

Global Expansion Guide to Africa

Why Expanding into Africa
is a Winning Strategy

THOUGHT LEADERSHIP

**GLOBAL
EXPANSION**





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01

A CLOSER LOOK AT THE AFRICAN MARKET

The emerging African market offers excellent growth opportunities with an able and skilled workforce spanning much of the continent. As the world's most central continent, it's the perfect hub for your business to reach the rest of the world.

It's considered one of the most profitable regions in the world, as it's home to some very lucrative businesses, making it a top choice for short- and long-term expansion projects.

Companies like Sonatrach and MTN Group are some of the top-performing businesses in Africa and, as the economy keeps growing, these companies will enjoy a continuous upward curve in revenue.

As of 2023, Africa has experienced GDP growth from 3.8% to 4% and still shows great growth potential. When including all countries across the continent, the total GDP currently stands at an estimated \$3.1 trillion, and upward trends indicate an expected growth of approximately \$2.1 trillion.

However, as Africa includes 50+ economically, politically, and culturally diverse countries offering different expansion opportunities and challenges, wise organizations will explore different countries and regions before committing to the continent.

Whether or not a business expands into Africa will depend greatly on the sector and the organization's growth plans. No matter the industry, performing proper due diligence before making the move is essential.

In this guide, you will learn about the pros and cons of expanding into Africa, the challenges you may encounter, and a proven solution to overcome risks and capitalize on opportunities.



Africa's Economy is on the Rise

By landmass, Africa is the second-largest continent and home to [1.43 billion people](#), rich with culture and unique opportunities for foreign businesses, depending on the country.

Countries like Nigeria are easier to enter because they don't impose strict regulations regarding foreign investment. On the other hand, countries like Libya offer more lucrative deals but take much longer to get into due to complex entry procedures and high-risk factors.

Investors worldwide see potential in African markets due to untapped opportunities and modernization efforts. With e-commerce and mobile technology dominating, infrastructure upgrades are critical.

For example, [South Africa](#) is one of the largest information and communications technology (ICT) markets in Africa. There are now nearly [50 million](#) internet and cell phone service hotspots, making it easier for businesses to reach potential customers. Technological advancements have helped South Africans to connect with the world and have improved productivity, notably in the financial sector.

Perhaps the most exciting development in the broader African marketplace is that consumers are becoming energized.

They want to be part of the global economy and gain access to the world of e-commerce and online buying that has developed in other regions around the world.

These factors indicate access to a motivated and robust customer base ready to see what a business offers—and businesses are offering more than ever before.

[More than 400 companies in Africa](#) [earn annual revenues of more than \\$1 billion](#) and, on average, experience accelerated growth, proving more profitable than their global peers.

Due to slow global GDP growth, Africa's economic acceleration presents more lucrative opportunities for businesses. Africa is an untapped market and, subsequently, the opportunities for financial gain are vast. Investing in Africa opens more avenues for growth due to:

- ▶ Unfulfilled demand for goods and services.
- ▶ Needs for closing the gaps in infrastructure.
- ▶ Job creation and poverty reduction potential.

It's a win-win situation: by investing in Africa, businesses can grow while contributing to the African economy's rise.

What Does It All Mean for Business?

Many people think Africa is too underdeveloped for global business, but the reality is that Africa is rich in resources, and its technology, education system, and economy have grown significantly.

For business leaders, the African marketplace provides a fresh and invigorating opportunity—one that could potentially benefit a company for years to come.

Currently, the [three largest economies in Africa](#) are Nigeria—with the highest GDP at approximately \$442 billion—and South Africa and Egypt following at second and third, respectively. The most notable factors contributing to the economies of these countries include population size, natural resources, and level of economic development. Libya is currently experiencing the highest growth rate.

What makes it difficult for African businesses to grow is the lack of access to capital. This is why getting foreign investors involved can be a highly lucrative venture. Through international investment, African companies can expand, create jobs, and fight poverty. Market conditions indicate that expanding into Africa would be a smart move and it's not hard to see why.



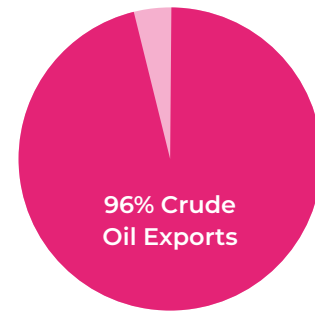
3 Reasons Why Expanding Into Africa is a Smart Strategy

Here are the three leading reasons why entering the African marketplace is a game-changing strategy for your business.

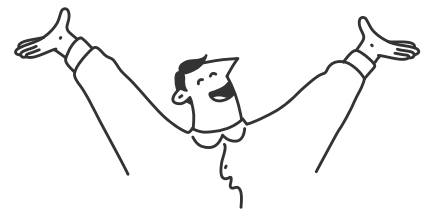
1. Africa is rich in resources

For those investing in resources such as crude oil and precious metals, Africa offers sustainable growth by mitigating the need to import them. The main reason Africa isn't capitalizing on its resources is a lack of funding and infrastructure, and foreign investment can alleviate this.

In 2022, Nigeria's crude oil exports accounted for 96% of its revenue, while Egypt's export revenue was generated by its export of precious metals. Investing in Africa can facilitate exponential growth because of how deep its resources run.



2022 Nigeria Revenue

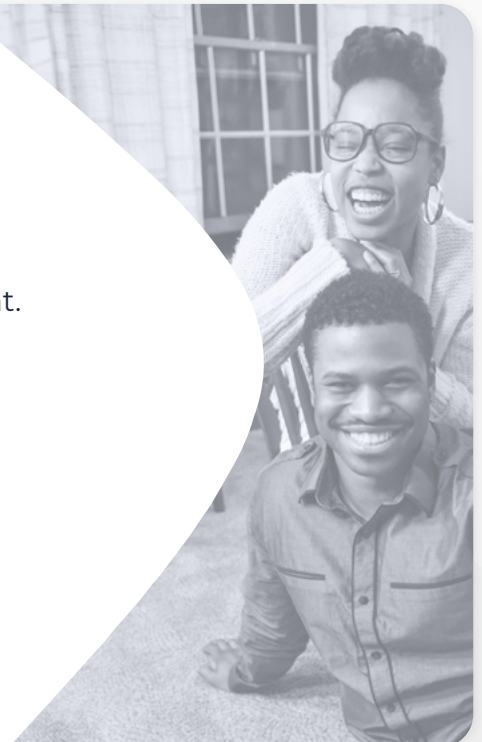


2. Continuous workforce growth

The African workforce is young, growing, and eager to work. However, some countries' economic struggles, relative to non-African nations' economic stability, push many skilled workers to seek work outside of the continent.

With the right investments, however, companies can capitalize on skilled African workers and contribute to economic growth. Currently, the African population sits at 1.43 billion, offering a myriad of skilled workers.

Expanding to Africa means that companies can take advantage of a young, growing workforce, of which approximately 60% of the population is under 25.



3. High demand for foreign investors

Africans are [high technology adopters](#) and embrace new ideas and business ventures, making it an innovative investment destination. Due to the high demand for development to expand infrastructures, sound investment opportunities exist that would be lucrative for virtually any business.

Although Africa is rich in resources, technologically advancing rapidly, and has a young and able workforce, it lacks the capital to boost the economy, which is why the demand for foreign investment is so high. To reach its full economic potential, Africa can expand its economy with the help of international investors. Expanding into Africa would mean a spike in its infrastructure development and, in turn, accelerated economic growth.



Pros and Cons of Expanding Into Africa

Global investment comes with risk, and expanding into Africa is no exception. Although the [pros outweigh the cons](#), it's important to understand them to reduce the potential for problems.

Pros

- ✓ **Profitability potential:** Africa is one of the most profitable regions in the world.
- ✓ **Untapped growth:** Its economic growth prospects are among the globe's highest, due to a confluence of economic, social, and technological factors.
- ✓ **A young, eager workforce:** It's a formidable market due to the growing [youthful population](#) amidst other regions' aging populations.
- ✓ **Strong value chains:** A large deposit of natural resources promises better development of value chains.
- ✓ **Sustainability opportunities:** Africa can lead in sustainable development, as it is still generally an untapped market.

Cons

- ✗ **High perception of corruption:** Sub-Saharan Africa has some of the world's highest corruption levels, which can discourage investors. However, this remains a country-specific issue, mitigated by due diligence.
- ✗ **Poor public infrastructure:** Relative to the cultural West, much of Africa operates on poor public infrastructure. However, this opens opportunities for investment growth.
- ✗ **Difficulties in understanding local dynamics:** As with any country, investors must work to understand local paradigms to ensure a proper business fit.
- ✗ **Political uncertainty:** Country-specific political situations remain a risk. Investors must understand the political environment before operating in the market.
- ✗ **Security challenges:** Employee safety and data security are highly important, due to the lack of infrastructure and capital in Africa security challenges arise.

The key to risk management when expanding into Africa is to get a clear understanding of the landscape, politically and culturally. Although it may seem like Africa is an insecure investment opportunity, you should bear in mind that the problems they face aren't that different from other economies.

As with any other country, investors need to work with local partners to manage challenges and expectations.



Top Industries to Consider for Investment

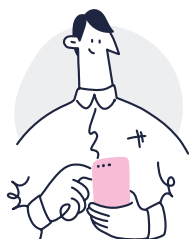
Africa offers [unique investment opportunities](#) in different industries due to demographics and natural resources. The growth prospects differ from country to country and industry to industry. Below are some of the fastest-growing industries in Africa to consider when weighing expanding onto the continent.

Banking and Finance



The banking sector has become more established in the African economy over the years and now offers lucrative investment opportunities. It's an important source of employment for many Africans and is a sound business decision with mitigated risk. The added level of mobile and internet connectivity has made it easier for Africans to explore mobile banking opportunities and essentially change the way they do local and international banking.

Telecommunication and Information Technology



The adoption of technology in Africa has been impressive considering the lack of infrastructure. Over the past few years Africa has experienced a technology boom making them more connected through wireless internet. The evolution of the internet in Africa makes it a contender with more connected economies for seamless integration and connectivity. As technology continues to develop the opportunities to invest in Africa increase.

Transport and Logistics



Although Africa's transport infrastructure isn't as developed as the West's, it's seen immense growth and continues to present investment opportunities. There are many international and local logistics business opportunities to take advantage of.



Mining

Africa boasts bountiful natural resources, and mining forms an integral part of the African economy. Within Africa, there are resources such as iron ore, gold reserves, and a range of rare-earth minerals such as lead, zinc, copper, diamonds, niobium, and titanium.



Agriculture

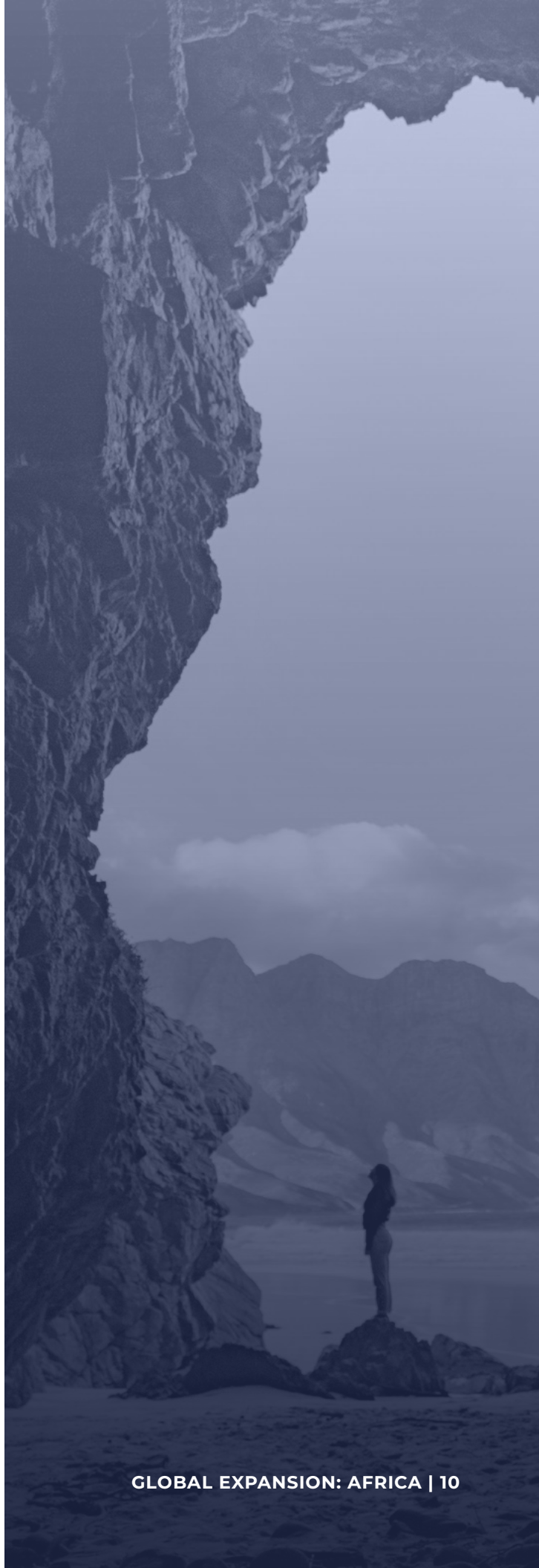
Agriculture is one of the leading sectors in Africa and offers many investment opportunities. Various African countries export agricultural goods across the globe, generating remarkable growth potential. It's one of the main stimulants of the African economy and continues to grow.

02

EXPLORING GROWTH PROSPECTS

Many African countries are prioritizing technology expansion, ensuring widespread access to high-speed internet and mobile services. This has created a connected consumer base, allowing people to interact with businesses online, search for products, and engage with brands they like.

A strong online presence is crucial for success in the marketplace for global businesses. Africa's emphasis on internet connectivity is a positive development, making it an attractive destination for global expansion. Here's why.



Population Growth

By 2050, 40% of the global population growth will come from Africa—which is an astonishing number. Moreover, by 2040, there will be more than 1 billion Africans between the ages of 18 and 24, providing a young, energetic, and connected population and potential workforce, which is precisely what businesses should look for when planning an expansion, especially those considering a long-term presence abroad.

Connectivity

Africa is becoming more connected in terms of internet access and cellphone use. Businesses expanding in Africa can take advantage of this next-level connectivity to market their goods and services to a younger population that is energized and motivated to take advantage of the internet and mobile technology.

Connectivity will also make it possible for e-commerce businesses to break into the market. As more Africans gain access to mobile technology and the internet, they will gain access to banks, credit cards, and other forms of digital payment, which is essential for e-commerce.

It's clear that Africa isn't merely some pipe dream for expansion; the opportunity is there, and the

potential for success is real, just as long as a company knows how to put the right international expansion plan in place. This is proven by the expected growth of \$400 billion in consumer-facing industries (such as retail/wholesale, banking, telecommunication, and tourism), with apparel, consumer goods, and food accounting for \$185 billion.

Furthermore, Africans are adopting technological innovation at a higher rate, making Africa more connected than ever. Across the continent, there's a steady spread of networks, sensors, artificial intelligence (AI), and automation.

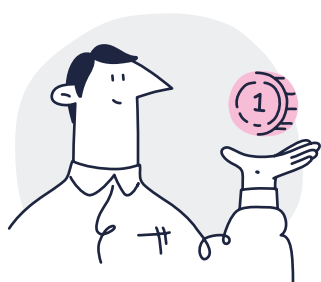
Technologies such as CCTV with facial recognition, drones, robots, and smart cities are being utilized, and digital advancements such as the metaverse have reached many businesses. Emerging technology in Africa is addressing many investment downfalls, meaning that Africa is becoming a more alluring investment market.



Population Growth

Growth Africa claims that more than half of African households have some discretionary or expendable income as of 2020—which is huge for businesses because tapping into a market with money to spend is critical.

It's an exciting time to become a part of Africa's economy; it's on the cusp of exponential economic and technological growth. The markets are growing rapidly, and buy-in comes at a lower cost than it will in the future.

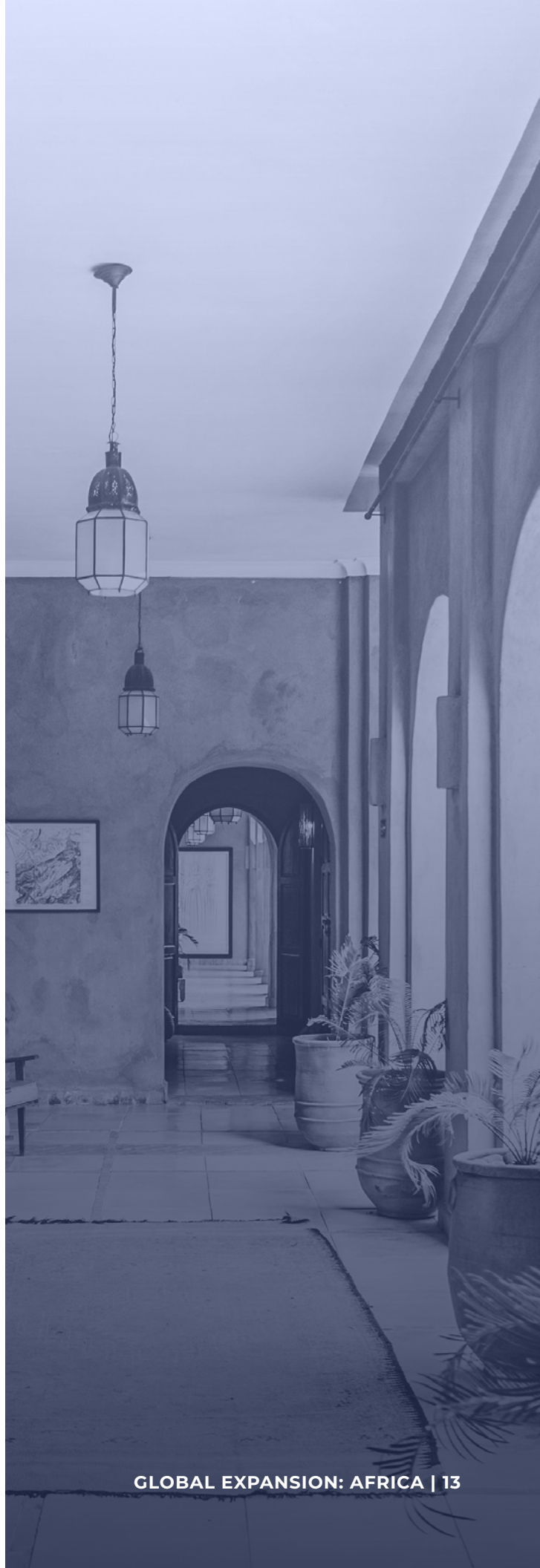
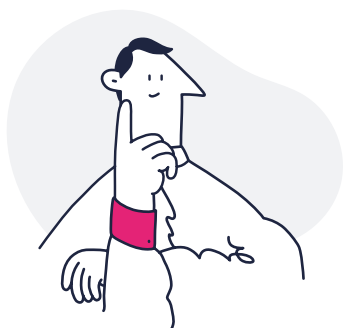


03

THE CHALLENGES OF EXPANSION

African countries are making significant strides to take their rightful place on the international stage. With technological development and internet connectivity at the forefront of these efforts, Africa is giving something for businesses and investors to think about moving forward.

While all of these potential benefits should provide your company with the push it needs to begin considering business expansion into Africa, some challenges are worth considering as you complete your due diligence and market research.



Language & Cultural Barriers

Africa is comprised of several distinct countries without a common language tying them together. With an estimated 2,000 different languages spoken across the continent, the language barriers in Africa can be substantial. With that in mind, working with a translator is a good place to start.

“ Reaching African markets in upcoming years will require a great deal of effort on the part of medium-sized businesses to international corporations alike ... There have been numerous examples of mistranslations and embarrassing mistakes made by international brand companies in European or Asian cultures and markets. So, it's a statement of the obvious to point out how much more risk is involved with African language and market localization, for which far fewer resources are available.

According to [Tomedes.com](https://www.tomedes.com/), a translation services company:

This is a crucial point to consider because one wrong move could hurt a company's reputation before it establishes itself.

Along with language barriers, some substantial cultural barriers exist as well. Many Africans share different points of view. Some countries may be more closely aligned with Middle Eastern culture, while others might be more aligned with traditional African culture, or Western culture.

You must be aware of the countries' cultural considerations and barriers because you will need to manage them and align with the norms of the new target market.

Successfully understanding and empathizing with a target audience and providing it with the services or products it requires means promising potential for a long-term presence in Africa.



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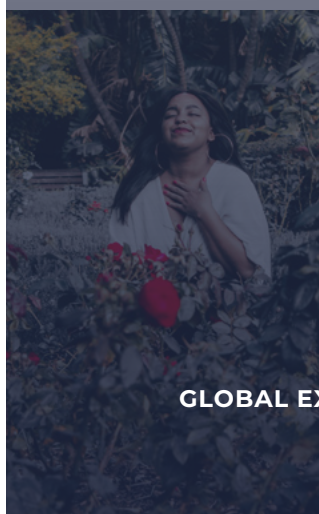
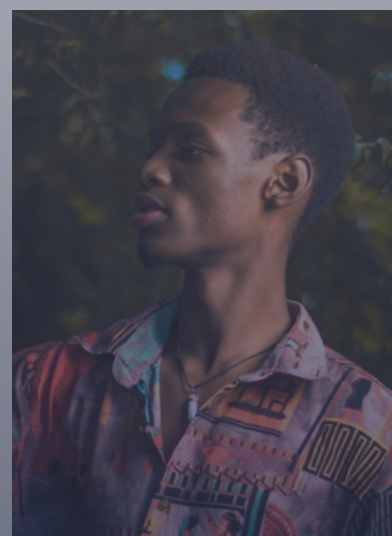
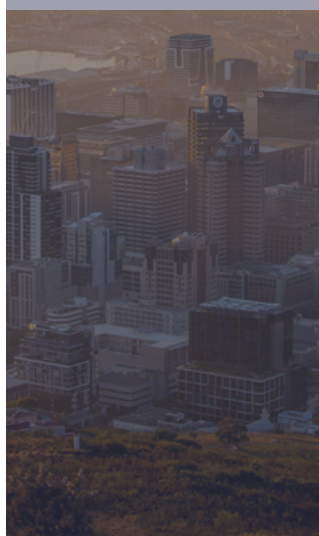
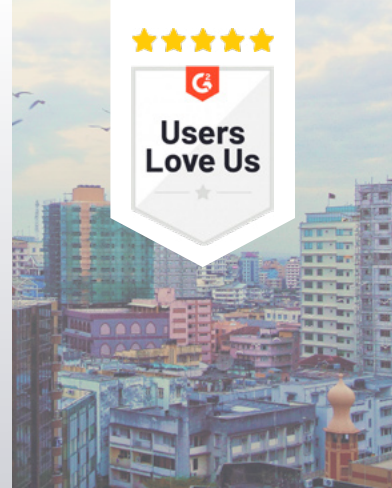
OVERCOMING CHALLENGES WITH A GLOBAL EOR

One of the easiest and most cost-effective ways to manage African expansion challenges is by working with an experienced [Employer of Record \(EOR\)](#) like Global Expansion.

By partnering with Global Expansion, your company can [hire, onboard, pay, and manage employees](#) in Africa without setting up an entity—all while benefiting from award-winning tech and unrivaled support.

Global Expansion is more than just Employer of Record software: We're the global employment extension of your team.

[Contact us today](#) to discover how we can make running your global teams simple.





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