

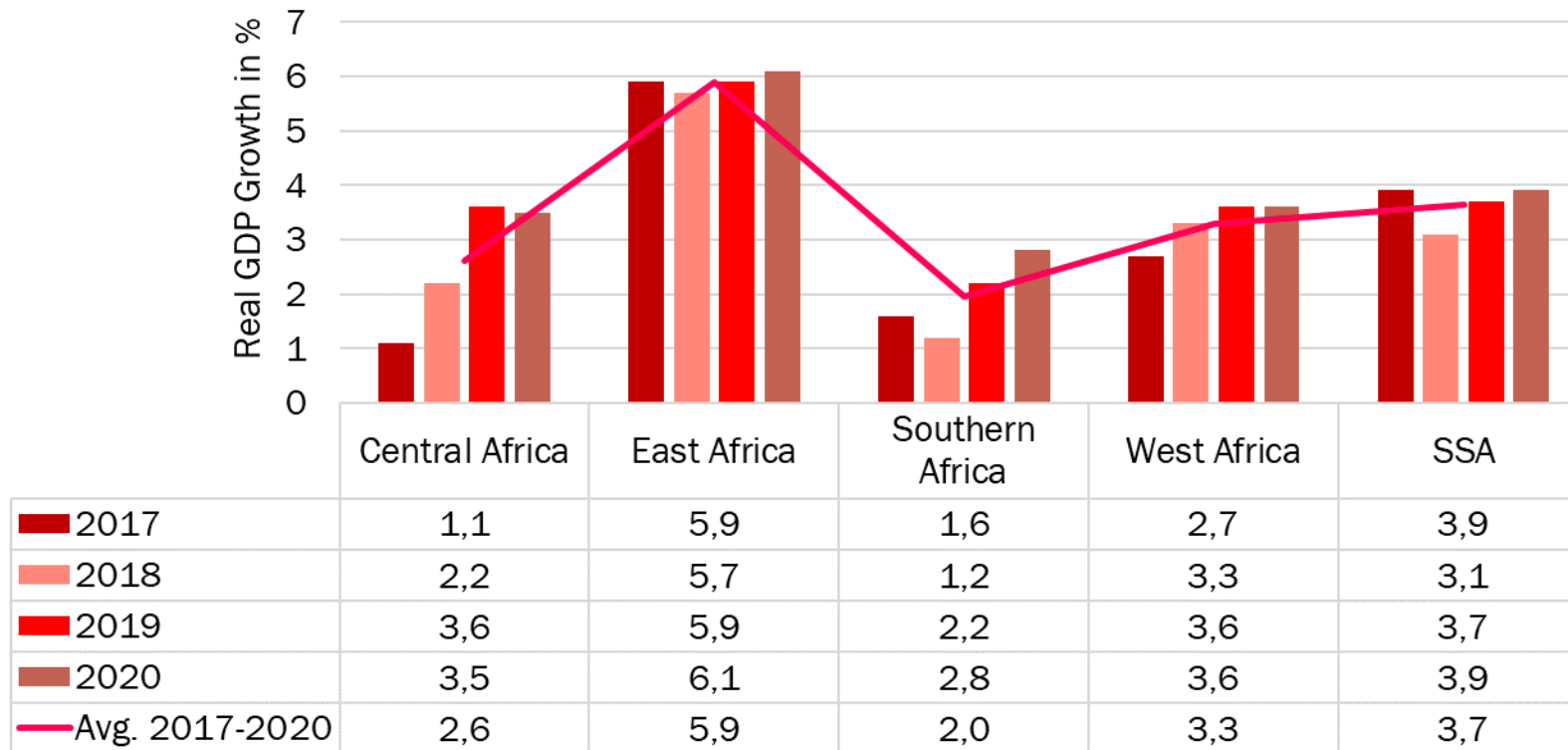
KEY MARKETS AND MARKET ENTRY STRATEGIES IN SUBSAHARAN AFRICA

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Prof. Dr. Philipp von Carlowitz



Growth in SSA is robust with different regional growth rates
 – East Africa taking the lead as it has the most diversified economies



Source: Carlowitz, 2019

This is what foreign companies see in SSA-Industry markets....

Growth of Value Added by Country and Sector 2010-2017 (CAGR)								
	Ethiopia	Côte d'Ivoire	Ghana	Kenya	Nigeria	Rwanda	Tanzania	Uganda
Agriculture	6,3%	6,5%	3,0%	3,8%	4,0%	5,2%	3,1%	2,2%
Mining and Utilities	10,5%	3,3%	23,7%	8,7%	-4,2%	12,8%	7,6%	7,4%
Manufacturing	22,5%	5,4%	5,1%	3,0%	8,4%	6,9%	6,6%	2,7%
Construction	27,1%	12,0%	9,1%	9,5%	7,1%	10,5%	13,9%	6,8%
Wholesale, Retail, Tourism	9,7%	6,6%	6,6%	5,6%	4,0%	7,7%	6,7%	2,3%
Transport, Logistics, Storage	13,8%	8,9%	8,5%	7,5%	3,8%	9,5%	11,0%	10,1%
Other Services	9,3%	6,0%	5,6%	5,6%	3,7%	7,4%	6,0%	4,4%



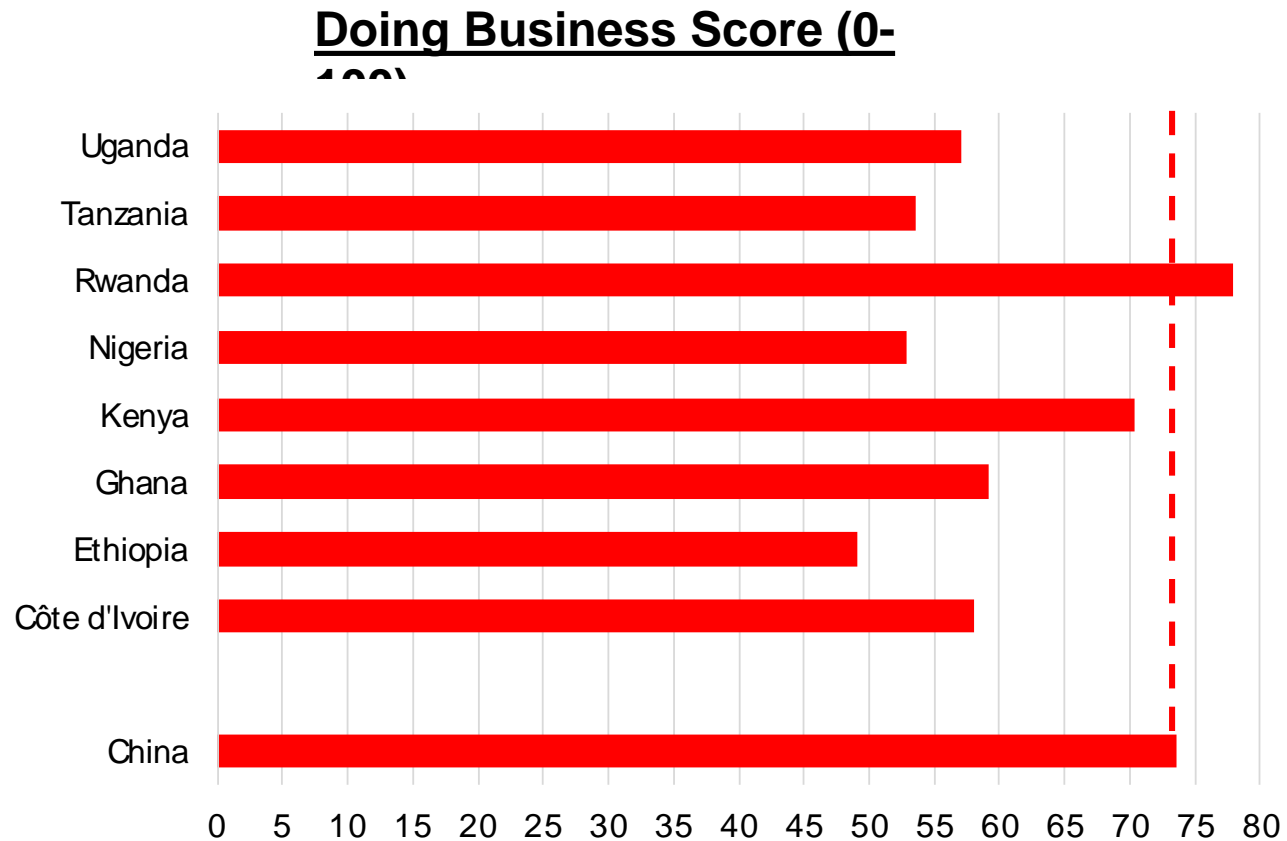
Country by Sector market growth 2017 (based on CAGR 2010-2017 in mn. USD, real 2010)									
	Ethiopia	Côte d'Ivoire	Ghana	Kenya	Nigeria	Rwanda	Tanzania	Uganda	Sum by Country
Agriculture	1.067	621	414	495	4.580	121	359	126	7.783
Mining and Utilities	100	73	2.369	173	- 1.806	47	224	89	1.270
Manufacturing	960	261	450	167	3.510	39	225	61	5.671
Construction	1.519	113	425	322	1.210	72	859	124	4.644
Wholesale, Retail, Tourism	880	334	642	305	3.234	76	399	84	5.953
Transport, Logistics, Storage	306	294	429	444	2.162	56	610	316	4.617
Other Services	900	609	635	981	3.787	243	695	302	8.155
Sum of absolute Growth	5.732	2.304	5.364	2.888	16.676	654	3.372	1.102	38.094

Source: Carlowitz, 2019

Further opportunities lie in SSA-Trends

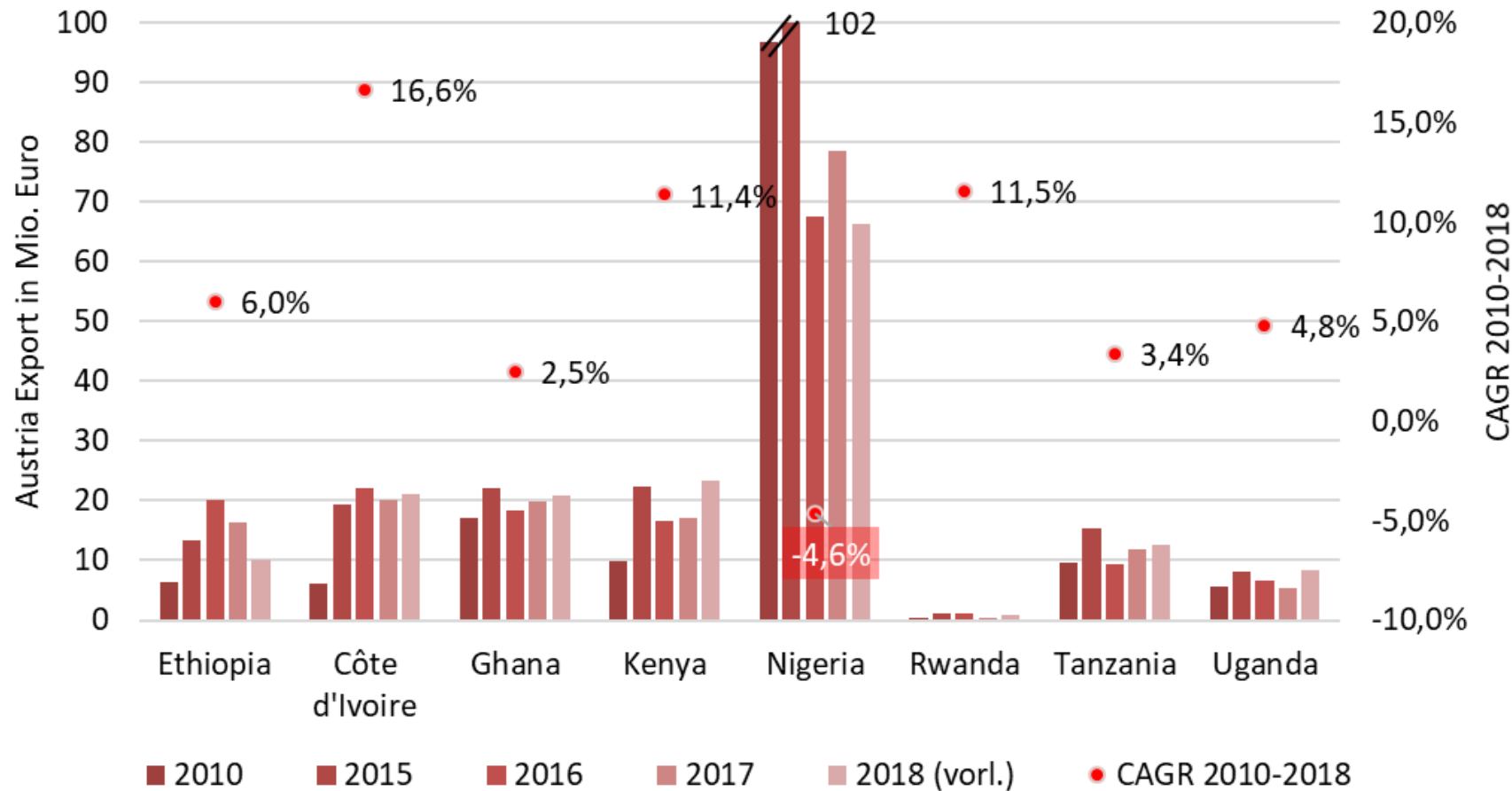
- Urbanization and „smart Cities“
- Growth of middle class
- Climate change and environment protection
- Deployment of new technologies

... and this is what they find: Difficult operational business conditions

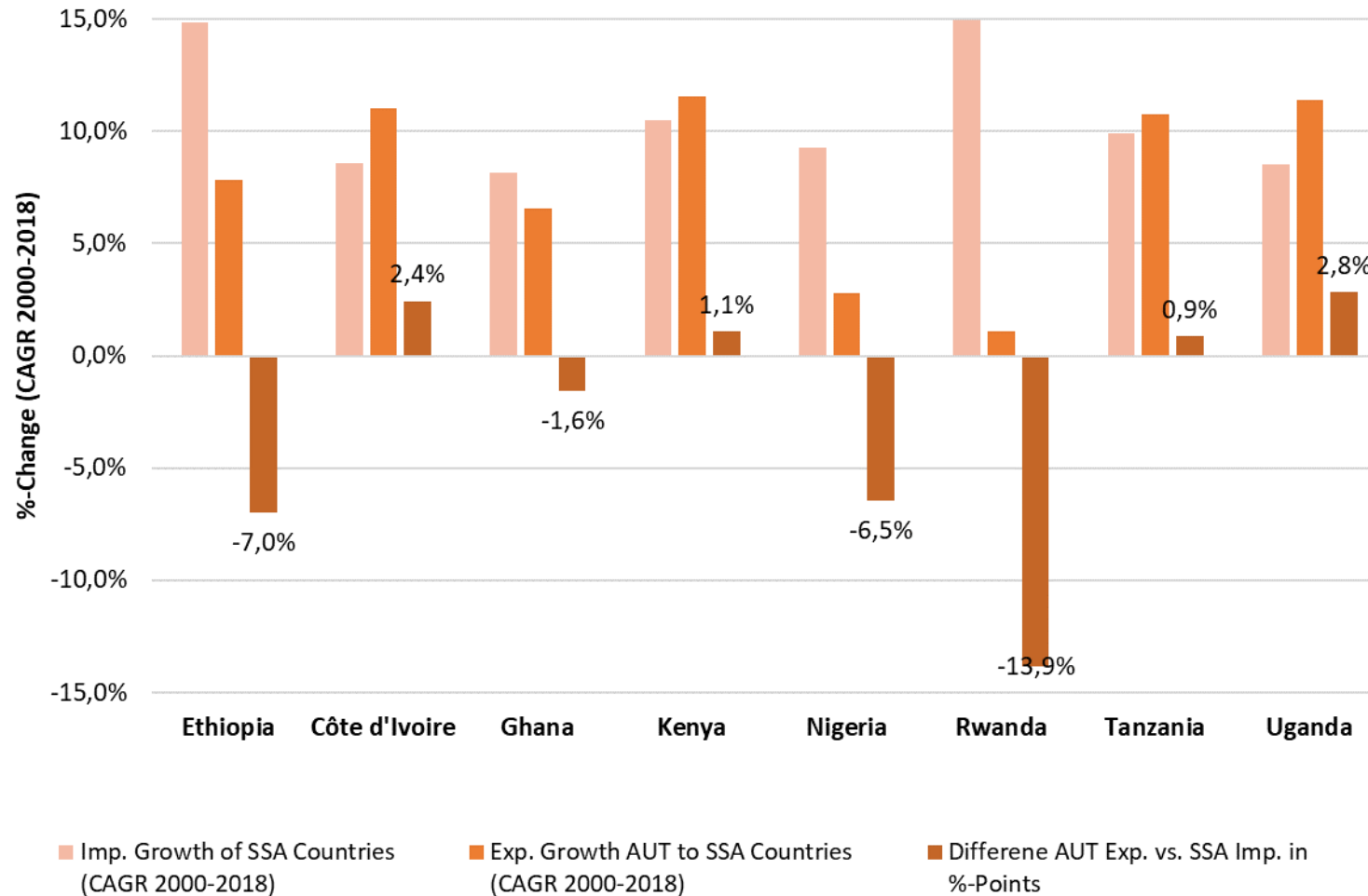


- Business Conditions of Focus SSA-Countries in the global middle field
- Rwanda scores higher and Kenya nearly as high as China
- Heterogenous picture across SSA as 11 of worst 20 DB-Countries from SSA
- Trading across borders remains big issue due to corruption, high bureaucracy and insufficient capacities
- 3 of top 10 Reformer Countries in Doing Business are from SSA

Austria's' Exports grow significantly in some countries, but from a low basis; Nigerian recessionary developments have hit Austrian Exports

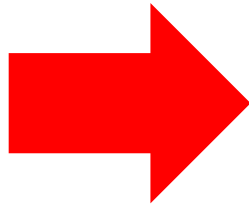


Austria is loosing ground in SSA-Markets



- Major ground loss in Ethiopia and Nigeria => both among the more attractive markets in SSA
 - Ethiopia one of the fastest growth worldwide
 - Nigeria largest market in Africa
- Ground is lost in Rwanda, but Austrian exports are at low level

A question arises!!!

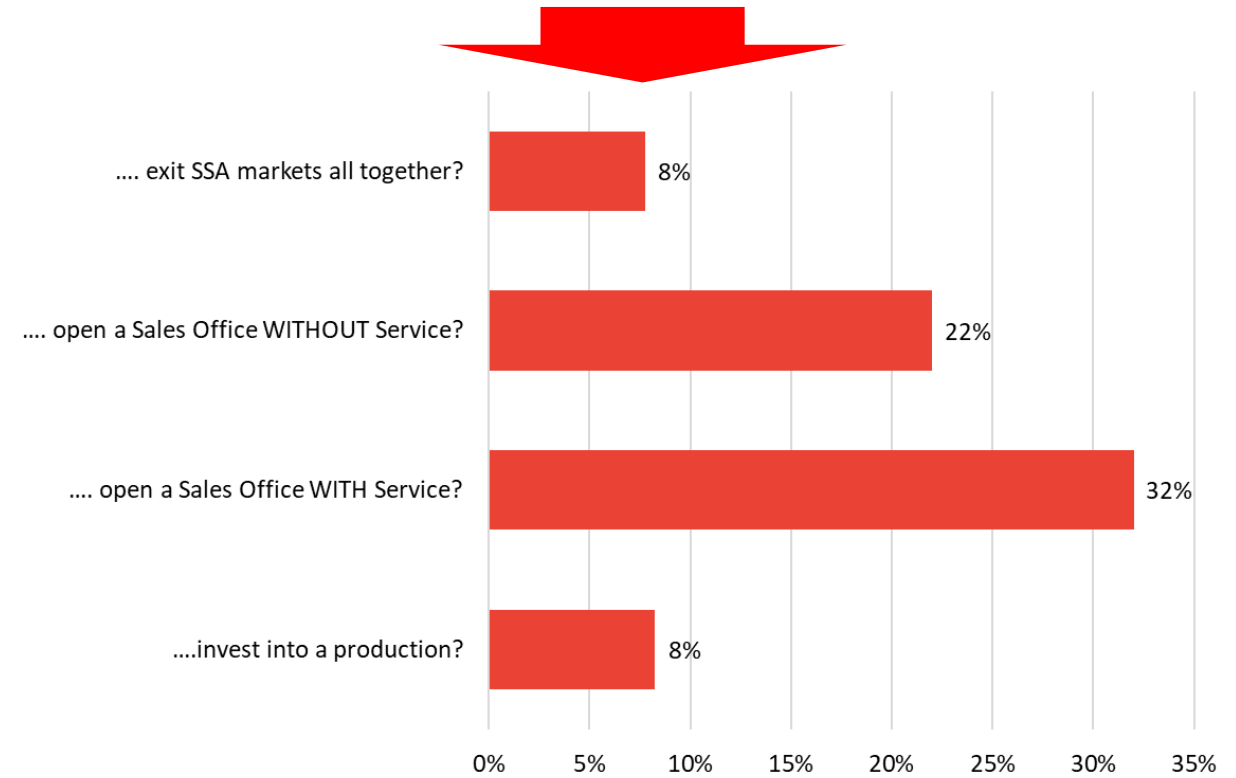


So, what can Austrian Companies
do in order to seize the
opportunities?

Reasons for being active in SSA are mainly market and sales based

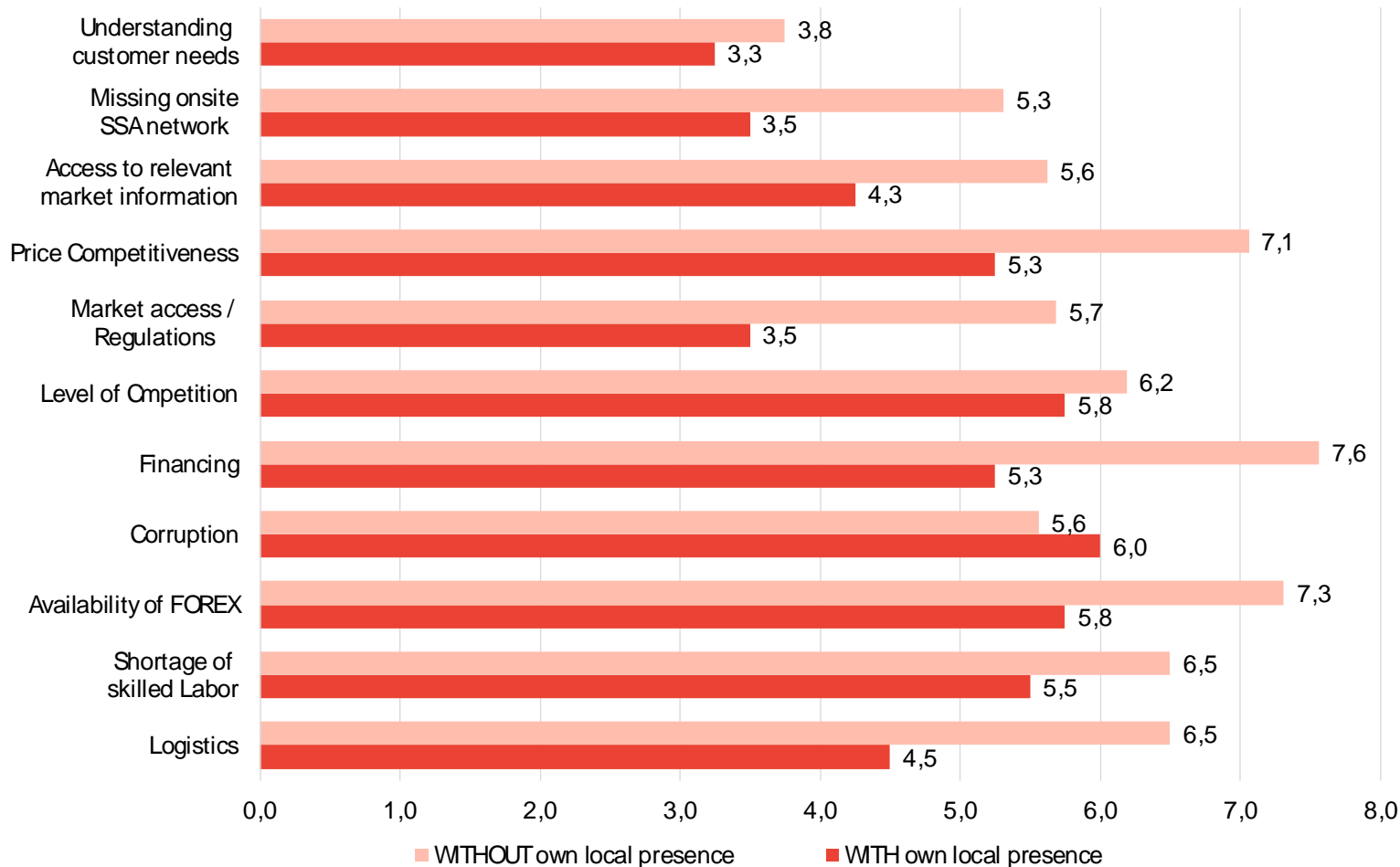


- Motives all about sales
- No reason for production
- In next 5 Years increased localization



Challenges Austrian Experts have identified and rated – Being onsite the challenges seem less severe!

Insufficient Management attention on SSA-Business has also been mentioned frequently



Usual Business Model Austrian Companies:

- 75% of companies run an Export Model
- Partner takes care of customs, domestic logistics, little direct business
- Revenue Model upfront payment/letter of credit
- Standard price
- Some training for partners & customers

Doesn't effectively deal with challenges

Selected business model proofed successful in SSA-Business

Pay-per-Use

- Payment from Cash Flow
- Flexible asset usage
- Continuous revenue streams
- Easy to combine with mobile payment

- Upfront investment and financing
- Return on Invest delayed
- Complexity

No Frills

- Price Competitiveness
- Meets the needs
- Potential for adapted, simply functional products in other Emerging Markets likely

- Product development
- Developers Ego/opposition to “simplify”
- Brand dilution

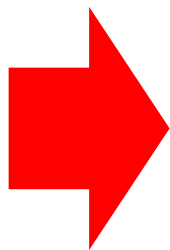
Rent-instead-of Buy (Franchise, License)

- Payment from Cash Flow => no, less financing issue
- Flexible asset usage
- Continues revenue streams

- Upfront investment and financing
- Return on Invest delayed
- Theft but can be mitigated (GPS tracking)
- Subject to political/social unrest

What are the key Success Factors

- Local presence on customers => send signal to customers, better information and coordination the ground, closer communication and relation with
- Product adaptation to improve price competitiveness => Create a strong value proposition for SSA-Customers
- Strong and capable local partner => have operations run by partner, self only coordination
- Use of new technologies to facilitate business in SSA => deal with (some) operational issues
- Firm internal commitment to the SSA Markets business => ensure seriousness, resources and capabilities to push



- **Look at business model adaptation or innovation**
- **Not one business model fits all => companies need to find their model**
- **Continuous Check for ideas to deal with operational challenges**



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