

Exporting Your Small Business To Africa

As a small business you are probably looking for ways to help increase your profit margin and allow your company to grow in a healthy, viable economic atmosphere. While the world recession may be slowly waning, you are still at a loss on how to make your business more profitable. There is an answer to finding those profits you have been lacking. It is called small business exporting.

Many people do not realize how lucrative small business exporting really is because they are a small business. Companies that employ less than 10 employees can have a viable small business exporting division just as easy as a company with 100 or more employees. By involving your company in this endeavor you help create jobs at home, boost the value of the American dollar, help increase your profits and provide international citizens with economic and sociological benefits they may not have had access to before.

Additionally, by selling your products overseas in a small business exporting venture you get the opportunity to take your product out of the saturated domestic American market and into a competitive environment that will allow you to have sustainable and predictable profits. You can offset seasonal sales fluctuations this way and increase your profits in ways you never dreamed possible.

People overseas want American made products. As a small business you are in the position to give it to them. Be prepared to think outside the box as we explore how you can bring your small business products to the overseas market quickly and easily while boosting your profit margin along the way.

Why Should You Export?

The exporting of goods has long since been a cornerstone of capitalism. Consider history when you look at exporting. The United States has been involved in some form of exporting since it was first colonized, sending cotton and other products grown in the country overseas. Back in the 1700s we exported to a small number of allied countries. Today we have the entire world to send our products to.

Considering exporting your products opens up new doors for your business. So, why should you export?

- You protect your business from competitors who attempt to steal your customer base because they have a recognized international brand.
- You can set up a joint venture with another company overseas that allows you to lower production cost while increasing profit by sharing the work load.
- You will be eligible for tax advantages offered by the government because export profits are considered exempt.
- Exported products and services are competitively priced because of the fluctuation of the American dollar.
- You get an extended product life cycle.

Things to consider when exporting to Africa

The continent of Africa, like the Middle East, is quickly becoming a great place for small businesses to sell their products and services. Selling your product or service as an export is infinitely more difficult than selling on the domestic market, especially when you are attempting to establish yourself in Africa.

Why is exporting to Africa different than exporting to other countries? Let's stop for a minute and think about the continent we are dealing with. Africa is a large continent made up of numerous countries. Each of those countries has their own set of rules and regulations when it comes to exporting. Some of those countries are extremely poor while others have economies that are booming and rising. While this is happening the infrastructure of the African continent is still struggling with the pace that is being kept by international commercialization.

In a nutshell, you need to do your homework before attempting to export your product to any one of the African nations so that you are not faced with expensive ramifications if an exporting deal falls through.

While you may be successfully exporting your goods and services to other countries you need to keep in mind that exporting to Africa encompasses a whole new world. Before we look at specific areas of exporting to Africa, let's look at the two main issues that you will be facing on a daily basis when it comes to your African exporting business: shipping and communication. Even with the help of an exporting agent, you still need to know how to handle the many different limitations in exporting you may face and how to plan carefully to accommodate all aspects of the business.

Shipping

Shipping issues will be one of the largest headaches when it comes to exporting your goods to Africa. Why?

- Shipping will always be delayed.
- There are insufficient ports and storage facilities to deliver and store your goods.
- The clearing requirements and documentation is complicated.
- If you are exporting perishable or time sensitive items you will lose money.

We cannot stress enough how important it is to research the exporting requirements of a country prior to simply setting up and attempting to build a market overseas. If you intend on doing business with an African country make sure you are exporting a sturdy product that will not be damaged if delayed because of documentation. There could be extended lag times between the time the product arrives in Africa and the time it makes it to the customer. To avoid or at least minimize this time, make sure all of the documentation is completed before shipping the product, ensure that the product is clearly and legibly marked in English and the indigenous language of the country you are shipping it to per the countries instruction, and pack your product for extended time on the shelf. It is highly advisable to use a freight forwarding company that deals with exporting goods to Africa to help you. They are familiar with the ins and outs of exporting to the many different countries and their rules and regulations.

Communication

Never count on the African importer that you are working with to know everything about the documentation you need for your products or any of the details of exporting. While we would like think that these people are knowledgeable about importing into their country, this is not always true. Quite often they have no idea what documentation you need. They only deal with brining the goods into the country and reselling or distributing for you. And when your products are held up at the docks because the documentation on your end is not correct, they get just as frustrated.

Check and double check the requirements you must meet to export your goods from your home country to their destination in Africa. Ensure that all of the proper forms have been filled out and have been sent to the appropriate representative in Africa. Have a plan in place for dealing with any language barrier you may encounter in the event that the people overseas you are dealing with do not speak your native language. This is one of the biggest problems when you are exporting to any foreign country. To help ensure that your instructions are followed correctly, always request some form of confirmation, whether it's an e-mail or a fax.

Finally, be aware of the fact that there are illegitimate companies operating in Africa that are waiting to 'help' you. Always thoroughly research agent and partner credentials before signing any type of partnering agreement in order to protect yourself. If possible, communicate with the agent for a period of time before entering into an agreement and try a test exporting transaction to see how the business relationship will flow. Once you are sure the agent will work well for you, enter into a long term relationship.

Once again, we cannot express enough how important research is when it comes to exporting to Africa. The requirements and capabilities of one African country may not be the same in another. You must evaluate exporting Africa on a case by case and country by country basis.

Where should I export to in Africa?

If you are looking for exporting success in Africa, the best places that offer you the widest range of options is Central and West Africa. This is wide range of countries to explore your exporting options in and exporting analysts have divided it up into three 'tiers of opportunity'. Let's take a look at them.

Tier 1

Tier 1 includes the Cote d'Ivoire (French), Ghana (English), Gambia (English) and Senegal (French). These countries all provide the potential exporter with a market that is easy to enter and have a stable political system in place.

Tier 2

Tier 2 is comprised of Cameroon (English and French) and Nigeria (English). Both countries have stable markets but they are harder to enter. These markets are geared more for the advanced exporter.

Tier 3

Finally Tier 3 includes the French speaking countries of Togo, Gabon, Guinea and Benin. These markets are more difficult to enter but are welcoming of imports from the United States.

The small business exporter who is just starting their exporting business should steer clear of the following markets: Mali (French); Mauritania (French); Niger (French); Cape Verde (Portuguese and French); Chad (French); Equatorial Guinea (Spanish and French); and Liberia (English). Most of these countries are considered ‘developing’ countries and they should be explored by more advanced exporters. Liberia (English) may prove to be difficult for any exporter to enter simply because the country is currently rebuilding its infrastructure and economy, and is not open to new items from foreign markets.

It is important to keep in mind that entering any of the French and English markets in Africa may require more face to face and personalized service than other international markets. This is due to the fact that many of these markets are still in the infant stages of importing and exporting as compared to many of the more mature markets found around the world. Business in Africa is increasing at a fast paced in countries that have found political stability and this growth is expected to continue over the next few years.

What kind of products should I export to Africa?

So far exporters to Africa have had the most luck exporting the following types of items:

- Mining (equipment, supplies, materials, etc.)
- Oil and gas refining (equipment, supplies, materials, etc.)
- Telecommunication services
- Generic drug product
- Food processing equipment
- Cosmetics
- Used clothing
- Reconditioned industrial equipment

While some of these items may raise an eyebrow – such as the last two items – keep in mind that many of the countries with exporting potential in Africa are poor countries and look to have these types of items in an effort to boost the economy and provide ‘new’ items for the population.

In addition to the above list, the Central and Western countries in Africa offer exporters the opportunity for unlicensed oil and mineral exploration including offshore oil prospects. Small business exporters who offer services in this field may wish to consider researching the exporting opportunities that are available here.

What type of African companies should I consider partnering with?

When you consider there are as many as 53 countries in Africa you could be exporting to, deciding what to offer may be the most difficult decision you will ever make. There are many choices when it comes to products and services that are needed and desired so doing as much market research as possible is important. Once you have determined what it is you will be

offering your overseas market you then need to find a company to partner with, one that is knowledgeable in helping you sell to the citizens of Africa. If you do not know where to start, consider contacting marketing and business promotion organizations in Africa. They will be able to help you make the contact you need in order to find the right partnering company.

Here is a list of some of the types of businesses you will in Africa that will offer your partnering opportunities for you particular exporting business.

Manufacturers

When possible, industrial companies and manufacturers in Africa prefer to buy their equipment and materials directly from the producer. This is a very large and diversified sector in Africa that is primarily run by a few large companies. However, there are more focused, smaller companies emerging on the continent. A larger manufacturer could provide you with more opportunities for exporting your goods or services and they may have an in-house import department already in place that you can work with.

Wholesaler

Wholesalers are your best option if you are providing a product or service that does not fit in any other niche and where there are not importers or distributors already in place that you can partner with. By using a wholesaler you can retain your rights to the product while getting it out to an international market and being paid for bulk. The wholesalers buy from you and then supply your products to smaller operators, including ones that are outside the main country you are primarily exporting to.

Retail chains

Many international retail stores purchase the products they are selling from an overseas supplier. Typically, these products include but are not limited to: clothing; kitchenware; and linens. You could conceivably market and sell your product to a well known retail chain and allow them to market the item as a 'house brand', something many African citizens look for when they shop at their favorite store. It is a very competitive market and you need to be willing to work with the retailer to get your product on the self.

Final thoughts about exporting to Africa

- Contact the Chamber of Commerce in the country you are interested in exporting to in order to get current information on buying and selling trends in the country, what the areas of need are, and what is considered a high profit export.
- Educate yourself on the history of the country and the culture of the country you plan to export to in order to get a better understanding of your business and customers.
- Sit down and develop a separate exporting plan that is different from your domestic selling plan so that you have a sound marketing strategy in place.
- Take a trip to the country you want to export to in order to meet potential partners face to face, to do research on products that are desired and to simply get a feel for the environment.
- Be prepared to wait for correspondence to travel back and forth as it may not flow as smoothly as you would like due to the physical distance between you and your venture and any communication issues. If you have patience and are persistent, you will persevere.

- When possible, insist on cash transactions. Many African's do not have access to credit cards or checks. If you have to, set up a payment method that is agreeable to all with your agent overseas.
- Participate in trade fairs so that you can have face to face contact with your partners overseas and market your product.