

Developing Competitive Advantage

Drivers to
Attract Investment
to

African Economic Zones and Free Zones



A Very Competitive Market

- @ 5000 SEZ's around the world
- @200 in Africa
- Many with similar offers
- @15,000 Investment Promotion Agencies
- World-class Zones in neighbouring markets



Securing a Competitive Advantage

Competitive advantage occurs when an organisation acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. In this example the attribute is **knowledge**.

If an Economic Zone can develop a strong understanding of an investor's reasons for expanding, along with intelligence on the criteria against which they are looking at various locations, they can prepare an offer which provides their best solution for the client's requirements and gain an edge on its competitors.

Through each stage of the investment process we need to try and ensure that we are securing distinct competitive advantage through the following:

- We identify potential investors and reach out to them;
- We understand the company's reasons for investing abroad;
- We anticipate their needs and offer support not provided by our competitors;
- We align our offering to them with their key criteria for investment.

Company Targeting v FDI Promotion

Company Targeting is a process of company screening and a pro-active research of projects.

FDI Promotion is primarily associated with image building.

FDI promotion activities:

- Advertisements
- Mass mailing
- Media relations
- Road shows
- Conferences & trade fairs
- Outbound and inbound missions
- Web-sites

Expected results:

- Raising the awareness of the business community about the location/investment opportunities

Company targeting activities:

- Researching and Identifying strategic companies
- Direct contacting of companies with a tailored message
- Meetings arranged in advance of events

Expected results :

- Higher conversion rate of investment leads due to more targeted approach and a better quality of investment due to screening of companies based on identified criteria



Company Targeting Approach

Company targeting should not be an ad hoc activity, rather it should follow a logical step-by-step approach:

Step 1: Develop “road map”

- Define key criteria for the type of companies you are targeting, e.g. which sector; type of project e.g. manufacturing, assembly
- Define your targets e.g. which groups you will target (geographical market, size of company)

Step 2: Identify Potential Investors

- Online research
- Key data sources (FDI Markets etc)
- Use your network e.g. supply chain opportunities from existing investors, National/Regional IPA

Step 3: Approach

- Tailored to the company
- Define the opportunity to the prospective investor
- Define the support services you provide, as well as relevant case studies

The Location Selection Process



Drivers of Corporate International Expansion: Push and Pull Factors

- Push factors are present in the company's home market and make companies explore international expansion due to less than optimal quality of the business environment
- Pull factors are related to locations' attributes that attract foreign companies. Pull factors can be influenced by a promoting location.



Location Selection Process for Greenfield Projects

Six Stages



Typical Location Filtering Process: Sites

Geographical focus	Decision stage	Typical location criteria
Regions	Long list of countries	<ul style="list-style-type: none"> •Market size •Market access and proximity •Policy environment for FDI •Competitiveness
Countries	Short list of countries	<ul style="list-style-type: none"> •Operational costs •Taxation •Labour availability and quality
Localities	Regions within countries	<ul style="list-style-type: none"> •Incentives •Skills availability and quality •Labour costs
Sites	Sub-region decision	<ul style="list-style-type: none"> •Size and availability of premises •Property cost •Infrastructure

Location Selection Process: Weighting Key Factors

Once the project requirements and key drivers are defined, a list of location factors is drawn up and weightings are assigned to each factor, signifying their relative importance for the project.

Typically, the list includes two types of factors: operating conditions or quality factors; and operating costs.

Qualitative location factors	weight	overall weight
General business environment		
Political stability	10	2%
Economic & financial stability	10	2%
Business ethics & bureaucracy	15	3%
Business permitting procedures	20	4%
Quality of support from local government & development agencies	15	3%
Corporate taxation	10	2%
Availability of fiscal incentives for setting up	10	2%
Availability of financial support for setting up (direct subsid/cash incentives)	10	2%
	100	20%
Local potential to recruit staff		
Overall size of labor market	10	3%
Presence of experienced manufacturing workers	50	13%
Presence of experienced industry-specific workforce	10	3%
Presence of non-experience staff (graduates)	15	4%
Expected level of competition for similar skills	10	3%
Overall tightness in the labor market (unemployment)	5	1%
	100	25%
Market access		
Distance to key markets		6%
Trade agreements and custom duties		9%
		15%
HR quality and relations		
Flexibility, productivity, and quality of staff	30	3%
Working time regulations	25	3%
Hiring and firing flexibility	30	3%
Social climate	15	2%
	100	10%
Infrastructure & communications		
Air access	10	3%
Road access	25	6%
Train access	15	4%
Waterways & seaports	10	3%
Quality & reliability of telecoms	5	1%
Reliability of power supply	10	3%
Availability of large industrial greenfield sites	25	6%
	100	25%
Security		
Personal security	100	5%
	100	5%
		100%

Example



Key Requirements for the Company

- Proximity to market or customers
- Market growth potential
- Access to skills
- Industry cluster/critical mass
- Centres of excellence
- Access to technologies
- World-class infrastructure / logistics
- Circumvent trade barriers
- Incentives
- Cost benefits
- Pro-business regulatory environment
- Access raw materials
- Protection of IP
- Business certainty
- Quality of life
- Personal (never underestimate)

*Our role is not to try and influence these factors
but to understand and anticipate them – they support
all our dealings with the company*

So In Summary.....

- Attracting Investment to Economic Zones is an extremely competitive business;
- Securing a first-mover advantage over your clients is key;
- A proactive approach is required
- While lead generation remains important in promoting your zone, company targeting can secure early contact with key companies;
- Understanding the location decision-making process can enhance your approach.....;
-as well as your site and marketing offer.

Thank you.....and Questions?



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Location Solutions for Government & Business

