How to successfully expand your business into the africa

Business

Import and export figures are also significantly higher for emerging markets and developing economies compared to advanced economies. Looking at these projections as an business or investor should have you seriously considering expanding your business or portfolio into these regions and tap into these revenue. Introduction Today world is becoming less and less defined by its boundaries, the words " Global Village" and used to reference this evolution. Business is at the fore front of breaking these boarders.

Technological advances incommunicationespecially via the World Wide Web have broken down the barriers enabling a business in America to sell rodents in a consumer in China, England, Brazil, Kenya.... Anywhere the internet is present can now be included in a business's target market. Not only can businesses sell goods and services anywhere in the world, the can also have operation there and be able to communicate and collaborate with colleagues and other partners more efficiently and affordable than even before. Given these facts then why do businesses choice to do trade with one country over another and not both or as many as possible?

We the simple answer to this question is that there many other barriers to read with foreign countries that will make it hard or even impossible for foreign business to expand into those regions. African countries have been one of those that many businesses in developed countries have refrained from doing business with. And in their defense it's not without merit. Despite African being blessed with an abundance of natural resources, it has been plagues with wars, and political instability leading to high levels ofpoverty, lack ofeducationand poor infrastructure.

However over the last two decades, many of these countries have made strides in utter there economies, and have registered high economic growth during this period. However even with these changes, not many foreign business have taken note of these region as potentially significant part of the market. Even with slow economic growth rates among developed countries. Africa is poised to be the next big market, especially as things slowly wind down in Asia notably China. The purpose of this project is to establish a successful strategy for American Businesses to expand into the African Market Is this a profitable market?

The African economy has seen a significant economic growth of the past two cascades. The economic growth rate is two to three times that of developed countries and still significantly higher than that of other emerging economies like Asia and Latin America. The middle class has shown a sharp rise over the last decade, raising the amount of people with discretionary income thus driving the economy. This growth spike is driven by the growth of the middle class. The middle class growth has happened as Africa makes strides in education, infrastructure, and political stability in many countries.

Compared to Just about 10 years ago, a huge economic growth can be noticed. From a similar research project conducted written in 2004 titled " The experience of South African Firms Doing Business in Africa' we can see Just how the economy and other factors have changed. In June 2003, the International Monetary Fund (MIFF) observed that macroeconomic policies in Africa had improved considerably in recent years, although inflation remained a source of worry in a number of countries such as Zombie, Angola, Somalia and Nigeria.

In its April World Outlook, the MIFF maintained that the central challenge for Africa remained the establishment of those conditions necessary to achieve the Millennium DevelopmentGoals, most notably a sustained reduction in poverty. However, to achieve these goals, an overall growth rate of 7% per annum is required. Far from reaching that goal, Africans economic growth slowed to 3. 1% in 2002, compared with 4. 3% the previous year. (Games 2004) Fast forward to 2013 that goal of 7% growth is being attained by several African countries.

If you look at the latest MIFF data for economic growth in table 1. MIFF 2013 The average growth for many of the African countries, is at 6. 9% in 2013 and raising up to 7. 9 in 2014. The map further shows where parts are recording these phenomenal growth rates. A 7% average annual growth rate is too significant to Just be ignored. This growth creates an increased demand for goods and services that usually cannot be meet by current businesses and government. Deutsche Bank said the number of households with discretionary income would reach 130 million by 2020 from 85 million now. Cape Argus [South Africa] 14 Novo. 2013) What industries are most profitable? A developing counties or emerging economies the African market has opportunities for business in every industry. This region is playing catch up with developed countries thus means the opportunities for foreign businesses who have already one it can bring with them experience and expertise to contribute to this growth will turning a profit. Retail is one of sub-Sahara Africans hottest sectors, fuelled by expanding populations and fast growing economies.

In east Africa, the economies of several nations are growing around 7 percent a year. Real income growth in Africa is averaging 2. 3 percent a year and consumer spending accounts for 60 percent of economic output, the World Bank said in April. Deutsche Bank said the number of households with discretionary income would reach 130 million by 2020 from 85 million now. That's really good news for shops. Daily News [Colombo, Sir Lankan] 14) Africans tourism growth was faster than the average for emerging economies. More than half of Africans tourists arrived by air.

International tourist arrivals in Africa had grown almost fivefold since 1990 at a rate of 6. 3 percent a year. International tourist arrivals rose from 15 million a year in 1990 to 50 million in 2011. The growth rate in sub-Sahara African tourism arrivals was nearly 8 percent a year between 1990 and 2011. It is estimated that tourism injects more than $30 billion (Rabin) into the continent a year. Airbus said there had been some positive improvements across the egging despite continued impediments to growth. (Cape Times [South Africa] 1 Novo. 013) What are the barriers? These are: Low levels of development and insufficient investment in people as resources; Political and fiscal risk. A weak private sector, coupled with a strong government presence in the economy; High dependency on donors and other financial mechanisms for aid and the funding of projects; High business costs owing to the lack of basic services, facilities, infrastructure, development, competition and resources; Insufficient air and road links; Poorleadershipand bad governance; Corruption at all levels of government;

High costs offinancedue to high risk and weak economies Currency fluctuations. (Games 2004) This list of barriers to doing business in Africa are from a decade ago, at present not all of them have been corrected but significant steps have been taken to fix reduce or eliminate them. In Africa, foreign investors beware: business is often afamilyaffair. Just ask Wall-Mart , the world's largest retailer. Daily News [Colombo, Sir Lankan] 14) Political climate Tunis: The eighth annual African Economic Conference concluded today, calling on development and business leaders to turn Africa into a hub of business and development excellence. The conference, Jointly organized each year by the African Development Bank (BFD), the United Nations Economic Commission for Africa (ACE) and the United Nations Development Programmer (UNDO), brought together 500 decision-makers and development practitioners. Daily the Peak Banker 2013) Infrastructure SCALING up infrastructure investments and adopting modern methods of management have been identified as significant benchmark in releasing potentials in the business sector to contribute immensely to economic growth of the East African Community (EACH) partner states. (Tanzania Daily News 2013) " We need investment n infrastructure, our roads and ports," (African news service 2013) Countries to avoid Why sub-Sahara Africa and not north?

Growth will weaken in north Africa dues to slow down among oil exporters (miff pop) Sub-Sahara Africa is expected to continue growing at a strong pace during 2013-14, with both resource-rich and lower-income economies benefiting from robust domestic demand (Figure 2. 15). The externalenvironmentis the main source of risks to growth, particularly for middle- income and mineral-exporting economies. Given the still-uncertain global environment, countries whose policy buffers are thin and here growth is strong should seek to rebuild fiscal positions without undermining productive investment. miff pop) The generally strong per- performance is based to a significant extent on ongoing investment in infrastructure and productive capacity, continuing robust consumption, and the activation of new capacity in extractive sectors. (MFC pop) . In sub-Sahara Africa as a whole, inflation is projected to fall further to 7 percent in 2013 (miff pop) The frequency of growth takeoffs in low-income countries (Lies) has risen markedly during the past two decades, and these takeoffs have lasted longer than those that took place before the sass.

Economic structure has not mattered much in sparking takeoffs-? takeoffs have been achieved by Lies rich in resources and by those oriented toward manufacturing. A striking similarity between recent takeoffs and those before the sass is that they have been associated with higher investment and national saving rates and with stronger export growth, which sets them apart from Lies that were unable to take off and confirms the key role of capital accumulation and trade integration in development.

However, recent takeoffs stand out from earlier takeoffs in two important aspects. First, today's yeoman Lies have achieved strong growth without building macroeconomic imbalances-? as reflected in declining inflation, more com- appetite exchange rates, and appreciably lower public and external debt accumulation. For resource-rich Lies, this has been due to a much greater reliance on foreign direct invest- meet (FED). For other Lies, strong growth was achieved despite lower investment levels than in the previous genera- Zion.

Second, recent takeoffs are associated with a faster pace of implementing productivity-enhancing structural reforms and strengthening institutions. For example, these Lies have a lower regulatory burden, better infrastructure, higher education levels, and greater political stability. Looking for- ward, there remain many challenges to maintaining strong growth performance in today's dynamic Lies, including the concentration of their growth in only a few sectors and the need to diversify their economies, and ensuring that growth leads to broad- based improvements in living standards.

Still, if these countries succeed in preserving their improved policy foundation and maintaining their momentum in structural reform, they seem more likely to stay on course and avoid the reversals in economic fortunes that afflicted many dynamic Lies in the past. miff 97) In particular, the follow-ins have become more important: a more competitive exchange rate, deeper export links with other Modes, higher human capital levels, initial levels of income per capita, and overall economic size.

Indeed, as global trade and competition increase, greater external competitiveness, export diversification, and productive- itty improvements may raise Lies' chances of takeoff relatively more than when the global economy is less integrated. The baseline results suggest that the chances of take- off more than tripled during the sass compared with the period before 1990 (Figure 4. 11). The predicted (miff Pl 10) How can barriers to entry be overcome?

He said that in order to kick-start a major investment drive on the continent, these banks should partner with institutions such as the Bank Guest Francine De Development, the Africa Finance Corporation and Cairo-based Brinkman. Pressed on whether he had considered the Industrial Development Corporation and the Development Bank of Southern African, he said these too should be considered for partnering and leveraging with bigger commercial banks. (Cape Times [South Africa] 1 Novo. 2013) " Business on the continent is a relationship, not Just a transaction.

If you miss the relationship you will have endless trouble with the transaction. " Building relationships in Africa is an important part of doing business, particularly for South Africans who have to work at countering the perception that they are the new colonizers, the bully boys who have taken over markets, pushing out local businesses. (Games 2004) Are other countries already doing business in this region successfully? About 80 business people have been given advice about increasing exports to Africa. The event, held yesterday in Quern, was hosted by Government agency I-J Trade and Investment (KIT).

Susann Hutting, of the East Midlands office, said most of the delegates had already traded with Africa and were looking for ways to increase their sales to the continent. " Lots of people were looking for different information about exporting more," she said. (Leister Mercury Novo.) Which developed countries are doing business here? Asks, who was born in South Africa, said " everyone is keen on Africa", including investment banks in the EX. and North America. They had billions of dollars available to invest on the continent but did not know the regulatory terrain and the pitfalls of coal investment markets.

He had been in discussions with many of the international banks. " They are all asking... Are you [Airbus] formulating a strategy for Africa? " (Cape Times [South Africa] 1 Novo. 2013) Marriott International, the New York Stock Exchange-listed international hospitality group, is planning to acquire the brands and management business of Protean Hotels in South Africa and sub-Sahara Africa. The US group confirmed yesterday that it had signed a letter of intent with Cape Town-based Protean Hospitality Holdings to acquire Protean Hotels' brands and its management business.

Protean Hotels operates or franchises 116 hotels across three brands with 10 184 rooms in South Africa and six other sub-Sahara African countries. (cape times 2013) How are other business from other foreign countries doing? Natural growth of African-based aviation would see the number of aircraft needed to serve the markets for flights to, from and within the continent rising from 618 at the start of 2012 to a projected 1 453 by 2031. It was projected that 122 aircraft of the existing 618 would have to be replaced, while 823 would have to be brought on stream. This meant nearly 1 000 new aircraft would be needed in the next 20 years.