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Establishing business in Africa

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Africa's combined consumer spending of US\$860 billion in 2008 will grow to more than US\$1.4 trillion in 2020, according to the McKinsey Global Institute. Released in June 2010, its research paper *MGI African Economies* gives an interesting forecast for Africa in the next decade. The report concluded that growing consumer purchasing power and increased foreign direct investment flow is positioning Africa as prime destination for business. Having said that, starting business in Africa is the same as any other part of the globe. There are surmountable challenges one must overcome to become successful in international business. One of the key challenges new entrants face in Africa include limited supply of reliable market data and the stress of finding a reliable business partner. This article will cover strategic steps that could help businesses find credible business partners in Africa.

Seek expert advice

To get meaningful and strategic advice on how to start business in Africa, new entrants should consider employing the services of an expert with experiential African knowledge. The Africa expert should have the capacity to educate and inform new entrants about potential risks to avoid, understand the regulations that must be complied with and, most importantly, create networking and meeting opportunities with credible business partnership prospects in the local market. It is not hard to find and view information on Africa online, but nothing compares to having the services and guidance of a local expert.

Research

Every business sector has unique challenges when starting out. To make a successful entry into any of the emerging African markets, there is great need for research. The research findings should cover opportunities, operational risks, competitive analysis, and feasibility studies among others. Considering that many African economies do not update market data as quick as obtainable in developed economies, it is important for market research on nominated African market to be conducted by a local research firm operating in the environment. The choice of a local research firm is informed by their capacity to unearth related opportunities, local challenges, business culture, un-written regulations guiding the nominated business sector among others.

Attend international exhibitions and industry events

On getting required research information and advice from an expert, it is very important that new entrants consider making a trip to the desired market. It is not enough to gather desktop research intelligence and start making plans to make the first shipment or sign a business contract by email. There are annual international exhibitions and industry events for most business sectors in Africa. With the help of a local expert, new entrants should consider an event that will maximise opportunity for networking and meetings with local players and potential partners. Below are the benefits of industry events:

- Hear firsthand of new opportunities and challenges in a nominated African market from distinguished speakers and panellists.
- Gain insight into the latest internationalisation strategies from other foreign investors and local captains of industry.
- Network with key decision makers and government officials in the country.
- Take away practical tips on your business international growth and local market entry strategies.

Join a trade mission

There are opportunities for both individual and corporate trade missions to Africa. Aspiring businesses use trade missions as an opportunity to self-evaluate nominated African market. You can join a trade mission run by government bodies such as [Austrade](#) or your State Government, or use private consultancies (such as [OctoberFirst](#)). A trade mission gives new entrants a unique platform to meet key local players they would not have met if they visit a market by themselves. The benefits of a trade mission include the following:

- Meet potential business partners and clients.
- Discover growth areas offering new opportunities.
- Market your products and services to potential partners and clients.
- Make valuable business contacts.
- Network with key government and industry representatives.
- Gain insight into the local market and business climate.

From consumer retail business to infrastructure developments, Africa is brimming with opportunities and that is why many global businesses are now pitching for a stake in the continent. For businesses still on the sidelines, early entry into emerging economies provides opportunities to create new markets, influence customer preferences, and establish brands as well as shape industry structures and establish long-term relationships. Africa offers businesses the opportunity to become pace-setters. Planning how your company could do business in Africa is now a strategic necessity. The time to act is now. Below is a summary of the McKinsey Global Institute economic forecast for Africa. **Africa Today**

- **\$1.6 trillion** Africa's collective GDP in 2008, roughly equal to Brazil's or Russia's
- **\$860 billion** Africa's combined consumer spending in 2008
- **316 million** the number of new mobile phone subscribers signed up in Africa since 2000
- **60%** Africa's share of the world's total amount of uncultivated, arable land
- **52** the number of African cities with more than 1 million people each
- **20** the number of African companies with revenues of at least \$3 billion

Africa tomorrow

- **\$2.6 trillion** Africa's collective GDP in 2020
- **\$1.4 trillion** Africa's consumer spending in 2020
- **1.1 billion** the number of Africans of working age in 2040
- **128 million** the number of African households with discretionary income in 2020
- **50%** the portion of Africans living in cities by 2030

For more information, and to read McKinsey reports, visit the [McKinsey Global Institute](#) online. -Frank Aneke is the principal of [OctoberFirst Consulting](#) (www.octoberfirst.com.au) an investment communication firm and Africa specialist, particularly forging business and investment relationships between Asia-Pacific nations and emerging African economies. [OctoberFirst](#) is a member of the NSW Business Chamber.

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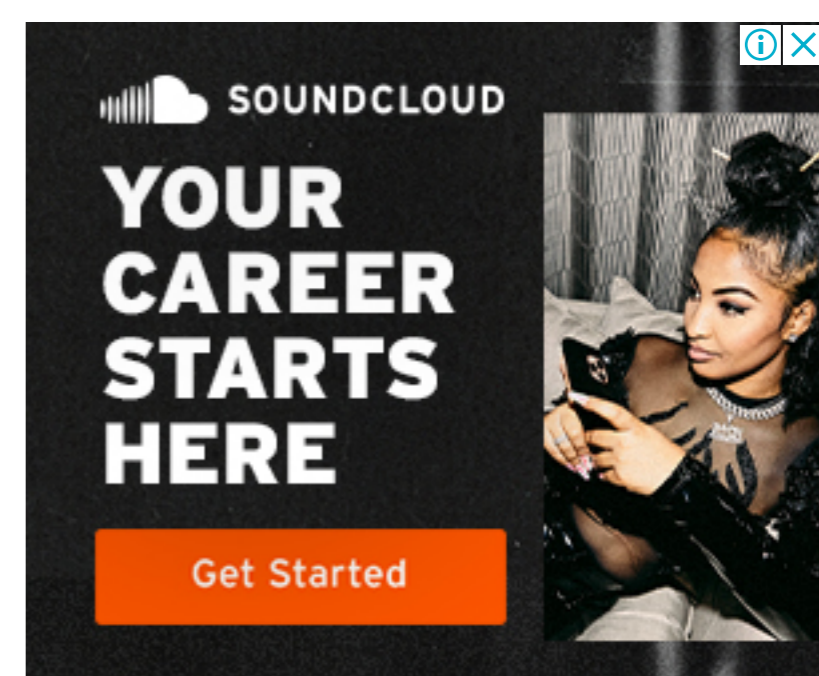
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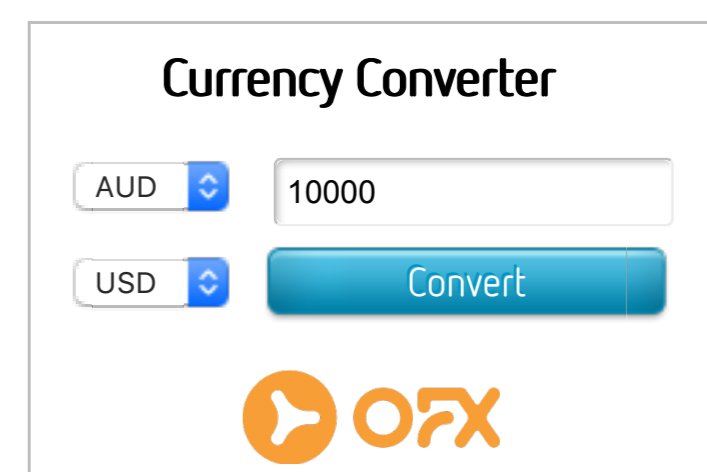
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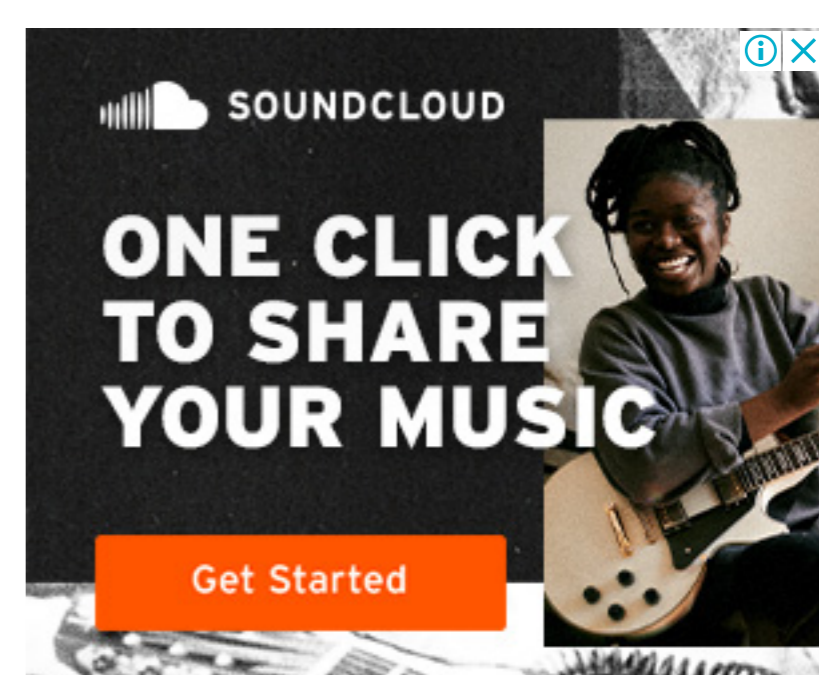


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