

EXPANSION INTO AFRICA



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HOW AFRIT (PTY) LTD CAN SUCCESSFULLY ENTER NEW MARKETS.

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EXECUTIVE SUMMARY

This research is executed for Afrit (Pty) Ltd, which is a truck trailer manufacturer for the road transport industry mainly in South Africa. Afrit wants to increase their international activities in Southern Africa. At present, there are no other branches or sales agents outside South Africa, besides the office in Windhoek. This research focusses on four neighboring countries of South Africa: Zambia, Zimbabwe, Botswana, and Mozambique. As a result of the research, a recommendation is given for an appropriate expansion strategy for Afrit.

The data was collected through fieldwork and desk research. The fieldwork included interviews with (potential) customers and dealers of Afrit. These were conducted within South Africa and during field research in Zambia and Botswana. According to the respondents, important characteristics of trailers in general are quality, durability, and the facilitation of good after sales service. Strengths of Afrit are the quality of their products, the brand image, and their after sales service. Most significant weaknesses that were mentioned by the interviewees are the delivery time and the price setting for some trailer categories.

The desk research that was executed, was the analysis of relevant macro-environmental factors of the listed countries. It showed that Botswana is a stable country, but has a low growth potential. Zambia is a relative stable country as well, and that is combined with stable future expectations. The history of Zimbabwe and Mozambique is less stable, though recent history showed strong economic growth. But, based on the political and economic situation, future expectations are difficult to predict.

A competitor analysis showed the threats from rivalry firms and other stakeholders. South African Truck Bodies is the most important competitor of Afrit in South Africa as well as abroad. The bargaining power of suppliers and customers are of moderate influence, and the threats of new entrants are the least influential due to the high entry barrier in this market.

The research shows that the best expansion strategy for Afrit is to license existing companies in Botswana and Zambia for selling spare parts, and, to a certain extent, provide the customers with the opportunity for general repairs. This would increase the brand awareness of Afrit in Zambia and Botswana significantly, while the costs and the efforts are low. Since there are not many structural changes necessary to implement this strategy, it is advised to adopt and implement this strategy as soon as possible, and await the current events in Zimbabwe and Mozambique till it is stabilized.

GLOSSARY OF TERMS

Below is a list with abbreviations that are used in this report.

AFDB	–	African Development Bank
ANC	–	African National Congress
CIA WFB	–	Central Intelligence Agency, World Fact Book
CFC	–	Controlled Foreign Company
COMESA	–	Common Market for Eastern and Southern Africa
DTA	–	Double Tax Agreement
FDI	–	Foreign Direct Investment
FTA	–	Free Trade Area
GDP	–	Gross Domestic Product
IMF	–	International Monetary Fund
NEPAD	–	The New Partnership for Africa's Development
NGO	–	Non-Governmental Organization
OECD	–	Organization for Economic Co-operation and Development
PPP	–	Purchasing Power Parity
R	–	Rand
SA	–	South Africa
SACU	–	Southern African Customs Union
SADC	–	Southern Africa Development Community
UN	–	United Nations
USD	–	United States Dollars
WTO	–	World Trade Organization

1. INTRODUCTION

This research is executed for Afrit (Pty) Ltd. Afrit is a truck trailer manufacturer for the road transport industry in Southern Africa, located in Rosslyn, Pretoria, South Africa. Besides the factory and headquarter in Rosslyn the company has sales offices in Boksburg, Cape Town and Windhoek (Namibia). The market share of Afrit in South Africa is currently more than 30% of the total trailer market, in 2012 the company had a turnover of approximately 800 million Rand (around 80 million USD), and they employ more than a thousand people.

There are fifteen types of trailers that Afrit is able to produce, including flatdeck trailers, car carrier trailers, tautliner trailers, and side-tipper trailers. Other business activities of Afrit include the selling of agricultural machinery, and a company that sells used trailers and trucks, called Atlas Truck Centre. Afrit also has an in-house finance department that is named 'Phuma Finance'. The main objective of Phuma Finance is to provide customers with alternative payment conditions if necessary. In Appendix A is an organogram for an overview of the company's structure.

The company is a family owned business and has its origin in 1968. In that year Arend van de Wetering and his two sons started Van de Wetering Engineering, and in the early 1970s two more sons joined the company. The company started producing vehicles for the South African Army, and provided general engineering products and services for other industries. Having strong affinity with steel the family bought the company Alf Finn Road Industrial Trailers in 1983, commonly known as Afrit.

During the first years the family did not focus on the business processes of Afrit, because Van de Wetering Engineering received adequate amount of orders. This changed in 1992 when the military transport department stopped investing in the Army due to the end of the Apartheid. After these changes, the Van de Wetering family started to invest more in Afrit, and since 1994 they exclusively focused on the production of trailers. The first years were challenging, because the company was run inefficiently, and they had to cope with high operational costs. After multiple reorganizations the family managed to make the company into a successful and profitable business.

Subsequently, a second generation of family members also became shareholders of the company. Meanwhile, the company grew rapidly: since 2004 it had experienced an annual

growth rate of at least 30%. Sales outside South Africa currently represents around 10% of the total sales, and include Zambia, Uganda, Kenya, Congo, and Zimbabwe.

Afrit now wants to increase their international activities. The goal is to enlarge their number of potential customers, their market coverage, and their total revenue. The desired objective is to have a ratio of 70% sales within South Africa, and 30% abroad within a time span of three to four years from now.

At present there are no other branches or sales agents outside South Africa besides the office in Windhoek. Since the end of 2012, the company employs a sales representative who is exploring market opportunities in the surrounding countries. At this moment there is still little market information available, and the company did not formulate an appropriate expansion strategy yet.

This resulted in the current research assignment, which is conducted to fulfill the requirements of the graduation project of HU Business School at University of Applied Sciences in Utrecht. The research aims to give recommendations concerning the best possible strategy for Afrit to expand their international markets.

The main research question is as follows:

How should Afrit (Pty) Ltd from South Africa formulate an international expansion strategy in order to have the most potential for success in surrounding countries?

Before answering the main research question, the following sub-questions will have to be answered:

1. What is the value proposition of Afrit?
2. What are the most relevant macro-environmental factors for Afrit when expanding abroad?
3. Who are the main competitors of Afrit?
4. What is the best way to implement the expansion strategy?

The report starts with a literature review to identify possible expansion strategies. Chapter three addresses the methodology that is used. Chapter four is the body of the report, and contains the main findings of the fieldwork and desk research. Discussions and conclusions are elaborated in chapter five. The final chapter encloses the recommendations for the company.

2. LITERATURE REVIEW

This chapter is meant to explore the literature about what is already known about the topic. Paragraph 2.1 starts with a literature analysis that describes why companies would internationalize, and how this can be accomplished. Paragraph 2.2 is oriented towards internationalization within Africa.

2.1 INTERNATIONAL BUSINESS

There is much literature that provides reasons why companies, that operate in multiple countries, made the decision to internationalize. Porth (2009), for example, provides a list with nine reasons why firms choose to internationalize. Among these nine reasons, the most important are access to new markets, the search for low cost materials and/or labor, and the achievement of economies of scale.

A reason for internationalization that is not listed by Porth is the promise of greater success. More specifically Rodrik (2007) says that this opportunity is of 'particular significance to developing countries' (p. 195). The success, according to Rodrik, is related to greater prosperity, because it is possible to obtain comparative advantages when expanding to other markets.

The reasons to internationalize can be motivated by internal and external factors (Hutchinson, Alexander, Quinn, & Doherty, 2007). Examples of internal factors are the vision of the company, the entrepreneurial personality of the directors, or costs of production. External factors are, for example, business contacts in foreign markets, favorable political changes, or increase in foreign demand. However, there are many more reasons to internationalize, and they are often complex and specified to the experiences of individual cases (Hutchinson et al., 2007).

According to the Uppsala Model, the internationalization strategy of a company is coherent with the growth of that company (Johanson & Vahlne, 2009). It means that entrepreneurs will first gain experience in their home market, and only after the company is growing, they will gradually expand their activities to neighboring countries. This is less risky than immediately expand on a global scale or expand at great physical distances.

The model of Johanson and Vahlne is in line with what is mentioned by Rodrik (2007). He states that internationalization and globalization are an outcome of business activities, and

that internationalization should not be viewed as a strategy on its own. Rodrik explains that it is important to stand behind a growth strategy, and the expansion abroad will follow as a result. Standing behind a growth strategy is explained by Rodrik as leadership that is committed to the strategy of the company.

Nevertheless, regardless the reason for internationalization, the process can be difficult for a company. According to London (2010) the internationalization process is “one of the greatest challenges” (p. 132). The decision to enter, the market selection, choosing between various entry modes, and other affecting barriers are four dimensions in the process that are identified by London. Other affecting barriers include exorbitant costs, lack of awareness, and lack of resources.

Another aspect that is challenging for most companies, is to collect adequate data about foreign markets (Panagopoulos et al., 2011). Data collection is a substantial part of the internationalization process, which, according to Panagopoulos et al. comes with conceptual challenges, such as differences in cultures that can affect the results of the research.

Although there can be constraints in the internationalization process, many studies provide strategies for entering a new market (Jung, Han, Park & Kim, 2010; Kluyver & Pearce, 2009; London, 2010; Porth, 2003). All these studies clarify that exporting is the starting point, and distinguish the following possible strategies: licensing or franchising, joint ventures, mergers and acquisitions, and greenfield investments.

There are benefits and drawbacks with each of these entry strategies, and it becomes more difficult as the degree of ownership becomes bigger. Licensing and franchising is relatively inexpensive and has low risks, but there is little control and low returns. With joint ventures the risks, the knowledge, and the returns are shared, which can be an advantage or a disadvantage. For full control and company-owned facilities, merger and acquisitions, and greenfield investments are suitable, but require extensive market knowledge. Mergers and acquisitions are faster to set-up, but starting a complete new subsidiary can be preferred when there are no appropriate acquisition possibilities (Kluyver & Pearce, 2009).

2.2 BUSINESS IN AFRICA

As reported by Sirkin (2011), among others, there are many business opportunities in Africa. Sirkin compares the African market development to that of Asia and Latin America. When there is economic growth, it will create new consumers as well as business-to-business markets. As a result, this provides companies with new opportunities. Sirkin shows that

Africa's overall GDP grew with 5.3% per year between 2000 and 2008, which is impressive when it is compared with the 4 percent globally.

Because of domestic growth, and thanks to economic and political reforms in other economies, there are plenty of trade and investment opportunities for South African firms in other areas of Africa (Sirkin, 2011). Akinboae and Lalthapersad-Pillay (2009) state that the market access for South African firms into the neighboring countries is 'becoming favorable as several economic integration initiatives begin to yield results' (p. 137).

This economic integration is supported by international institutions like the World Bank and the International Monetary Fund as well as by trading blocs like SADC, COMESA, and SACU. These institutions and trading blocs attempt to achieve, among other issues, a reduction of tariff and non-tariff barriers for opening up economies and improvement of regional integration (Matumbara, 2009).

Another organization that tries to enhance social and economic development between South African countries, is the New Partnership for Africa's Development (NEPAD). Their focus is on infrastructure, human resource development, health services, agriculture, and opening Africa's export market. According to Akinboade and Lathapersad-Pillay (2009) the current and future business opportunities for companies of South Africa will be supported by the NEPAD.

This can be helpful, because internationalization in (Sub-Saharan) Africa also includes challenges. Karamchandani, Kubzansky, and Lalwani (2010) describe challenges like questionable customer cash flows, difficulties to predict demand, distribution challenges, and immature business ecosystems. Shortage of financial capital, regional trading blocs, and opposing political and military powers are other examples of challenges (Jordaan, 2001). According to Anyaeche (2012), the list with current challenges is numerous and he adds political instability, red tape bureaucracy, poor infrastructure, and strong differing cultural attitudes as important issues.

From the literature review, it is evident that more research in the area of international expansion strategies in Africa is necessary.

3. METHODOLOGY

This chapter describes, justifies, and explains the methods that were used to execute the research project.

3.1 DATA COLLECTION AND ANALYSIS

The research involved both desk research and fieldwork. Desk research started in the Netherlands with a review of the literature, and was continued in South Africa, where the focus was mostly on developing country analyses. The fieldwork involved conducting semi structured interviews with current and potential clients. It also included trips to Zambia and Botswana for in-depth interviews with (potential) customers, and the analysis of the local trailer markets.

For this research a mix of quantitative and qualitative methods were used. Given the nature of the main research question most data was qualitative. In this case only using quantitative methods would probably result in a less adequate advice, because such data is not able to provide the company with a specific answer to the research question.

Nevertheless, the research involved quantitative data. This was in the form of country statistical data and a questionnaire that was held with current and potential customers of the company, as well as dealers of Afrit. The numerical information that was gathered was used to identify the most important characteristics of trailers in general. These results gave a good impression of what features are important for the markets in Southern Africa.

All the interviews were conducted personally, because the relationship between the interviewer and the interviewee was important. This was to win confidence of the interviewee, and that resulted in more reliable information (Verhoeven, 2011). The interviews also included filling out a questionnaire that was short and straightforward. Because of the amount of time that was available, this allowed the researcher to score hundred percent useful data.

In total 11 (potential) customers and 13 dealers of seven different dealership were interviewed. In Zambia in-depth interviews were held with two current customers and three potential new clients. The interviews in Botswana included four interviews with current customers and three with dealers. The interviews in Zambia and Botswana were time consuming because of the distances that needed to be travelled, and because it was difficult

to make proper appointments with the customers. In total around 20 days were used for visiting customers.

To identify the value proposition of Afrit, the Business Model Canvas was used. This strategic management tool gives a short and clear overview of the current value proposition of Afrit. Additionally, a SWOT analysis was made as an internal and external analysis tool, which briefly analyses the strengths, weaknesses, opportunities, and threats of the company.

For the country analyses the PESTL framework was used. With this framework political, economic, social, technological, and legal aspects of Botswana, Mozambique, Zambia, and Botswana were analyzed. These four countries were selected by Afrit as markets with the highest potential. Environmental aspects were not analyzed, because these were not relevant for the company and the trailer industry. As a model for the competitor analysis the Five Forces Framework of Porter was used, which analyses the rivalry among firms by looking at the bargaining power of buyers and suppliers as well as the threat of new entrants and substitute products.

Due to the uncomplicated structure of the questionnaire, the usage of computer programs like SPSS was not necessary. The data could easily be numbered and ranked in the right order with the software of Microsoft Excel. Because it was an univariate analysis, it resulted in an appropriate overview of the results in charts. The types of charts that were chosen were a bar chart and pie charts. There are a limited number of most relevant categories, it has an ordinal measurement level, and those charts show a good overview per category.

It was possible to make a bar chart and four pie charts: a bar chart of the most important trailer characteristics, two pie charts to illustrate the percentage distribution of the strengths of Afrit, and two pie charts to illustrate the weaknesses of Afrit according to customers and dealers.

Besides the listed methods to enquire information, statistical data was used for the PESTL analysis of the analyzed countries. The combination of these listed varieties of techniques caused triangulation of the results.

3.2 POPULATION, SAMPLING, AND ETHICAL JUSTIFICATION

As mentioned above, the total number of interviews with (potential) customers and dealers was 24. This is the sample of the total population: Afrit sold to approximately 250 different customers in 2013. The customers, dealers, and potential customers were chosen randomly,

and visited together with different sales officers of Afrit. These circumstances caused that it was not feasible and practically not possible to obtain probability sampling. It does not mean that the customers were selected or chosen on purpose, but the research was dependent on time, location, and other variables which resulted in convenience sampling. The sample size ensured the reliability of the results. During the interviews the sales officers of Afrit were not in the same room to ensure confidentiality. The answers to the questionnaires were also anonymous, and the participants were informed verbally as well as in writing about this.

3.3 LIMITATIONS AND DELIMITATIONS

The research was not focused on one specific product line or type of trailer. The limitation was that the research focused on the standard and existing line of trailers. Customers for interviews were chosen randomly and not dependent on their product type or amount of products. However, in the surrounding countries the side-tipper and flatdeck trailers are the most popular. Within the country analyses, there is information that is more specifically oriented on these two type of trailers. For example the coal opportunities in Mozambique: that is mainly relevant for side-tipper trailers.

A limitation in the research was the limited availability of reliable qualitative information. Besides the usage of data from government statistics and from institutions like the World Bank, the IMF, the African Development Bank, and the UN, the country analyses were partly dependent on so-called 'grey' literature. General- market and competitor information of the researched countries was difficult to find, something that was also acknowledged by two sector professionals, Frank Beeton and Barney Curtis, who were consulted.

The delimitation of time was evident in Zambia and Botswana. Qualitative interviews and observations had to be executed within three days including traveling. More in-depth interviews would have been more desirable, though the performed interviews gave a good indication of the situation.

With the availability of 20 weeks, the emphasis was on performing a comprehensive external analysis, and less on the internal analysis of the company. An internal analysis in the form of a Business Model Canvas and a SWOT analysis was made. This was to position Afrit in the market, and to give an appropriate advice for the expansion strategy that is suitable for the company. Though a more thorough internal analysis would have been possible, but it was agreed to focus on the external research.

4. FINDINGS

This section is the main part of the research effort, and states and explains the facts that were found. The sub-questions of the research that are listed in the introduction, are the basis of the structure of the paragraphs in this chapter.

4.1 WHAT IS VALUE PROPOSITION OF AFRIT?

Afrit wants to increase their market share in neighboring countries. This paragraph tries to identify the value proposition of Afrit as a company in order to give a relevant advice on what the company should focus on when expanding abroad. First a business model canvas of Afrit is showed as a visualization of the company's business model. This is followed by a SWOT matrix which combines internal and external factors. Subsequently results of the questionnaires and interviews are given and explained.

4.1.1 Business Model Canvas

Table 1 shows the Business Model Canvas of Afrit. It visualizes the value that Afrit offers and consists of nine important building blocks of the company.

Table 1: Business Model Canvas Afrit

Partners: <ul style="list-style-type: none">▪ Raw material suppliers▪ Dealers▪ Atlas Truck Centre	Key activities: <ul style="list-style-type: none">▪ Production of trailers and spare parts▪ Marketing	Value proposition: <ul style="list-style-type: none">▪ Quality▪ Tailor made products▪ Excellent service	Relationship: <ul style="list-style-type: none">▪ B2B with personal advice and assistance▪ After sales support	Customers: <ul style="list-style-type: none">▪ Mass market for transportation companies (mines, foods, etc.)▪ Diversified and for special purposes
	Resources: <ul style="list-style-type: none">▪ Physical / materials▪ Brand patenting▪ Human capital		Channels: <ul style="list-style-type: none">▪ Direct sales▪ Dealers	
Cost structure: <ul style="list-style-type: none">▪ Mostly cost driven structure for low price proposition. Economies of scale.▪ For some customers value driven, special designed and tailor made trailers.			Revenue: <ul style="list-style-type: none">▪ Asset sales▪ After sales▪ Payment possibilities via in-house financing	

Afrit delivers quality, tailor made products and after sales support as value to their customers. This is done via the production of trailers and spare parts which is their key

activity. Therefore the trailers need to be patented to preserve their value and the physical materials are used as most important resources.

The customers of Afrit are transportation companies and companies that need to transport their products. Examples are the transport companies for the mines and beverage companies. It is in the Business to Business market with assistance and advice of which trailer would be the most applicable for the client. Most sales are directly made, though there are also sales via dealership. In that case a customer needs a truck and a trailer, and buys it from a dealer like Scania or Volvo.

These dealers can be seen as partners, because they have to advise their customers of a trailer company. Raw material suppliers are also important partners as Afrit is dependent on the supply of high quality steel. The Atlas Truck Centre is a separate company, but are partners for selling second-hand Afrit trailers.

There can be made a distinction between two types of customers: customers that needs a standard trailer for standard activities and customers that have a particular request for their business. An example is the sale of an adapted car carrier trailer for transporting tent trailers and caravans. For these two types of customers is also a different kind of cost structure.

4.1.2. SWOT matrix

The SWOT matrix that is shown in table 2 is a combination of the most important internal and external factors.

Table 2: SWOT matrix Afrit

Strengths: <ul style="list-style-type: none"> ▪ Quality ▪ Brand image ▪ After sales 	Weaknesses: <ul style="list-style-type: none"> ▪ Delivery time ▪ Price
Opportunities: <ul style="list-style-type: none"> ▪ Economic growth in Botswana, Mozambique, Zambia, and Zimbabwe ▪ Industrial expansions / new mining opportunities ▪ Infrastructure 	Threats: <ul style="list-style-type: none"> ▪ Economic situation South Africa ▪ Political instability southern Africa ▪ Infrastructure

Mentioned as strengths by customers, dealers, and potential news clients (see sub-paragraph 4.1.4) and perceived by the owners and employees are primarily quality, brand image, and after sales service. Quality is achieved by the usage of high quality steel, which has a longer durability and a lighter weight. The good brand image across the country is a

result of that, and the short lead time of second-hand trailers proves the public's confidence in the product. The after sales service with the availability of continuous support is also perceived as an important strength.

Weaknesses that are mentioned are the delivery time and price. Some customers need a new trailer within a few weeks, while the average delivery time will take longer. It is because the demand is very high and there is no significant stock. Some types of trailers are sold for a slightly higher price than the competitors. This is partly caused by the usage of another type of steel as raw materials, and because some customers are comparing quotations with different kind of the specifications.

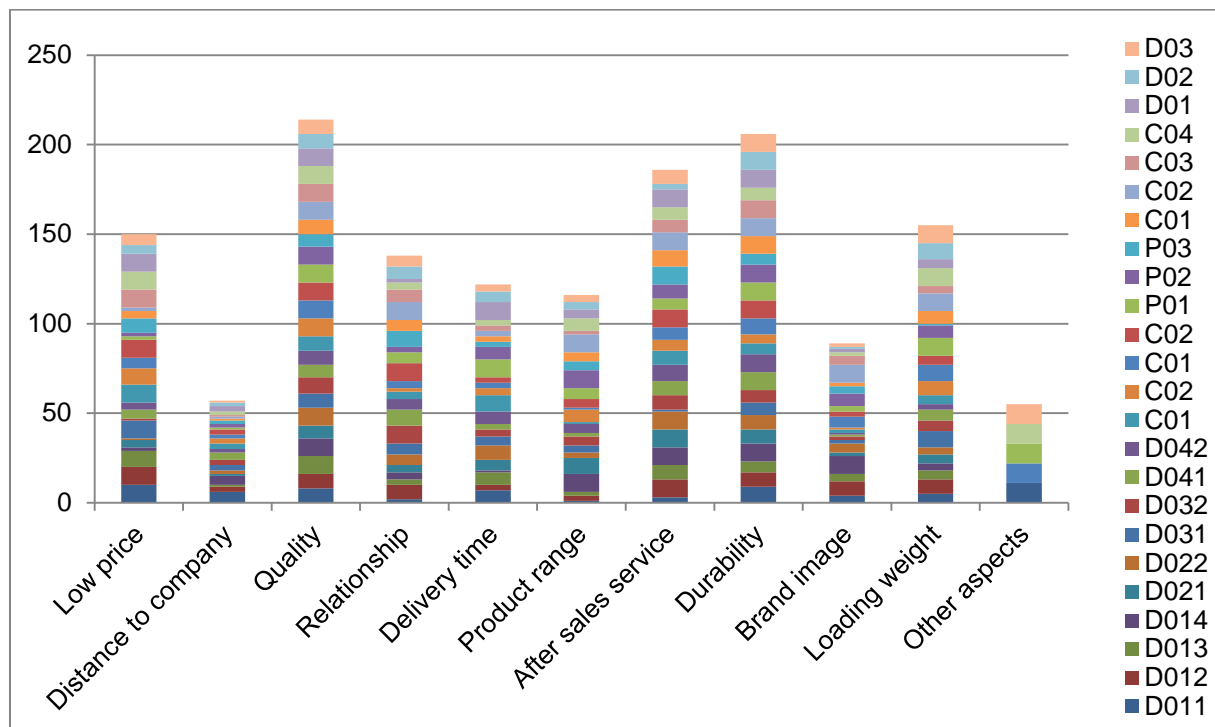
Opportunities and threats are related with the macro-environmental aspects that are described in paragraph 4.2. There is economic growth in surrounding countries, which provides with opportunities, because companies are likely to invest in new trailers again. The same relates to the increase of mining activities in those countries. An important type of trailer for Afrit is the side-tipper which is used in the mining sector.

At the same time, there are threats in the countries of southern Africa. The economic and political situation is not as stable as desired and therefore it is difficult to predict the future situations. The infrastructure conditions can also be seen as a threat. The conditions of the roads are not as good as desired, and as a result it is possible that there are less investments. New infrastructure projects are announced regularly, though this can include railway improvements which is a threat for the trailer market.

4.1.3. Trailer characteristics

During the interviews, the interviewee was asked to fill out a short questionnaire (see appendix B). The results of this questionnaire is used to identify the most important characteristics of a trailer. It was not the goal to list the most important aspects of Afrit, but the most important characteristics of a trailer in general. The collected data is used to describe on what aspects of a trailer Afrit should focus in the future and when expanding abroad.

Figure 1: Most important trailer characteristics according to respondents



As shown in the figure, quality is perceived as the most important characteristic of a trailer. Followed by durability which is related to quality. For many respondents the after sales service that is provided with the trailer is important and ranked as third aspect. The possible loading weight is number four. For multiple trailer users, it is important to have the highest possible loading weight to reduce their total transport costs. Nearly the same score was for price as trailer aspect (a score of 155 for loading weight and 150 for low price).

In order of importance the other aspects were: established relationship with the sales officer, delivery time of the product, product range, brand image, and distance to the company. The distance to the company, in this case Afrit, was the least important according to the respondents.

The characteristic 'Other aspects' should not be seen as lowest. This item gave the possibility to add a characteristic that was not in the list, but that is important to that specific customer. In total five times this option was ticked and these were the specifications: financing, finance and support, finance and payment terms, alternative payment conditions, and communication with the client. It shows that the in-house financing possibility is also important for some customers.

4.1.4. Strengths and weaknesses of Afrit

During the interviews an important part was the opinion of the interviewee about their perception of the strengths and weaknesses of Afrit. Figure 2 and 3 show the results to the question what he/she thinks are the most important strengths of Afrit (a combination of the results are shown in a table in appendix C).

Figure 2: Strengths of Afrit according to interviewed customers

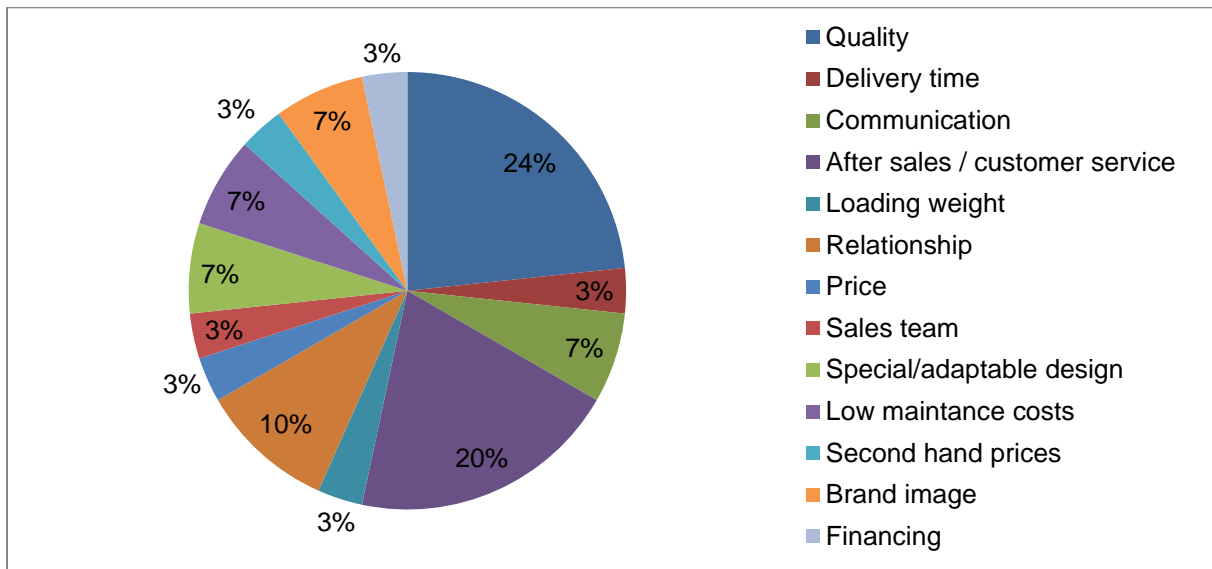
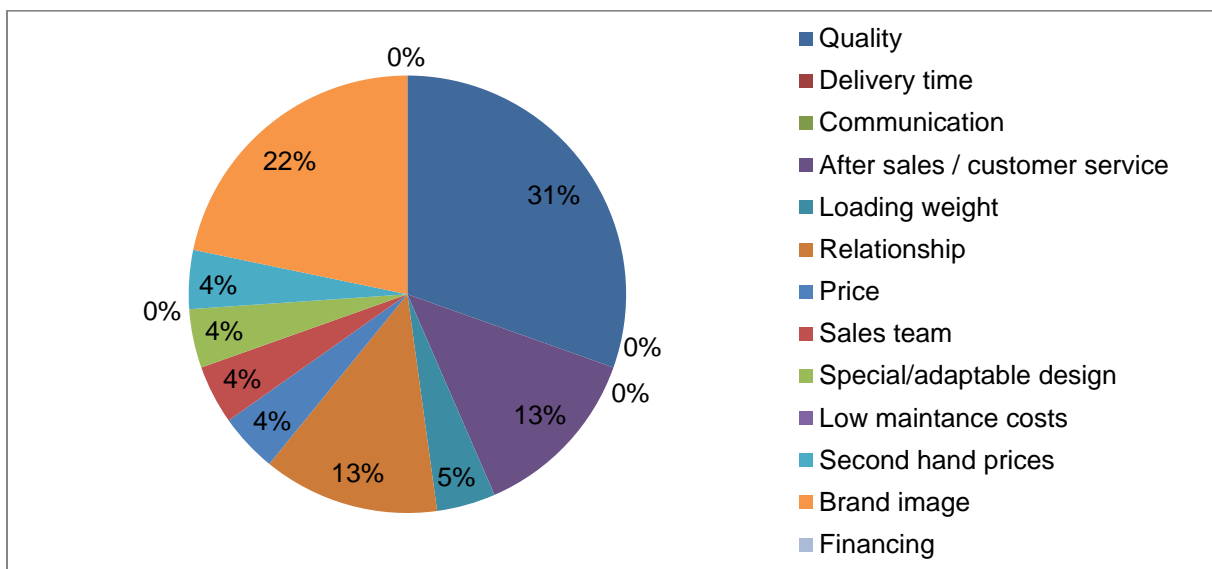


Figure 3: Strengths of Afrit according to interviewed dealers



There can be made a classification between respondents. The results of the dealers can be separated of the customers and potential customers. According to the dealers the top three strengths of Afrit are: quality (mentioned by 30% of the dealers), brand image (22%), and

after sales/customer service and relationship (both 13%). When analyzing the customers the top three of strengths of Afrit are: quality (23%), after sales/customer service (20%), and relationship (10%). When the results are combined, the top three strengths are: quality (26%), after sales/customer service (17%), and brand image (13%).

In figure 4 and 5 are the weaknesses of Afrit that were mentioned during the interviews (a combination of the results is in a table in appendix C). Most significant weaknesses are: delivery time (mentioned by 23% of the respondents), price (13%), and not present in their country (13%). Complaints about the sales officers were that they are too busy, they do not sell aggressively enough, and lack of knowledge about the trailers.

Figure 4: Weaknesses of Afrit according to interviewed customers

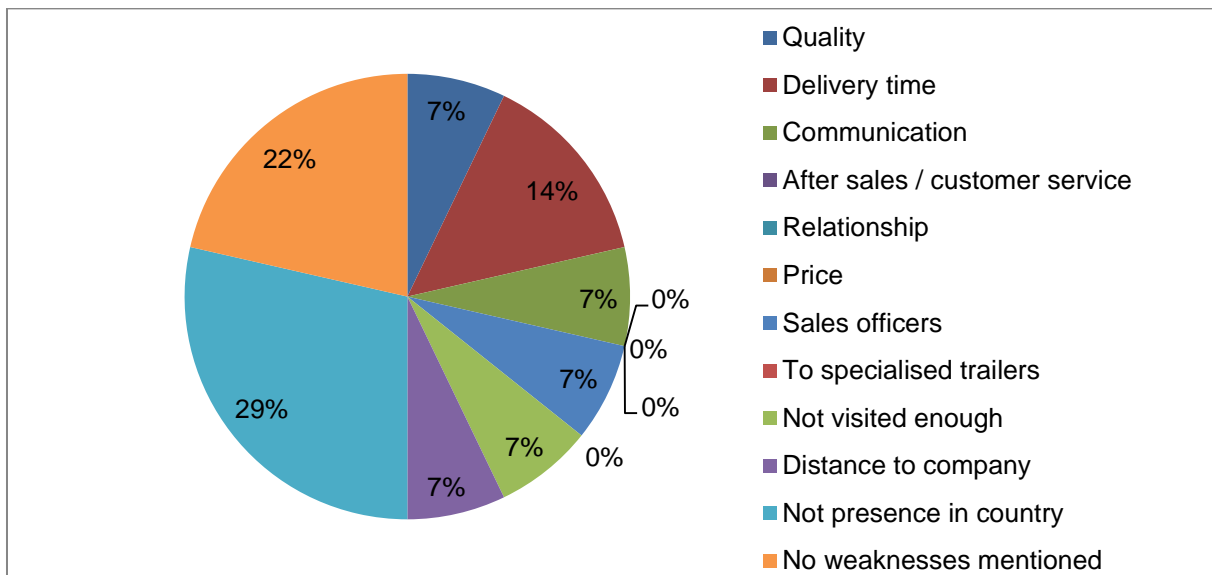
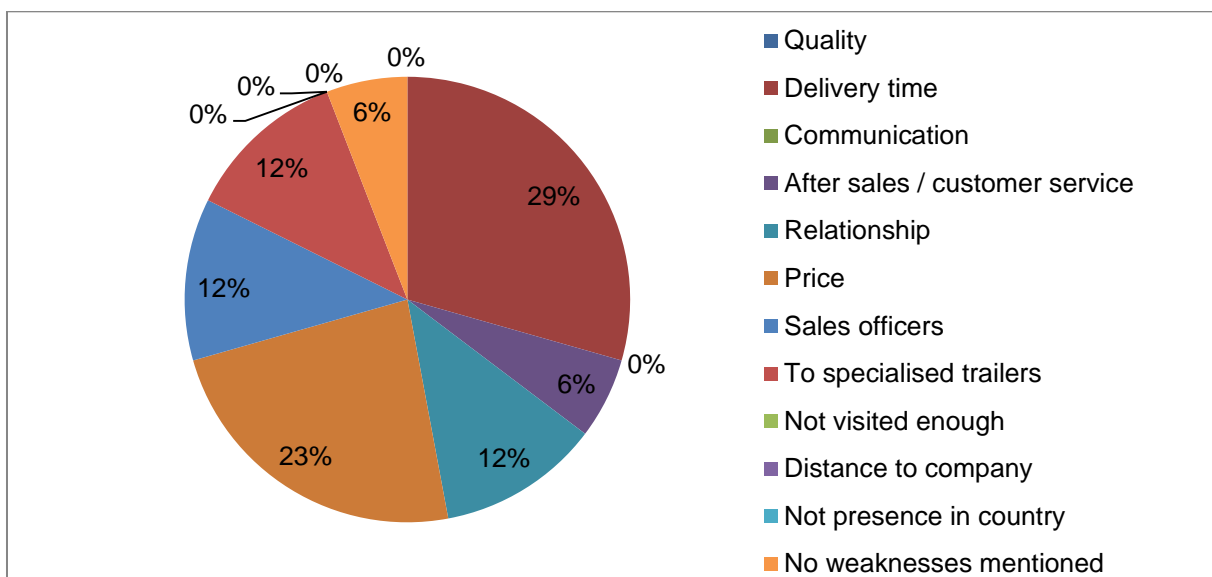


Figure 5: Weaknesses of Afrit according to interviewed dealers



4.2 WHAT ARE THE MOST RELEVANT MACRO-ENVIRONMENTAL FACTORS FOR AFRIT WHEN EXPANDING ABROAD?

Before the company is able to make a strategic decision, it is important to be aware about the current and future country information on macro level. The focus of these country analyses is on four countries of southern Africa: Zambia, Zimbabwe, Botswana, and Mozambique. These are the neighboring countries with the most market potential according to Afrit. The information that is collected about each of these countries is divided in five topics of the PESTL analysis, which are Political, Economic, Social, Technological, and Legal factors. Sometimes other analyses includes Environmental factors, but in this research these were not relevant for the company and the trailer industry. To compare the information there is also a PESTL analysis of South Africa. First some general issues of the countries are listed and compared.

Table 3: General country information

	South Africa	Zambia	Zimbabwe	Mozambique	Botswana
Inhabitants (2012)	48.810.427	13.817.479	12.619.600	23.515.934	2.098.018
GDP (2012)	578,60	23,68	10,80	26,22	31,49
GDP growth (3 years average)	2,87	6,90	8,00	7,30	5,30
Inflation (2 years average)	5,1	7,6	6,85	6,95	7,7
Corruption index	69	88	163	123	30
Doing Business	39	94	172	146	59
Global competitiveness	52	102	132	138	79

Sources: CIA World Factbook, 2013a; Doing Business, 2013a; Transparency International, 2012a; World Economic Forum, 2013.

Table 3 provides an overview of general data by country. The number of inhabitants in combination with the GDP can be compared, the combination of average growth rates of GDP and inflation can be compared, and three renowned indexes can be reviewed. The indexes are designed by three different institutions: The Corruption Perception Index is published by Transparency International, Doing Business profiles are made by the World Bank, and the Global Competitiveness is set up by the World Economic Forum.

By far South Africa has the highest GDP of the five countries, followed by Botswana which is noticeable, because it has the least number of inhabitants of this list. Zimbabwe has a relative low GDP, but is the only country that has a higher average GDP growth rate than

inflation rate over the last three years. South Africa provides entrepreneurs with the best incentives for setting up and execute a business. In the Doing Business and Global Competitiveness profiles the country is listed the best of these five. Botswana comes second and scores best in the Corruption index. The other three countries are performing under the global averages.

The table gives a first indication about the differences between the countries, and in the PESTL analyses a number of times will be referred to the table. Other relevant issues for the company about general (economic) indicators will be in the country analyses itself.

4.2.1. PESTL South Africa

Political

- Relative stable governance

Since the post-apartheid election in 1994 the African National Congress (ANC) is in power. In April 2009, the ANC won their fourth election and Jacob Zuma became president. The policy making process has been relatively stable in the last years. This is also reflected in the country's good governance indicators in comparison with other countries in Africa. In 2011 South Africa had a government effectiveness rate of 64.9 percentile in the World Bank's governance indicators (World Bank, 2013b). As comparison, the two other major African economies, Nigeria and Egypt, had a percentile score of 12.8 and 32.2 respectively.

- High corruption and violence rate

Though there is a high corruption and violence rate in South Africa. This topic resulted in the lowest score of the above mentioned World Bank Governance Indicators. For Political Stability and Absence of Violence/Terrorism the country scored 48.1 percentile in 2011 (World Bank, 2013b). Apart from war zones, South Africa has one of the highest murder ratio per capita (MarketLine, 2012b). A reason of the violence can be the high inequality in the country. When measured with the GINI index, which measures the distribution of income in a country, South Africa is listed second after Lesotho. This means it has the second highest degree of inequality in the world (CIA World Factbook, 2013b). Together with the corruption rate and the lack of transparency this can affect the business position of South Africa (MarketLine, 2012b).

Economic

- Developed economy

South Africa has a well-developed economy: it has the highest GDP of countries in Africa, the economy level is ranked as 'upper-middle-income', and it is ranked at 39 in the world-

wide Doing Business ranking (World Bank, 2013b; Doing Business, 2013b). Together with Brazil, Russia, India, and China, South Africa is part of the so-called BRICS countries, according to some people these countries are emerging markets with high future potential (CNN, 2013). It shows the extent to which South Africa is a large economy, and the business climate is seen as one of the most conducive in sub-Saharan Africa (Africa Economic Outlook, 2013b).

- Lower economic growth in recent years

Since 2009, the economic growth of South Africa slowed down. In that year the GDP declined with 1.5% (World Bank, 2013a). The year 2012 was a turbulent year for the economy: Partly caused by the Euro zone, which is the major trading area of the country, the economic growth was less than expected (African Economic Outlook, 2013b). The inflation rate was higher than the GDP growth rate, the industrial output was lower, and domestic companies were investing less as risk-protection (Department of National Treasury, 2012).

- Uncertainty in mining sector and fluctuations of exchange rate

For the coming period the economy of South Africa is expected to slow down (South African Government News Agency, 2013). An important reason is the mining sector that caused unrest in 2012 and again in the spring of 2013. The output of the mines is less due to lockouts, strikes, and increased uncertainty (MarketLine, 2012b). The most recent strikes at the mines for salary increases caused an enormous depreciation of the South African Rand against the US Dollar: On June 10, it was 20% lower than beginning of the year (Reuters, 2013c). The issues are not completely solved, and these events can keep investors in the mining sector and in the country in general away.

Social

- Multicultural society with challenges

South Africa has a society with a lot of racially diverse cultures. Partly due to Apartheid, there are large income differences and differences between black and white population (Bloomberg, 2012). To improve living standards of the poor population, the government set up social policies like the GEAR Strategy and the Black Economic Empowerment, furthermore many white citizens migrate to other countries like Australia and New Zealand (Department of Trade and Industry, 2012; MarketLine, 2012b). There are also other social issues like HIV/AIDS and challenges in education system. Every day around 500 people die in South Africa due to HIV/AIDS, and it impacts South Africa's demographics: 17% of the inhabitants between 15 and 49 years are affected while the worldwide average is 0.8% (MarketLine, 2012b). The educational system is also a current challenge: There is poor

management, lack of transparency, corruption at schools, lack of teacher training, and shortage of important textbooks and libraries (MarketLine, 2012b; OECD, 2008; Transparency International, 2011).

Technological

- Sufficient infrastructure funds

Within South Africa the funds for infrastructural improvements does not provide challenges as there are no limitations in the funds (Development Bank of South Africa, 2012). Starting in 2013, in three years the government will invest R827 billion (around 82 billion USD) in new and existing infrastructure (South African Government Information, 2013). For the National Infrastructure Plan the government planned to invest R4 trillion (around 400 billion USD) in the coming 15 years (Engineering News, 2012b). The challenges are more in the area of inadequate resource allocation, poor road safety, and elimination the uncompleted work in maintenance (Deloitte, 2013; Development Bank of South Africa, 2012).

Legal

The corporate tax rate in South Africa is 28%. In countries like Mauritius this is lower (15%), and therefore it might be attractive for companies to set up an offshore company abroad (PWC, 2013). This is possible due to Double Taxation Agreements (DTAs) that were made with other countries. However, the South African government designed rules to make it difficult for companies that only have a passive offshore company to obtain tax benefits. When such a Controlled Foreign Company (CFC) is more than 50% owned by a South African resident, the net income of the CFC will be included under this resident and thus will apply for the South African tax rate (Abreu, 2010). Nevertheless, there are some exemptions: the Foreign Business Establishment, the Diversionary Transaction Rules, and the New diversionary rules under the new taxation bill 2012.

In May 2013 the governments of South Africa and Mauritius made changes in their double tax treaty. These changes makes it even more unattractive to expand into Africa via Mauritius (Business Daily, 2013c). But there are other exemptions in the South African tax rules. These are applicable on income from active operations or companies abroad. So opening an offshore company might be beneficial for Afrit, when they have operations in the future in neighboring country.

4.2.2. PESTL Zambia

Political

- Stable political environment

In recent history, the political situation in Zambia was relatively stable and peaceful. The country became independent in 1964 and at the last elections in 2011 there were no reports of extreme violence. Due to this stability in the political context, there was an increase in investments of regional and international Foreign Direct Investment (African Development Bank Group, 2010). In 2011 the new president Michael Sata was elected, which was welcomed by outsiders as a progress for Zambia, because Sata was in the opposition during three previous elections. But since Sata is in power, he lost quite some goodwill among the population after appointing his uncle and cousin in the highest place of the finance department, which suggests that Sata tries to use his power for his own advantage (Forbes, 2013). This might even affect the economic situation of the country, as investors are already “closely monitoring political risk indicators to assess the long-term viability of their investments” (Business Daily, 2013a, p. 1).

- High corruption rate

Zambia is listed as country 88 in the global corruption index (see table 3), which is better than Zimbabwe or Mozambique. Nevertheless, according to Transparency International (2012b) there is an “insufficient or late implementation of legislation” (p. 9). Combined with other issues like concerns about the anti-corruption commission and inadequate resources to prevent corruption, corruption should be taken into account when considering doing business in Zambia.

Economic

- Stable economic growth

The economy of Zambia showed a stable growth. Between 2005 and 2012 Zambia's real GDP grew with more than 6% per year (CIA World Factbook, 2013a). The average growth rate of the last three years is 6.9% (see table 3). Like other countries in the region, despite the recession in the world, the economy of Zambia kept growing. According to the International Monetary Fund (2012) the expectations for the future are also good: From 2013 to 2016 the GDP growth rate is predicted to grow around 8% annually. This is expected together with a lower and stable inflation of below 6.6%.

- Dependency on copper

An important reason for the stable growth of the GDP in the last years was increase of copper production and prices. Since the World copper prices started to rise in 2001, the GDP of the country started growing as well, and since 2004 the total copper output also increased. Since copper is this important for Zambia's national economy, it also makes the country vulnerable when the worldwide copper price will drop. In April this year the copper price was

the lowest since 18 months. The main reason was of the economic slowdown in China, which is a major consumer of copper and therefore has great influence in the World copper prices (Bloomberg, 2013b). Though analysts expect a rebound in the coming six months (The Wall Street Journal, 2013), the IMF advises to diversify the export base of the country (International Monetary Fund, 2012).

- Exchange rate volatility

Zambia uses a floating exchange rate policy for the Kwacha. It provided the country the possibility to adjust relatively fast to new circumstances, but on the other hand it is very volatile. In the past the Kwacha was depreciated due to the fall in copper prices (Bureau for Food and Agricultural Policy, 2011). Research showed that the trade balance in Zambia is affected by the exchange rate volatility, and that a stable exchange rate is important to continue the growth of trade (Chipili, 2013).

Social

- Possible cultural differences

When doing business in other countries it is possible to come across cultural differences. Geert Hofstede divided several dimensions in which cultural differences can occur (Hofstede, 2013). In appendix D is a comparison of four of Hofstede's dimensions between Zambia and South Africa. Significant differences between Zambia and South Africa are in the dimensions of Individualism versus Collectivism and Masculinity versus Femininity. South Africa has a higher rate of individualism than Zambia, which is more group oriented. The masculinity rate in South Africa is also higher which means that achievements, heroism, assertiveness, and material rewards are more important. These two differences are useful to keep in mind when being in contact with Zambian customers.

- Socio-economic inequality

Despite the stable economic growth in the last years, this did not impacted the majority of the population positively in relation to their socio-economic status (World Health Organization, 2013). The inequality in income and social services are rising: According to the GINI index the distribution of wealth increased from 0.60 in 2006 to 0.65 in 2010 (African Economic Outlook, 2013c). In the government vision 2030 plan, the target is to lower this GINI coefficient to below 0.40 in 2030 (Ministry of Commerce, Trade, and Industry, 2006).

Technological

- Infrastructure developments

Zambia is a landlocked country and is, despite the absence of important harbors, an important gateway between countries. The transport costs for a landlocked country are relatively low, and this provides advantages for the transport business (Bureau for Food and Agricultural Policy, 2011). After significant improvements over the last years, largest parts of the country have roads that are in better conditions. Though, it is not in top quality and some main routes should be improved (World Bank, 2010). In 2012, the government notified that there were insufficient funds and issued 700 million US Dollar in bonds to find enough money for funding the road works. The government launched the program 'Link Zambia 8000 project' for the construction of more than 8000 kilometers extra roads, and it started the project in September 2012 (The Post Zambia, 2012). At the same time, there are also plans to improve the railway with an investment of 1.5 billion US Dollar in the coming five years (Business Daily, 2013b). All in all, the country is upgrading the infrastructure, which is necessary to keep up with the industrial and population growth.

Legal

Zambia and South Africa are both member of the Southern Africa Development Community (SADC) which is a Free Trade Area (FTA). The FTA of SADC was achieved in 2008 when a minimum of 85% of the trade had to be zero duty (SADC, 2013). Standard a rate of 15% import duty have to be paid for trailers, but, due to the FTA, the rate for South African products is 0% (World Trade Organization, 2013). Though there are still non-tariff barriers that SADC achieves to eliminate (SADC, 2013).

4.2.3. PESTL Zimbabwe

Political

- Unstable history, uncertain future

Over the past decade, Zimbabwe has had a unstable political history, and has a uncertain near future. Despite the fact that president Mugabe of the Zanu-PF party is in power for more than 30 years, the political environment and the policy making was unpredictable. In 1999 the opposition formed the Movement for Democratic Change (MDC) which is led by Morgan Tsvangirai, who is the biggest opponent of Mugabe. To obtain more Zimbabwean voters Mugabe started in 2000 the land reform program which partly was the reason for the economic downturn in the country (see economic factors). In the elections of 2008, the MDC won the most votes in the first round, but a second round was needed. Tsvangirai withdrew himself, because of violence against his supporters. Mugabe won the elections, and it resulted in a power sharing agreement between Mugabe and Tsvangirai. But from 2010 till present, premier Tsvangirai frequently accuses the Zanu-PF of violence and suppression. With a new constitution in place the court decided that new elections need to be before 1

August 2013. Though prime minister Tsvangirai says there is more time needed to guarantee free and fair elections (BBC, 2013).

Mugabe is 89 years old, nevertheless he will run for president in the next elections. The future of (political) Zimbabwe depends on the outcome of the next elections. According to the International Crisis Group (2013), progress is possible, but it is necessary to overcome the large contradiction between ideas of the parties. In the short-term, this report with election scenarios does not predict political stability. It is not likely that the Zanu-PF will voluntarily hand over the power to MDC when it will lose the elections (Simukai, 2013).

Economic

- Recent economic downturn

Zimbabwe is one of the poorest countries in the World, with a Purchasing Power Parity of \$500 in 2012, which listed the country number 228 of the 229 ranked countries (CIA World Factbook, 2013a). This is a result of the economic crisis that was in the country started around 2000. Jones (2010) state that “many observers, both local and foreign, insist that the government has caused the economic downturn” (p. 288). Reasons are the costly involvement of the army in the Democratic Republic of the Congo, the unbudgeted give away of money, and the land reform program. Between 2002 and 2008 the GDP had an average annual decline of 8.9%, with negative peaks of 17.0% and 17.7% decline in 2003 and 2008 (World Bank, 2013a). It was followed with hyperinflation: The inflation rate in 2007 was 24,411%, and in 2008 and 2009 it was immeasurable. These issues caused a poor economic basis and brought the country to the abyss.

- Multi-currency policy

Since January 2009, the U.S. Dollar and the South-African Rand are official currencies in Zimbabwe. Reason for this policy change was to overcome the hyperinflation and to stabilize the country's economy. The multi-currency regime will likely stay in place in the near future. For a South-African firm this multi-currency can be a benefit, because the income is not influenced by the exchange rate. It probably also attracts other business and countries. But the adaptation of the multi-currency policy was not the only reason why the inflation lowered and the GDP increased. First of all the government spending's increased due to funds of the IMF, secondly the increase of grants to Zimbabwe of other countries, and thirdly the increase in worldwide prices of raw minerals (Richardson, 2013).

- Fragile recovery

The last two years the economy recovered from the recent historical events. Of the five analyzed countries, Zimbabwe was the only country with a higher GDP growth rate than inflation rate. However, the growth rate in 2012 was already lower than in 2011. It slowed from 10.6% growth to 4.4% annual growth. The expectations are not very bright. Projections for 2013 and 2014 are 5% and 5.7% respectively (African Economic Outlook, 2013d). These numbers are positive and stabilized, but the country has a long way to go. Future economic growth will largely depend on political stability and on the outcome of the elections of 2013.

Social

- High unemployment rate and brain drain

In 2009, the unemployment rate was 95% according to the CIA World Factbook (2013a). According to publications of the database of the Zimbabwean government, however, the unemployment over 2011 was only 12.3% (Zimbabwe National Statistics Agency, 2012). This can be a misleading figure, because it includes persons who work in the informal sector. Independent analysts think the real unemployment rate in 2011 was around 80% (News Day, 2012). The unemployment rate in Zimbabwe can also be seen as an economic factor, but the impact of this unemployment has a large significance to the demographic factors. As a consequence of the large amount of refugees that left Zimbabwe, and a life expectancy of 53.9 years, the country is subject to a brain drain (CIA World Factbook, 2013a; United Nations, 2010), which affects the current social services and the future potential of the country.

Technological

- Poor infrastructure, growing mining sector

A result of the period of the economic decline is the poor infrastructure in the country. The industry was not able to maintain the infrastructure and the technology level of the country, and is therefore off pace in comparison with surrounding countries. The infrastructure is at a “inadequate level” and this “deterioration (...) has a serious impact on other productive sectors of the economy” (African Development Bank, 2011a, p. 13). The productive sector of mining has partly recovered, and it was important for the economic growth since 2009. In the 1990s the contribution of the mining sector to GDP was around 10%, and since 2009 it is around 17%. The expectation is that it will grow further in 2013 with another 17%. But despite the investment in mining and technology, it might be that the sector will not reach that growth this year. Reasons are the lowered prices and other local factors of influence (The Independent, 2013). Still, there will probably be economic growth, and the mining sector provides opportunities for the trailer market.

Legal

Like the other countries in the analysis, Zimbabwe is member of the SADC. There is a Free Trade Area under the agreement between South Africa and Zimbabwe. But there are some problems with implementing the tariff commitments in Zimbabwe, and therefore the country is allowed to suspend the zero import duties till 2014 (SADC, 2013). This suspension includes the items 'Self-loading or self-unloading trailers and semi-trailers for agricultural purpose' and 'Other trailers and semi-trailers' and as a result there is for South African products an import duty of 15% (see appendix E). Besides this tariff, other non-tariff barriers costs money and time. Customs regulations acquire excessive documentations, procedures, and lack transparency and consistency (All Africa, 2013).

4.2.4. PESTL Botswana

Political

- Stable political environment

Botswana is independent since 1966 and every five year free elections are held. Ever since, the Botswana Democratic Party (BDP) has won most votes, and next elections are planned for 2014. Despite the more instability of the ruling party and the internal conflict in 2010, it is likely that the ruling BDP will win the elections again (Gabathuse, 2013; Ntibinyane, 2013). The current president Ian Khama was able to resolve the conflict and is very popular among the population. The opposition is relatively free to set up electoral campaigns, but so far failed to cooperate in an effective way. It is plausible it results in a second and last term for president Khama. The political situation of Botswana is expected to stay stable and without large reforms in the policies of the current government.

- Low corruption rate

In the Corruption Perception Index, Botswana is ranked 30th out of 174 rated in the world (see table 3). This is the highest rank for a country in Africa. In Africa 90% of the countries have a score below 50 while Botswana achieved a score 65. The measurements are about the perception of inhabitants of corruption, the experiences in corruption, about fighting corruption, and getting involved in corruption (Transparency International, 2012a). This includes governmental institutions. It is an advantage when there is a low corruption rate. It avoids ethical issues and choices, and can make doing business easier.

Economic

- High GDP and large industrial sector

When Botswana became independent in 1966, it was one of the poorest countries in the World. From that year until 1999, the average growth rate was 9% per year, which made it

one of the fastest growing countries in the World (African Economic Outlook, 2013a). As showed in table 3, despite the minor number of inhabitants, the GPD of Botswana is larger than the GPD of Zambia, Zimbabwe, and Mozambique. In addition to that is the relative large industrial sector in Botswana. Industry generated 45% of the total GDP in 2011 (CIA World Factbook, 2013a). This sector provides more relevant opportunities for a trailer manufacturer than the service sector.

- Economic stagflation and dependency on diamonds

The growth of GDP in Botswana between 2000 and 2009 was on average 4.0% annually. In the same time span, inflation rate was on average 8.7% (World Bank, 2013a). Combined with the rates of last years (see table 3) the country faced economic stagflation. Normally stagflation is combined with increased unemployment rates, but these declined from 35.0% in 2002 to 17.6% in 2006 (MarketLine, 2012a). Unless this means a decline in buying power in the country, stagflation is not the same as recession. Botswana wants to try to keep the inflation between three and six percent, but is partly dependent on the world economy. It depends for example on the world market price of diamonds. Diamonds are contributing for 35% to the national GDP and 80% to the total exports (MarketLine, 2012a). In the last year the price of diamonds dropped with 6.3% and will probably decrease in 2013 as well (Bloomberg, 2013a). The government is trying to reduce this dependency for the future.

Social

- Demographic target market

The total population was 2.098.018 in 2012, and for 2013 the population of Botswana is estimated to increase to 2,127,825 inhabitants (CIA World Factbook, 2013a). Most people, and most economic activity, are found in the two major cities of the country: the capital Gaborone and Francistown. In the agglomerate of Gaborone live around 422,000, people and in Francistown agglomerate 151,000 (Voices of Botswana, 2011).

Technological

- Importance of road transport

In this land-locked country the transport sector is of significant importance, and for the overall freight market the road are used most (Ministry of Transport and Communications, 2009). In 2011, 86% of the total of import, export, and transit was transported via the road and 14% via the railway in Botswana. According to the African Development Bank Group, there were some infrastructural bottlenecks (2009). The country is widespread and needs continuous infrastructure projects to stay competitive in the transport sector. In 2012 there were 1,803 trailers for the first time registered (Statistics Botswana, 2013). This include new and pre-

used trailers and also the smaller trailer category than produced by Afrit, though the number gives a good impression of the size of the market.

Legal

Besides members of the SADC, South Africa and Botswana are both members of the Southern African Customs Union (SACU). Major difference between the SADC is that a customs union has a common external tariff (SADC, 2013). There is zero percent import duty when exporting trailers from South Africa for Botswana (see appendix E). In August 2012 president Zuma of South Africa and president Khama of Botswana signed another agreement. This is a Bi-National Commission which is a framework for extra (trade) cooperation (South African Government News Agency, 2012).

4.2.5. PESTL Mozambique

Political

- Stable political environment, concerns for the future

The political situation in Mozambique is stable since 1992. Before 1992, there was violence between the two major political parties: the Frente de Libertação de Moçambique (FRELIMO) and the Resistência Nacional de Moçambique (REMANO). After 1992, elections were relatively orderly. The REMANO accused the winning party FRELIMO several times of corruption and filed formal complaints against the results, but extreme violence held off. There are still serious concerns about the stability in the near future. The next presidential, national, and provisional elections are planned for 2014. Therefore the country started registering voters and REMANO threatened to disturb these registrations (Reuters, 2013b). The REMANO party is becoming less popular, and now seems to try to win back votes to campaign with violence. In theory it is possible that the country will return to war, but it seems unlikely, as there are no international partners as in the past, and REMANO has a declining number of followers (Bussotti, 2013).

Economic

- Expectations of economic growth

Between 1993 and 2009, the economy of Mozambique was growing the fastest of the non-oil economies in Sub-Saharan Africa (African Development Bank Group, 2011b). The International Monetary Fund indicated risks and advantages for the economic outlook of the country. The risks include less foreign aid, reduced access to foreign finance opportunities, a decrease in exports, and a slowdown in trade with South Africa. On the positive side are the increased coal production (see issue below), strong foreign direct investments in large projects in the country, and stable trade flows with other countries. Despite the global

economic situation, the economy of Mozambique is expected to remain robust (International Monetary Fund, 2013).

- Coal opportunities

In 2011, for the first time Mozambique exported a large amount of coal. The recent boost in coal production will impact the country's performance positively in the coming years (African Economic Outlook, 2012). The coal sector will continue to increase and will attract new investments of foreign companies and countries (Reuters, 2012). Besides the increase in coal, in 2011 the company ENI from Italy announced that it discovered a giant gas reserve near the coast of Mozambique (BBC, 2013). This will improve the export sector of the country in the future positively. Though beginning of this year several companies reduced the expectations of coal exports for 2013. For example the company Vale, they cut their target for this year with 30% to 3.4 million tons coal (Mining Weekly, 2013). Reason are floods earlier this year and the condition of the infrastructure (see technological aspects).

Social

- Portuguese speaking country

In Mozambique, the official language is Portuguese, as the country was a colony of Portugal since the 16th century. Other important languages are Makuwa-Lomwe, Tsonga, and Sena-Nyanja (Netherlands-African Business Council, 2010). It can impact the ease of doing business with Mozambique when communication in English is difficult.

Technological

- Infrastructure conditions

With the new opportunities in coal and the restoration of the country, the infrastructure of Mozambique is of significant importance. The government took action to rebuild the harbor of Maputo for larger ships. But also the ports of Nacala and Beira are important for transport into the country and into other countries in southern Africa (Embassy of Finland, 2009). Current and new infrastructure development projects are planned to proceed. These are necessary to boost the economy, because the current infrastructure is in poor condition (African Development Bank Group, 2011b). To improve the current infrastructure gaps is now the priority of the government and it is key in the country's future growth (International Monetary Fund, 2013). The improvements of the infrastructure includes the investments in the railway. With good railways it can impact the sales of trailers in the country. Some coal exporting companies are using the railway already, but that was affected by heavy floods in February. The railway re-opened again in March, but it shows the vulnerability of the infrastructural situation in the country (Reuters, 2013a).

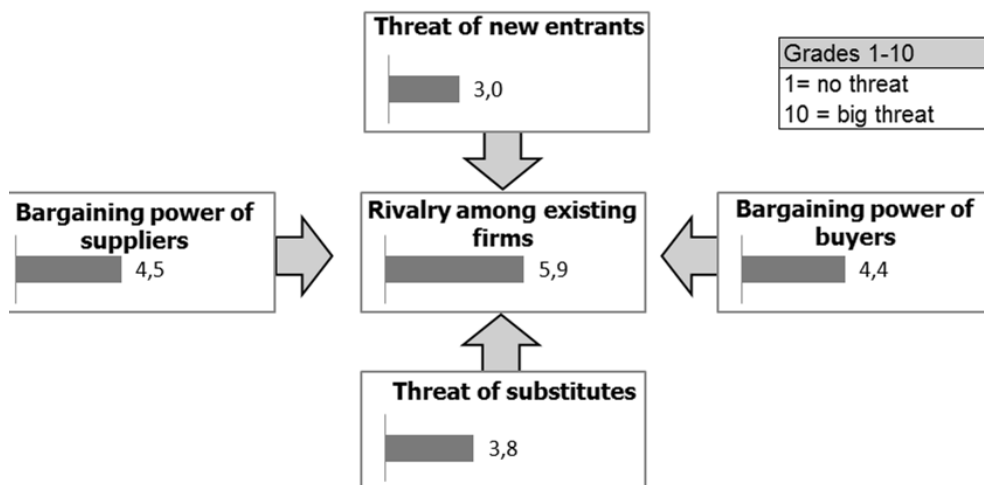
Legal

Mozambique is also member of the SADC and thus partnering in the Free Trade Area. For other countries the maximum tariff liberalization is already completed, but for Mozambique this process is expected to be completed in 2015. This is in relation to the imports coming from South Africa (SADC, 2013). Though according to statistics the import duties for trailers and trailer parts from South Africa is already zero percent (appendix E).

4.3 WHO ARE THE MAIN COMPETITORS OF AFRIT?

To analyze the degree of competition for Afrit, Porter's Five Forces Framework is used. According to Michael Porter, the competition in an industry is influenced by five forces, which can be scored and measured in a diagram (Porter, 2009). As measurement a tool of Rustenburg Consultancy (2007) is used: Per competitive force, eight questions are answered by Likert scale. Depending on the degree of agreement the threat of that force will increase or decrease. Figure 6 shows the Five Forces Framework for Afrit (see appendix F for the assessment). Each force that influences Afrit's position is explained in the subparagraphs.

Figure 6: Five Forces framework Porter



Source: Rustenburg Consultancy, 2007

4.3.1 Competitive rivalry between firms southern Africa

SA Truck Bodies

Main competitor in South Africa as well as in neighboring countries is South African Truck Bodies. Since 2002 Henred Fruehauf merged with SA Truck Bodies, but both brand names were maintained for preserving product identities. The company has three manufacturing plants for trailers, and one plant for axles and suspensions in South Africa (Fleetwatch, 2010). When operating on full capacity their capacity is a production of 400 trailers per month

(Focus, 2011). Together with Afrit, that is able to produce 17,5 trailers a day, SA Truck Bodies is the largest manufacturer in South Africa. The brand awareness abroad is higher than Afrit's, because they are longer present these countries in Southern Africa. That was also mentioned by several interviewees in Botswana and Zambia. There are parts depots in Botswana, Zambia, Mozambique, and Malawi (SA Truck Bodies, 2013).

Paramount Trailers

Paramount Trailers is currently building a factory of 27.000 m². They have the intention to increase their sales by expanding within South Africa and entering new markets. The new facility is built more upon future expectations, than on current demand. With the new factory the company is able to build between 80 and 100 trailer a month (Focus, 2012a).

Top Trailers

Top Trailers was founded in 2002 and has their headquarters in Gauteng (Wadeville), and in total three production facilities (in Cape Town, Wadeville, and Middelburg). The factory in Middelburg opened in 2009 to meet their increase in demand. There are no sales offices abroad, but the company employs a sales representative in Namibia (Top Trailers, 2013).

Other competitors

Examples of other competitors are HOMEZ, Serco, and GRW. HOMEZ makes a large range of competing products, but are only active in South Africa. Serco is more oriented on lorries and refrigerated trailers. GRW manufactures refrigerated trailers and tankers, while Afrit produces refrigerated trailers, but does not build tankers.

4.3.2 Bargaining power of suppliers

Afrit has a large range of suppliers for the different type of products that are necessary. Some suppliers have a more monopoly position in the market than suppliers of other products. And for some products are more alternatives available and thus is the price more negotiable. There is not a large risk of forward integration of suppliers in this market, and the result is a moderate rate of bargaining power of suppliers.

4.3.3 Treats of substitute products

Substitute products are products that come from other industries. In subparagraph 4.3.1 the competitors from other countries are not mentioned. Those can be seen as substitute products. An example is Superdoll Trailers from Tanzania. They are not active in the high competitive market in South Africa, but the trailers are competing in other countries like Zambia. Increase in supply are the trailers from China and India that are shipped to Africa.

Partly caused by the rise in steel prices in Africa, the imports of complete trailer kits from China are increasing (Engineering News, 2012a).

A substitute method of transportation is the usage of railways. In the macro-environmental analyses of paragraph 4.2 are some issues described. Zambia and Mozambique have plans to improve their railways and invest money in new projects. This can be negative for the amount of sales of trailers for road transport industry.

4.3.4 Bargaining power of customers

The bargaining power of customers is not really high. Prices are not set by the buyer and there are numerous, so there is no monopsony. The production lines of Afrit are producing on maximum capacity, and the company is not able to build up stock. That is also an indication that they are able to set prices, and are not obligated to retrieve each application for a quote. Though, with larger customers there is the possibility to negotiate, and then it can be of significant importance to get the contract.

4.3.5 Treats of new entrants

The lowest influence is from the possible treats of new entrants. Afrit as well as most competitors are in the business for many years, and with the entry of some new and small trailer builders the market seems to be saturated. There are high costs for entering in this industry, and the availability of economies of scale is of meaningful importance. It will also take years to build brand awareness and a positive brand name. According to Myers (2011), the trailer manufacturing is a complex industry: It requires technological skills and knowledge to be able to design and to build up-to-date trailers.

4.4 WHAT IS THE BEST WAY TO IMPLEMENT THE EXPANSION STRATEGY?

As described in the literature review, there are numerous strategies that can be used when entering a new market. The mentioned strategies are exporting, agents, licensing/franchising, joint ventures, mergers & acquisitions, and greenfield investments. At this moment Afrit is using exporting to sell their products abroad, which represents around 10% of the total sales. The recommended strategy for Afrit for the future is described in paragraph 6.1. This paragraph explain the elemental basis of the implementation process of a new strategy.

The approach of the implementation depends on the situation and the relating objectives. There are multiple theories of how to implement a strategy in an organization. Generally, the implementation can be divided into five steps (Berg Consulting, 2012):

- Align the priorities and initiatives
- Set budgets and performances
- Structure follows strategy
- Communicate and engage staff
- Monitor and adapt

Starting with the implementation of a new strategy, all the current activities should be reviewed against its relevance in comparison with the new strategy. The priorities and new initiatives should be in line with the new strategy. A budget for the implementation is necessary and this has to be protected from short-term performance requirements. The organizational performance goals also have to be leveled with the new strategy. New performance indicators are important, and these can be set via for example Key Performance Indicators or a Balanced Scorecard (Forbes, 2012b).

When implementing the new strategy, it is not important that a strategy should fit the current company's structure. According to research it is legitimate to change structure as the diversification can result in a higher efficiency (Kluyver & Pearce, 2009) This concept is known as 'structure follows strategy'. It is good to analyze the current structure of the company to check if it fits the new strategy.

Probably the communication of the new strategy will be the most important part of the implementation (Forbes, 2012b). A new strategy can involve changes, and employees tend to dislike changes in their daily routine. Perhaps the changes for Afrit are not that big, because the operations in South Africa itself will continue on the same way, but communication should not be underestimated. The staff and middle management should be informed and involved first. It is good to clarify subsequently to the other involved employees, so that they are aware of the new expectations.

It is important to cascade the strategy throughout the company, and monitoring and adaptations should be possible during the whole process. The strategy must not be fixed, because it is not possible to forecast the results in advance and the business environment is subjected to constant changes. It has to be compared with the performance indicators that were set and changes can be made if the implementation process does not go according to the plan.

5. DISCUSSIONS & CONCLUSIONS

This chapter gives a short summary of the finding, it links the theory with Afrit, it discusses multiple implications for the company, and it provides a short conclusion. As a structure this is done for each paragraph of chapter four separately .

5.1 VALUE PROPOSITION

Quality, after sales service, and a good brand image are the main strengths that Afrit can offer to their customers. To a significant extend this is similar to what customers perceive as important trailer characteristics when they buy a new trailer: Quality, durability, and after sales service. Perceived weaknesses of Afrit are the delivery time and in some circumstances the price of the trailers. A conclusion is that the value proposition of Afrit relates to what the (current) customers are searching for in a trailer manufacturer. It is good if Afrit continues to focus on these values, and market itself with the same values in neighboring markets.

It is debatable if the results of the questionnaire (what customers perceive as the most important trailer characteristics) are applicable is each target market for Afrit. It is possible that in, for example, Mozambique other requirements are more important due to bad infrastructure or lack of financial abilities. In general, it seems logical that quality would one of the most important characteristic, so focusing on this aspects would not harm the company.

What is interesting is that the aspect of price is perceived as less important than four other aspects. The interview was confidential and each interviewee was informed verbally and in written about that. Though it can be discussed if price is not a more important aspect than the results reflect. It is difficult to measure how important the underlying factor of price actually is when the customers have to make the decision between two competitive trailers. It is plausible that price stays an important factor in African countries, and therefore Afrit should continue to consider their price setting when expanding abroad.

5.2 MACRO-ENVIRONMENTAL FACTORS

The macro-environmental analyses was focused on five countries: South Africa, Zambia, Zimbabwe, Botswana, and Mozambique. Below are for each country the findings as a summary showed in a table.

South Africa

Table 4: Overview macro-environmental factors South Africa

Political: <ul style="list-style-type: none"> ▪ Relative stable governance ▪ High corruption and violence rate 	Economic: <ul style="list-style-type: none"> ▪ Developed economy ▪ Lower economic growth in recent years ▪ Uncertainty in mining sector and fluctuations of exchange rate
Social: <ul style="list-style-type: none"> ▪ Multicultural society with challenges 	Technological: <ul style="list-style-type: none"> ▪ Sufficient infrastructure funds

South Africa is a developed economy and an upper-middle-income country, while the other analyzed countries are low income- or lower middle income countries, except Botswana. A conclusion is that the economy of South Africa is ahead of neighboring countries, but the recent trends are not promising. Therefore it would be good for Afrit to seek and explore new markets to increase the potential client base.

Zambia

Table 5: Overview macro-environmental factors Zambia

Political: <ul style="list-style-type: none"> ▪ Stable political environment ▪ High corruption rate 	Economic: <ul style="list-style-type: none"> ▪ Stable economic growth ▪ Dependency on copper ▪ Exchange rate volatility
Social: <ul style="list-style-type: none"> ▪ Possible cultural differences ▪ Socio-economic inequality 	Technological: <ul style="list-style-type: none"> ▪ Infrastructure developments

Zambia has a relative stable political history and experienced economic growth. Compared with Zimbabwe and Mozambique, the transport sector showed a higher stable structural growth. The country has potential for sales in the future, because Afrit only started recently with visiting the country regularly with an appointed sales officer. According to interviews that were conducted, the brand perception of Afrit is good, but it would help if the company was more structurally present in the country. All respondents thought that setting up a partnership for spare parts or opening a branch in Lusaka and/or Ndola will help to boost the future sales.

Zimbabwe

Table 6: Overview macro-environmental factors Zimbabwe

Political: <ul style="list-style-type: none">▪ Unstable history▪ Uncertain future	Economic: <ul style="list-style-type: none">▪ Recent economic downturn▪ Multi-currency policy▪ Fragile recovery
Social: <ul style="list-style-type: none">▪ High unemployment and brain drain	Technological: <ul style="list-style-type: none">▪ Poor infrastructure, growing mining sector

Zimbabwe is an upcoming country, with a long and unstable history. There are still concerns about the future, and this is difficult to predict without knowing the outcome of the presidential election of July 31, 2013. The country has a high potential, but it would be very risky to open a branch in Zimbabwe without knowing what will happen, and without some structural economic growth. With only sales via exports, it is debatable that Afrit, as established trailer manufacturer, will sell to the larger corporation in Zimbabwe anyway.

Botswana

Table 7: Overview macro-environmental factors Botswana

Political: <ul style="list-style-type: none">▪ Stable political environment▪ Low corruption rate	Economic: <ul style="list-style-type: none">▪ High GDP and large industrial sector▪ Economic stagflation and dependency on diamonds
Social: <ul style="list-style-type: none">▪ Demographic target market	Technological: <ul style="list-style-type: none">▪ Importance of road transport

Botswana can be seen as the most stable country of this research. There are some challenges, but compared to the neighboring countries this is likely to have less impact for the future. Largest disadvantage of Botswana is the potential customer base. Botswana does not have much inhabitants and the industrial sector is not growing rapidly. At this moment a sales representative of Afrit visits Botswana already regularly and has set up a network. Setting up a subsidiary is not likely to become profitable in this small market, but most interviewees had the opinion that a spare parts shop would help to increase the sales.

Mozambique

Table 8: Overview macro-environmental factors Mozambique

Political: <ul style="list-style-type: none">▪ Stable political environment▪ Concerns for the future	Economic: <ul style="list-style-type: none">▪ Expectations of economic growth▪ Coal opportunities
Social: <ul style="list-style-type: none">▪ Portuguese speaking country	Technological: <ul style="list-style-type: none">▪ Infrastructure conditions

In Mozambique are a many opportunities for the future. There are expectations of economic growth and the mining industry has enough potential. If these opportunities will result in concrete growth will partly depend on the outcome of the recent political confrontations. Difficult is the language barrier and therefore an agent who is already present in Mozambique might be a consideration for in the future for Afrit.

5.3 COMPETITION

According to the Five Forces competitor analysis of Porter, the rivalry among existing firms is the biggest threat of Afrit. Threats of new entrants is lowest, because of the high entry barrier. Substitute products are mainly the railway, and depend on government investments in the future. The bargaining power of suppliers is moderate, because it are mainly raw materials. The bargaining power of the customers depends on the type of customer. With a more specialized design the bargaining power is less than with customers that wants to buy large quantities of standardized trailers.

Main competitor in South Africa and in the other South African countries is SA Truck Bodies. The advantage of SA Truck Bodies is that they already operate in other countries for a longer period. The company has a higher brand awareness, and have shops with spare parts abroad. If Afrit wants to be able to compete with SA Truck Bodies and with other South African firms that want to expand abroad, it is important that Afrit invests in providing the customers abroad with the opportunity to buy spare parts. Field research learned that for (potential) customers it is of significance importance that they know that the trailer company can provide them with spare parts.

5.4 STRATEGIES

Currently Afrit is using exports as method to sale to customers abroad (except to Namibia, where they have a branch). A suitable strategy that can be used as next step is licensing or franchising. In the literature review the main benefits and drawbacks are shortly mentioned: They are relatively inexpensive and have low risks, but there is little control and low returns. When Afrit wants to sell spare parts the control and the low returns are less important. It is more important that they are able to provide this service to companies for increasing their competitive advantage. Collaborating with other companies abroad for selling spare parts and perhaps offer small repairs, have not a lot of implications on the current business processes. Therefore the implementation of such a strategy will be not very high.

6. RECOMMENDATIONS

The research question was: How should Afrit (Pty) Ltd from South Africa formulate an international expansion strategy in order to have the most potential for success in surrounding countries?

To provide an answer to this question there were four sub-questions that needed to be answered. These sub-questions were discussed in chapter five, and in this chapter the answer to the research question will be given as recommendation for Afrit. Subsequently other general recommendations are given to Afrit that have emerged after analyzing issues for the company.

6.1 RECOMMENDED EXPANSION STRATEGY

To increase the sales market of Afrit, to stay competitive with the opposition, and to utilize future opportunities, the advice is to open shops for selling spare parts in Gaborone (Botswana), Lusaka (Zambia), and Ndola (Zambia) within the coming two years. This can be achieved by making partnership agreements with current and local companies in the mentioned cities, and license them to sell Afrit parts. Possible partners for Afrit are Truckmac and Josh Trading in Zambia.

For decision making managers of transportation companies in these areas, it is important that they are aware of the availability of spare parts, and that they 'see' the brand of Afrit. Branding the products of Afrit together with this availability is according to this research important in the mentioned areas. Notwithstanding the fact that Afrit wants to grow in South Africa, and might want to open a new domestic branch, it would be a lost opportunity to not invest abroad.

The implementation of such partnerships are relatively inexpensive compared with other expansion strategies, and would provide a basis for further future expansion. When the licensing shows to be successful, and the market is not saturated, the next step of opening a branch will be easier. Note that this would only is recommended for Zambia and not for Botswana, because the market potential of Botswana is not sufficient for a complete branch.

As formulation of their expansion strategy it is recommended to license partners in Zambia and Botswana to sell spare parts, increase marketing of the brand in these countries, and closely monitor the situation in Mozambique. As additional possibility it can be investigated if

the partnering company in Zambia can also perform standardized repairs. In Gaborone this is less important, because the city is relatively near Rosslyn, Pretoria.

6.2 GENERAL RECOMMENDATIONS

Besides investing in expansion opportunities, it is important to increase the production capacity in order to reduce the delivery time. Till this moment in time the sales are still increasing, and when other markets are targeted more intensively, this probably will even increase the delivery time, while research showed this as a major weaknesses of Afrit. Therefore the conversion of the purchased plant should be a focus.

It is recommended to keep in thought the cultural differences between South Africa and the surrounding countries. Afrit is able to produce sophisticated and tailor made trailers that are made to meet the exact demands of the customer. But relatively more companies abroad than in South Africa are searching for trailers that they can use for multiple purposes. If the Afrit trailer is especially made for one specific purpose, they might lose customers, because some clients are searching for multy purpose trailers.

For the sales officers it is difficult to identify the exact purposes that the potential client wants to use the trailer for, and advising the customers can be difficult via the phone. Communication and clarification is therefore important, also when the customer is searching for the cheapest option. Price remains crucial for customers in African countries. It is recommended to research what the customer exactly needs, before giving a quote.

It is recommended to invest in the sales representatives team of the company. They have an important role in the representation of the company. Issues that are advised to invest in are general team meetings± On one hand to set goals and provide a clearer direction of what is expected of everybody, and on the other hand as a teambuilding to increase the collaboration between each other. Meetings are also necessary for extra training and communication between each other.

Currently the sales officers are quite busy with giving quotes to (potential) customers, and this causes that they are unable to visit companies and people in person. Building relationships is important for the customers and dealers, but when there is too much other work, they are not able to invest in these relationships. Perhaps it is necessary to expand the sales team, but more important is to set clear strategies and objectives for the sales team, so they are aware of what is expected of them.

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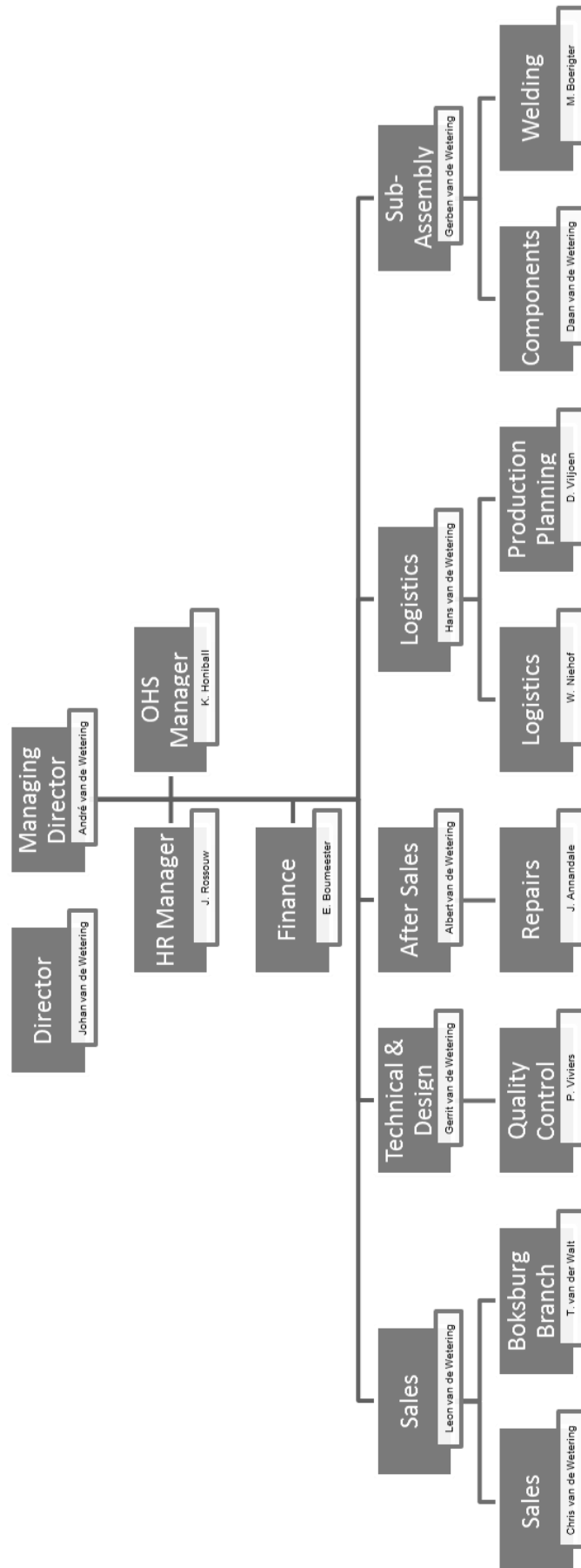
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APPENDIX A: ORGANOGRAM AFRIT (PTY) LTD.



APPENDIX B: EXAMPLE QUESTIONNAIRE

INTERVIEW CUSTOMERS OF AFRIT

Dear customer,

This document is part of an interview that is held with customers of Afrit. The purpose of this survey is to identify the most important characteristics of a trailer. The collected data will be used for a research to describe what aspects Afrit should focus on when expanding in surrounding countries.

Your answers will not be released to anyone and will remain anonymous. The data collected is strictly confidential.

Participation is important because that will result in sufficient and usable data. Therefore I want to thank you for your time to cooperate in this research.

Gijs Luigjes
Phone number:

CHARACTERISTICS OF TRAILERS

What are in your opinion the most important characteristics when buying a new trailer?

Rank the options below from most important to least important. Use '1' for the most important, '2' for the second most important till '10' for the least important aspect.

- ☐ Low price
- ☐ Distance to company
- ☐ Quality of the products
- ☐ Established relationship
- ☐ Delivery time
- ☐ Product range
- ☐ After sales service
- ☐ Durability
- ☐ Brand image
- ☐ Possible loading weight of the trailers
- ☐ Other aspect (please specify): _____

APPENDIX C: STRENGTHS AND WEAKNESSES OF AFRIT

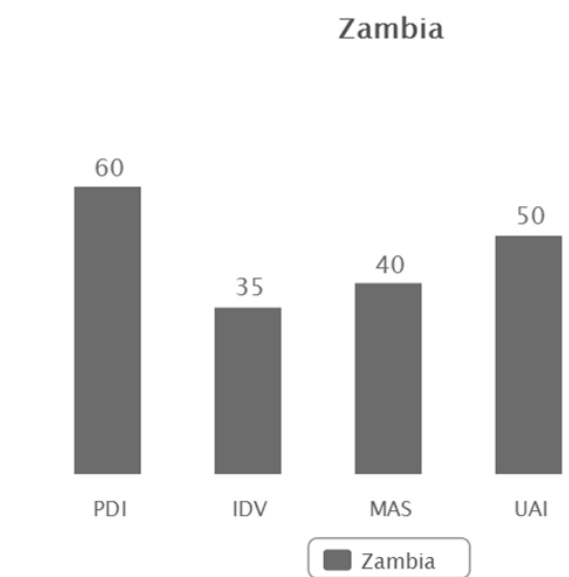
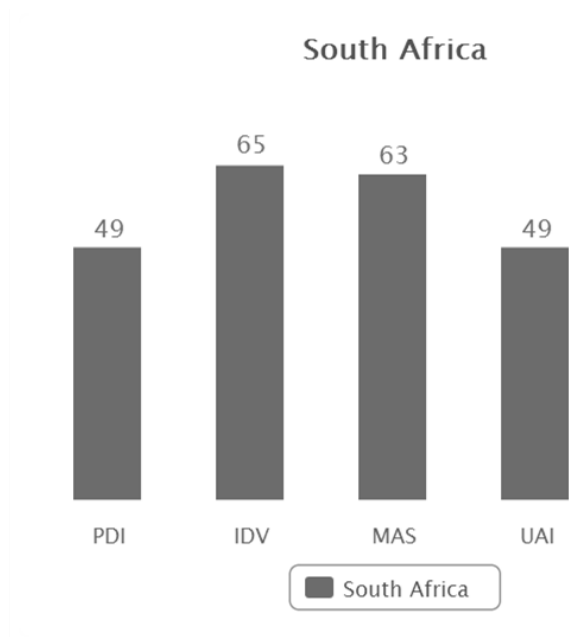
Strengths of Afrit according to the interviewees

	Customers	Dealers	Total
Quality	23%	30%	26%
Delivery time	3%	0%	2%
Communication	7%	0%	4%
After sales / customer service	20%	13%	17%
Loading weight	3%	4%	4%
Relationship	10%	13%	11%
Price	3%	4%	4%
Sales team	3%	4%	4%
Special/adaptable design	7%	4%	6%
Low maintenance costs	7%	0%	4%
Second hand prices	3%	4%	4%
Brand image	7%	22%	13%
Financing	3%	0%	2%
Total	100%	100%	100%

Weaknesses of Afrit according to the interviewees

	Customers	Dealers	Total
Quality	7%	0%	3%
Delivery time	14%	29%	23%
Communication	7%	0%	3%
After sales / customer service	0%	6%	3%
Relationship	0%	12%	6%
Price	0%	24%	13%
Sales officers	7%	12%	10%
To specialised trailers	0%	12%	6%
Not visited enough	7%	0%	3%
Distance to company	7%	0%	3%
Not presence in country	29%	0%	13%
No weaknesses mentioned	21%	6%	13%
Total:	100%	100%	100%

APPENDIX D: HOFSTEDE'S CULTURAL DIMENSIONS



Source: Hofstede, 2013

APPENDIX E: IMPORT DUTIES FOR SOUTH AFRICA

Reporter	Year	Tariff Regimes Granted by Reporter (Excluding MFN)	Original Nomenclature		Preferential Applied Tariff (only at the HS 6-digit level)							
			HS version	HS subhdg*	Number of subheadings	Number of TL	Number of AV duties	Average of AV Duties	Minimum AV Duty	Maximum AV Duty	Duty Free TL (%)	Number of Non-AV Duties
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Botswana	2012	SADC preferential duty rates	HS12	871620	1	1	1	0	0	0	100	0
Botswana	2012	SADC preferential duty rates	HS12	871639	1	1	1	0	0	0	100	0
Botswana	2012	SADC preferential duty rates	HS12	871640	1	1	1	0	0	0	100	0
Botswana	2012	SADC preferential duty rates	HS12	871690	1	2	2	0	0	0	100	0
Mozambique	2012	FTA duty rates for South Africa under SADC	HS07	871620	1	1	1	0	0	0	100	0
Mozambique	2012	FTA duty rates for South Africa under SADC	HS07	871639	1	1	1	0	0	0	100	0
Mozambique	2012	FTA duty rates for South Africa under SADC	HS07	871640	1	1	1	0	0	0	100	0
Mozambique	2012	FTA duty rates for South Africa under SADC	HS07	871690	1	1	1	0	0	0	100	0
Zambia	2012	Preferential duty rates for South Africa under SADC	HS12	871620	1	1	1	0	0	0	100	0
Zambia	2012	Preferential duty rates for South Africa under SADC	HS12	871639	1	1	1	0	0	0	100	0
Zambia	2012	Preferential duty rates for South Africa under SADC	HS12	871640	1	1	1	0	0	0	100	0
Zambia	2012	Preferential duty rates for South Africa under SADC	HS12	871690	1	1	1	0	0	0	100	0
Zimbabwe	2011	FTA duty rates for South Africa under SADC	HS07	871620	1	1	1	15	15	15	0	0
Zimbabwe	2011	FTA duty rates for South Africa under SADC	HS07	871639	1	1	1	15	15	15	0	0
Zimbabwe	2011	FTA duty rates for South Africa under SADC	HS07	871640	1	1	1	15	15	15	0	0
Zimbabwe	2011	FTA duty rates for South Africa under SADC	HS07	871690	1	1	1	0	0	0	100	0
871620:	Self-loading or self-unloading trailers and semi-trailers for agricultural purposes											
871639:	Trailers and semi-trailers for the transport of goods, not designed for running on rails (excl. self-loading or self-unloading trailers and semi-trailers for agricultural purposes and tanker trailers and tankers)											
871640:	Trailers and semi-trailers, not designed for running on rails (excl. trailers and semi-trailers for the transport of goods and those of the caravan type for housing or camping)											
871690:	Parts of trailers and semi-trailers and other vehicles not mechanically propelled, n.e.s.											

Source: World Trade Organization, 2013

APPENDIX F: FIVE FORCES FRAMEWORK PORTER

1. Threat of new entrants	
Are economies of scale not important in this market?	Definitely
Do you need a low budget of capital for entering this market?	Not at all
Do you expect less reactions of existing competitors?	Not at all
Are the existing distribution channels available for entrants?	To a certain extend
Do the entrants have access to existing and/or new technologies?	Not really
Are buyers (traders / users) not loyal to (existing) brands?	Not really
Do the entrants also have access to financial (governmental) support?	Neutral
Are the switching barriers (for changing to other suppliers) low?	Not really

2. Bargaining power of buyers (traders / retailers / users etc.)	
Is there one or a few buyers (groups) in the market?	Not at all
Are the existing products homogeneous (less differentiated)?	To a certain extend
Do the traders have low margins in this market?	Definitely
Is quality not an important issue in the buying process?	Not at all
Do the buyers have information available (high transparency) about suppliers, products and market?	To a certain extend
Is vertical integration an issue for the buyers in this industry?	Not at all
Do the buyers have own labels / brands available and do the buyers have access tot (international) production sources?	Not really
Is the competition high between the traders (whole salers / retailers)?	Definitely

3. Bargaining power of suppliers	
Is there one of a few suppliers (groups) in the market?	To a certain extend
Is the brand of the supplier a so-called A-brand in the market?	To a certain extend
Is the production capacity of suppliers fully used?	Neutral
Do the suppliers deliver a high contribution to quality, innovation and processing of products / services in the market?	Not at all
Are the suppliers gross profit margins low in the market?	Definitely
Is the government also a supplier?	Not at all
Do the suppliers have much knowledge about market aspects?	Not really
Are the supplier products so-called strategic products (see Kraljic model)?	To a certain extend

4. Threat of substitutes	
Are the substitutes better / more functions than from existing products / services?	Not at all
Is the price / quality of the substitutes better than from exiting products?	Definitely
Is het voor de afnemers gemakkelijk om over te stappen op substituten?	Neutral
Are the substitutes profitable and is the marketing & sales approach aggressive?	Not really
Coming more acceptable alternatives, imitations and plagiates on the market?	Definitely
Coming more acceptable alternative technologies, designs and materials in the market?	Not really
Are there alternative distribution channels used e.g. internet, downloads?	Not at all
Is the product life cycle short or becomes shorter <u>and</u> is the share of new products high?	Neutral

5. Rivalry among existing firms	
Is the market growth low or negative?	Not really
Have the products / services homogeneous characteristics and less complementary products are offered?	To a certain extend
Are there many organisations with comparable market positions?	To a certain extend
Are the exit barriers high (difficulties to stop the business)?	Definitely
No strategic net works (co-operations) between 'competitors' are observed?	Neutral
Is the market already international oriented, so new entrants coming from abroad are known?	Not really
The flow of cheaper alternatives, imitates, plagiates is increasing?	Definitely
Are the competitors volume-oriented and less profit margin-oriented?	To a certain extend

