YASKAWA

The Lift Market in Central Africa – A Bachelor Thesis

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Bachelor Thesis:

Market analysis as an Instrument of Internationalisation –
Positioning of Yaskawa Europe GmbH on the African Elevator Market

I. Internationalisation
II. Market Analysis
III. Case Study: The African Elevator Market - short analysis -

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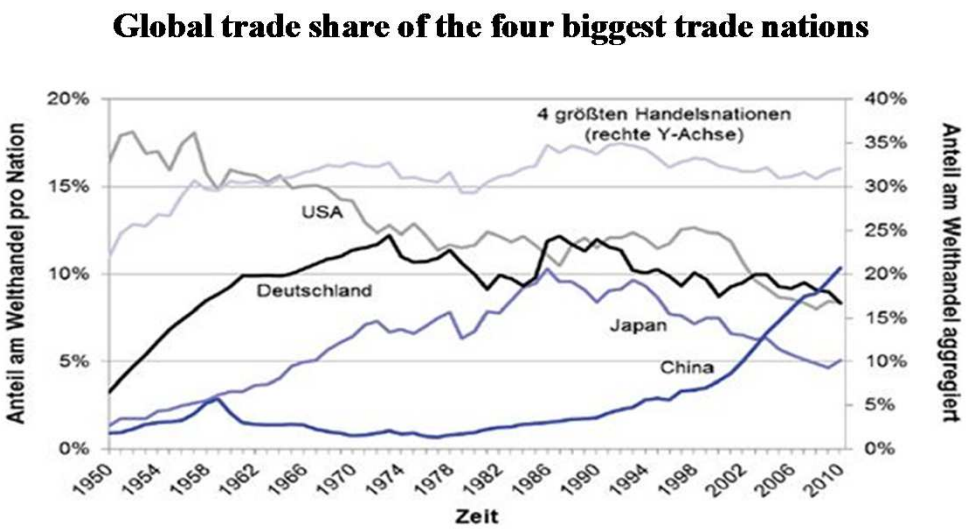
- **Internationalisation**



Source: Perlitz, M.; Schrank, R. (2013), pg. 34.

- International trade is an important topic for successful companies in todays economy
- Process of Internationalisation is getting more and more important in companies
- Basis decision to be active on foreign markets or not, is depending on company objectives
- Export of Know-How or Goods as a common form of internationalisation
- Direct investment as Transfer of assets or management know-how is also a common way to be active on foreign markets

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Internationalisation

Foreign sales compared to total sales of major enterprises in %

Unternehmen	Auslandsquote in %			
	1995	2000	2008	2010
DaimlerChrysler AG	61	84	78	80
BMW AG	70	75	80	82
VW AG	61	71	76	77
Bayer AG	81	86	85	87
BASF AG	73	78	78	81
Siemens AG	57	76	83	85
ThyssenKrupp AG	46	46	64	67
Altana	60	78	83	85

Source: Perlitz, M.; Schrank, R. (2013), pg. 39.

- Success of internationalisation is depending on defined objectives
- Export can be done by nearly every company due to the low demand of human or financial ressources
- Direct investment is a form of internationalisation if export is not profitable enough because of long leadtime or market entry barriers
- High transportation costs due to big geographical distance and an organizational presence on foreign market are also reasons for investments in new markets

Example of succesful companies

- Daimler or BMW are generating more than 50% of their group sales on foreign markets and it is still growing on a solid level
- Chemical (BASF) and elevator industry (Thyssen Krupp) are also growing in that respect

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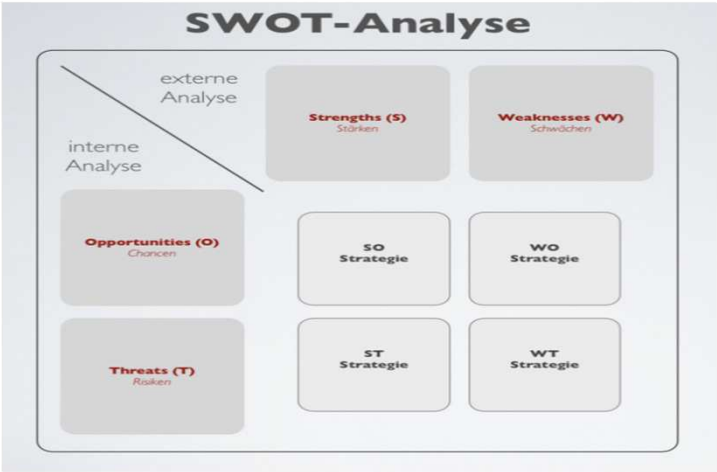
Market analysis

SWOT-Analysis



Source: http://on-operations.com/2011/02/01/swot-analyse/; last visited 13.01.2015

- Decision to internationalise the business is depending on quantity and quality of available data
- Market analysis is a central aspect for the forms of internationalisation
- SWOT-Analysis is most common Tool to explore own company and foreign markets
- Information about potentials, competitors, products, existing partnerships, legal factors, tax factors, intercultural issues, political stability forms the basis for an management decision regarding the forms of internationalisation

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- **Case Study: The African Elevator Market**
  - **YASKAWA Europe GmbH History**

2010:
Merger of MOTOMAN Robotec GmbH with the company YASKAWA Electric Europe GmbH.

2014:
- Akquisition „The Switch“ a YASKAWA company

1915 | 1969 | 2010 | 2013 | 2015

1915:
Foundation of Yaskawa Electric Coporation

1969:
Establishment of Yaskawa Europe GmbH as European Headquarters

2012:
Acquisition of VIPA GmbH (Automation technology and control solutions)

2013:
Strategic Partnership with ReWalk

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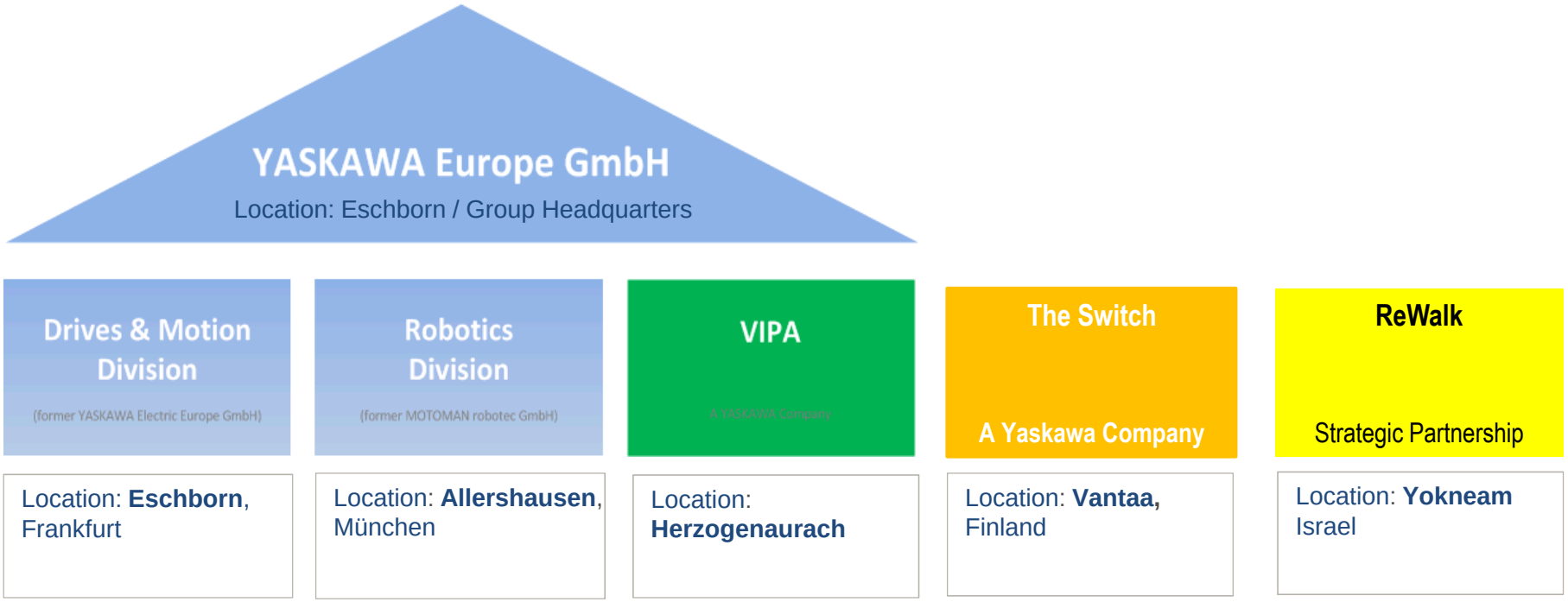

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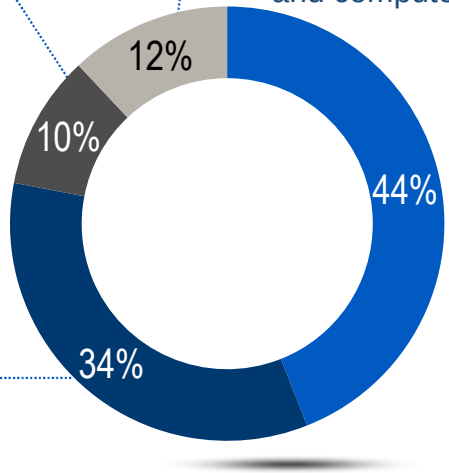
YASKAWA Electric Corporation
Strategic Business Units – SBU

System Engineering

- Industrial drives for large plants
- SCADA-systems (*) for large plants
- High-voltage drives
- Medium-voltage drives
- Industrial motors

Information Technology

- Yaskawa Information Systems und YE Data
- Products and services in the software and computer-peripherals sector



Drives & Motion Control

Inverter-Technology

- AC-Inverter Drives
- Drives for induction and permanent magnet motors
- Medium-voltage inverters
- Servo-Technology
- Servo for Rotary, lineary and direct drive technology
- Userfriendly design with auto-configuration and auto-tuning

Robotics

- Arc, spot and laser welding
- Handling
- Picking, packaging, palletizing
- Cleanroom (SEMI, FPD)
- Special applications

(*) Supervisory Control and Data Acquisition (SCADA) is the supervision and controlling of technical processes via a computer-system.

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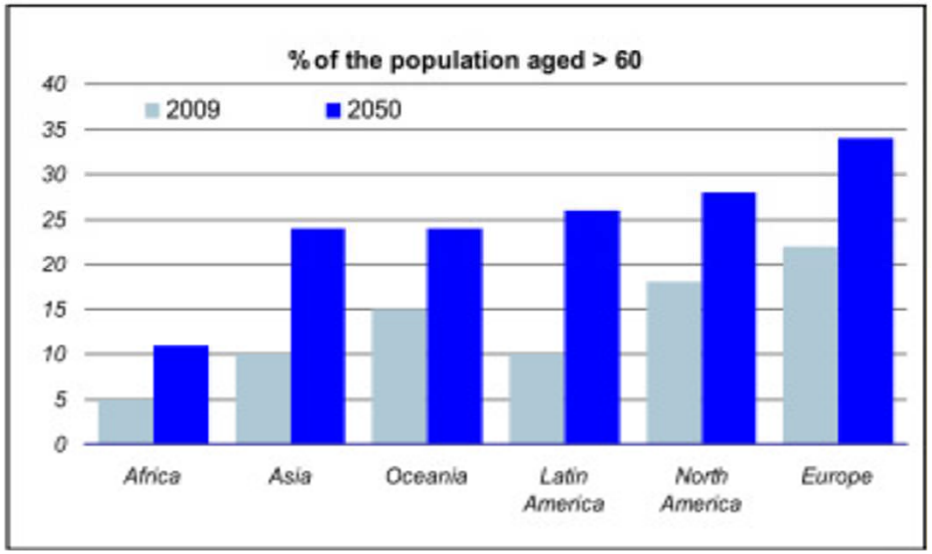
- **Case Study: The African Elevator Market**
  - **As-Is Situation of the global Elevator Market**

Percentage the population aged > 60



Source: Presentation VFA-Interlift e.V. Mitgliederversammlung 2013, pg. 13

- E+E market, combination of Elevator and Escalator
- main business segments in this market are new equipments, modernisation and maintenance
- Almost every day everybody of us is using an elevator or an escalator
- Nowadays everything needs to go faster
- Nobody wants to loose time by walking the stairways
- Elevators are getting more and more popular
- Today more and more people move from rural to urban regions, that means more and more citizens live in big cities, on a limited space
- the need of efficiency, accessibility, safety and comfort to enter buildings with different floors will be very high
- 2050 round about 2 billion people of the global population will be aged 60+

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- **Case Study: The African Elevator Market**
  - **Market Analysis for Africa**

- 54 countries are located on the African continent and in the African economy
- total size of Africa is 30.2 million km² and this is 6 % of the world's surface
- Behind Asia, the second largest continent is Africa, with a population of more than one billion people
- changes in the next couple of years which lead to a rapid urbanization
- In 2010 there were 51 cities in Africa with a population of more than a million and only Cairo reached the ten million inhabitants
- In 2040 it is expected to have 100 cities of more than a million people and seven cities with a population of ten million
- Instead of Cairo there will be Kinshasa the largest city in Africa with about 24 million people. The total population will reach the 2.7 billion in 2060, so it is nearly tripled in the next 50 years.

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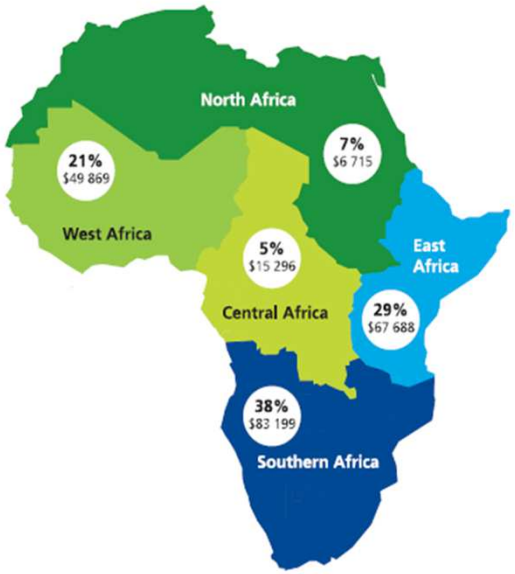
- **Case Study: The African Elevator Market**
  - **Market Analysis for Africa**

A view of the African construction trends



Source: Deloitte on Africa „African Construction Trends Report 2013, pg. 3.

- 322 different projects for the African infrastructure ongoing in 2013
- Energy/Power, Transport, Mining, Water, Education etc.
- 124 Projects in Southern Africa, i.e. 38 % of the total investment flow was used there
- East Africa received 29 % of the total investment for 93 projects
- West Africa 21 % for 66 projects
- North Africa and Central Africa are suffering political and social instabilities

- Southern Africa: $ 83.199 Million
- East Africa: $ 67.688 Million
- West Africa: $ 49.869 Million
- Central Africa: $ 15.296 Million
- North Africa: $ 6.715 Million
- Total Project Volume: $ 222.767 Million

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- **Case Study: The African Elevator Market**
  - **Market Analysis for Africa**

KONE Dedicated to People Flow

OTIS

MITSUBISHI MOTORS

ThyssenKrupp

Schindler

members of the Lift Engineering Association of South Africa and the key player on the elevator market

- The African elevator market is a really tough one, because there is only few information available for it and no associations which can confirm empirically correct figures
- The main part of this market is located in the South African region
- Key players are serving the countries in Africa out of their locations in south Africa
- Also 152 local independent lift companies are registered and they are serving about 6.750 lifts
- 25.400 elevators installed in Africa
- South Africa round about 23.800 elevators
- 850 elevators in Kenya and the remaining are spread over the other countries
- Most installed elevators in South Africa are supplied by Otis

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- **Case Study: The African Elevator Market**
  - **Evaluations**

- One of the fastest growing Economies
- China one of the reasons for this development due to investments in raw materials
- Elevator market is only a small part of the economy, but an important driver due to urbanization, aged population and development of infrastructure
- South Africa most developed part of Africa and maybe the area with the most potential to invest

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- **Case Study: The African Elevator Market**
  - **Recommendations**

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- Definition of strategies and objectives as a result of market analysis
- Acquisition of partners in Africa, like Kone did with Marryat & Scott (Kenya) Ltd. and Marryat´s East Africa Limited (press release August 1, 2014
- get knowlegde about markets, competitors, products, demand, legal factors and intercultural factors
- Product portfolio should be competitive, synergies of partner and own company have to be used
- Direct investments in facilities is at the current stage not effective, amortisation time takes to long
- Small market volumes, political uncertainties, intercultural discrepancies lead to aiming for a partnership and not to direct investment

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