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Nordic Firms Need Market Research for Entering New Markets in Africa

1 Starting to think about doing business in Africa

Entering the African market is a major step towards achieving steady growth as Africa is the next frontier for global competition. In as much as entering a new market like Africa is a very exciting, it is also a very challenging endeavor. As with every other prospect for growth, entering new African market incurs an enormous amount of resources, both human and financial resources and thus the need for thorough evaluation. Entering new markets of Africa comes with certain risks and possibility of failure. It is often plausible to detect possible flaws or threats to the success of doing business in Africa before entering the African market than having to make modifications later on. The more Nordic firms can invest in acquiring valuable and relevant information about their business plans in Africa, the smaller the risk of losing big financial resources. Nordic firms should make sure they are well knowledgeable and equipped before doing business in Africa because the success of doing business in Africa depends on some factors. Rushing into doing business in Africa without exploring all the important factors can be a very uncertain move. For this reason, it is often advisable that Nordic firms seeking to enter a new market in Africa should make sure that are well prepared for it by conducting market research and market intelligence for the feasibility of doing business in Africa.

2 Why market research is important

The importance of market research for new market entry is well documented and validated in both research and practitioners guide. Market research enables companies to understand better the new African market and the business strategy needed to succeed. Market research also helps companies identify competitors in the African market and to stand out from already established competitors. Market research helps companies to understand their customers and strategic partners. Market research can help Nordic firms determine the products and/or services that should be offered in the African market and the number and type of talents that should be recruited. Market research enables companies to know their SWOT. While capitalizing on their strengths and opportunities, they can identify and improve their weaknesses and threats. Market research allows businesses to



understand the possible differences between their current markets and new markets in Africa regarding culture, behavior, habits, demand, and other crucial factors.

3 Defining market entry strategies

When Nordic firms have conducted market research and market intelligence and have been able to identify clearly the market and competitors, the next step is to determine the right entry strategy. Market entry strategies include exporting, project business, licensing and franchising, joint ventures, acquisitions and greenfields. Making the right entry strategy helps in optimizing investment and increase future revenues because each entry strategies comes with a different degree of resource commitment and returns as shown in Figure 1 below..

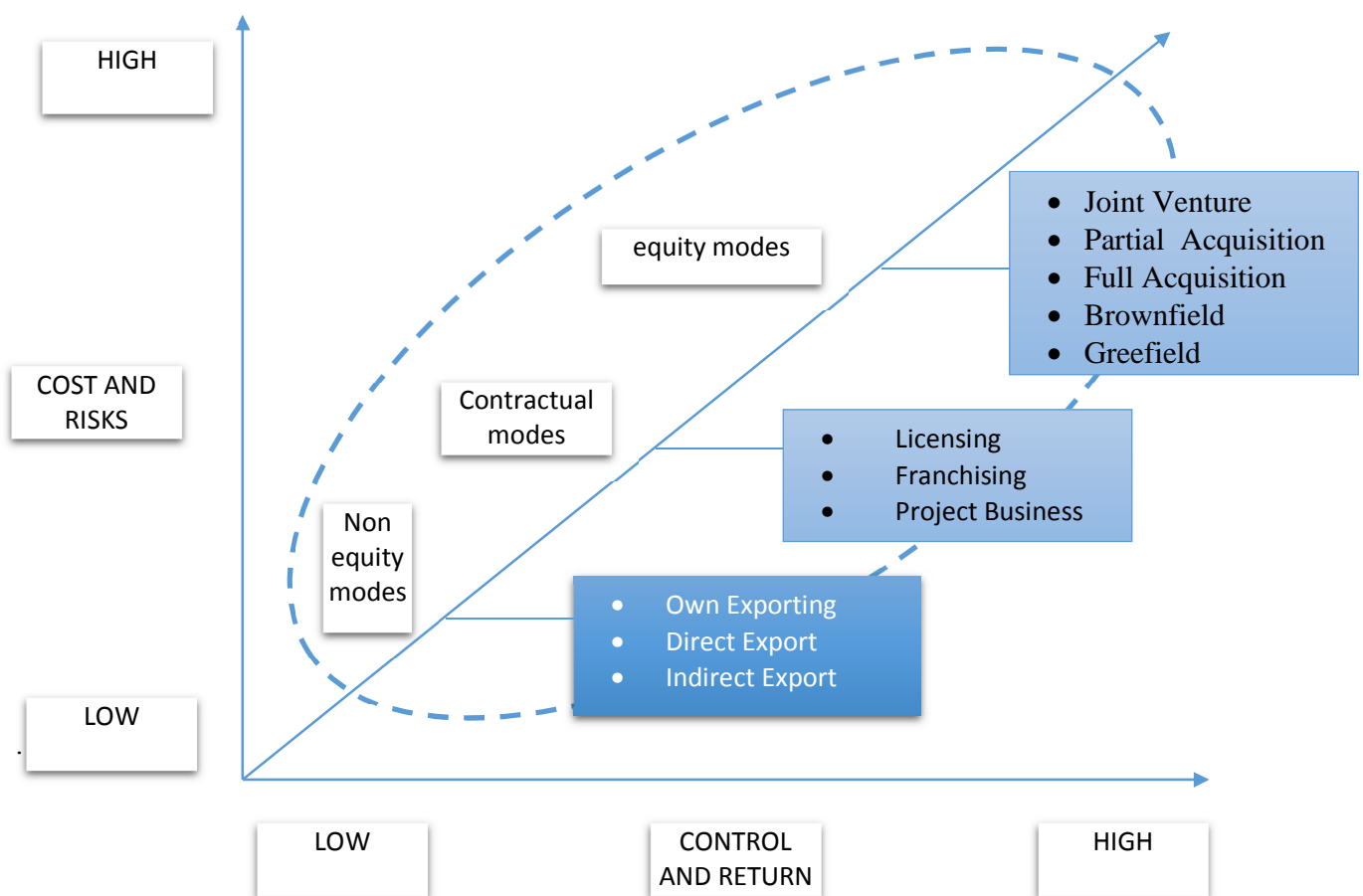


Figure 1: Control and Risks Vs. Cost and Risks in Entry Strategies



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4 Defining an exit strategy

While it is often important to do market research and determine an entry strategy, it is also crucial while preparing to enter a new African market that companies also plan their exit strategy. This is a risk mitigation strategy, and it is critical considering the dynamics of institutional changes that confronts all emerging market undergoing institutional transitions. Irrespective of the positive results the firm accomplish at entry, it is important to prepare for all possible scenarios when doing business in Africa. As a result, Nordic companies also needs market research to provide them with accurate data to plan for risks mitigation strategies.

Entering and doing business in Africa is challenging, but the rewards are worth it. Nordic investments to Africa has increased within this decade compared to last decade. For example, combined Nordic exports to Africa increased by around 60 per cent and Nordic exports of goods to Africa has an 8 percent annual growth rate 2004-2014 (Menon 2015). While there are increasing signs of progress on Nordic investments in Africa, statistics of Nordic firms interested or currently doing business in Africa indicates that Nordic companies still faces enormous challenges and needs a significant degree of assistance. Nordic companies need to build networks and relationships to find the right businesses to partner with or potential service providers to do business with. Currently, it is easier to find consultants and people saying they will assist firms in doing this and that but to their surprise, these companies realizes later after losing several months that nothing has been done.

At foresight consulting, we understand these challenges and have professionals knowledgeable about African and Nordic business with experience spanning from industry and research expertise in the Nordic, and work experience from Africa. We help companies do pre-feasibility and feasibility study on doing business in Africa. Our pre-feasibility and feasibility study are administered as market research consulting where we systematically identify, collect data, analyze and disseminate information and intelligence about market potentials, segments and competition to help our clients in decision making on commencing business operations in Africa.



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Our market research consulting comprise of ad hoc and comprehensive market research. For our ad hoc market research, we perform market analysis for our clients by anticipation of, or in response to an event in Africa. For example, in anticipation of FIFA world cup in Africa, specific large scale projects or government projects. The outputs of our ad hoc market research are one time in nature and focuses on a competitor or market product.

Our comprehensive market research consulting comprise of a comprehensive market potential analysis where we investigate broadly competitive forces shaping the industry; we make an assessment of the competitors, the industry, trends, technologies and the other main industry factors. We make segmentation of the markets, products and services. We also evaluate the institutional and legal environment, risks and mitigation strategies and suitable market entry strategy.