



# A Guide to Africa

October 2009

Data classification: Internal



- There are no formal vehicle parc statistics available for countries North of the Zambezi.
- Stats available are a best guess figure compiled by the Motor Manufacturer Association in Europe based in Europe
- No record is kept of used vehicles imported and data of vehicle registrations is unavailable.
- An example of the problem is that Nigeria has a reported 282000 vehicles for a population of 150 million people. No record of the used vehicles imported are available. We estimate approx 1200000 vehicles in the country

- No clear knowledge of what vehicle types are actually in the market due to the availability of used runners from the East
- Economic data is sketchy and long out of date.
  - Poor data collection due to decaying systems
  - WTO figures are estimates
- Import data figures are unreliable due to
  - Over and under invoicing of products
  - Using incorrect tariff codes to avoid or reduce duties
  - The smuggling of products into territories
  - Corruption
  - Unconventional logistic routes

- Highly unregulated with no clear distribution channels.
- Little or no OE presence so aftermarket products and brands are critical
- Extremely overtraded markets which result in extreme price pressure
- Informal markets are generally bigger than the formal markets
- Availability of foreign currency is almost always a challenge
- Counterfeit products a huge problem

# Markets - cont

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- Suspicious of change – packaging changes need to be well communicated in advance or will not be accepted by the market.
- Due to difficulty in obtaining currency
  - Lead times are always under pressure
  - If product is not available from one source, purchasing shifts to another
  - Price competition is intense
  - Cheap brands flourish

# Market Development Process

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- Market development into Africa is
  - Costly
  - Time consuming
  - Frustrating
  - An investment
- Desk research, collating what little information is available
- Identify:
  - Potential ranges and products
  - Competitive products and brand
  - Market and competitor pricing
  - Possible distribution channels
- Use trade commissions to obtain data

# Market Development Process

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- Verify the data obtained above and determine competitive ability, product availability and product development requirements
- In depth visits to the markets, spending time on the ground assessing market composition, distribution etc
- Use DTI allowances to conduct market visits
- Enter markets slowly and build in small increments
- Build your brand with POS as above the line marketing is limited
- Ensure you register brands and trademarks in all territories
- Take advantage of the Sadec and Comesa programs being introduced.

- Long logistic lead times
  - Due to poor logistical infrastructure
  - Distance from suppliers
  - High cost of transport
  - Erratic currency supply
  - Unreliability of LCL freight
- Many customers will alter your documents and not declare values or product descriptions in order to avoid duties.
- Container stuffing is paramount in order to manage transport costs

# Logistics

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- If palletizing no pallet to weigh more than 150kgs
  - No forklifts
  - Can be lifted by four men
  - Walked across a border if necessary
- Port congestion a big issue on the West Coast

- Lost Sales
  - Counterfeiting Intelligence Bureau (CIB) reports 6-9% of world trade is counterfeit
  - World Customs Organization (WCO) in Interpol estimates problem at \$600 billion per year
  - Federal Trade Commission (FTC) estimates that \$12 billion of counterfeiting is automotive related (\$3 billion in the United States)
- Price Erosion
  - stifles innovation
- Diminished Consumer Confidence
- Brand Erosion

- Poses health and safety risks
  - ‘Not a Victimless Crime’
  - impact of fake automotive parts
    - engine failure
    - brakes
    - steering components
    - visibility
- False Warranty Claims
- Product Liability Claims
- Ties with organized crime and terrorist organizations
  - Money laundering
  - Low risk, High reward
    - as profitable and less risky than drug trafficking
    - counterfeiting often referred to as ‘Crime of the 21st Century’

- Be aware of local customs and respect and embrace them
- Credit cards are of little use outside of international hotels, so make sure you have enough cash
- Always have an abundance of smaller notes as all change is in local currency
- Build up a network of local taxi drivers in the markets you operate in
  - Use them all the time and build up a relationship
  - They know the no go areas
  - They will caution you and look after you in some places so LISTEN
  - Negotiate rates but pay them well
- Have fun