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Global Ad Agencies Flocking to Africa

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In early 2009, Kofi Amoo-Gottfried, a nephew of former United Nations Secretary General Kofi Annan, was asked by a global advertising agency to set up its new operation in his homeland of Ghana.

"Fifteen months after Kofi started to set up shop, we already have higher revenue in Ghana than in South Africa," said Richard Pinder, chief operating officer of Publicis Worldwide, a unit of Publicis Groupe SA, which wants to increase its business on the continent. The reason: Advertising growth in Africa is soaring, driven by telecom companies, financial services firms and makers of consumer products.

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Nigeria, Angola, Kenya and Ghana have some of the highest growth potential, ad executives say. Above, a Guinness billboard in Lagos, Nigeria.

Ad executives believe Africa is the next big market opportunity, after China, Latin America and India. Agencies including WPP PLC, Publicis and Omnicom Group Inc. hope growth in emerging markets will offset other regions, such as Western Europe, where expenditure growth is slowing.

"All of our major clients, as they are looking for geographical expansion opportunities, have Africa and the Middle East high up on their priority list, if not at the top," said Martin Sorrell, chief executive of WPP, the world's largest advertising company by revenue.

For Mr. Sorrell, being present in Africa is as important as being in China or India. WPP currently generates $500 million in revenue a year on the continent and expects revenue to grow around 10% this year. The group has increased its revenue from just under $150 million four years ago, helped by acquisitions, such as the purchase of a 33% stake in South Africa's Smollan Group and 27.5% in Kenya-based Scangroup Ltd., among others.

"People say it's small, but $500 million is the same as [WPP makes in] India, about half of China and the same as Brazil. And it's growing very rapidly," Mr. Sorrell said.

To meet rising demand from local and multinational clients, agencies are increasing their footprint beyond South Africa, which for many years has been the industry's main focus on the continent. Ad spending in South Africa is expected to reach around $4.7 billion this year, according to Publicis's ad tracker, ZenithOptimedia.

Nigeria, Angola, Kenya and Ghana have some of the highest growth potential, ad executives say. The Nigerian market alone grew 20% last year, according to Media Monitoring Services Ltd., an ad tracker, as telecoms and banking firms boosted spending in the run-up to last summer's World Cup in South Africa. The country, along with others such as Kenya and Angola, has also attracted more investment due to its richness in natural resources, particularly oil.

Patrick Ehringer, president of the Middle East and Africa for DDB Worldwide, a unit of Omnicom Group, says his agency is looking to "bulk up in Nigeria, because of the volume of business that is going on there." Another Omnicom unit, TBWA Worldwide, which has a strong presence in South Africa,, says it is planning to acquire offices in Nigeria, Ghana, Uganda and Mozambique.

With political unrest, poverty and corruption, the continent isn't the easiest place to do business. "Risks have become fewer, though, in recent years; there is a lot more law and order now," says Bharat Thakrar, chief executive of Scangroup, an East African marketing services group. Still, Luring talent to the region can be tough. And with so many languages and big cultural differences, crafting ads can be labor-intensive, marketing executives say. Ads in Nigeria, for example, need to be in five different languages to reach a large audience.

Africa and the Middle East together represent only about 2.9%, or around $14 billion, of the total $482.6 billion global ad market, according to market-research firm eMarketer,. While the bulk of this is from the Middle East, both regions are the fastest growing world-wide and in 2014, they should increase their share of global ad spending to 3.5%, the research firm says.

The plan to open an office in Ghana was part of Publicis's review of its Africa strategy. "The idea was to move away from the affiliate model to a fully owned agency model," says Mr. Amoo-Gottfried. Publicis is focused on growing its business through four fully owned hubs on the continent, in Ghana, Morocco, South Africa and Kenya.

In January 2009, after working for major clients such as Nike Inc. and Kellogg Co. in the U.S., Kofi Amoo-Gottfried, then 30 and a former Leo Burnett employee, returned to Ghana with a check in his pocket from Publicis to rent an office, buy computers and hire some employees. There are now 24 staff and the agency counts firms such as Nestlé SA and Vodafone Group PLC among its major local clients.

Publicis's smaller French rival, Havas SA, is taking a similar approach. Implementing what it calls its Africa Project, Havas this year opened an agency in Tunisia, its second-largest on the continent after South Africa, as well as smaller offices in Nigeria, Kenya, Ivory Coast, Cameroon and Senegal, working for clients such as cosmetics giant L'Oréal SA and carmaker Hyundai Corp. Havas's chief executive, Fernando Rodés Vilà,said the group aims to have about 3% to 4% of its total $2 billion annual revenue in Africa by the end of 2012, up from just over 1% today.

Acquisition prices for local African ad agencies remain modest, in contrast to Brazil, China and some other emerging markets where frenetic deal-making has caused prices to soar. "We aren't seeing the insanities there that we are seeing in Brazil or in digital in the U.S. But it will get, I'm sure, more competitive," adds WPP's Mr. Sorrell.

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