

Construction sector driving Uganda's economic growth

Uganda's paints industry has gone through a raft of changes that have seen the two major players battle to own a slice of the market. *Prosper* magazine's William Lubuulwa interviewed Mr Chris Nugent, the managing director for Kansai Plascon, on the new developments in the industry and how they are coping.



A man paints a wall. The paints industry in Uganda has seen some players join the market. PHOTO BY ISMAIL KEZAALA

It is a few weeks since Kansai Plascon announced the acquisition of Sadolin. How has the market responded to this news?

Overwhelmingly I must say. One of the most surprising things for us has been the feedback on the name change; and expectedly so; from Sadolin to Plascon. We have had to invest a lot in trying to explain to our customers this new dynamic. Sadolin is a trade name that belongs to our previous partners and following the acquisition, the business had to change the name of the brand and products to Plascon.

Our go to market strategy has been to continuously engage customers, reassuring them that whereas the name has changed, the product has remained the same. Our customers are coming around and embracing the new name.

Many players are coming into the market. How is Kansai Plascon navigating these challenging times?

Our promise to our customers has always been that we give them great service and value at the best price we can. This has not changed. They are confident of our company and the change of name has not affected this confidence.

This does not mean that we have relaxed either. We have embarked on a nationwide market sensitisation effort to continue creating awareness about the Plascon brand.

You acquired assets and distribution networks of a brand which was enjoying a lot of support in the market. Have we seen the market share drop or increase as a result of the acquisition? What is Plascon doing to consolidate this market share?

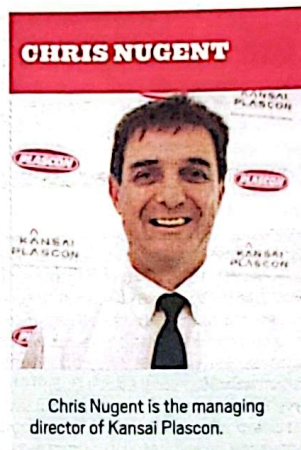
It is still too early to tell the effect that this has had on market share. We have a lot of old stock on the market that we are phasing out slowly. We have carried out dealer and painter engagements that have allowed us to maintain a stronghold in the distribution networks across the country.

We are, therefore, confident that we have maintained our market share and in fact are looking to expand our distributor networks, product offerings and other services for industrial, decorative and automotive paint.

With new innovations and technologies that best serve our evolving customer trends and needs, Plascon is set to dominate the paint industry in the foreseeable future.

How would you describe the paint industry currently? What are the issues, where are the opportunities and what are the challenges?

These are exciting times for the construction industry. Uganda is a growing economically and with it, many of its industries. The expectation is that the construction sector will grow at double the rate of Gross Domestic Product. This means we



Chris Nugent is the managing director of Kansai Plascon.

are looking at growth in excess of 10 per cent per annum over the next few years.

Additionally, opportunities lie in the fact that Uganda has a very young population with more than 50 per cent of the population under 20 providing a high demand for housing. Industries are also growing, fostered by improved infrastructure, the discovery of oil in Hoima, stable electricity and other energy and a growing middle class. As a result the demand for industrial paint and associated coatings will grow.

What are the new paint trends on the

Ugandan market?

Ugandan people love colour. Lime green sits on top of the list, then yellow tints and shades combined with clashing accents of terracotta and purple.

The current trend in Uganda is moving towards more natural greys and lighter colour combinations accompanied by bold brightly coloured feature walls.

International colour trends are slowly moving away from the grey and charcoal palettes, the introduction of bright colours combined with cooler more sophisticated accents seems to be the order for 2018 and moving forward.

How is Uganda's current economic situation affecting the paint industry? Are there reforms you would like to see to boost the industry?

According to research by Economic Policy Research Centre, Business Climate Index improved by 5.07 percentage point to 93.05 during the January - March 2017 quarter from 87.97 in the October - December 2016 quarter. This is an indication that the country is on a recovery path from an economic slump that we experienced before, during and after the 2016 general election.

The construction sector, in which the paint industry is a player, is driving economic growth for Uganda, contributing about 10 to 12 per cent of Uganda's Gross Domestic Product. In addition, the sector also contributes 40 per cent of jobs created by the private sector. Despite the recent upsurge of inflation, the sector has maintained a steady growth path, growing at about 10 per cent annually.

Government has embarked on an ambitious plan to push middle income status for its citizens by 2040 which means it is investing highly in infrastructure and of industrial services like power and energy. This has significantly boosted production and distribution networks. However, inflation remains high which is not good for the economy and for any business to thrive.

What is the future of the paint industry in the East African region in general?

As mentioned before, there are good indicators. People are moving from low income status to middle income status at a high rate. This is largely driven by the fact that Uganda has a youthful population that is coming of age and creating a huge demand for housing. This forecasts a promising market for the paint industry.

Africa, particularly East Africa, is on a fast track economic growth. There are a lot of investment opportunities for businesses. All this comes with a boost in the construction and automotive sector. We project that the industry will continue to grow at about 10 to 15 per cent across the region.