The Top Ten Mistakes Exporters To Africa Make

And how to avoid them

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PRIVATE LABEL & LICENSING MIDDLE EAST

trendtype African Knowledge Partner

Content

Mistake 1 - Size Fits All

The thinking goes like this:

“We did well in Country X,
so we should do well in Country Y.”

For a busy Export Director tasked with driving growth in Africa it might make sense that what works in Kenya will also work in Rwanda, or what works in Liberia will succeed in Ghana.

Sometimes it does. But different consumer preferences, behaviours, purchasing power, existing players in the market, retail dynamics, regulations, duty rates dynamics can frustrate expansion plans. Markets in Africa demand respect and research if you want exports to succeed, like any other market.

Africa is not a country.

Head Office decides to take product from the South African factory and send it to a growing market in West Africa.

They're both Africa, right? Well, *yes*.

In the same way that Azerbaijan and Vietnam are both Asia. There are fourteen countries between South Africa and Sierra Leone. Freetown is 3,156 nautical miles from Cape Town. Freetown is closer to Bilbao than Cape Town.

Mistake 2 - The Size of the Prize

The tip of the iceburg.

In the majority of the 54 countries in Africa, the traditional trade (markets, vendors, small unmodernised stores, general stores) is much larger than the modern trade (supermarkets, hypermarkets, modern convenience stores) … even in Kenya, considered as one of the most sophisticated markets in Africa.

How much of the market can you actually reach?

In a country of 50 million consumers, 40 million of them may never enter supermarkets where a product is sold and couldn't afford it even if they did see it.

They're *future* customers. You can't reach them *today*.

For products that require significant quality control – premium chocolate or frozen foods, for example – the number of stores capable of successfully retailing the product with minimal spoilage may be quite limited. This is your real store universe.

"We cover the traditional trade"

Many distributors promise they cover the traditional trade effectively. Some deliver it better than others. Some deliver it in certain cities only. The key question is how large is a distributor's store universe and how often its reps touch each outlet.

Mistake 3 - Red tape is boring and expensive

Compliance is borning. and expensive.
There, we said it.

“But do I really, really need to spend all that money to register my product?”

No, not always. You can trade illegally, possibly for some time until you’re caught. But yes, if you’re serious about developing a product in a market you need to register it, get the labelling right and comply with the law.

Generally, a leading distributor won’t touch your product if it’s not compliant, which will limit your opportunities. Also, if you do eventually make your product compliant and engage a leading distributor your product will probably jump in price because your costs will go up.

Whose trademark is it anyway?

We know of several examples of companies who chose not to trademark their key brands, or who ended up assigning the trademark to a business partner.

The result can be that they end up in a trademark dispute.

Export Directors don’t tend to think of themselves as trademark experts, and that’s OK. But it’s a costly and time consuming mistake to treat trademarking as a low priority.

Mistake 4 - Making Products Too Expensive

Overpricing is very, very easy.

The problem is that overpricing products aimed at price sensitive consumers – and that means *most consumers in Africa* – kills demand.

Making products too expensive is very, very easy to do.

This is ex-factory price and our fixed margin.

OK. Let's add in haulage, freight, import duty, surcharges, clearing agent, registration fee, haulage in the destination market, distributor margin, wholesaler margin, retailer margin.

Does your product compete effectively on price?

Killer price sensitivity in the local currency.

It’s all going well. Your mass market product is selling well at 20 Shillings. But inflation kicks in and you put the product price up by a little. This means it is now 24 Shillings because of the foreign exchange rate.

However, consumers *like paying with a 20 Shilling note.* They don’t want to pay 24 Shillings because its more expensive AND awkward. So they switch brands.

Mistake 5 - Ignoring Parallel Trade

It's parallel trade? What can i do?

Parallel trade isn't so bad. At least you're still selling product, right? *Wrong.*

Parallel traders will always find the cheapest prices

Your official distributor gets the product at ex-factory price in France. A parallel importer can get the product cheaper from a source in Romania.

Your Sales Director in Romania is ecstatic. Your Export Director is unhappy because his export strategy isn't working and is being undermined internally. Your official distributor is unhappy, and quietly diverting resources to a brand they can actually sell.

It gets worse

Your official distributor has paid all the correct duties, fees and taxes. The parallel trader may not pay the same taxes. Unless your export price comes down, your parallel trader will continue to be substantially cheaper.

Also, if you do manage to limit parallel sales – the parallel importer switches to a different brand, for example – then your customers have already become used to the cheaper price point and may switch brands anyway.

Mistake 6 - Disconnecting From Distributors

Your distributors are your eyes and ears

You've been working with your distributor for 12 months but results have been unsatisfactory. Your distributor has been complaining about pack sizes, pricing and the product. It's time for your once-every-two-year trip to see them.

We hear lots of complaints from distributors AND brand owners.

Brand owners complain that distributors overpromise and underdeliver.

Distributors complain that brand owners don't listen.

Disconnect from distributors..
Disconnect from markets

Distributors work *for* you. Distributors also need to work *with* you. The underlying mistake is that exporters disconnect from distributors and the markets they service. Product goes out. Sales come back.

In our experience when you disconnect from distributors you're *disconnecting from markets.* If you don't believe a distributor when they tell you how they can sell more then you either need to reconnect with the market, or with the distributor, or both.

Mistake 7 - Bring It And They Will Buy

How do consumers adopt a product they don’t know or understand?

They don’t, of course. They’re not telepathic.

You’ll still need to spend on marketing

We were talking to an alcoholic drinks wholesaler in a Lagos market. “What are consumers demanding these days?”, we asked. He named a brand, before adding that six months earlier his customers used to ask for a *different* brand.

“But they stopped advertising.”

The average length of a marketing generation: 7 years

Most countries in Sub Saharan Africa have very young, aspirational consumer bases. These consumers are buying products and services at a time when technology, living standards, their purchasing power and retail markets are undergoing substantial change.

One result of that is that marketing generations (e.g. Gen X, Gen Y etc) only last a few years until a new one appears. Attitudes and behaviours are changing more quickly than in developed markets, meaning brand loyalty isn’t guaranteed. On the flipside, if you’re a new entrant: *brand loyalty isn’t guaranteed.*

Mistake 8 – Reminder:
It's Also About Moving Product

No, really, it seems obvious, but..

.. It's worth remembering that export is fundamentally about moving product from A to B and selling it.

Is the product bulky or prone to spoilage?

If it is, the risk increases that it won't be price competitive by the time you move it to its destination market and get it on shelf. It seemed like a good idea to ship surplus stock out of a South American factory.. until costs and complications racked up.

Fatal out of stocks.

Inconsistent availability is problematic anywhere. But can be fatal in emerging African markets where a brand may be new to market AND where product shipments may already be irregular or spaced apart.

Delivery costs in fragmented markets.

Reaching most consumers in a fragmented market such as Nigeria, Algeria or Uganda is resource intensive. It gets more expensive as the chain of distribution gets also longer (e.g. in rural areas).

Mistake 9 – Assuming Payment Is Easy

The effects of fx

In some ways, getting product into a market is the *easy* bit. The hard part is getting money out. The mistake here is assuming that payment is easy because the money rolls in when times are good.

Consumers pay in local currency. You, the exporter, want payment in foreign exchange. If there is a shortage of foreign exchange from a financial crisis or downturn, payments in foreign currency become harder to make.

There are no easy remedies for this, although smaller importers find it easier to manage than larger ones because they can be more ‘flexible’ at finding ways to get hold of currency.

Third party payments

It used to be common and easy to accept payments from third parties. You sell to Company A. Company B pays you.

More banks are requiring stringent Customer Due Diligence checks, and turning down payments that fail those checks. Beware.

Mistake 10 – Overstretch

“We’re going direct to market..”

..said the Export Director, confidently.

They then engage a freight forwarder, a clearing agent and a distributor to get product to market. And a local legal firm to handle registration and trademarks.

One market down, 53 to go.

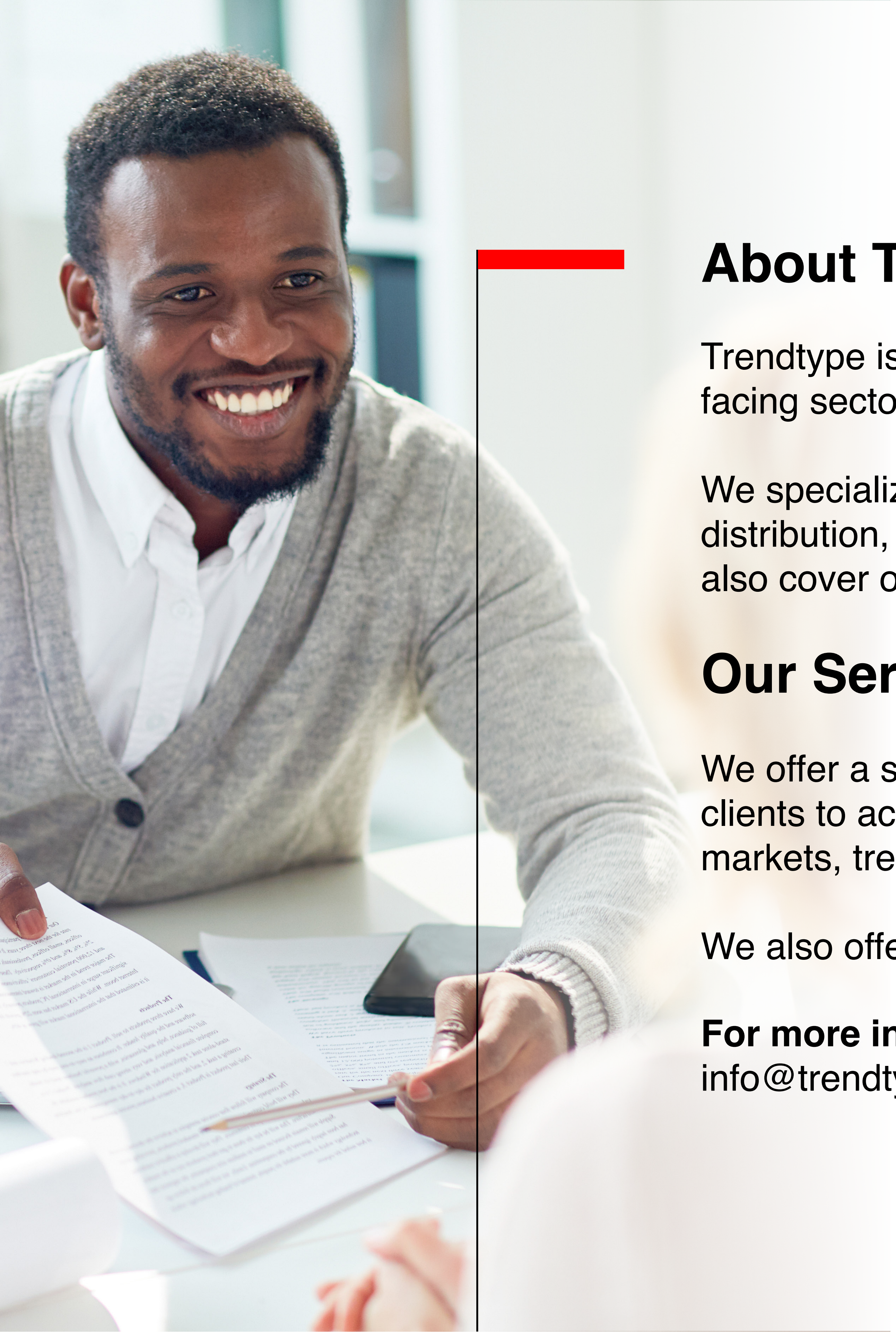
OK, so you’re probably not targeting *all 54 markets*. But a few markets.

What began as simply exporting quickly becomes managing tens of new relationships with the companies getting your product to market. That leaves little time for managing your export markets strategically.

If hard work pays, show me a rich donkey.

One of the biggest mistakes exporters operating in Africa make is working too hard, for too little return. Many African markets are specialised, emerging, niche and complicated.

We strongly recommend considering using a market entry specialist to help you do it more quickly, more easily, and avoiding the most common mistakes.



About Trendtype

Trendtype is a market intelligence company focused on the consumer-facing sectors in emerging African markets.

We specialize in market research and intelligence on the marketing, distribution, retail and consumption of Fast Moving Consumer Goods but also cover other sectors and markets.

Our Services

We offer a subscription based **KNOWLEDGE CENTRE** that allows our clients to access our latest data and insights on consumers, product markets, trends, retailers, distributors and channels.

We also offer ad hoc research and consulting.

For more information:
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Trendtype Sector & Markets

Food

We provide information on packaged food, chilled and frozen food, dairy, confectionery, snacks, sauces, spreads and pet food.

Alcoholic Drinks

This sector comprises beer, cider, spirits (and pre-mixed spirits), wine and fortified wine.

Non-alcoholic drinks & hot drinks

This includes the spectrum of non-alcoholic drinks such as carbonates, bottled water, juice, cordials and powdered drinks, energy and sports drinks. We also provide information on tea, coffee and other hot drinks

Household Products

This includes household cleaning products, detergents, scouring products and polishes, bleach and air fresheners.

Other sectors

We can also provide information on sectors, including pharmaceuticals, clothing & footwear, electricals, homewares and furniture, home improvement, foodservice, automotive, financial services, and travel.

Personal Care, Health & Beauty

We track retail markets across Africa and can provide in-depth data and insight on category growth and brand performance. We also forecast growth and market opportunity.

Upcoming Events

GULFOOD MANUFACTURING

29 - 31 OCT 2019
www.gulfoodmanufacturing.com

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29 - 31 OCT 2019
www.prime-expo.com

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