



Tropentag, September 17-19, 2018, Ghent

“Global food security and food safety:  
The role of universities”

## The Baobab Processing Sector in Malawi: Strategy, Business Models and Performance

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### Abstract

The baobab (*Adansonia digitata* L.) is an important indigenous fruit tree in Africa. The tree's potential as ingredient in healthy and nutritious food products has increasingly been realised, as witnessed by a growing demand for baobab from the global food and beverages industry and establishment of baobab processing companies in sub-Saharan Africa. However, supply of affordable and high-quality processed baobab products is currently faced with a number of challenges. The paper presents results of a study currently ongoing in Malawi. Since the 2000s, the country is characterized by an intensive commercialisation of baobab by numerous formal and informal food processing enterprises. However, research results with regard to strategy, business models and performance of these enterprises are scant. This study aims to fill these gaps.

The study draws from a survey of 80 baobab processing enterprises, key informant interviews, case studies of four enterprises and secondary sources. The majority of the enterprises in the sample (70) are informal enterprises. The most common product in the informal sub-sector is ice-lollies. The target market for the informal processors are low income bracket (usually school going children). Juice and powder are the most dominant products of formal baobab processing enterprises. This subsector targets high-income health conscious consumers primarily in the domestic urban markets. With regard to business models, results show that a majority of the enterprises employ similar business models with collectors as the main key partner in the factors markets and retailers as the main key partner in the product markets. Preliminary results also indicate that using Miles and Snow's strategic typology, a majority of the enterprises can be classified as reactors. By employing undifferentiated business models and employing reactor strategies, the performance of the enterprises is compromised as evidenced by a number of formal enterprises that had to close down operations. The paper presents recommendations on how to increase the business performance of the formal and informal baobab processing sector in Malawi.

**Keywords:** Baobab processor, business model, performance, strategy