Trading places:
The emerging markets in Asia and Africa
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Cover image: Azuri Technologies, Kenya. Azuri Technologies wanted to supply power to off-grid customers in rural emerging markets. Find out how we supported their innovative business.
With demand in the UK and the Eurozone set to be stifled for the foreseeable future, many businesses are hunting for new customers beyond Europe. It’s become commonplace to look to the powerhouse BRIC economies, with their youthful, increasingly affluent populations. But there are highly promising markets elsewhere in Asia – and in Africa, home to seven of the world’s ten fastest-growing economies.

We interviewed two UK-based clients who have capitalised on the emerging markets and we also spoke to Barclays Vice Chairman, Corporate Banking, whose extensive experience of trade finance provides a strong perspective on global export activity and why this is now a priority for businesses.
Where persistence counts

While others seek to balance home-based sales with a healthy proportion of international contracts, Biwater has turned the equation on its head. The Surrey-based water specialist took a strategic decision to sell off its UK water companies. Overseas projects now make up 100% of its business.

Today Biwater provides water treatment and water waste services in 30 countries, including Sudan, Nigeria, Sri Lanka and Vietnam. According to Chairman Adrian White, demand for the company’s services is high among countries seeking to improve water supplies and sanitation on the back of recent economic growth.

“The populations are growing in the emerging markets. A lot of them have discovered oil or minerals,” he points out. “We are looking to increase our order book by 25% every year – and it does look as though we’re going to exceed that.”

White says perseverance is key to success in emerging markets. “You do need a lot of patience – particularly in Asia, because they need to get to know you.

“But persistence pays, and the rewards are definitely there. They like British goods too: Britain has a quality standard that resonates in the Far East, which may not be matched by local suppliers.”

Preparing the ground

Political and economic instability in some of these territories, as well as uncertainty over payment guarantees, can be off-putting to some businesses.

White does not discount the risks, but says Biwater has developed a positive but pragmatic approach.

“We do our research in advance. For example, we won’t go into a country nine months before a general election or six months after one, because it won’t be stable enough to make federal decisions on capital expenditure,” he says. “We look closely at the current credit ratings. We also look at what premium the client would seek from the project, and if it’s very expensive we would have to take a more cautious approach.”

Financial risk is mitigated through export finance credit. As White explains, “Barclays, with its strong international experience, leads us through the maze of form-filling. The help from the Bank, working in tandem with UK Export Finance, is second to none.”

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Adrian White, Chairman, Biwater
Leading light in Africa

It’s not just big, long-established firms that are finding untapped opportunities in emerging markets. Azuri Technologies is an example of a relatively recent arrival that’s seeing a huge appetite for its services in African countries.

Since 2011, Azuri has been offering its innovative solar home systems to rural communities with no access to grid electricity. It combines solar and mobile phone technologies to deliver affordable, pay-as-you-go energy. The result is having a dramatic effect on villagers’ lives – extending their productive days, allowing children to do homework, and ending the dependence on candles or kerosene, which are ineffective, expensive and dangerous.

CEO Simon Bransfield-Garth is excited about demand in the firm’s target markets in Africa. “The potential for Azuri is tremendous,” he says. “There are still 600 million people in Africa alone who don’t have access to electricity. Our objective is to bring solar power to those people in an affordable way.”

Knowledge is power

Azuri’s expansion has been supported by a £1m loan from Barclays that will enable the firm to install an additional 30,000 systems in Africa this year. As Bransfield-Garth explains, this funding is critical because of the way the business works and the unusual markets in which it operates.

“In addition to normal banking needs, Azuri has a requirement for working capital finance to pay for the initial cost of that piece of equipment,” he says. “Like many hi-tech start-ups, we’re innovating not just in terms of technology, but in our business model, distribution model and the countries we’re accessing.

“Barclays has one of the largest presences in Africa of any of the mainstream banks. They have really put themselves out there to understand our business, quantify the risks, and so be able to make an informed decision about the way lending is provided to Azuri.”

Support to match your trade cycle

Other firms now expanding into this region include an education and training consultancy which recently won a contract in Ghana with help from a performance bond it was granted.

Another business, serving the agricultural, construction and transport industries, is developing export markets in Angola and elsewhere in Africa. The company has a dedicated Trade & Working Capital Director at Barclays, who has structured a tailor-made trade finance facility based on the firm’s trade cycles. This allows the business to take advantage of import and export letters of credit as well as trade loans.

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Simon Bransfield-Garth, CEO, Azuri Technologies
Overcoming the barriers

The cost of borrowing is at a 25-year low. The government has committed to support a further 100,000 businesses to trade overseas by 2020. There has never been a better time to seek customers abroad.

Export is certainly a priority in the minds of British business leaders. Kah Chye Tan, Barclays Vice Chairman, Corporate Banking, says well over half the conversations his UK team has with clients now focus on international trade.

European customers remain key trading partners. But, with growth rates in the emerging economies around three times as high as in the west, many businesses are stepping beyond traditional comfort zones.

Keeping it local

According to Tan, three concerns tend to be high in the minds of such companies:
• the need to protect their payments when trading overseas
• increasing liquidity
• being more innovative in the use of their balance sheets

“Businesses today aren’t looking for a specific product, but for an end-to-end working capital solution,” says Tan.

One example is a textiles manufacturer with a truly global supply chain and customer base. The firm sources raw materials in Asia, finishes its products in the UK and sells them in both developed and emerging markets. Once a support package tailored to its trading cycle had been developed, the business can now enjoy certainty around its working capital needs, as well as the flexibility to adapt and grow.

Local knowledge is at the root of six of the eight perceived major challenges cited by businesses entering overseas market, a recent CBI report found. Banks can help here too, says Tan. “Every day we put clients in touch with potential buyers or partners in overseas markets. That’s largely possible because of the extensive global footprint of our investment bank.”

Furthermore, exporting could be made even simpler if trading countries used the same process for letters of credit. Barclays is doing its bit to support this: Tan chairs the ICC Banking Commission, which is working towards a standardised international system.
A mission to new markets

Another way in which support for British export can be offered is through trade missions. In March, for example, Barclays supported a visit to Singapore and Indonesia, led by UK Trade & Investment.

“Every day we put clients in touch with potential buyers or partners in overseas markets.”

Kah Chye Tan, Vice Chairman, Corporate Banking, Barclays

Biwater’s Adrian White was inspired to join that mission, and returned from Indonesia with leads that he believes will result in deals valued at $50m or more. He credits the ‘homework’ Biwater did in advance – seeking information from Barclays and from the Investment Board for Indonesia, which set up meetings in five provinces with a need for the firm’s services.

“You need to have a different mindset in Asia,” is his advice for others planning market visits to the region. “You can’t fix a date to return home – I had to delay my journey back because the business was so good, and they respect that. It’s also essential to take literature in the language of the country you’re visiting; it makes a huge impression.

Best of British

“It makes so much difference when you have people with the weight of Barclays supporting the mission. Through collaboration with the UKTI and UK government they can get in to ministerial level offices before the mission arrives. It gives the beginner in export a flying start.”

Tan – a Singaporean national – believes the mission’s two host countries provide sound platforms for entering Asian markets. And he says UK businesses considering export should take their lead from the perspective of potential customers abroad: “People outside the UK have great confidence in UK products and in the integrity of UK business people.”

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Adrian White, Chairman, Biwater
Key takeouts

• The low cost of borrowing and strong government support for export means it’s a great time to explore selling overseas.

• With growth flat in the UK and most of Europe, the best opportunities lie in fast-growing markets elsewhere.

• Population surges and growing affluence make markets in Asia and sub-Saharan Africa potentially attractive.

• British goods and services have cachet in these markets.

• Gain valuable local knowledge with expert help – from banks, local investment boards, embassies and organisations such as UKTI.

• Barclays can help minimise financial risk overseas, with an end-to-end working capital solution tailored to your trade cycle.

Find out more about how we can help you.
Speak to your Relationship Director, or call 0800 015 1921*

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