and commercial real estate developments.

With an estimated housing gap of 17 million units, valued at $425 billion/ N85trn (assuming a basic 2 bedroom apartment cost N5million per unit), the opportunities within the low income residential market are immense but yet untapped.

We must then wonder why this segment of the market isn't generating the level of investment activity (foreign or local) as seen in the retail, commercial and luxury residential segment of the real estate market.
Inspite of sufficient demand, government support, abundance of land for development and a host of other favorable factors, we still have not seen sufficient levels of developments to meet the housing gap. Is housing really affordable when the average income earner in Nigeria has to save for several years to acquire a piece of land and save for even more years to put up a reasonable structure for inhabitance? With minimum wage of N18,000 and an estimated 50% of Nigerians living on less than $1 a day, how affordable are the available housing solutions? Why can't the banking system offer more support?

This article will discuss some of the most significant issues in the quest for affordable housing that have plagued the country for years and how the situation can be improved.

Is housing really affordable?
Housing is one of the most basic of human needs. It forms an indispensable part of human dignity. Enunciated under article 25(1) of the Universal Declaration of Human Rights, the state has the responsibility of ensuring everyone has access to acceptable and affordable housing.

The definition of affordable housing varies across various countries but it generally includes a financial component (the share of income devoted to housing) and a standard for what constitutes minimum socially acceptable housing. Socially acceptable housing unit is defined by a particular community's view of what is required for decent living.

The Nigerian Government has for several years attempted to meet this responsibility under various schemes going as far as attempting to implement a programme with the slogan "Housing for All by the Year 2000", encouraging the involvement of government at all levels in project development with limited success. From 2006, the Nigerian National Housing Policy was launched emphasizing private sector participation in housing development, finance and investment.

Under the Federal Governments Housing scheme in 2014, the minimum price of a house is N4.5mm. Under Lagos Homes Ownership Mortgage Scheme, an affordable housing scheme promoted by the Lagos State Government, the price is even higher at N6.4mm for the lowest offering. We can assume that the cheapest private sector development will cost within the same range. These would represent the affordable housing benchmark for Nigeria.
Given that it would take a minimum

wage earner between 10 – 15 years of saving 40% of his annual earnings to meet the 20% equity requirement alone, it is obvious that affordable housing as prescribed by the government offerings above would remain a myth for majority of the population.

The reality is that the means of providing cheaper housing solutions have to evolve. Improvements across the entire housing delivery value chain must be made before an acceptable home ownership level can be attained.

The following factors are critical to achieving affordable housing:

Availability and access to cheaper mortgages

Nigeria has a very low homeownership rate of (25%), compared to peer countries like Indonesia (84%), Kenya (73%) and South Africa (56%). This is primarily due to the inability of the populace to access mortgages. Mortgage financing, long taken for granted in established economies, remains an issue in Nigeria as well as most of sub-Saharan Africa.

The World Bank estimates that 44,000 mortgages were granted in Nigeria between 2004 and 2010, with an average size of US$31,500, amounting to a Home Loans to GDP of 0.6%. Interest charges on prime mortgage rates among commercial banks ranged between 15% and 25%, and sometimes can be as high as 30%, which when combined with equity requirements of 20% to 40%, heavily restricts market access for low and middle-income earners.

The Nigerian government established the Nigeria Mortgage Refinance Company (NMRC) to encourage and promote home ownership in Nigeria by providing financial facilities to mortgage providers, thereby improving the availability and affordability of mortgage loans to Nigerians. Loans refinanced by NMRC are priced at 18%, a far cry from the single digit interest rate regime it was to herald. As at December 2015, only one (1) mortgage institution had been able to access the loans. Can it be because the other mortgage institutions were unable to meet the minimum underwriting standard as stipulated by the NMRC to facilitate the disbursement or the seemingly uncompetitive cost of the NMRC funds has made it unattractive to these mortgage institutions?

Financing for the scheme is a joint initiative between the Central Bank of Nigeria and the private sector. The World Bank's International Development Association (IDA) provided a 40- year, zero interest loan of US$300 million to assist the scheme. This initial funding was utilized as Tier 2 capital while Tier 1 capital came in form of equity contributions from the Ministry of Finance, the Nigerian Sovereign Investment Authority and local banks. It also successfully raised N8billion from the bond market at a fixed rate of 14.9%.

Though it is yet to achieve its objective, the NMRC is a step in the right direction. Perhaps solving the problem of mortgage availability may be a first stride to be conquered. Affordability could be next in line.

Bridging the infrastructure deficit

If meeting the housing supply gap is to be achieved cost effectively through private sector investments, government efforts to provide the required infrastructure must improve significantly. It is estimated that the lack of primary infrastructure increases the cost of development by up to 30%, invariably inhibiting affordability.

Private developers have to provide basic services from scratch in their developments (road, water and more recently power), ensuring that their product offerings are targeted only at those that can afford to bear the cost and ensure their return, effectively creating a disincentive for them to play a role in the affordable housing segment which the country's policy thrust intends for them to be drivers of. It must be said though that the issue of infrastructure affects the general productivity of the country and not just the real estate sector of the economy.

The Nigerian Investment Promotion Commission estimates that Nigeria needs investment of US$100 billion over the next six years for projects such as roads, electricity and railways. The infrastructural gaps to be filled across these sectors are significant and according to a study conducted by PwC and Oxford Economics in 2014, annual infrastructural spend is expected to increase from US$23 billion in 2013 to US$77 billion in 2025.

In view of this, the government in November 2015, announced plans to set up a $25bn infrastructure fund wholly dedicated to infrastructure developments. If successfully implemented would form a strong foundation for economic development and the financial empowerment of Nigerians, which will in turn increase the general affordability of housing in the country.

Policy Improvements

Being ranked 170th out of 189 countries by the World Bank's Ease of Doing Business rankings in 2015, Nigeria remains a challenging economy to effectively run a business. Significant shortcomings in property registration, contract enforceability, multiple taxation, amongst others remain critical limiting factors.

The Land Use Act (1978) is another major setback to the improvement of housing supply. The Act wrests the ownership of the Land to the State and the State Governors are responsible for the allocation of land. Governors use the provisions requiring their consent as a revenue generating tool for their states and impose heavy charges for granting consents. Each state has its own process for obtaining a Certificate of Occupancy. Its cost and lack of uniformity creates a bottleneck that is a significant disincentive for investors. To make matters worse, many state officials do not give urgent attention to the process of granting consent for land assignments or mortgaging. The Act remains contentious, though efforts have been made to amend it, not much has been achieved.

The World Bank estimates that registration of title on the average requires 77 days and costs about 18.6% the value of the property in Nigeria. This is more than double the Sub Saharan average. The process can involve several informal and undocumented payments, significantly affecting affordability. Put simply, it is cumbersome, expensive and time consuming.

It is important for investors and financiers to be comfortable enough with the legal and arbitration processes involved in enforcing contracts. They must be certain that the processes are transparent, fair and without needless complications. It is important that they can take possession of their collateral with reasonable ease. Investors lack the confidence required to invest and raise financing for affordable housing projects.

Improving building material and manpower capacity

While a level of self - sufficiency has been achieved with regard to the local production of cement, most of the other building materials are imported. It is interesting to note that 24 of the 41 items excluded from CBN's official foreign exchange window are building materials (including iron rods, tiles, plywood board and other critical building components). While some of these materials can be sourced locally, the attendant quality issues ensures a preference for imported materials.
There is also a lack of depth in skilled artisans for buildings to the extent that developers have been known to seek out the required manpower from neighboring countries.

Government has the role of improving technical training for artisans, encouraging investments in manufacturing of building materials and creating the right environment to allow private sector players seek and deploy technologies and processes that will facilitate the development of affordable housing on the scale required to improve the housing stock in the country.

Better cost efficiency can also be achieved with the improvement of local capacity in both material and manpower terms. Proven technologies, enhanced methodologies and regulatory support can enable large scale and low cost housing production by reducing cost by up to 30%.

Role of the Financial Institutions

Beyond providing mortgage facilities to customers that meet their minimum risk assessment eligibility criteria, most banks shy away from financing affordable housing projects due to the speculative nature of these developments. Its targeted income segment, poor project execution by developers and a myriad of other reasons, label these projects as high risk. The projects must be significantly de-risked by ensuring guaranteed occupancy and involvement of reputable developers in the execution of these projects.

Conclusion

The attendant benefits of cracking the affordable housing myth are significant. In the right locations, it can boost productivity by integrating lower income populations of the economy and reducing cost of shelter and services. It would enable labor mobility, open a path to rising income and stimulate economic growth.

Government initiatives will continue to drive progress with regards to affordable housing.

Long term financing issues as it relates to mortgages are being addressed though not at the pace required.

We are also witnessing an increased agitation for better legislation with regard to land ownership, building and planning regulations.

The Public Private Partnership model will continue to drive growth as government continues its role as an enabler rather than a developer. Already, several projects of note are presently ongoing. The Abuja land swap initiative whereby private developers are allocated large tranches of land for infrastructural development, easing the Government of the responsibility to provide infrastructure, promoting the development of urban settlements and reducing the effective cost of property development.

It is hoped that this policy direction is sustained. Current and future investments will ride on the success of current initiatives.

Making Big Data Actionable

Chima Azubuike and Seun Thomas

Introduction

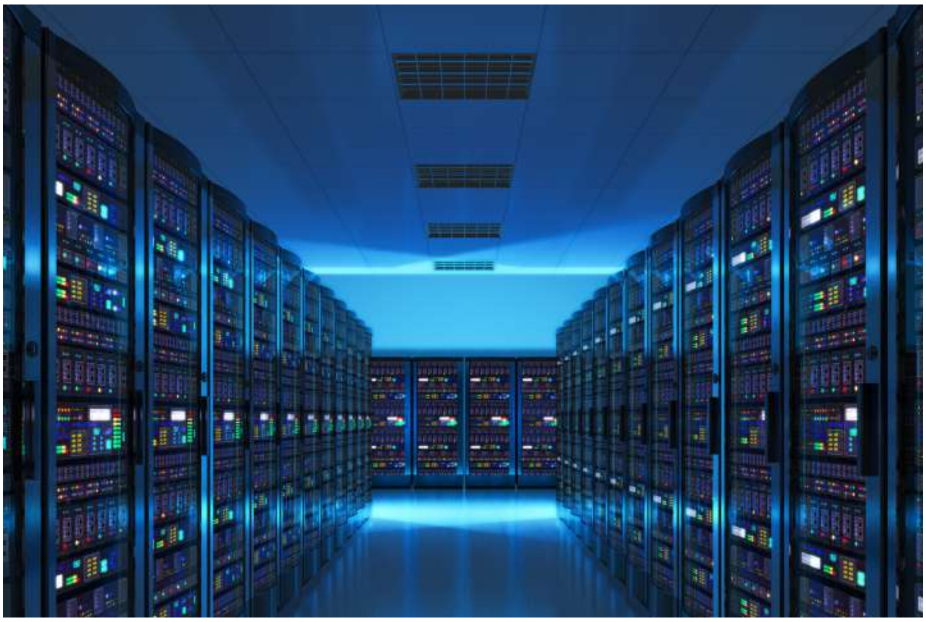
The concept of Big Data has been around for a while, originally referring to innumerable data unreceptive to traditional means of collation, storage or analysis. This has evolved over time to be termed "Big Data analytics". It includes the process and technology that enables companies sort through these large amounts of data to unearth hidden correlations, patterns and trends in real time, ultimately providing insight and platform for better decision making.

In a bid to appreciate the concept of big data, we must establish that many organizations have Big Data and that we (individuals) are constantly creating data through various streams of our daily lives; phones, computers, debit cards, surveillance cameras, drones, sensors, e-commerce platforms, videos, modes of transportation (UBER, planes), social networking sites etc. With the various interactions of over 7 billion people including 3.2 billion internet users, 2.3 billion active social media users in the world (Chaffey, 2016 and Smith, 2016), there is exponential growth of data.

Now that you are equipped with enough to save face in the event of a related conversation, it's necessary to highlight exactly why you need to have the conversation at all.

What is Big Data?

The internet is awash with a myriad of definitions. After reviewing the contributions from major influencers



in the field including Kirk Borne, Craig Brown, Ronald Van Loon, Evan Sina and Gregory Piatetsky-Shapiro; "Big data" is the dynamic, high volume, high value set of data created by people, tools and machines with commensurate high veracity, strong linkage ability, provenance and referral integrity; requiring new, innovative and scalable technology to collect, collate, host and analytically process to uncover hidden patterns and correlations that will help in deriving real-time business insights which relates to consumers, risks, profit, performance, productivity management and enhanced shareholder value"; ultimately making the enterprise "intelligent" (Demchenko et al, 2013; General Networks, 2013 Tandon, 2014; Slavakis et al, 2014; LaValle, 2009 and EY, 2014).

Why invest in "Big Data"?

Globalization is no longer just a course in University curriculum or a farfetched idea of a metropolis big enough to take everyone. Globalization is here and its advent is made possible by advancements in technology and a larger scale adoption of social media with far reaching impact.

With globalization, investment in big data has become extremely important as a large pool of corporates are investing in big data analytics so as to reduce expenses in simulating new business scenarios, increase agility and speed in infrastructural management, retain ability to navigate a highly dynamic and evolving analytics ecosystem, ensure multi-layered data security and reduce entry barriers into new businesses (Zikopoulos & Eaton 2011; Holmes 2012 and Provost &Fawcett 2013). The technologies around big data management reduces cost, improves profitability and drives efficient decision making (Gutierrez, 2015 and Columbus, 2016).

Data analytics is changing the way companies compete. A company that can analyse petabytes of data (equivalent to 40 million two (2) medium sized cabinets) in minutes, is more than equipped with the right tools to get to the market faster with products, align itself properly with customer's needs and create new business models.

Most write ups on Big Data analytics are in relation to business productivity and profitability. Research is continuously targeted at establishing a clear correlation between investment in data analytics and growths in profit. According to a Mckinsey report on Big Data as the 'Next Frontier for innovation, competition, and productivity', it is estimated that a 'retailer embracing Big Data has the potential to increase its operating margin by more than 60%'. Also, a study from IBM shows that companies who excel at financial efficiency and have more mature business analytics and optimization can experience 20 times more growth in profit and 30% higher return on invested capital (Saran, 2011).
An illustration of data in action was in its application at Target Retail Store (second largest discount store retailer in the US) where Purchasing Data detected that a teenage customer was pregnant based on trends related to unique items like unscented lotions, mineral supplements, cotton ball etc. The case became popular after the teenager's angry father, upon receiving coupons for pregnancy kits in the family mail, showed up at the retail store to inquire about his daughter's shopping activities. Although not all applications of Big Data Analytics are as dramatic, its undeniable tendency for breakthrough insight may see the concept potentially converge with that of the 'internet of things' to significantly disrupt the current scope of man's interaction with technology and also encompass all aspects of our daily lives.

Big Data in Action

Healthcare and Medical Services

Big Data Analytics could be used to fast-track advancements in healthcare through the use of data on sleep patterns, energy expenditure and calorie consumption from smart bands. Technology is aiding the quest to live healthier lifestyles and is enabling the medical community improve the accuracy of diagnostics as well as monitor and forestall disease outbreak through data mined from medical records, patterned changes in vital signs from the populace or simply data from social media capturing large scale sentiment in real time, thanks to the constant need of majority of the populace to announce their current 'status' by constantly updating their profiles.

Currently, the Nigerian Healthcare system is characterized by lack of access to basic services, poor equipment and irregular, and often times, erroneous diagnosis. The internet is awash with angry narrations of Nigerians who were put through devastating emotional ordeals as a result of misdiagnosis on ailments varying from common malaria to HIV, everyone knows someone who at some point or the other needed a second medical opinion.

Sports and Fitness

Beyond Healthcare, the world of sports has embraced Big Data analytics as a means to enhance athlete/ player performance, improve fan engagement and prevent injuries. In football, stakeholders have access to information, from distance covered on the pitch to heat maps showing players average positions, count of successful or unsuccessful passes, tackles etc. Analysis of data collected on opponents is a key part of pre-match preparations and coaches like, Louis Van Gaal, gained notoriety for his unrelenting reliance on Data Analytics and affinity for thorough training exercises based on the said Analytics carried out.
Data from wearable devices, cameras and high tech sensors help to capture and monitor large volumes of data. Enterprises with visionary leadership are connecting with the big data potentials and the adopters are doing better than their peers and competitors (Gantz, & Reinsel 2012, Hashem et al. 2012, Kaisler et al 2013 and Demirkan & Delen 2013).

Telecommunication

Multiple terabytes of data have been generated by Telcos over the years but what has changed is its volume, velocity and complexity. Data comes from call records, billing records, electronic records, voice calls, texts, blog posts, web content, file downloads, apps, etc. Today, Telco's are applying Big Data analytics as a means of streamlining their services across the various tiers of their customer base. Airtime/Data bundles are created and branded based on profiling from data gathered on consumer demographics and spending patterns.

Retail Sales, Marketing & e-Commerce

Data from customer loyalty records, POS systems, video cameras, mobile devices, sensors, weather reports, Wi-Fi infrastructure, online purchases, geographical web access analysis, promotional calendars, store inventory, local demographics data etc. are used in the retail space to construct predictive models used in prospecting, serving and retaining customers (Laney 2015, Brixius 2015 and Gaitho 2015).

Recently, GTBank introduced birthday notification feature for related parties on its Internet Banking platform. This feature sends birthday notifications of beneficiary contacts (with a GTBank account) to the customer, with the option to transfer funds, buy airtime or order a birthday gift on the SME Market hub for the birthday celebrant. Secondly, big data analytics has also assisted in ascertaining the most withdrawn amount at the various ATM locations e.g. N5,000 at Market locations, N10,000 in Victoria island and Ikoyi locations and N15,000 - N20,000 for ATMs within residential estates. In a bid to reduce the time spent by Customers at the Bank's ATM terminals, the bank has programmed these terminals to prompt users of an express withdrawal option of the said amount, which pops up immediately after the password is correctly entered. This has gone a long way in reducing the queues at the Bank's ATM points.

Currently, through data analytics, Google Maps is able to identify Traffic congestion online real time and aid route planning.

Conclusion

Big Data Analytics is slowly finding its way into our daily lives as Nigerians and it has the potential to revolutionize our lives and hasten our transition from a third world nation to a smart society. There is a large pool of data available to most companies from myriads of sources. Data management companies have solved the problem of data storage. It is now left for the leadership of organizations to make the necessary investments in the required infrastructure and people, to take full advantage of this business asset.

With big data analytics, companies will be able to understand where, when and why their customers buy, protect their customer base with improved loyalty programs, seize cross selling and upselling opportunities, provide targeted promotional information to their prospects and existing customers, optimize workforce planning and operations, improve inefficiencies in their supply chain, predict market trends and future needs, become more innovative and competitive, create new business models and new revenue streams, reduce cost, reduce fraud, manage risk and improve regulatory compliance, improve profit and stay ahead of competition.

In order to maximize or even realize the benefits of Big Data Analytics in Nigeria, there needs to be improved Data collection and management system. It is almost impossible to carry out research or anything that involves using local data because the data is simply non-existent. The government needs to invest in creating a database for its Citizens, tedious as the process may be, the first step to having good governance is knowing the people being governed.

Based on the fact that data is gathered on all aspects of our lives, the actual impact of data is unimaginable, and the current limited use is likened to the initial use of electricity to only power light bulbs or the previous use of spectrums for only TV and Radio transmissions.

If after all this, you still doubt the magnitude of the scope of Big Data Analytics, it would please you to know that big data has been analysed to find what the funniest joke is (in the world). I'll leave you with it:

Two hunters are out in the woods when one of them collapses. He doesn't seem to be breathing and his eyes are glazed. The other guy whips out his phone and calls the emergency services. He gasps, "My friend is dead! What can I do?" The operator says "Calm down. I can help. First, let's make sure he's dead." There is a silence, then a gunshot is heard. Back on the phone, the guy says "OK, now what?"

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