



On February 2021, ITARE was interviewed by the German Trade Agency to understand how Italian companies manage to close deals in African countries. The original interview can be found at the following link: [German Trade and Invest – Africa Business Guide](#)

Relationship work: The Italian way to Africa

Giorgio Traietti from the Italian consultancy Itare in conversation with Ulrich Binkert from Germany Trade & Invest.

Founded in 2016, the consultancy Itare focuses on sub-Saharan Africa and the Middle East. Its services include business development as well as financial and technical project consulting for various industries. The founders and permanent staff have worked for many years in Kenya or South Africa, mainly for the Italian export credit agency SACE. Giorgio Traietti has been with the company since 2017. In the interview, he tells us why managers of smaller Italian companies do well in Africa or how a business in Uganda got its start in faraway Angola.

Mr Traietti, how do you help your clients in Africa to close deals?

In Kenya's cement industry, for example, an Italian company specialising in the manufacture of machinery for concrete products completed a dozen projects in one year. One of the key factors was the personal relationship we built with the Kenyan clients. In 90 percent of the deals, the decisive discussions took place over dinner. A percentage, by the way, that in our experience can be roughly transferred to the entire continent.

So, the business is strongly based on personal relationships?

As elsewhere, the offer must first be right. What is needed is an overall package with a good price-performance ratio, of which financing is very often the decisive part. Apart from that, however, personal contact is particularly important in Africa. As a rule, clients want to have a relationship with the supplier first, namely with the boss or owner.

Such relationships are important almost everywhere, even in China or Latin America.

Well, in Singapore, during a longer stay, I was urged to print business cards on the very first day. In the conversations afterwards, I was mainly the representative of my organisation. In Africa, on the other hand, the business card is less important. My counterpart talks primarily to Giorgio, who works for Itare only secondarily. This makes the network you build in Africa much more personal than in the Asian market.

Are connections between African countries also important?

Yes, they are surprisingly strong. In Uganda, for example, I had an extremely helpful start with a new partner - just because I had a recommendation from a mutual acquaintance in Angola's capital Luanda, on the other edge of the continent. This was similar with a partner in Côte d'Ivoire, thanks to a client based in Ghana, and in Senegal.

Italy's small firms good at networking

The emphasis on the personal suits Italian suppliers?

Yes. Italy's industry is characterised by small, family-run companies in which the boss himself or, in the case of larger companies, the top management takes care of important contacts and projects. He or a relative maintains a personal network, with many visits to partners and with great personal commitment. With this network, it is easier to find the right partner in Africa in the first place - which is a big challenge for all foreign companies. Of course, it is not easy for an Italian SME to serve a continent as vast as Africa. Itare has an extensive network in several African countries and supports partners in their daily activities.

Do you see other advantages of Italian suppliers in Africa?

Flexibility and the ability to develop a tailor-made solution are essential in Africa. Italian companies are extremely good at this. Moreover, most of our Italian partners have in their product portfolio technical and business solutions that perfectly fit the needs of the African market: robust machines, easy to handle, adapted to the local climate, reliable even after many years. The price, of course, can be quite high compared to international competitors, but the advantages - including the competitive financial solutions available in Europe - outweigh the disadvantages.

How big is the typical Italian supplier in an African market?

Besides the - clearly multinational - companies interested in energy and infrastructure projects, the typical Italian manufacturers in Africa have an annual turnover between 10 million and 80 million euros. They are good at what they do: they are internationalised and flexible and look at the continent with a medium-term perspective. One-shot deals can happen in Africa, but only a medium-term strategy allows them to stay in these markets.

There is hardly any German competition for smaller projects

How do German companies operate in this environment?

In the predominantly smaller projects, for example in the food industry, we hardly see any German machine builders. Apart from the Chinese, Italians tend to compete with companies from Spain, Portugal or Turkey. With a project value of a few thousand euros, the effort and costs are relatively high.

Where do German competitors have advantages?

For large and well-funded customers, such as in the steel or cement industry. These companies tend to want plants from the upper price range that efficiently produce large quantities according to standard requirements. German plant manufacturers are strong in this area.

How do Italians typically enter a new market?

Until a few years ago, the typical ways were word of mouth, trade fairs and support from partners in other countries. More recently, we are seeing a more structured and strategic approach, based on the best solutions for subsequent key markets, with the right structure and the right partners.

Corona hinders relationship building

Do you also see shortcomings in this "Italian" approach?

Italian SMEs are still reluctant to approach new countries, especially those that we can call frontier markets - which are more difficult to serve and where you have to work in teams as well as think in value chains.

How has Corona changed this?

On a continent like Africa, where physical connectivity is important, many companies are now doing much less business because of limited travel. At the same time, Covid is also changing the mindset of how to approach Africa: We are receiving more and more enquiries from companies interested in finding a partner in strategic markets or using ITARE's network to maintain their client relationships.

How are Italian companies involved in Africa's infrastructure construction?

Italian general contractors have always been present in Africa. They usually prefer EPCF (Engineering, Procurement, Construction and Financing) projects to PPP (Public Private Partnership): PPP projects usually require significant financial resources at the beginning and a strong commitment for more than ten to 15 years. Most Italian companies are not prepared to do this. French competitors in Africa, for example, are much more agile and better positioned.

Good financing can stop even the Chinese

Back to the project business, does good financing also help against competition from China?

Many African clients have extremely tight budgets, so there is no match for the cheap competition from the Far East. But if the price difference is not too big - say, 100 to 70 - the Italians can get the job by proposing competitive financial packages. It is not only managers in the Ethiopian sugar industry who actually prefer technology from Europe - it is much the same across Africa and across all industries.

How important are export credits?

Most of the transactions we serve are covered by export credit insurance (ECA), not just Italian. In some target countries this works better than in others, especially where ECA-covered transactions are more common and therefore known to the bank's staff and managers. I have had very good experiences in Kenya, Uganda, Ghana and Rwanda. In countries like Tanzania, Senegal or Cameroon, it was more difficult.

Is cooperation between European suppliers conceivable here?

Yes. If, for example, the ECA of one country can only guarantee part of a large project, other ECAs can be part of the deal. Of course, this presupposes that companies from different countries play a role.

And for the projects not covered by ECAs?

Then other options can be explored on the local market or on a pan-African level: local, international, multilateral or pan-African banks and insurance companies.

In your view, which countries are particularly difficult for European companies to do business in?

I always found it very difficult to work in Nigeria, a continent within a continent, even given the huge prospects there. Then Ethiopia, which offers enormous opportunities, but where the lack of foreign

currency severely limits the field of activity. In Congo, the economic crisis of recent years has greatly curtailed our partners' business opportunities.

The interview took place in February 2021.