

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION

NIGERIA



## AFRICA – GROWTH MARKETS BELOW THE RADAR



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## „THERE ARE NO BLUEPRINTS“

### **How did the government measures taken to prevent the spread of COVID-19 affect the work of AHK Nigeria as a whole?**

Fortunately, a large part of the restrictions has now been lifted. The airports in Lagos and Abuja are open again, even though only a few airlines have received licenses to resume operations and only a few destinations are served.

The quarantine period for travellers has now been reduced to seven days. Unfortunately, the overland borders are still closed, and school operations will only be resumed in phases. The night curfew is gradually being relaxed.

Our colleagues continue to work from home, as in many other companies. We have had a turbulent time behind us - during the tough lockdown, the need for clarification and coordination was enormous, especially, with regard to exemptions for the continued operation of system-relevant production.

An important part of our work consists of organizing and accompanying delegation trips and trade fairs. We have been able to switch a lot to online formats. This includes the West African Energy and Environment Trade Fair (WACEE). Organised by AHK Nigeria, this year, the trade fair, during which we also held a conference, was held online. There were 35 exhibitors and over 1000 visitors in attendance.

### **How invested is Germany in Nigeria? How many German companies are active in the country?**

We estimate that there are around 100 German companies in Nigeria. This includes all forms of presence - many of these companies have sales offices, others have their own production facilities, and still others work with Nigerian partners.

The companies come from practically all industries. The construction, consumer goods, infrastructure and energy sectors are particularly well represented. The Nigerian oil industry naturally attracts its suppliers.

### **What has prevented the country so far from fully realizing its potential?**

Nigeria is, also because of its wealth of raw materials, a market with great opportunities. With a population of around 200 million, Nigeria naturally has huge potential. There are many well-educated people, and the country boasts of a strong middle class. The legal conditions are also slowly improving, for example with regard to the transparency of administrative processes.

However, problems still include legal certainty, the shortage of foreign currency due to the low oil price, and the volatility of the local currency, the naira. The infrastructure is underdeveloped in many places. Potential investors, therefore, weigh their options carefully before deciding if they want to take the plunge.



### **Katharina Felgenhauer**

Delegate, AHK Nigeria  
Katharina Felgenhauer is the Head of the Delegation of German Industry and Commerce in Nigeria (AHK Nigeria). With offices in Lagos and Abuja, AHK Nigeria is dedicated to the promotion of German-Nigerian economic relations.  
Prior to joining AHK Nigeria, Ms. Felgenhauer worked at AHK Ghana, BASF, and the International Water Management Institute (IWMI) in East and West Africa.

The Nigerian government encourages localization. It aims to promote the diversification of the economy, especially, against the background of low oil prices. The measures taken to promote local value creation come with their own advantages and disadvantages for German companies.

Given the mixed picture, each company needs to find its own niche. There are no blueprints, a market entry strategy has to be thoroughly prepared, and carefully implemented.

Interestingly, we received a lot of inquiries during the Corona period. Some companies regard Nigeria as a "blue ocean" where, as a first mover, one can still gain ground.

### **To what extent is the Nigerian market receptive to German products?**

German products have a very good reputation, but their high price can be a hindrance. Nigerian customers want a good price-performance ratio. The loyalty to existing suppliers is low, suppliers have to prove themselves again and again.

In general, the diversification course provides opportunities, and there are areas in which investments are currently being made. It is crucial to identify the niches, and work with the right local partners.

### **What recommendations do you have for German companies interested in doing business in Africa?**

First of all, it is important to look at the countries individually - Africa is of course not a single market!

In general, the business is relationship-based. For things to move forward, the business partners must have a rapport. Building a business purely from behind your desk will not work.

AHK Nigeria and its partners can help with the individual steps - for example when looking for business partners or representing companies in the country. In any case, there are no quick fixes in Africa, things take time and patience.

### **Do you see Nigeria becoming a production hub for West Africa?**

Yes and no. The local content policy has definitely contributed to companies coming to the country. However, many of these do not set up their own plants, but rely on licensing or contract manufacturing.

The level of education in Nigeria is generally good; there are qualified and competent employees to be found. The ongoing de-bureaucratization and digitization will increase the attractiveness of the location in the medium term.

But can Nigeria become a production location with regional significance? The country is involved in the West African Economic Community, and the African Free Trade Area, but borders are closed again and again, as was the case recently with Benin. Nigeria will continue to open up, but there are still many hurdles to overcome on the way to boosting regional trade. The biggest bottleneck is the logistics – the roads are bad, ports are inefficient, and very little cargo traffic can be handled through the airports..

## “UNDERSTAND THE LANDSCAPE BEFORE LARGE INVESTMENTS”

**For better or worse, how has COVID-19 affected business, investment, and employment in Nigeria?**

A lot of businesses have been affected, in particular in the travel sector. There was a strict lockdown for close to two months in Nigeria, and that prevented a lot of service-based businesses from operating.

There is no real social network, so many people had to survive on their savings and the help of family. I expect that for a few months to come, the impact will continue to be felt. **What are the major industries in Nigeria at the moment? What sectors would you recommend that foreign companies invest in now and in the next 3 years?**

IT is the number one growing sector right now. General infrastructural development, like ports and electricity), is also an important focus at the moment. Outside of that, construction and education remain important industries.

**As a tech entrepreneur and someone who made the Forbes list of 30 youngest entrepreneurs in Africa, do you see Nigeria becoming the next tech/IT hub aka the next Silicon Valley?**

It may not be the next Silicon Valley, but it will likely be the most important place for technology in Africa, and the importance will continue to grow.

The country is very large, there is a lot of oil wealth, and now there is a strong migration to information tech, so we should expect to really see Nigeria become one of the central technology spots in Africa.

**How far have IT and blockchain come in Nigeria?**

There is a lot of need for senior IT talent – especially for experienced managers. Because the industry is so young, there are a lot of people who self-studied their way into tech, and are now building software. They lack a lot of experience, which would really make a difference.



**Mark Essien**

is an entrepreneur, software developer and startup investor. He is the founder and CEO of Hotels.ng, one of the first online hotel booking websites in Nigeria. Prior to becoming CEO of Hotels.ng, he built a file sharing software called Gnumm (acquired by Snoopstar.com), followed by a language learning startup called Ingolingo. In 2015, he made the Forbes list of the 30 youngest entrepreneurs in Africa, and is currently a frequent TEDx speaker.

Blockchain is still small in Nigeria, but the popularity is growing, particularly with restrictions on international finance as the government works to keep the exchange rate stable. I expect that to grow a lot in the next couple of years.

### **What advice would you give to foreign companies operating in and looking to set up operations in Nigeria?**

I would suggest working with a trusted local partner, and to start small to really understand the landscape before large investments.

I would also advice working with foreigners who have worked in Nigeria for a while and understand the intricacies of doing business in Nigeria!

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## “RAPID DEVELOPMENT PROVIDES OPPORTUNITIES”

### **How do European SMEs usually assess the African markets?**

In my opinion, many European companies tend to undervalue Africa’s potential as a target market for their products and services.

Their management tends to delegate the responsibility for their African business to their Middle East hubs in Dubai or Abu Dhabi. However, these subsidiaries often do not pay the necessary attention to developing the African growth markets, and frequently, do not have the resources to do so.

A different picture emerges only in South Africa, a country which today is home to 60% of all German direct investments in Africa.

At the same time, the sub-Saharan region has come under increasing political focus as a result of the migration issue. One of the outcomes was an increase in the number of European-African economic forums that were held with the aim of drawing companies’ attention to the opportunities on the neighboring continent.

In my opinion, these initiatives have been only partly successful. The issues being faced by some of the African countries, and the generally negative news coverage of the region have not helped in forming a positive opinion with regard to investment.

### **Why should companies consider doing business in Nigeria and other African countries?**

Practically all European manufacturing companies of a certain size have consistently followed the path of globalizing operations in recent years and decades.

INTERVIEW



**Christian Tegethoff**  
Managing Director,  
CT Executive Search

This strategy has included setting up operations in Eastern Europe and China, integrating these regions into their supply chains, and localizing production. Subsequently, or in parallel, expansion into the BRIC markets took place. A little later the big Southeast Asian countries appeared on the map, particularly, Vietnam and Thailand.

With the exception of South Africa, African countries were more or less ignored.

But where is significant macroeconomic growth to be expected in the future? Anyone looking for the boom regions of tomorrow will quickly end up in Africa - a huge continent with a rapidly growing population, and in many places, a considerable wealth of raw materials. The gross domestic product of Rwanda and Ethiopia increased by more than 8% last year, the economies of Benin, the Ivory Coast, Ghana and Uganda by over 6%.

It stands to reason that such rapid development presents opportunities that have to be explored. A company establishing itself in a market at the beginning of a growth movement can secure large market shares, with a modest investment. Establishing relationships early on can create the basis for long-term growth within the market.

### **What approach would you recommend to a company that has little experience in Africa?**

First of all, it is important to identify those markets that offer potential for the specific company. Companies in the infrastructure sector should target countries in which significant investments can be expected against the background of stable state structures, and a well-funded public sector.

A consumer goods manufacturer will be more interested in markets with a large population, and growing purchasing power, such as Ethiopia or Nigeria.

We support companies with placing experienced local experts to analyze the current situation and prepare for a market entry. Key topics to be explored are the local legal framework, competition, potential customers and sales partners in the country as well as the price structures and existing supply relationships. Based on this, management can decide whether a market entry makes sense and how to approach it.

### **How do you support companies in Africa? How does CT Executive Search operate on the continent?**

We recruit into all kinds of C-level roles in Africa – for instance, Country Managers, Plant Managers, and senior administrative staff. We also recruit for small units - for example, for representative and sales offices.

We cooperate closely with our partners in Johannesburg, Lagos and Nairobi, thus, combining local research capacities with an understanding of international companies' requirements to executives.

In addition, we support companies in the market entry phase by placing external local specialists. These are local top managers who know the respective industry well from their own experience - for example due to previous work at a competitor company, a distributor or in the purchasing department of a potential target customer.

Such experts can provide companies with valuable insights and establish contacts with potential dealers, and decision-makers. They eliminate the expensive and time-consuming "detour" of working with a consulting company or an agency. Ideally, the market entry consultant will be available on a permanent basis as a local representative, after the evaluation phase.

The establishment of an Africa Advisory Board can also be an option. A well-staffed committee can help increase the visibility of a company and open doors to decision-makers in politics and administration. This is particularly helpful in a relationship-driven environment like Africa.

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## EXECUTIVE SEARCH



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