How to prepare an offer to potential investor(s)

René Samek
Tabora
27 March 2012
Steps to successful investment promotion

- Establish responsibility for investment promotion & investor servicing
- Collect information investors might need
- Survey information not yet available
- Prepare information for presenting
- Distribute information
- Do active marketing
- Remove obstacles to investment, if possible
- Provide good services to potential investors
- Help existing investors

Millennium Cities Initiative
Promotion of a location (city, region, ...)
Promotion of a location (city, region, ...)

- Non-targeted image building activities:
  - Exhibiting at trade shows, conferences, ...
  - Advertising, public relations
  - Mailing campaigns, etc.

- Targeted active marketing activities
  - Seminars (organised by someone else / own seminars) – presentations, leaflets, posters
  - Roadshows, company visits
  - Pre-arranged individual one-to-one meetings
Non-targeted image-building activities

+ Possibility to reach a wide audience
+ Relatively easy planning of these activities
+ Possibility to control the message, be creative

- Limited control over the audience
- Unpredictability of results
- Usually high cost of image-building campaigns
Targeted active marketing activities

+ Possibility to define the audience in more detail
+ Possibility to target the message to individual companies
+ Lower costs of these activities (relatively)

- Time-consuming selection of companies to be approached
- Necessity to have the skills to arrange a meeting
- Necessity to have a good understanding of the product (sector plus investment climate)
1. Greenfield investors: they prefer to build their own plant, typically on a greenfield (industrial zone) or buy or rent an existing manufacturing hall.

2. Joint-venture/equity investors: they prefer to establish a joint venture or buy an existing company which makes the same/similar product(s).
What information does Tabora need?

- Suggestions for investment into selected sectors or sub-sectors
- Information on local companies which are looking for potential partner for joint venture or an equity partner
- Information on the investment and business climate in Tabora and the surrounding area (Tabora region)
- Information on potential locations in Tabora – the industrial zone, other potential locations? Offices?
Suggestions for investment

- Investment suggestions = investment propositions = investment opportunities (terminology)
- KPMG / MCI study identified several sectors/sub-sectors as those where:
  - Tabora and the surrounding area offer some advantages and or inputs
  - Investment into these sectors/subsectors would be beneficial for Tabora
- The sectors/subsectors are: honey processing, edible oils, tourism, biofuel, dairy products, plus other mentioned briefly (timber + furniture manufacturing)
How to create an investment suggestion?

Most important factors influencing location of companies in 2007-2009 (% of responses from multi-national companies):

1. Size of market (21%)
2. Growth of local market (20%)
3. Access to international/regional market (10%)
4. Stable investment environment (10%)
5. Availability of skilled labor force (9%)

*Source: UNCTAD World Investment Prospects Survey 2007-09*
How to create an investment suggestion?

• Remember what investors need to decide whether to invest or not:
  ➢ Initial information on potential market
  ➢ Information on the investment and business environment, which enables them to calculate the costs of investing and doing business, profitability ...
  ➢ Information on potential locations
  ➢ Support from the government/government bodies (national, regional, municipal level)

• The investment suggestion(s) should have this format
Information on the potential market

• What is the market we are offering to potential investors:
  - Tabora? Region of Tabora? Tanzania?
  - Tanzania and the surrounding countries?

• Data on the size of the market:
  - Production, consumption, export, import
  - Trend in the last 10 years (of the above)
  - Other market indicators: growth of population, growth of spending power, major new corporate customers in the city/region/country/continent
Information on the potential market

• Reason(s) why we offer this opportunity to potential investors:
  - This product is imported to Tanzania/East Africa, but we think/know it could also be produced locally
  - Tabora has some/all inputs necessary for the production of this product
  - Tabora has skilled labour, which is necessary for the production of this product
  - The product could be produced in Tabora at lower costs and/or supplied to customers for lower costs

• Examples of competitors who have built a production facility in Tanzania or neighbouring countries
Information on the potential market

- The data must show that the market is large enough to justify building of a new production facility – the investment must make economical sense
- The market must be large enough now or within next 2 years – companies will not build a production facility which will not be sufficiently utilised
- The trends must show that the market will continue to be large enough for 10-20 years
- It must be possible to deliver the product to customers for reasonable costs
Suggestions for inv.into selected sectors

• Sectors/sub-sectors identified by the city/MCI or other studies as sectors/sub-sectors which offer some market opportunities

• Also, it should be clear from the suggestion, that the market opportunity can be best realised by investing in Tabora, not just by importing to Tanzania

• The suggestion must be realistic – offer a real opportunity, not a dream

• The suggestion must be doable – it must be possible to make the suggested investment
Honey processing

- HONEY PROCESSING – Favorable Factors
  - Good climate favorable for honey production
  - Many people involved in beekeeping
  - High-quality dark honey

- HONEY PROCESSING – Challenges
  - Honey supply shortage in the short term
  - Primitive production methods, fluctuations in quantity and quality
  - Export not possible/difficult due to non-existence of national testing and certification body
Honey processing – some questions

• Do we know, how much honey is produced in Tabora/region? Are the data reliable?
• Processor will need raw honey – who will collect it from individual honey farmers?
• Can we influence the government to ensure certification of honey for export?
• Is there a possibility for investment into containers/jars for processed honey? How big is the market? (+- as large as local production of honey?)
Edible oils

- EDIBLE OILS - Favorable Factors
  - Favorable agro-climatic conditions
  - Availability of appropriate land plots
  - Tanzania currently imports 50% of consumption

- EDIBLE OILS – Challenges
  - Fluctuating/unstable demand – low interest of farmers
  - Is local consumption high enough to justify construction of a production facility?
  - Packaging? Distributions channels?
Edible oils – some questions

• Do we have information on how large is the potential market (domestic consumption in Tanzania)?
• What is a minimum capacity of a sunflower production capacity?
• How can farmers be supported to produce sunflower seeds?
• Is crop rotation necessary for sunflowers? If yes, what will be the other crop(s)?
TOURISM - Favorable Factors:

- Airport / daily flight from Dar es Salaam
- Game reserves
- House of Dr. Livingstone (anything else?)

TOURISM – Challenges

- Insufficient marketing of Tabora/region
- Lack of other tourist attractions plus roads to them
- Lack of well-trained workforce to service tourism sector
Tourism sector – some questions

• Is it necessary to build further hotels? Are the existing hotels fully occupied every day?
• Who is responsible for maintenance of Dr. Livingstone’s house? Who will ensure it is kept in good condition?
• When it is open for visitors? Is there anything to see inside?
• Apart from Dr. Livingstone’s house, which other potential tourist attractions there are in Tabora/region?
Biofuel

- **BIOFUEL – Favorable Factors**
  - Favourable climatic conditions
  - Available land
  - Growing demand globally

- **BIOFUEL – Challenges**
  - Export – long transportation distance
  - Domestic use – no government support
  - Global attitude to alternative energy sources seems to be changing due to financial crisis
Biofuel

- **BIOFUEL – Favorable Factors**
  - Favourable climatic conditions
  - Available land
  - Growing demand globally

- **BIOFUEL – Challenges**
  - Export – long transportation distance
  - Domestic use – no government support
  - Global attitude to alternative energy sources seems to be changing due to financial crisis
Dairy products

- DAIRY PRODUCTS- Favorable Factors
  - Huge potential market (200 l/pp/pa x 39 l/pp/pa)
  - High demand in the region
  - Government strategy to support animal husbandry and consumption of milk

- DAIRY PRODUCTS – Challenges
  - Investment into livestock needed
  - Enough land for grazing?
  - Poor transport infrastructure to deliver milk to customers
  - Customer purchasing power?
Dairy products – some questions

• Sectors/sub-sectors identified by the city/MCI or other studies as sectors/sub-sectors which offer some market opportunities

• Also, it should be clear from the suggestion, that the market opportunity can be best realised by investing in Tabora, not just by importing to Tanzania

• The suggestion must be realistic – offer a real opportunity, not a dream

• The suggestion must be doable – it must be possible to make the suggested investment
Info on companies seeking JV partners

• Profiles of local companies, which are looking for potential partners to establish a joint venture or partners who would invest in the company (buy a share, equity, in the company)

• Description of each company, its performance, why it is looking for partners,

• What the company offers to the joint venture and what it expects from the partner(s)

• Profiles can be with names of the companies or without names and addresses – “blind profiles“
Profile of a company seeking a JV partner

- Name of the company, contact data / or blind profile – a code instead of the name and contact data
- Sector, products or services
- Size of the company: turnover, number of employees
- Ownership, history
- Economic performance of the company
- Certificates the company has
- Markets for the products/services of the company
- Plans of the company
- Reasons for looking for partners
Profile of a company seeking a JV partner

- What it will insert into the joint venture
  - Land and buildings?
  - Management?
  - Employees?
  - Machinery? (list of machines the have)
  - Production know-how?
  - Market access?
  - Finance?
Profile of a company seeking a JV partner

• What it expect the partner to insert into the joint venture:
  ➢ Management?
  ➢ Machinery? (list of machines needed)
  ➢ Production know-how?
  ➢ Market access?
  ➢ Finance?
Profile of a company seeking a JV partner

- Each profile should have 2-3 pages
- Created in MS Excel, MS Access or MS Word (alternative: buy an expensive database system)
- Each profile created together with the company which seeks partners for a joint venture and approved by them (written agreement and written approval)
- Profiles to be distributed electronically (email, websites) in the pdf format and in print form (printed on a normal office printer)
Info on the investment/business climate

- Labour availability: population, workforce, unemployment rate + number of the unemployed
- Skills: secondary schools/specialisation/ number of students, universities/specialisation/ number of students, large existing companies, number of employees
- Transport channels for goods to and from Tabora: to other parts of Tanzania, to Africa, Europe, Asia, distances and time for transportation
- Availability of utilities and costs
- Support available from the city
Info on the investment/business climate

• Statistical data, not too old
• Graphs, tables, no long texts
• Comparision of Tabora with Tanzanian average and/or with other regions in Tabora, international comparisons
• Maps
• Testimonials from existing investors, foreign and domestic (example: „We had no problem finding 100 qualified workers in Tabora“, says Mr.X, General Manager of company Y located in Tabora)
Info on potential locations in Tabora

• Size of available land in the industrial zone – now and planned in 2-3 years, other options in Tabora
• Map/plan of the zone, showing available land plots
• Availability of utilities within the industrial zone
• Map showing the industrial zone in relation to the city, existing and planned roads, airport, ...
• List of limitations (environmental, legal) on location of different investment projects within the zone
• List of conditions for renting the land in the zone
• Price and mechanism for receiving permission to rent land within the zone
Example: info on Kolin municipal ind.zone
How to market the industrial zone

Spread information on your industrial zone to as many potential investors as possible BUT at low costs – use low-costs or free channels such as:

- website
- simple leaflet
- Your national IPA, directories
- Your embassies abroad, foreign embassies in Dar
- chambers of commerce and other bodies
Website of a Czech industrial zone

General Information
- Name: Triangle Strategic Zone
- Country: Czech Republic
- NUTS II: North - West
- Region: Ústí Region
- District: Lužný
- Municipality with extended competency: Žatec
- Municipality/administrative territory: Žatec, Šcharnstein, Velký Šenov, Ústí
- Former use: Žatec military airport
- Type of the zone: strategic industrial zone / large-scale business park
- Total area: 366 ha
- Area for investors: 295 ha
- Planned number of jobs: first phase 5 - 8 000, target number 15 - 20 000

Characteristic of the Industrial Zone
- Triangle strategic industrial zone is situated at the border of three districts: Chomutov, Most and Louny. From traffic point of view the zone is situated at the border with the FRG (to become R7 express road). The site adjoins arterial road V7 Prague - Chomutov - Hora Svatého Nepomuka). The Triangle industrial zone is mainly intended for investors whose business and investment plans are oriented towards the non-manufacturing, related to logistics, information or the support of logistics companies already based in the zone (so-called “manufacture servicing”). The Triangle zone’s priority is to focus on projects, the size of which would be about 20 - 25 ha each:
  - Close vicinity of larger towns in the catchment area (about 300 thousand inhabitants)
  - Flat countryside
  - Location in the area with high unemployment rate
  - Relatively low labour cost
  - Advantageous strategic location near the border with the FRG, suitable for export-oriented manufacturers
  - Very good transport connection to the existing arterial road network
  - Location about 40 km from the D8 highway (under construction)
  - Good qualification level of labour force due to industrial tradition of the region
  - Number of potential supply firms mainly in automotive industry sector
  - State system of investment incentives; in this region in the largest extent possible
  - The zone is primarily prepared for a strategic investor from manufacturing industry sector, i.e. a multinational company with a

Millennium Cities Initiative
Thank you for your attention and questions!

Contact: rene.samek@gmail.com