P23 AFRICA

Expanding into Africa

7 ASSUMPTIONS THAT CAN COST EQUIPMENT MANUFACTURERS MILLIONS

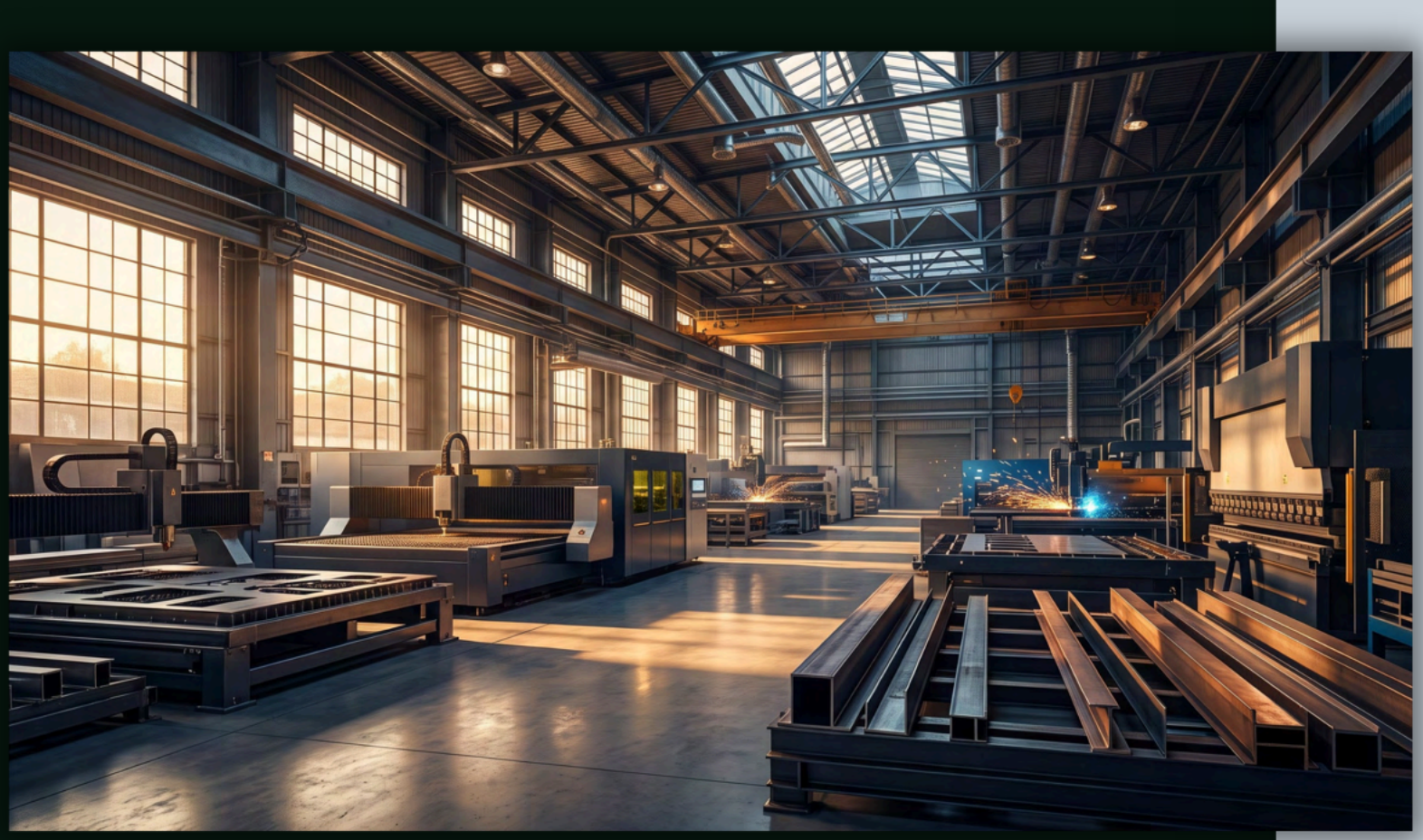
A practical field guide to market entry, distributor selection, commercial risk and building sustainable sales in African markets



INTRODUCTION

African markets offer equipment manufacturers opportunities across infrastructure, mining, agriculture, energy and industrialisation. But market potential does not automatically translate into profitable business.

Demand does not guarantee customers can afford your equipment. A reputable distributor may lack the capacity or motivation to sell, while seemingly profitable orders can carry hidden payment, foreign-exchange and support costs.



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1. ASSUMPTION: IF THE MARKET NEEDS OUR EQUIPMENT, THERE MUST BE A MARKET FOR US

The uncomfortable truth

A genuine need for equipment does not automatically translate into purchasing power.

A country may urgently need modern agricultural machinery, HVAC systems, or industrial processing equipment. Yet the organisations that need that equipment may lack financing, operate under constrained budgets, or be unable to justify the initial capital expenditure. Other buyers may be purchasing, but from competitors offering more accessible financing or lower total ownership costs.

The result is a market that looks attractive at an industry level but is impossible to convert into actual orders. A factory may benefit from more efficient production equipment, but that does not mean its management will approve the investment this year.

WHAT TO INVESTIGATE INSTEAD

Move beyond broad market-size estimates and identify the customers who can realistically purchase your equipment:

- *Who makes the purchasing decision, and who controls the budget?*
- *How do customers finance purchases of this size?*
- *What alternatives are customers using today, and why might they change?*
- *What are the actual barriers to purchasing: price, financing, specifications, import requirements, service capability, or something else?*



FIELD NOTES FROM P23 AFRICA:

Demand Testing Before Capital Commitment

A European material handling manufacturer wanted to enter three African markets. Instead of relying on GDP reports, we ran a structured outbound demand test across 450 accounts (150 per market). The results were highly revealing: Nigeria yielded 21 qualified opportunities (buyers with confirmed need within 6 months), Kenya yielded 9, and South Africa yielded only 4. The data allowed the board to deprioritize South Africa and approve a targeted entry into Nigeria, saving an estimated $150,000 in wasted market-entry costs.

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2. ASSUMPTION: A WELL-ESTABLISHED DISTRIBUTOR IS THE RIGHT DISTRIBUTOR

The uncomfortable truth

An established distributor can be an excellent business and still be the wrong partner for your equipment. A strong balance sheet and an extensive network are valuable. But they do not necessarily demonstrate access to your target customers, technical sales expertise, or commitment to your product category.

The distributor may represent competing brands. Your equipment may sit outside its core business.

Its sales team may prioritise products that are easier to sell or have stronger existing demand.
You may have secured a distributor agreement without securing the commercial attention required to generate sales.

WHAT TO INVESTIGATE INSTEAD

Assess the distributor against the requirements of your specific business:

- *Does it already serve the industries and customer segments you want to reach?*
- *Can it identify actual prospective buyers rather than simply describe its network?*
- *Does it have the working capital to hold stock and fund demonstrations?*
- *Which competing or complementary brands does it represent?*
- *Is management willing to invest real resources in developing the business?*



FIELD NOTES FROM P23 AFRICA:

The Danger of the Slick Pitch

An HVAC manufacturer was approached by three Nigerian distributors claiming established networks. We conducted structured reference checks on each. Distributor A (the most impressive presenter) could only prove 4 of 12 referenced customers were actively purchasing. Distributor B confirmed 9 of 10. Distributor C had zero verifiable field sales activity. We eliminated A and C, saving the client from locking their brand into a stagnant channel for years.

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3. ASSUMPTION: THE DISTRIBUTOR’S SALES FORECAST IS A RELIABLE INDICATOR OF DEMAND

The uncomfortable truth

Sales forecasts presented during distributor negotiations can be highly ambitious, particularly when a distributor is seeking appointment rights or exclusivity. A projection of 20 machines a year is not evidence that 20 machines can be sold.

Without an identifiable customer pipeline, realistic purchasing timelines, and an understanding of competitors, a forecast is little more than an aspiration.

WHAT TO INVESTIGATE INSTEAD

Ask the distributor to build its forecast from the bottom up:

- *How many target customers can it identify by name?*
- *Are there active projects, replacement cycles, or investment plans?*
- *What has the distributor sold in comparable product categories?*
- *Distinguish between a prospect, an expressed interest, a qualified opportunity, a budgeted purchase, and a confirmed order.*



FIELD NOTES FROM P23 AFRICA:

The "Black Box" Distributor

A packaging machinery manufacturer had a Nigerian distributor for two years with flat sales. The distributor claimed "national coverage." When we deployed our field sales tracking system (Factory 23) and mapped the actual addressable market, we found the distributor had only visited 18% of the target accounts. Their entire sales pipeline was tracked in personal WhatsApp messages and notebooks. Once we assigned territories and implemented lead logging, the pipeline tripled within six months.

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4. ASSUMPTION: IF WE MAKE A PROFITABLE SALE, WE WILL GET PAID WITHOUT MAJOR COMPLICATIONS

The uncomfortable truth

A sale can look attractive on paper and still create a cash-flow nightmare. The customer may be legitimate and the equipment delivered, yet the manufacturer can still face delayed payment, a shortage of accessible foreign currency, or banking transfer restrictions.

Revenue, payment, and the ability to receive usable funds are three separate commercial considerations.

A manufacturer that focuses only on the sales value and gross margin may overlook the severe financial exposure attached to the transaction.

WHAT TO INVESTIGATE INSTEAD

Ask the distributor to build its forecast from the bottom up:

- *The Distributor's Capacity: Does it have sufficient working capital to support the proposed sales model, or will you be financing the entire operation?*
- *The Customer's Ability to Pay: Is payment dependent on a project sponsor, a tender process, or third-party financing?*
- *Foreign-Exchange Availability: Can the relevant parties obtain the currency needed? What banking requirements apply? Do not assume that arrangements used in one market will work in another.*



The commercial test

Assess the complete payment chain before agreeing to material credit exposure. Understand who pays, in which currency, under what conditions, and on what timeline. Consider whether deposits, staged payments, confirmed banking instruments, or credit insurance are suitable and available.

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5. ASSUMPTION: AFTER-SALES SUPPORT CAN BE FIGURED OUT ONCE SALES START

The uncomfortable truth

For many types of equipment, the first sale is only the beginning of the commercial relationship. If the local support model is weak, customers can lose confidence quickly. Downtime damages the customer’s operations, and a disappointing first experience can affect future sales across an entire customer network.

The manufacturer may then find that the distributor can sell the product but cannot support it, leaving you to foot the bill for emergency flights and expat technicians.

WHAT TO INVESTIGATE INSTEAD

Design the service model alongside the market-entry plan:

- *Which technical services must be available locally?*
- *What training will the distributor's team require?*
- *Which spare parts must be stocked locally on consignment?*
- *Who handles installation, warranty claims, and technical escalation?*



Field notes from P23 Africa

An agricultural machinery manufacturer sold a fleet of tractors in Tanzania through a distributor with no service infrastructure. When harvest season hit and machines broke down, the farm waited 12 days for parts. They lost thousands in revenue. We stepped in to build a localized service network, contracting two local technical providers and placing consignment stock. Downtime dropped by 45%, and the distributor successfully closed 3 delayed repeat orders.

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6. ASSUMPTION: ONCE THE DISTRIBUTOR IS APPOINTED, OUR JOB IS DONE

The uncomfortable truth

This is one of the most consequential mistakes a manufacturer can make. A distributor is appointed, the agreement is signed, and responsibility is handed over. The manufacturer steps back, expecting the distributor to develop the business independently.

Months later, sales are disappointing, communication is limited, and the pipeline is unclear. The underlying problem is that the relationship was structured as a handover, not a partnership.

Appoint a partner, not just a point of contact
The manufacturer brings product knowledge, technical expertise, and marketing resources. The distributor brings local relationships, market knowledge, and commercial execution. Both parties need to contribute.

What a working partnership looks like

- Build the market together: Participate in early customer meetings and technical presentations.
- Establish a shared business plan: Agree on targets for customer development, sales opportunities, and revenue.
- Maintain regular communication: Schedule structured reviews to discuss pipeline, customer feedback, and competitor activity.
- Invest in the distributor’s capability: Provide support with technical selling, application engineering, and sales tools.

FIELD NOTES FROM P23 AFRICA:

Managing the Transition

A European HVAC manufacturer wanted a direct sales team in Nigeria but wasn't ready to set up a local HR entity. We recruited, hired, and managed a 4-person sales team on their behalf. We deployed Factory 23 to track activity (averaging 18 customer visits per rep per month). After 6 months of consistent pipeline generation (yielding 7 closed deals), we transitioned the team to the manufacturer's direct payroll. Zero attrition, and the client avoided premature overhead costs.



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7. ASSUMPTION: WE SHOULD ENTER THE LARGEST OR MOST OBVIOUS MARKET FIRST

The uncomfortable truth

The largest market is not automatically the best starting point. A market with substantial demand may also have intense competition, difficult payment conditions, and complex procurement processes that take years to establish.

A smaller market may offer a more accessible group of buyers, a stronger prospective distributor, and a more manageable level of financial exposure. The objective should be to identify a market where your business has a credible route to profitable sales, not just impressive GDP numbers.

WHAT TO INVESTIGATE INSTEAD

Design the service model alongside the market-entry plan:

- *Evidence of funded demand and realistic purchasing timelines.*
- *Import requirements, product standards, and regulatory obligations.*
- *Customer financing and payment conditions.*
- *Access to foreign currency.*



Field notes from P23 Africa

Choosing Ghana Over Nigeria

A UK compact industrial equipment manufacturer wanted to enter West Africa. The obvious choice was Nigeria. We built a market entry scorecard and recommended Ghana instead. The regulatory environment was simpler, the distributor pool was stronger, and the time-to-revenue was significantly faster. We negotiated a staged exclusivity agreement. The client had their first order within 60 days of signing and used the Ghana operation as a low-risk proof of concept before tackling Nigeria 18 months later.







BEFORE YOU COMMIT: A PRACTICAL MARKET-ENTRY CHECK-LIST

01 Can we identify customers who have both a genuine need and a realistic ability to purchase?

02 Can the proposed distributor demonstrate access to our target customers and the capability to sell and support our products?

03 Are the sales forecasts supported by identifiable opportunities, or just guesswork?

04 Have we assessed the distributor’s financial capacity and the payment risks?

05 Is there a workable plan for installation, service, spare parts, and warranty support?

06 Have we agreed how the manufacturer and distributor will work together after appointment?

07 Do we know what evidence would justify expanding our investment and what warning signs would make us reconsider?



How P23 Africa can help your expansion

P23 Africa works with equipment manufacturers looking to assess, enter, and develop African markets with greater commercial clarity. We don't just hand over a theoretical report; we execute on the ground.

01

Market Opportunity & Demand Testing:

PROVING MARKET APPETITE BEFORE YOU COMMIT CAPITAL.

02

Distributor Assessment

EVALUATING PROSPECTIVE PARTNERS AGAINST THE CAPABILITIES AND FINANCIAL CAPACITY YOUR BUSINESS REQUIRES.

03

Operations & Market Support

BUILDING LOCAL SALES TEAMS, SETTING UP SERVICE NETWORKS, AND MANAGING OPERATIONS UNTIL YOU ARE READY TO TAKE OVER.

04

Commercial Risk

IDENTIFYING POTENTIAL CHALLENGES AROUND PAYMENT, FOREIGN EXCHANGE, AND MARKET EXECUTION.

05

Partnership & Performance

DEPLOYING SYSTEMS LIKE FACTORY 23 TO ENSURE YOU HAVE MEASURABLE VISIBILITY INTO WHAT YOUR DISTRIBUTOR NETWORK IS ACTUALLY DOING.

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