

LRI Africa

We offer support services for your business in Africa.

LRI Africa Database

One of the biggest challenges international companies face in Africa is a shortage of qualified local manpower. In response to this issue, we have developed a large database of professionals who are available to work for you in Africa. These professionals have necessary knowledge and skills to undertake business in Africa. They will work for you as an in-house consultant. They are covered by our professional indemnity insurance and, as required, are supported by our London office. Please contact us for your free access to the database.

This newsletter examines the future opportunities for foreign companies to become involved in African markets that have shown its significant rise in public consumption. LRI conducted an interview to the Director of sales in one of Europe's leading companies operating in Africa. With his 20 years of experiences and wide knowledge, we will analyse the potentials for other transnational companies for entering the growing African markets.

1. What are the key challenges for the marketing and sales work in Africa?

There are several issues to be dealt with when conducting sales in Africa such as corruption, bureaucracy, inefficient communication system, travel difficulties, language barrier, and safety concerns. With regard to corruption, there are two different types;

a) At low level, including backhanded payments to individuals or private companies. When hiring the local agents or distributors, I always make them sign a company compliance agreement in order to avoid corrupt activities.

b) At high Level, by Western multinationals who deal with African governments. They bring expertise to the country, but only offer small shares of revenue to the governments (as little as 10%) he interviewee thought in some cases. Also, he feels actual oil production figures may not be entirely accurate.

Due the fact that there are little daily flights between countries, most international suppliers suffer from travelling difficulties. For example, travelling from Angola to the neighbour state Congo requires going through South Africa. There is often no transfer flight on the same day; hence they end up wasting an extra day. With regard to safety issues, there are not enough regulations and policies to deal with problems.

2. Are any aspects of marketing and sales easier in Africa?

Doing business in Africa is not easy. Companies must be on the ground to follow up business. This involves establishing local offices to promote the business, hiring local staff to represent the organization and face competition.

My company had no local office in Africa for 50 years. Now they have a local office in a couple of countries in Africa, yet I believe it is not good enough.

3. How important local partners are in doing business in Africa?

Having local partners would be a great advantage because they have knowledge of the market and culture; they would also be a better representation of the company in all aspects of the business. It is also necessary to have local office on the ground, not just a local agent or distributor. This creates brand awareness, as well as offering much better local and technical support. Local people will be unwilling to buy a product if they have limited access to support which is based abroad.

Businesses often fail in Africa because they do not hire local people at management level. He said Africans do not like to see white people at the head of businesses, and prefer to deal with a black African. Local people are able to cross language barriers and have in depth country knowledge.

LRI Publications

LRI publishes detailed reports in a variety of areas related to the energy sector. The reports combine first-hand knowledge from interviews with expert analysis.

Details of two of our forthcoming reports on Africa are given below.

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Sub-Saharan African Oil and Gas: Opportunities for Manufacturing Suppliers



A comprehensive examination of the oil and gas industry in Sub-Saharan Africa, this report provides specific country analyses of Nigeria, Angola, Mozambique, Tanzania, Ghana and Equatorial Guinea.

The Sub-Saharan Africa Electricity Sector: Opportunities for Manufacturing Suppliers



A detailed look at the power sector in Nigeria, Kenya, Mozambique, Tanzania and South Africa, and the opportunities for industry suppliers in those countries.

4. How do you establish or develop a distribution channel?

First of all, I monitor sales history, visit and interview potential candidates for distribution partnership. It is important to speak with them directly to understand their experience of the country and to understand what connections they might have and how they may help my business. Furthermore, it is also important to look into the finances of distributors to ensure that they are in good financial health. Normally they should have been in operation for at least one year.

Agents must be in the country in which you have engaged them, and must be able to bring business. They are paid on commission, and must also sign company compliance policy to guard against corruption.

5. How many agents and distributors do you have in each country?

It depends on the agreement, the size of the territory and the nature of the business, but usually I have 1 agent or distributor in each country. I have tried a model where one agent dealt with 3-5 countries, but this didn't work so well.

Large oil and gas companies are now expected to have local representatives.

6. Is the management of agents and distributors different in Africa from in Europe or other parts of the world?

No, it is the same.

7. What do you think is the most effective marketing and sales promotion measure in Africa? Is that different from other regions of the world? Does it differ in different parts of Africa?

The most effective marketing and sales promotion measure in Africa is to be present in Africa via local office for brand awareness and provide a quick local/technical support when required. With local representation, you can assess competitors more easily, have greater price awareness and can more easily shape your strategy.

8. How do you think about China's involvement in Africa?

Currently Western companies are failing to keep up long term relationships with African businesses, and are falling behind China. Chinese companies are going into Africa with more of a philosophy of helping local businesses, building hospitals and roads and investing back into the country. There is a lot of negative publicity on China in Western Europe, but in Africa the Chinese companies are perceived as more helpful and better to do business with. There is a perception that they are more transparent in their dealings with African organizations, and it helps that they do not have a colonial background.

LRI Africa Newsletter

LRI Africa provides a monthly Newsletter for all the readers to deepen their understanding of business in Africa, illustrating the business opportunities and risks on the continent. In order to cover wide range of perspectives, it includes not only the statistical data but also the interviews of a stakeholder of African markets.

If you have any feedback or requests, please do not hesitate to contact us.

Objectives and Services of LRI Africa

In Africa, the political situation has been steadily improved years after civil wars were ended, and wealth has been brought to Africa by discoveries of natural resources. Remarkable economic achievements have been observed in recent years. According to the African Development Bank, the economy in Africa has grown faster than in any other regions in the world. The current GDP of 26 billion dollars is projected to double by 2020. The region's work force will reach 1.1 billion by 2040, exceeding that of China and India combined.

Despite this promising prospect, not many international companies have entered African market yet. This is not only because of lack of information available about the continent but also because of lack of support services available in the continent. In view of this situation, LRI Africa has launched a comprehensive range of services at affordable rates, including:

- **Business research service for all the countries and sectors**
- **Project services from plan development and feasibility studies to execution and monitoring and management**
- **Mobilising in-house consultants to work as team members of our clients**

Please feel free to contact us for detailed information.

9. How do you train or develop local sales members?

I usually conduct Performance check and feedback, one to one coaching when required, offer training opportunities to develop new skills in house or outside. It is necessary to put local people in leading positions as local people don't want to see foreigners in charge. When hiring someone, they must be from that country as well. An Egyptian will be of no use in Nigeria unless he has some family links there. Local in-country expertise is required.

10. How do you see the fact that some African countries are having a local contents law?

The local content law would help to promote growth regulate investment as well as local expertise and business. This will also help to develop African countries. In some countries these contents law are already in place, yet, due to corruption they are not well respected.

11. In connection with the local contents law, would it be easy to find local partner companies or to find local components or services?

Yes.

12. What security measures are being in place for the security of expatriates?

Some Western companies tend to hire private security companies.

13. What do you do to ensure safe delivery of goods? What measures are taken?

When the goods are ready to ship, the customer is responsible for the collection of the goods in our factory, or I usually deal with third party (i.e. logistics companies) to ensure the delivery.

14. How payments are made by African clients?

Letter of credit or bank transfer.

15. Have you ever experienced with non-payment?

Never, As I always asked for bank guaranty or letter of credit

16. How important the price over quality or delivery time?

Price, quality services, and delivery are the key requirements for African customers. Therefore it's important to be flexible in payment terms and conditions to maintain a long term relationship with customers.

17. Is there any difference in the negotiation is done between African clients and other clients?

In my opinion, no. Since every customer is after a better quality services, good price and flexibility in payment, there are not much difference.

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**African countries where
we have done a research
project for the last three
years:**

Angora, Equatorial Guinea,
Ghana, Gabon, Cameroon,
Nigeria, Republic of the
Congo, South Africa,
Kenya, Mozambique,
Tanzania, Egypt, Libya,
Algeria, Morocco, Tunisia

18. Do you rely on African government data for your work? If so what data have you used? What do you think about the reliability of them?

Yes I do rely on African government data, but in some occasions the information provided are not up to date. The internet has only really begun to develop in Africa in the last 5 years, and many organizations do not have a website. Organizations often do not have the skills or resources to maintain latest information. Email responses often take over a week, if received at all. In the past, it was necessary to get information from the local Chamber of Commerce, which can be very time consuming. If you have a local agent/distributor, you can mobilize them to find out the information you need.

19. How do you see the opportunities in Africa for Western companies? How do you see the future of Africa for Western companies?

Western companies are losing the ground and business over to China due to lack of transparency, unfair trade, power and control, corruption and lack of investment and unbalance profits over the years. China is coming stronger and stronger with flexible measures, transparency, slightly fair trade, partnerships and local investment to ensure the development of Africa.

PMCAFRICA

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