The African market research industry: finding new market spaces

Mohamed Cisse Abdoulaye

Dissertation written under the supervision of

João Simão Pires

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Abstract

The following thesis elaborates on various issues in strategy: launch strategy (especially, market selection), and strategic positioning. This paper does so through a case study based on a new venture willing to establish itself in the market: Thot Insights. This start-up would strive to provide market research services to businesses operating in Africa. It would leverage on SMS technology to collect, store, process, and deliver consumer insights.

The main goal of the case is to provide readers with the unique opportunity to develop an effective business strategy for a newly created company. At the same time, raise awareness about the challenges of decision making (with imperfect information) in emerging countries.

The following case study does not intend to do the following: cover all 54 markets on the continent, yet it focuses on few markets deemed strategic. Then, this paper will not provide extensive details on the company's business plan (such as the business model, financials, or the underlying collection method). Also, it does not plan to analyze competitors in each local market, but it will adopt a broader approach, that is to say, highlight the main competitors with an extensive geographical footprint

Literature related to strategic positioning, blue ocean strategy, competition mapping, and indexing, was key in analyzing the strategic issues. This lead to the following set of recommendations: launch first into Nigeria, then, expand into Ghana. The second recommendation would be to start with a traditional offering, then, educate buyers about a new set of services

Keywords: market selection, launch strategy, strategic positioning

Abstract (in Portuguese)

Esta dissertação debruça-se sobre diversas questões estratégicas, nomeadamente: criação de uma nova estratégia para inserção no mercado e estratégia de posicionamento. Por conseguinte, esta dissertação consiste na criação de um caso de estudo baseado numa start-up que tenciona inserir-se no mercado: Thot Insights. Esta start-up irá fornecer serviços de pesquisa de mercado para negócios em África. Assim, irá apostar em mensagens para recolher, processar e fornecer visões do consumidor.

O caso de estudo visa providenciar ao leitor a oportunidade de desenvolver uma estratégica de negócio para uma empresa recentemente criada. Também, aumentar a consciência face aos desafios do processo de tomada de decisão (com informação incompleta) em países emergentes.

O presente caso estudo não tenciona desenvolver o seguinte: cobrir os 54 mercados do continente, no entanto está focado em alguns mercados considerados estratégicos. Porém, este caso de estudo não irá fazer uma extensa análise sobre o modelo de negócio da empresa (tais como modelo de negócio, informação financeira ou a principal fonte de recolha de informação). Também não tenciona analisar os concorrentes em cada mercado, mas irá adotar uma perspetiva mais alargada, ou seja, destacar os principais concorrentes de acordo com a posição geográfica.

A literatura relacionada com o posicionamento estratégico, estratégia blue ocean, análise de concorrentes e classificação foi fundamental na análise das questões estratégicas. Tal conduz a um conjunto de recomendações: estabelecer primeiro na Nigéria e depois no Gana. A segunda recomendação de uma oferta e mais tarde educar os compradores acerca de um novo conjunto de serviços.

Palavras-chave: seleção de mercado, estratégia de lançamento, posicionamento estratégico

Preface

I am grateful to Mariama Mohamed & Cisse Abdoulaye Cheick (mother and father) for their indefectible support in every step of my master’s degree. They inspired me and kept me going regardless of the odds I faced.

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Introduction

In two years from now, Thot Insights (a consumer research company) will officially launch its services. The following summarizes the company's mission:

Our goal is to help businesses become data driven organizations. In other words, we help corporations make the right marketing decisions through the provision of accurate customer data.

Thot Insights specializes in collecting, and analysing customer data in order to deliver actionable insights to businesses operating in Africa. Specifically, the company gathers point of sale customer data. Then, processes this data to glean meaningful insights. In doing so, Thot Insights intends to empower consumer good companies to deal effectively with the ongoing challenge of getting reliable customer data. However, as stated in its mission Thot Insights delivers insights not data. Emphasizing on such a goal will allow the company's clients to design effective marketing strategies and facilitate product development initiatives.

The CEO's ambition is to turn profits within three years after launching. Furthermore, he expects Thot Insights to maintain an above average gross margin. This objective will be achieved through organic growth from either Morocco, Kenya, or Nigeria. The company does not rule out launching in two markets at the same time. The CEO argued:

We focus on Africa due to our knowledge of the realities on the ground. Morocco, Kenya, and Nigeria are dynamic economies with sizeable consumer markets.

Despite having such ambitious objectives, Thot Insights' CEO has spent a great deal of his time planning the company's operations, processes, and inquiring about the technology requirements. He started wondering about the challenges related to going live. The following set of questions have arisen: Which markets should the company prioritize? How to position the company's service for future success?

Answering the afore-mentioned questions will enable the CEO to determine an effective launch strategy. In fact, choosing the right market(s) to enter bears a significant impact on the pace of revenue growth. Then, knowing competitors positioning will allow the company to differentiate from them. In turn, this will pave the way toward achieving success.

1. The business concept

In brief

Thot Insights is a data brokerage firm focusing on collecting and analysing consumer data to deliver actionable insights to businesses. The company leverages point of sale customer data to help businesses make informed decisions.

Specifically, Thot Insights strives to help businesses grasp their customers shopping patterns. And, establish accurate customer profiles by collecting detailed information on demographics. Point of sale data could optimize research buyers' distribution strategy as well.

It is a huge undertaking for companies to collect customer data at point of sale.

Most African consumers shop in traditional trade. This retail infrastructure includes tabletops, kiosks, and street hawkers. See Figure 1. Some estimates point to more than 80% of sales occurring through traditional retail channels. South Africa, the most developed economy in Africa, is no exception to the rule. Even members of the middle-upper class shop in such markets [25]. Shoppers typically have access to affordable products, a wide assortment of goods, and do not have to travel long distances to shop.

However, most transactions in these markets are not recorded [33]. In other words, when a consumer buys a product at a given shop, there is no electronic record of this transaction. One reason behind this is the lack of electronic cash register. These devices are often expensive, thus, shopkeepers cannot afford purchasing one. Tax avoidance provides another justification for failing to track transactions.

In cases, shopkeepers record transactions they either rely on their memory or keep track of these transactions in their books for basic accounting purposes. This explains why it is a daunting task to collect point of sale data.

Furthermore, setting up a comprehensive distribution network has always been a challenge for consumer goods companies in Africa. This issue results from a fragmented retail landscape in Africa. Getting products to customers is only part of the puzzle. Companies have to ensure that their products are in the right outlets [35]. Achieving this goal would require store level insights and data on consumers[1], but also evaluate the potential revenues from each outlet.

Service delivery

The company will deliver its services by leveraging on a network of suppliers: mom and pops shops (those with high store traffic), mobile operators, and storage & cloud providers.

At mom and pop shops, Thot Insights will gather point of sale data by means of a reward program (fliers would display questions on customer demographics, and promote airtime as potential reward). See Figure 3.

Customers at these shops will send their personal information and product bar code via SMS. They will receive airtime in exchange for giving away purchase and personal information[2].

This information will enable Thot Insights to identify products, but also determine where a given product was purchased. Customers will have to send their personal information only once. The reward program will further encourage customers to send more than a single SMS.

This collection method will allow the company to build a dynamic customer profile over time. Businesses will have access to real time insights through dashboards.

The target segment

The company's service will cater to businesses operating in consumer markets. This solution is particularly relevant in industries with fierce competition. In such settings, companies are likely to look for ways to differentiate their offering from competition. Businesses will have to make extensive use of consumer insights.

The FMCG sector in many regards displays some of the characteristics mentioned above. It is a highly competitive space referred to as high volume and low margin sector. Profitability relies on marketing [5]. That is to say, developing a thorough understanding of market dynamics and customer needs is key to building a strong position in the market.

[1] It is crucial to understand what type of consumer shop there, and how often do they shop at this outlet.
[2] It allows mobile phone subscribers from emerging countries to top up their account. Hence, be able to make phone calls, SMS, among other things.

Within this industry, Thot Insights intends to target the following segments:

- Foreign consumer goods companies
- African consumer companies
- Domestic consumer firms

Early adopters of this service would typically be foreign consumer good companies. Thot Insights sales efforts will focus primarily on satisfying this segment's needs. As other FMCG companies recognize the value of insights. The company will actively market its services to meet their needs.

The road ahead

As of now, Thot Insights is in the process of developing a platform in order to capture and deliver insights to businesses. This phase might take approximately six months. Afterwards, six additional months will be devoted to market trials. In other words, registering beta users and improving the platform, but also adjusting service features.

The start-up will officially launch in the second year. The company expects to become profitable during the third year. Thot Insights has an ambitious target of achieving above average gross margin.

In order to achieve such objective, Thot Insights will focus on organic growth (growing sales revenues) and adopt a unique positioning (by pursuing white space opportunities) in strategic markets.

Figure 1: Thot Insights positioning

The table below summarizes key characteristics of the company. And, specifies its positioning in the market.

Company	Range of services	Segments targeted	Collection methods
Thot Insights	Specialized marketing solutions	Businesses	Mobile

Source: *Thot Insights blog*

2. The Global market research industry

Overview

Companies operating in the market research industry typically deliver the following set of services: Opinion polls, marketing solutions, stakeholder measurement. See Figure 6.

The American association of marketing argues that the market research industry is experiencing a profound transformation. New data collection methods, in particular mobile surveys are disrupting this industry. In addition, companies in related business disciplines (For instance, IBM) are increasingly moving into the market research space. They leverage on huge volume of data made available by the internet [30].

The industry was valued at roughly $35-40 billion in 2016. However, many believe this industry could be worth around $ 170 billion worldwide[3] [30].

Data collection methods

There are essentially two types of data collection methods. See Figure 7. On one hand, there are qualitative methods. They are related to in-depth and focus groups interviews, and observation of consumer behaviour in real settings. On the other end, data is gathered through quantitative collection methods: survey research, and collection of point sale data.

By means of surveys, research buyers are able to grasp what their consumer needs and behaviors are. Also, they are able to classify customers in segments based on product usage and their expectations. To some extent, research buyers might have access to customers purchase history [21].

Point of sale data allows research buyers to obtain insights at a granular level. In other words, understand what type of customer shop at a particular outlet/store. How often do they shop there, and what products do they purchase [18].

Finally, survey data relies on respondents' memory. This implies the information gathered is somehow susceptible to be biased [12]. Also, respondents might be tempted to provide pleasing

[3] When related business lines are taken into account, according to the American marketing association

answers. Or, they might provide answers without fully understanding the questions asked. Point of sale methods minimizes conventional methods (surveys, etc…) shortcomings.

3. The African market research industry

Africa's economy

From 2000 until 2010, Africa's economy expanded at an impressive rate of 5.4% per year. It was one of the fastest growing regions worldwide. The McKinsey global institute described African countries achievement by the following line: "lions on the move". However, over the 2010-2015 period, growth has slow down. See Figure 9A. Africa's GDP grew only at 3.3% a year [23]. This situation stems from challenging global economic conditions. And, it highlights Africa's high reliance on commodity exports. Several countries have embarked on a journey to diversify their economies. Domestic consumption was the main driver of GDP growth [32].

Furthermore, the continent is home to a young population. The median age does not exceed 25 years old in several countries. By 2034, the continent will have the world's largest working age population (as a share of total population) [31].

Africa is set to benefit from the rapid pace of technological change. Mobile penetration is growing, and disrupting how certain services (banking, and education come in mind. Yet, other fields could be impacted) are delivered [3].

Finally, Africa boasts large "untapped internal markets". According to estimates, household consumption will reach $ 2.1 trillion while business spending will be equivalent to $ 3.5 trillion by 2025 [23].

Value of the research industry

The African market research industry recorded a turnover of $ 382 million in 2013. It is equivalent to roughly 1% of the global market research turnover [16].

Industry outlook

Despite reporting a lower turnover in 2013, the African market research industry presents significant untapped revenue potential. Figure 10. The research industry has room to expand in the near future. It should have generated a higher turnover compared to a country such as Turkey (based on a growing population and economy). One reason explaining Africa's poor performance might result from a limited awareness of how market research would benefit companies.

Opportunities

The growing adoption of mobile phones across the continent could potentially unlock opportunities in several fields. Market research is one of them.

Mobile technology allows researchers to reach respondents even in remote areas. Hence, decreasing the cost as well time to perform surveys or focus groups. Furthermore, mobile improves survey accuracy as it increases the likelihood of obtaining a representative sample of respondents[4] [1].

Another trend worth mentioning is the growing use of mobile money. This trend is best illustrated by the like of M-pesa. It is a payment solution, which allows its users to pay utility bills, and get access to basic banking services. Transactions are not often recorded in a cash-driven continent such as Africa [33], thus, it is difficult to track customer spending habits. Mobile money is ushering a new era, in which research firms can track spending habits by tapping into electronic transactions [11].

In a nutshell, mobile money and the growing adoption of mobile phone could significantly decrease the cost of collecting insights on consumers. In turn, this would boost demand for research services, and drive revenues for research companies.

Moreover, opportunities exist in terms of helping companies optimize their distribution systems. Distributions systems are often fragmented, and characterized by an apparent lack of network of

[4] Conventional survey methods allow researchers to reach a limited set of individuals (those living in cities or close to main cities). It becomes challenging for researchers to survey individuals living in remote areas, as they will have to travel long distances to do so. Therefore, survey respondents are often restricted to a specific set of individuals. In other words, this approach excludes individuals living in villages.

distributors. For instance, some countries have over 100,000 retail outlets for a single product [35]. It is physically impossible for companies to deliver products in all outlets. Businesses need to identify which outlets will generate significant sales volume, what type of customers shop at a particular outlet, and what are their habits [18].

Operational challenges in African markets

Several African countries lack basic infrastructure [23]. Access to electricity is limited only to 40% of the population. A mere 20% of people have access to internet [3]. The continent suffers from poor transportation links across cities/ regions [25], which limits opportunities for cross-border research.

The business environment makes it tough for companies to operate on the ground [2]. The continent lags behind other regions in terms of trading across borders, paying taxes, and enforcing contracts. This translates into high costs of doing business in Africa.

Research companies typically send out staff on the field to carry out paper and pen surveys. However, Africa’s population is dispersed and lives mainly in rural areas [16]. Reaching these populations for surveys and focus groups represents a major challenge when accounting for the continent’s poor infrastructure. In cities, researchers struggle with gathering inputs from respondents across the socio-economic ladder. Although respondents from lower economic groups are relatively easy to survey, middle class and wealthier respondents value their privacy and do not want to be bothered for surveys [16].

Considering how surveys are designed, research suppliers cannot adopt a standardized approach for every country. In fact, there is a huge diversity of ethnic groups speaking various languages. For instance, Nigeria has more than a dozen languages being spoken [16]. Any research conducted has to be adapted in local languages in order to reach a critical mass of respondents. In doing so, the meaning of certain questions might be lost in translation [29].

Local research companies grapple with the lack of skilled labour to conduct effective field interviews [29]. Compounding this issue is the limited use of online and mobile research in some countries [16]. In other words, a great deal of the research conducted is through outdated methods. This situation prevails despite a wide adoption of mobile phones.

Moreover, there are complaints about the quality of local subcontractors [27]. This aspect is relevant in cases when local research companies conduct cross border market research projects. In this setting, finding the right research partner with similar quality standards is a major undertaking.

Research buyers often fail to see the benefits of market research. They have small budgets devoted to research. And, typically request inadequate research methods for African markets [29].

Executives (in research firms) complain about the lack of reliable secondary data sources as well as the inadequacy of research facilities [29].

All the afore-mentioned aspects point to an apparent deficiency of local market research ecosystem. This leads to a situation where conducting market research is complex, time consuming, and expensive. Several experts argue that research projects often don't go as expected [29]. And, they question findings from these projects. This impedes the industry from growing further since research services are restricted to a small customer base.

Research buyers[5]: attributes and segments

Insights on customers undoubtedly provide firms with a competitive edge over rivals. Companies of various size and spanning different industries stand to benefit from market research services. Nevertheless, telecommunications, retail, fast moving consumer goods (FMCG), and financial services are among frequent buyers of research services.

Customers can be grouped in the following categories based on size and country of origin:

Subsidiaries of foreign consumer goods companies that have been doing business on the continent for decades.

Over the years, many have been stepping up their investments to increase their current production capacity or expand in other markets [12].

In these organizations, reliable information (on markets and customers) support the decision making process. In other words, they have a deeply rooted culture of market research. Through

[5] For clarifications purposes, end users of market research services will be referred to as research buyers whereas market research companies are research suppliers

such practice, they expect to gain knowledge on their target markets, understand the differences between African markets, or estimate market size/test new products [16].

Moreover, some firms have developed locally relevant solutions to issues they faced. They have built in house research capabilities to gather actionable insights on consumers [24]. They expect research firms to provide value from insights they have already gathered in-house.

FMCG usually commission research services from subsidiaries of international market research firms. This practice stems from the long-standing relationship these FMCGs have developed with the parent research firms. The former expect to maintain this partnership in other international markets.

African consumer companies are relatively medium to large companies, with either a unique or diversified product portfolio. Many have been operating for a while, and managed to achieve a comfortable position in their domestic markets. At this stage, they are seeking to expand in other African markets. Doing so, would help their business reach a sizeable scale. They typically experience similar needs as their larger counterparts.

Domestic consumer firms have acquired a thorough understanding of their customers. However, as competition intensifies, these companies are increasingly seeking for ways to differentiate themselves [35]. They recognize the benefits of market research. That is to say, consumer research could highlight new growth avenues these companies could exploit.

4. Key markets for the research industry

The following countries/markets are among the most dynamic economies on the continent [23]. They show big promise in terms of establishing a profitable business in the research industry. In addition, each market is from a different African region. They should provide a comprehensive picture of the continent when analysed together.

Morocco

Morocco's GDP grew at 4.5% between 2014 and 2015. Morocco has a relatively stable and diversified economy. See Figure 9B. Manufacturing and services account for roughly 80% of Morocco's GDP [32]. The country has strong institutions, and a favorable business environment.

Morocco ranks at the 55th position out of 144 countries when considering the quality of the local infrastructure [2].

The availability of local talent appears as one of Morocco's weaknesses. A survey highlighted the inadequately trained workforce as the major impediment to doing business in the country [2]. This finding could eventually bear an impact on research firms' ability to tap into local talent. See Figure 12.

Among African countries, Morocco has a sizeable middle class. Consumption per capita was estimated at $ 1,877 in 2015 [23]. Domestic consumption is one of the main drivers of GDP growth [32]. This translates into significant opportunities for consumer goods companies to establish a strong presence in the market. In turn, this means there is sizeable market for research services as competition intensifies[6] within the FMCG sector.

Kenya

Kenya grew at a rate of 5.64% in 2015. See Figure 9B. Growth in the coming years is expected to become stable reaching 6.8 to 7% per year within the 2016-2020 horizon. However, there are legitimate concerns about terrorism given the late stream of attacks in Nairobi [25]. The country has poor infrastructure and a relatively volatile macroeconomic environment. Kenya ranks respectively at the 99th, and 123rd position on these dimensions out of 140 countries [2].

A well-trained workforce[7] is mitigating some of the issues related to doing business in Kenya [2]. This might represent a boon for research companies looking to hire local talent. In addition, the country is experiencing a boom in the IT sector. Numerous start ups and incubators are popping up across the capital. This situation might lead to Kenya becoming a breeding ground for innovation within the market research area.

Furthermore, the country boasts a sizeable middle class, although relatively less than in Morocco. See Figure 11. Kenya represents East Africa's most advanced economy. The country attracts several foreign consumer goods companies [25]. And, it is often viewed as gateway to this region.

[6] Local consumers are brand conscious and value quality. Marketing will be key in driving sales
[7] Kenya is ranked 36 out of 140 countries when it comes to the quality of the education system

Nigeria

Nigeria became Africa's largest economy back in 2013. However, in 2016 the country's GDP contracted by 2.24% on the back of falling oil pries. The economy is slowly diversifying away from its high reliance on oil revenues with hopes to increase services contribution to GDP growth [32]. In addition, Nigeria is battling a terrorist insurgency in the North. Regular attacks are carried out in central locations across the country [25]. Similar to Kenya, Nigeria has poor infrastructure. It was one of the major drawbacks of doing business in the country [2]. The power grid is unable to meet electricity demand. Businesses are compelled to rely on power generators for at least 10 hours/ day. It might be longer in some cases. Roads are in poor state and often congested. Water supply is ineffective as well [25].

The poor quality of the educational system raises concerns about the availability of skilled labor for market research companies. The latter might need to provide training in order to improve local skills [2].

Nigeria has a sizeable middle class, growing rapidly. See Figure 11. Estimates point to a six-fold increase of middle class size between 2000 and 2014. Consumption per capita was estimated at $1,193 in 2015 [23]. By 2030, sales of consumer goods will have reached $1 trillion [25].

In a nutshell, Nigeria represents a huge opportunity for consumer goods companies. Some of the largest FMCG companies are already operating on the ground. Yet, they face stiff competition from local champions. This situation might hold significant opportunities for research companies as consumer value quality in addition to price [25]. This is to say, branding is instrumental in influencing consumer buying decisions.

5. Overview of the competitive landscape:

The following set of companies were selected since they are pioneers in delivering research services on the continent, have a renown expertise in conducting market research, or changing the rules of the game.

Local research firms

They have a smaller turnover (revenues). However, they represent a significant share of the research generated in Africa.

Field Africa is a South-African based market research firm. The company strives to deliver its clients an unparalleled understanding of Africa's markets and consumers to establish itself as "a single contact point for market research services" [14].

Field Africa capitalizes on a wide array of data collection methods, such as face to face and telephone interviews; In-person & in depth interviews, focus groups as well as online data collecting methods[14]. The company is able to conduct personal interviews in multiple languages.

Field Africa delivers market research as well as brand development services. Research buyers include multinationals, listed companies, governments, and entrepreneurs [14].

The company positions its service as a high quality offering to solve client's business issues. Field Africa leverages on its skilled workforce to attract and retain research buyers [14].

Finally, Field Africa maintains an extensive presence in over 28 African countries (either through local offices or partnerships). The company has been operating on the continent since the 1990's [14].

Subsidiaries of international research companies

They offer a comprehensive set of services: research design, data collection, analysis, and reporting. They usually acquire a local company in order to enter a new market. Doing so, allows these firms to leverage on local employee expertise and an existing client base.

Such firms move into new markets in order to meet clients demand for their services. For instance, Ipsos decided to open an office in Angola due to a request from P&G.

Kantar worldpanel is a subsidiary of Kantar, a company which regroups several research brands. Each specialises in a particular area of expertise. Kantar worldpanel analyzes consumer behaviour [21]. The company surveys consumer panels in order to uncover their needs and attitudes. Kantar intends to develop tailored data collection methods for the African market. In Egypt, the company plans to implement digital data capture solutions to gather insights. The main rationale is to develop accurate customer profiles by recording precisely what is being consumed and where [6].

Kantar worldpanel provides a wide array of services covering segmentation, consumer buying patterns and decisions, as well as product usage [21]. The company aims to target FMCG research buyers interested in gaining insights on their consumers [6].

The company describes itself as helping research buyers make successful decisions. These buyers would benefit from Kantar worldpanel thorough understanding of local markets, expertise, global scale, and leadership in consumer panels [21].

Nigeria, Ghana, Egypt, Ivory Coast, and Kenya represent key markets for Kantar worldpanel. The company is in the process of further strengthening its position by moving into additional African markets [6].

Nielsen is an international market research firm with an extensive presence in over 100 countries across the globe. Nielsen leverages on consumer panels to collect data on purchase history [9]. The company evaluates consumer confidence through surveys, and gathers point of sale data from stores through proprietary checkout scanners[8]. Also, Nielsen gathers retail data in order to help clients optimize their distribution strategy [18]. In a nutshell, Nielsen supplies a myriad of services.

Nielsen markets its services to businesses across various sectors [9].The company maintains an active presence in over 14 African countries, and plans to expand in additional markets. [18].

Ipsos represents another full service market research firm. The company aims to "deliver information and analysis that makes our complex world easier, and faster to navigate". Ipsos uses multiple data collection methods. These methods typically range from online and mobile surveys to telephone and face-to-face interviews. Mobile data collection became the preferred mean of data collection since 2011 [19].

[8] Such devices allow Nielsen to collect sales data through store inventory and price verifications. This technology is used in emerging markets.

Services supplied by Ipsos cover marketing research[9], loyalty research, as well as corporate and social research, among other services. The company supplies its services to a variety of clients: consumer packaged good companies, technology firms, public sector, and travel agencies [19].

Ipsos describes itself as a research supplier attracting the brightest minds from the industry. The company possesses a genuine knowledge and an international expertise with regards to research. Ipsos strives to adopt a creative approach to how their service is delivered. The company aims to be a one stop shop for research buyers seeking highly accurate data [19].

The company operates in over 14 countries across Africa. Ipsos achieved a global coverage of the continent through a network of research partner firms. The company has been conducting operations in Africa for more than 15 years [19].

A new breed of research supplier

They are relatively new entrants in the industry. They leverage on the growing adoption of mobile phones across the continent to disrupt how research is carried out. They often provide a cost effective and more comprehensive[10] alternative to traditional research firms.

M survey is a Kenyan based start-up, which strives to provide "high quality, on demand consumer data from hard to reach communities through mobile phone surveys". The company leverages on a feature even present on the most basic phones: SMS [7]. Msurvey starts gathering insights by creating questionnaires. Then, a proprietary algorithm would select participants from a panel of registered respondents. These respondents are rewarded with mobile airtime [7]. Msurvey boasts a 60% response rate [22]. This figure is considered to be three times higher compared to conventional market research methods.

The company caters to governments, academic researchers, foundations, non-profits, businesses and entrepreneurs. Msurvey managed to convince prestigious organizations, such as the Mckinsey global institute; Harvard medical school, Columbia university and Airtel, to use its services. Msurvey offerings include on demand research, health & academic research, opinion polls, as well as the ability to track specific products throughout the distribution system [22].

[9] Understanding consumer behavior, market dynamics, and enabling clients to build profitable business
[10] These firms are able to reach significantly larger group of respondents. For instance, a firm was able to get views from over 350,000 respondents.

Msurvey markets itself as the go to solution for organizations coping with a lack of actionable market insights [7]. The company strives to deliver real time accurate insights summarizing the views of a critical mass of respondents. See Figure 16.

Msurvey operates in Kenya, Uganda, Tanzania, and several Caribbean countries. The company has plans to expand in other emerging markets. It is backed by Safaricom[11], and other investors include prominent figures from the Silicon Valley (Salesforce's CTO) [7].

Geopoll specialises in conducting mobile based surveys in Africa. The company relies on a relatively similar method as Msurvey to collect data. Geopoll maintains a comprehensive database of registered respondents on its platform. Research buyers could select a sample of respondents. These respondents receive airtime in exchange for answering surveys they qualify for. Geopoll offers its buyers the possibility to leverage on mobile web surveys in countries with a relatively well developed broadband infrastructure [15].

Geopoll services a wide range of organizations ranging from non-profits to governments and businesses. Worth mentioning organizations include Coca-Cola, Unilever, Procter and Gamble, and USAID, among others. The company provides on demand research services, and data on market trends [15].

The company markets itself as a supplier of reliable, real time market information. Buyers of their services could expect to gather insights within a day after having launched their survey. This service intends to be a cost-effective solution compared to conventional face to face surveys. Moreover, Geopoll's surveys are often described as "comprehensive, and nationally representative" [15].

Geopoll operates in more than 14 African countries. The company plans to reinforce its presence by entering 18 more countries over the coming years [15]. Geopoll has been operating far longer in Africa compared to Msurvey.

Jana is a start up based in Boston. The company defines itself as a market research tech platform enabling brands to ″reward emerging market consumers with free airtime″. Jana adopts a similar approach to data collection as the previously mentioned companies. Jana relies on a

[11] Kenya's largest mobile operator

platform (mcent) where users register by providing personal information. These users become part of the company's existing database. Here again, they will be rewarded with airtime in exchange for completing surveys they qualify for [20].

Companies collaborating or commissioning services from Jana span various sectors, and include prominent organizations such as Microsoft, CNN, Unilever, and P&G, among others. Jana provides research buyers with insights on customers from emerging markets. However, Jana intends to supply more than market research. The company offers targeted mobile advertising services [20].

Overall, Jana acts as a partner for consumer brands. Jana helps them identify customer segments, and understand their needs in order to eliminate large inefficiencies associated with advertising in the developing world [17].

Jana is capable of gathering insights from over 20 countries in Africa. The company intends to open local subsidiaries all over the world. Jana has established numerous partnerships with mobile operators in various countries [20]. This allowed the company to further integrate its platform into carriers' services.

Sproxil is an American-based firm founded in 2009. The company provides an effective tool to identify counterfeit products. It strives to empower customers by enabling them to verify whether a product is genuine or not [28].

Sproxil's product verification process capitalizes on mobile technology. Consumers verify a product's authenticity by sending a product's label (applied by Sproxil) via SMS. They receive almost instantly an answer to their query. In addition, Sproxil aims to support its clients marketing efforts. The company achieves such objective by collecting customer purchase data at point of sale. In practice: once a customer sends the product label via SMS, this signals a purchase. The transaction is recorded in Sproxil's database [28]. However, the company does not record any personal information about users of its service.

Sproxil's clients include mainly businesses operating in the consumer goods and healthcare sectors. For instance, Total, and DIAGEO, among other large multinationals in the FMCG sector. The company designed its services to combat counterfeit, help businesses optimize their supply chain. Also, support clients marketing efforts by informing businesses on consumer purchasing patterns during various time periods (such as days, seasons, holidays, and peak times). However, this remains a value added service. The company's main line of business is to combat counterfeit products [28].

Sproxil has offices in 6 African countries. Yet, the company possesses the ability to supply its services in more countries [28].

Other competitors: consulting firms

In order to reduce costs and capitalize on synergies, consulting companies invest in building in-house data collection capabilities. They could leverage on their customer base and brand awareness in order to deliver such service.

Over the years, competition in this industry has been heating up as research buyers implement budgets cuts. Given these circumstances, these research buyers often request from their partners to deliver the same level of service at lower price points.

Conclusion

The African market research industry will present significant growth opportunities as Africa's economy expands and companies become aware of consumer research benefits. However, an unfavorable business environment coupled with high operational costs might hinder growth and present a threat to margins.

Among targeted markets, each country presents a unique set of characteristics. Choosing a specific market over others depends on the importance attributed to a given characteristic. Usually, market research firms typically choose to build a strong a presence in multiple markets at the same time. Doing so ensures they acquire a significant client base early on.

There is huge diversity regarding competition. On one hand, there are full service foreign research firms. They enter new markets due to research buyers' requests. They have a significant geographical footprint and leverage on a proven expertise. On the other hand, there are local full service research firms. They have been operating on the ground for a while. Therefore, command a strong brand awareness in their markets. A new breed of competitors is emerging and changing the rules of the game. They leverage on the growing adoption of mobile phones across the continent to deliver a relatively better service in a cost effective manner.

Once Thot Insights gathered sufficient information pertaining to the market research industry in Africa, targeted markets and the competitive landscape, the CEO wondered what the right launch strategy should be. In other words, which markets should the company prioritize to deliver on its goals? How to position the company's service for future success?

Answering these questions will enable the CEO to devise an effective go to market strategy. A key step before launching in order to avoid suffering heavy losses in the first years.

Appendices

List of figures	Intended purpose
Figure 2: A typical open-air market	Understanding Africa's retail infrastructure
Figure 3: Thot Insights mission Figure 4: Outlining the data collection method Figure 5: Value proposition	Providing an overview of the company: its mission statement, value proposition and collection method
Figure 6: Overview of services provided by market research firms Figure 7: Data collection methods in the market research industry Figure 8: Use cases of consumer data	Grasping the dynamics of the African market research industry: ▪ Overview of services provided by firms ▪ Overview of data collection methods ▪ How consumer data ultimately benefits FMCG
Figure 9: **A.** Africa's GDP growth over time. **B.** GDP growth of selected countries	Overview of Africa and selected countries' economy
Figure 10: The African research industry outlook	Seizing up the African market research industry growth potential
Figure 11: Market attractiveness Figure 12: Operational attractiveness Figure 13: Intensity of local competition & Extent of market dominance Figure 14: Risk factors Figure 15: Consumer behaviour, retail channels, and consumer diversity.	Choosing which country to prioritize by considering relevant aspects
Figure 16: Competitive landscape Figure 17: Other factors worth considering Figure 18: A set of opportunities	Deriving a comprehensive positioning strategy through: ▪ An analysis of the main players ▪ The identification of differentiation opportunities
Figure 19: Other factors worth considering	Understanding Thot Insights focus on FMCG as target clients

Figure 2: A typical open-air market

What African outlets resemble: no electronic cash registers

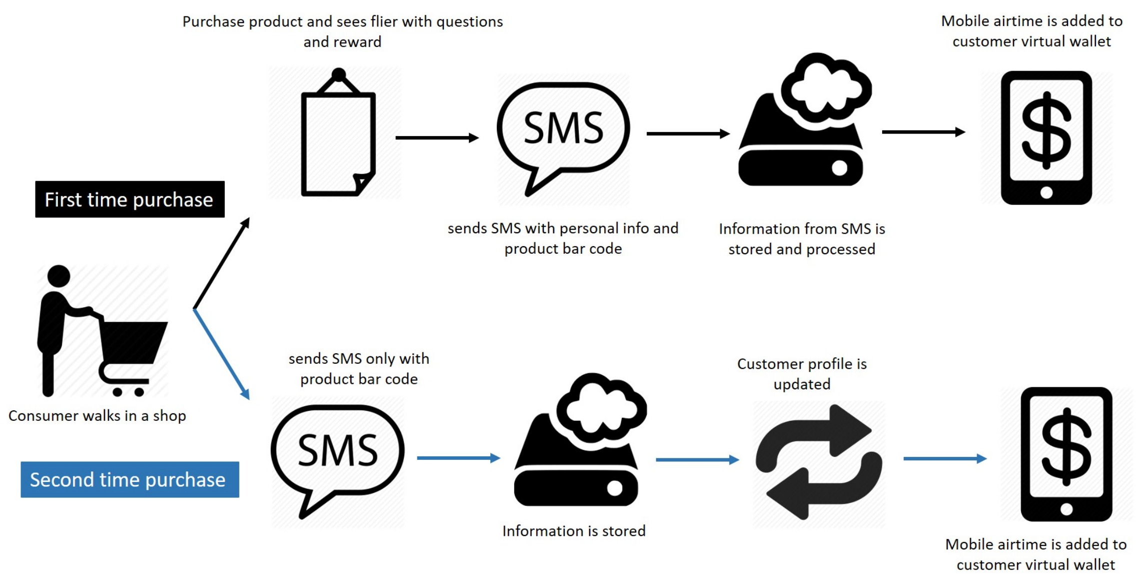
Figure 3: Thot Insights mission

Our goal is to help businesses become data driven organizations. In other words, we help corporations make the right marketing decisions through the provision of accurate customer data. However, we deliver more than mere data. We help our clients throughout their journey across consumer markets.

***Source**: Thot Insights blog*

Figure 4: Outlining the data collection method

The infographic below outlines how store level customer data will be collected, what means will be used to collect this data, and what type of reward customers will receive in exchange for giving away personal information.



Source: Thot Insights blog

Figure 5: Value proposition

The table below summarizes Thot Insights' value proposition to potential research buyers

Value proposition	Description
Convenience	No need for companies to set up teams responsible for collecting and processing data. Research buyers can focus on their core competence
Get more out of data	Beyond developing a generic understanding of market segments, research buyers will be able to acquire a granular view on their customers.

Source: Thot Insights blog

Figure 6: Overview of services provided by market research firms

The following table aggregates and describes various services offered by research firms

Breadth of services	Description
Public opinion polls**	▪ Gauging perceptions, attitudes, and knowledge*.
Marketing solutions	▪ Customer segmentation, ▪ Retail measurement*** ▪ Understand customer purchase decisions ▪ Analyze shopper behaviors ▪ Enhance price and promotion strategies ▪ Support innovation & product development initiatives ▪ Advertising solutions****
Stakeholder measurement/ engagement	▪ Grasp companies relationship with customers ▪ Evaluate customers experience ▪ Develop a customer centric culture ▪ Understand employees motivation & improve their experience

Note: ** This includes gathering public perception of a product, service, or particular public policy.*

*** Some research firms allow buyers to design their own survey and send it to a pre-selected sample. Also, they provide access to a comprehensive database on consumer insights, help clients design effective surveys*

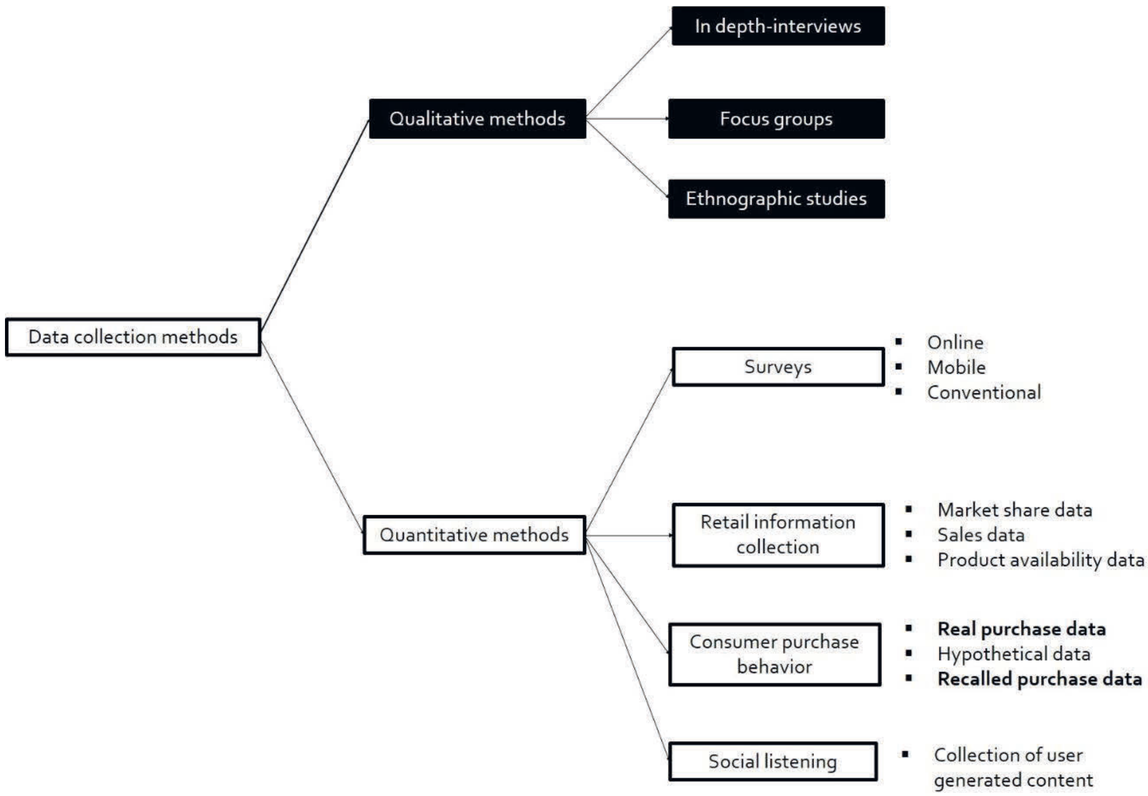
**** This corresponds to collecting sales information, tracking FMCG market share, the availability of their products,*

****Optimize clients' advertising efforts, help them engage with customers by using the right medium, determine who campaigns reach, how the message is perceived, where the company stands in terms of reaching its advertising goals. In a nutshell, wide varieties of solutions are provided.*

Source: *Adapted from: Msurvey, Geopoll, Jana, Sproxil, Kantarworldpanel, Nielsen, Ipsos, and Field Africa websites*

Figure 7: Data collection methods in market research

The following table provides an overview of collection methods used by research firms



Notes: *Recalled purchase data: as the name suggests, it relates to collecting customers transactions based on respondents memory of their purchases. It stands in contrast of collecting real purchase data, which generates better insights (See Figure 16 for more details)*

Source*: Adapted from: Msurvey, Geopoll, Jana, Sproxil, Kantarworldpanel, Nielsen, Ipsos, and Field Africa websites*

Figure 8: Use cases of consumer data

The following table summarizes various research approaches

Research methods	Type of data collected	Use cases for marketing	Limitations
Survey research	▪ Knowledge, attitudes, preferences, and buying behavior ▪ Location, size, and turnover of distribution stores	▪ Identify attractive customer segments ▪ Build customer profiles ▪ Evaluate customers experience ▪ Support product development initiatives ▪ Enhance price and promotion efforts ▪ Improve advertising effectiveness ▪ Optimize distribution systems	▪ Respondents unable to answer questions ▪ Respondent unwilling to answer questions ▪ Biased answers
Purchase data collection (Point of sale data)	▪ Customer buying patterns* ▪ Demographics	▪ Identify attractive customer segments ▪ Build customer profiles ▪ Optimize distribution systems	▪ Privacy concerns
Focus groups**	▪ Consumer ideas, thoughts, feelings, experiences	▪ Understand customer purchase decisions ▪ Identify customer needs/ wants ▪ Support product development initiatives ▪ Evaluate customers experience & brand perception	▪ Respondents not always open and honest ▪ Difficult to generalize results ▪ Require significant time, effort, and planning.

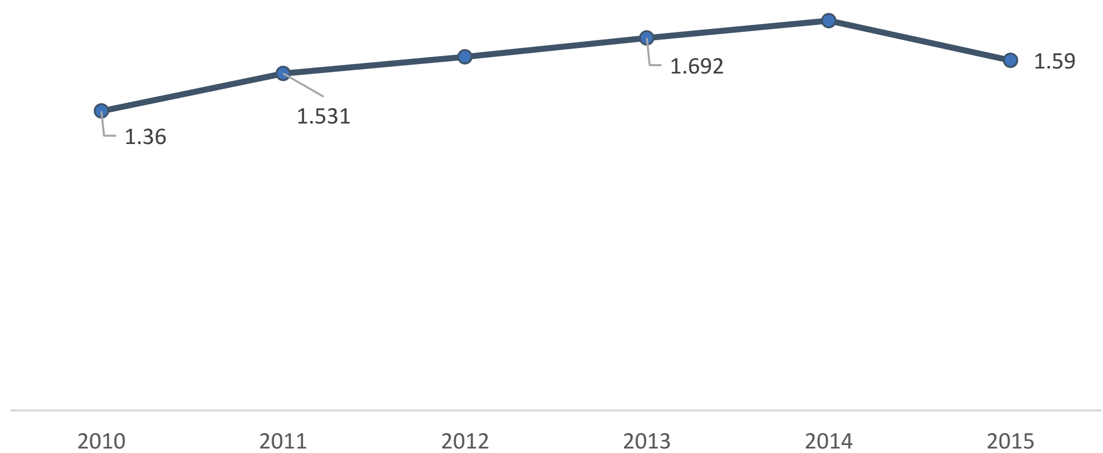
Notes: *There is a significant difference between consumer buying behavior and their buying patterns. The latter relates to keeping records on their purchasing history, whereas the former is more generic and describes items they might be interested in buying at a given point in time. In other words, collecting buying patterns is a repeated process that over time when identifying customer behavior provides a snapshot at one specific point in time.*

*** Focus groups can supplement surveys. They could be used either before or after a survey to shed light on some particular issues.*

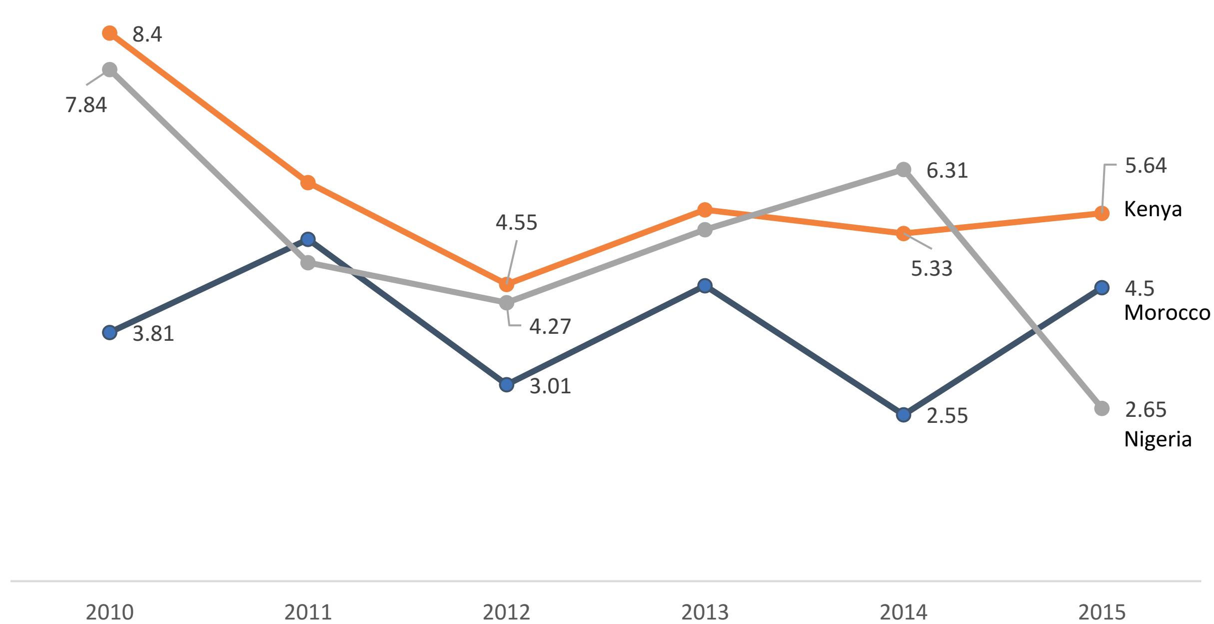
Source: *Adapted from: Msurvey, Geopoll, Jana, Sproxil, Kantarworldpanel, Nielsen, Ipsos, and Field Africa websites*

Figure 9: A. Africa's GDP growth over time

The set of graphs below describe respectively the African economy performance over time as well how targeted countries faired within a 5-year time span.



B. GDP growth of selected countries



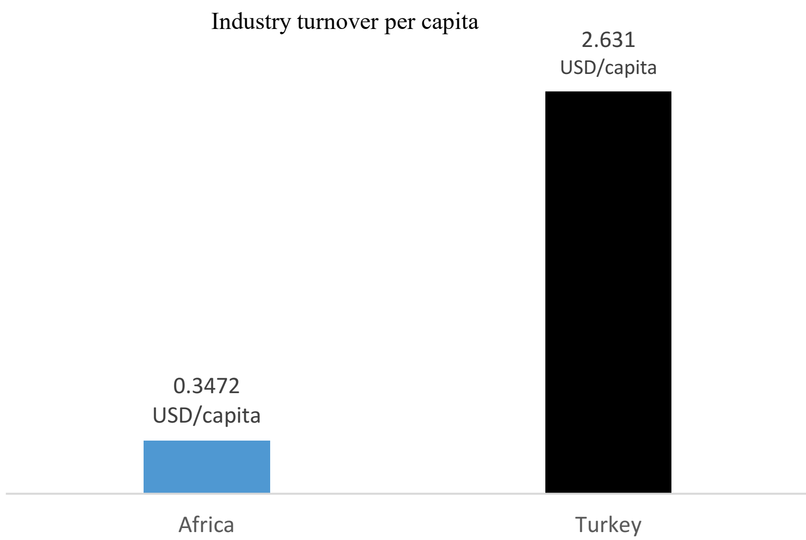
Notes: *From a $115/ barrel peak in 2014, oil prices had slumped over the coming months. This highlighted the volatily of oil exporting economies in Africa including Nigeria.*

Source: *World bank.*

Figure 10: African market research industry outlook

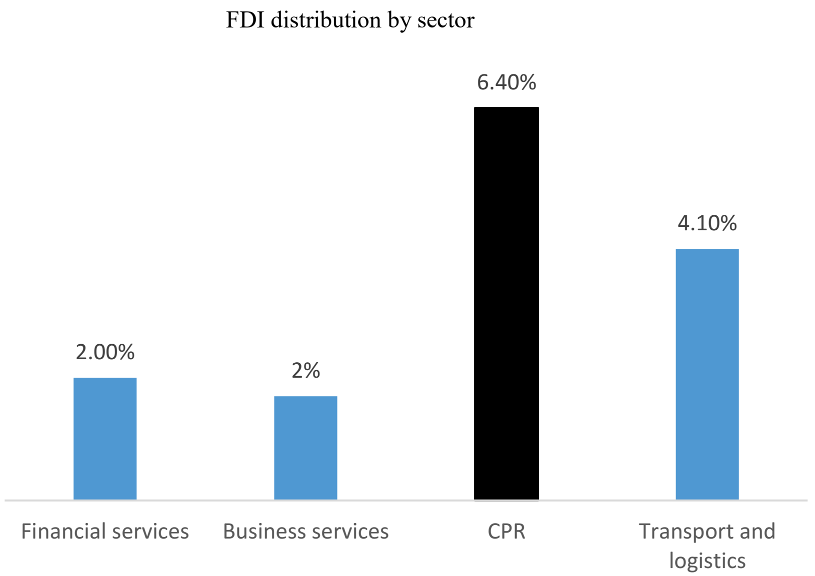
The graph on the left depicts the industry turnover per capita for Africa and Turkey in 2013. It is worth noting the major difference between Turkey and Africa. This situation prevails despite Africa's economy being significantly larger. This suggests there is ample room for research firms in Africa to capture more revenues compared to their counterparts in Turkey.

The graph on the right represents FDI shares by sector in Africa. Consumer products is among the top sectors capturing a large share of FDI. This would mean significant revenue opportunities for research firms.



__Notes__: Value labels for each country represent the industry turnover per capita in 2013.

Source: *ESOMAR*



Source: *EY*

Figure 11: Market attractiveness

The following table summarizes key aspects FMCG monitor when selecting markets.

Country	Population (in million)	Urban population	GDP CAGR	Middle class (in million)	Doing business rank	Inflation rate	Consumer spending
Morocco	34.8	60.19%	1.53%	9.47	68th	1st	$ 1,877
Kenya	46.3	25.6%	5.44%	7.78	92nd	100th	$ 673
Nigeria	179.8	47.7%	9.64%	17.8	169th	127th	$ 1,193

Notes: *The CAGR represents GDP growth rate over the 2010-2015 period. The ease of doing business ranking is computed by the World Bank based on a set of criteria.*

Source: *World bank, PwC "opening the door to Africa", African Development Bank, Mckinsey & Co, World Economic Forum.*

Figure 12: Operational attractiveness

The table below highlights key operational aspects market research companies should factor in when setting up operations in a given country.

Country	Quality of local education	Hiring&firing practices	Capacity to retain talent	Availability of latest tech	Mobile subscriptions	Mobile broadband subscription	Ease of accessing loans	Venture capital availability	Ease of starting a business	Ease of settling disputes	Burden of government regulation
Morocco	102nd	86th	45th	57th	45th	90th	46th	49th	68th	73rd	53rd
Kenya	30th	17th	47th	55th	122nd	115th	33rd	43rd	19th	47th	48th
Nigeria	122st	7th	92nd	94th	118th	96th	137th	131st	27th	98th	99th

Notes: *All values within the table correspond to countries ranking*

Source: *Doing business index, World Economic Forum*

Figure 13: Intensity of competition & Extent of market dominance

Country	Intensity of local competition	Extent of market dominance
Morocco	48th	47th
Kenya	21st	41st
Nigeria	50th	63rd

Notes: *Values correspond to country rankings from 1 to 144.*

Source: *World Economic Forum*

Figure 14: Risk factors

The following table summarizes key information related to operational risks in selected countries

Country	Political risk	Financial risk	Macroeconomic risk	Security risk	Overall rating
Morocco	60	42	30	46	50
Kenya	55	58	35	64	60
Nigeria	55	67	75	75	73

Notes: *Ratings range from 0 to 100 (most risky). The lower a rating, the less risky a country is on a given risk dimension.*

Source: *The Economist intelligence unit*

Figure 15: Consumer behaviour, retail channels, and consumer diversity.

The table below outlines a set of factors which determine the relevance of the company's service by country.

Country	Price sensitivity	Use of sophisticated marketing tools	Traditional retail share of sales	# of languages
Morocco	100th	103rd	80%	14
Kenya	89th	59th	70%	67
Nigeria	88th	77th	98%	500

Notes**:** *the number of languages spoken in the country will serve as a proxy for consumer diversity***.** *Traditional retail share of sales represent the proportion of sales generated through traditional retail channels such as table tops, kiosks, among others. Use of sophisticated marketing tools and Price sensitivity columns are country rankings gleaned from an executive survey.*

Source: *Ethnologue languages of the world, Nielsen, Oxford business group, World Economic Forum*

Figure 16: Competitive landscape

The table below summarizes key information on competition. It is meant to help readers understand competition dynamics

Competition	Services breadth	# Countries of operations	Overlapping countries	Clients targeted	Collection means
Msurvey	Opinion polls, Specific marketing solutions & Stakeholder measurement	more than 4	Kenya, Nigeria	All clients	Mobile
Geopoll	Opinion polls & Specific marketing solutions and stakeholder measurement	14	Morocco, Kenya, Nigeria	Non profits, Governments, Businesses	Mobile & Online
Jana	Opinion polls & Specific marketing solutions	20	Kenya, Nigeria	Businesses	Mobile & Online
Sproxil	Specialized marketing solutions	6	Kenya, Nigeria	Businesses & Healthcare firms	Mobile & Online
Kantarworldpanel	Full service provider	5	Kenya, Nigeria	All clients	Mobile & Conventional
Nielsen	Full service provider	14	Morocco, Kenya, Nigeria	All clients	Mobile & Conventional
Ipsos	Full service provider	14	Morocco, Kenya, Nigeria	All clients	Mobile & Conventional
Field Africa	Full service provider	28	Morocco, Kenya, Nigeria	All clients	Conventional methods

Notes: *All clients: this term covers Non profits, Governments, Academics, and Businesses. Full service provider: refers to a research firm, which provides a comprehensive array of research services covering marketing, media, public affairs, and customer service satisfaction surveys. Conventional methods are essentially in-depth interviews, focus groups, and paper & pen surveys*

Source*: Adapted from: Msurvey, Geopoll, Jana, Sproxil, Kantarworldpanel, Nielsen, Ipsos, and Field Africa websites*

Figure 17: Other factors worth considering

The following set of graphs are meant to shed light on what type of clients, and which collection methods contribute significantly to the overall turnover in the research industry. The graph at the bottom breaks down Manufacturing clients into Consumer goods (durables and non-durables)…

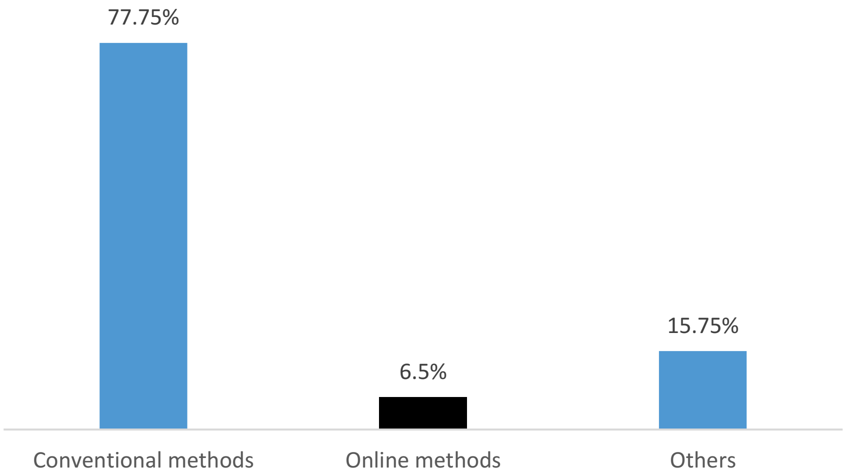
Notes: *Data from the histograms cover essentially the following countries: Egypt, Kenya, Nigeria, and South Africa. Hence, findings will be applicable to these countries.*

Information presented in these charts dates back to 2013

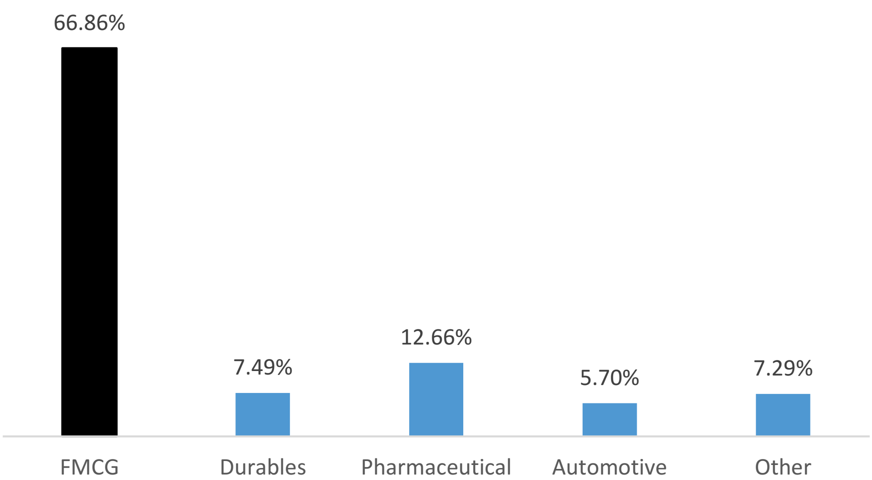
In the first graph, information with regards to mobile collection method is missing.

Conventional methods: telephone (voice call) & face to face surveys, then, group discussions and in-depth interviews. Online methods: qualitative & quantitative methods.

Market research turnover generated by collection metho



Breaking down research turnover generated from manufacturing clients



Market research turnover generated by client type

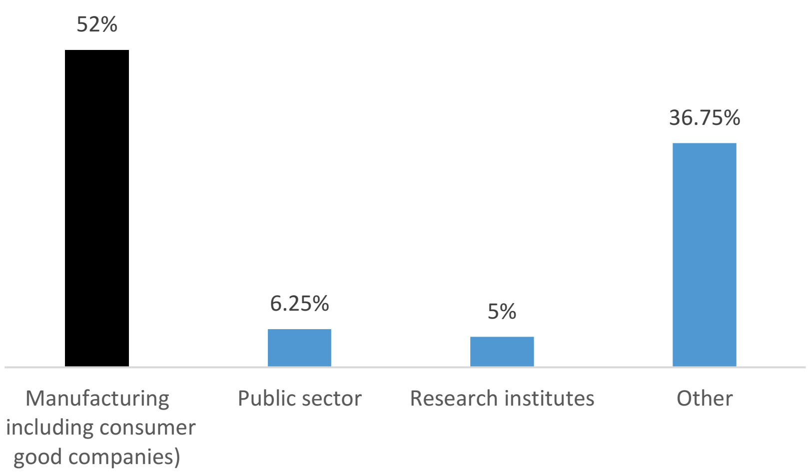


Figure 18: A set of opportunities

The table below summarizes opportunities nimble firms can capitalize on. This table strives to help readers identify white space opportunities.

Theme	Description
Social media	▪ 120 million of Africans actively use Facebook each month. ▪ Social media represents most of Africans online browsing activity ▪ Growing number of internet users as smartphone penetration increases and broadband costs fall ▪ Brands across the world connect/engage with customers through social media to collect feedback on products, and identify customers' demographics, among other things.
Predictive analytics	▪ Beyond gaining a thorough understanding of customers, tracking consumer spending should enable companies to anticipate their needs and behavior. ▪ Research buyers' needs will progressively shift from understanding customer behavior to anticipating their future needs
Real purchase behavior	▪ Recalled purchase behavior information suffers from bias as it relies on respondents' memory ▪ Real purchase behavior mitigates this issue since it captures key information instantly ▪ Few companies deliver information on Real purchase behavior
Optimize distribution systems in Africa	▪ Traditional retail channels account for a significant share of sales generated in Africa. Successful FMCG typically develop a thorough understanding of these traditional retail outlets. They know what type of customers shop at a given store. Why they shop there. And, what factors influence their choice? ▪ Nevertheless, developing such expertise requires providing extensive training to local salesforce as well extensive support. This translates into significant investment in markets where cost control is a key success factor. ▪ Therefore, opportunities arise in undertaking this service for companies.

Source: GSMA, Mckinsey & Co, CNN,

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Case analysis

Uses of the case

The following case focuses on business strategy. Specifically, how a new venture would develop an effective strategy with imperfect market information. It could be used to illustrate the challenges of crafting an effective business strategy under such circumstances. Furthermore, it conveys the relative complexity of identifying new market spaces in an industry with established rivals. The intended audience would typically be undergraduate/master students.

Issues covered: Strategic positioning, Market selection, Benchmarking

Disciplines: General management/ Strategy, Emerging markets, Entrepreneurship

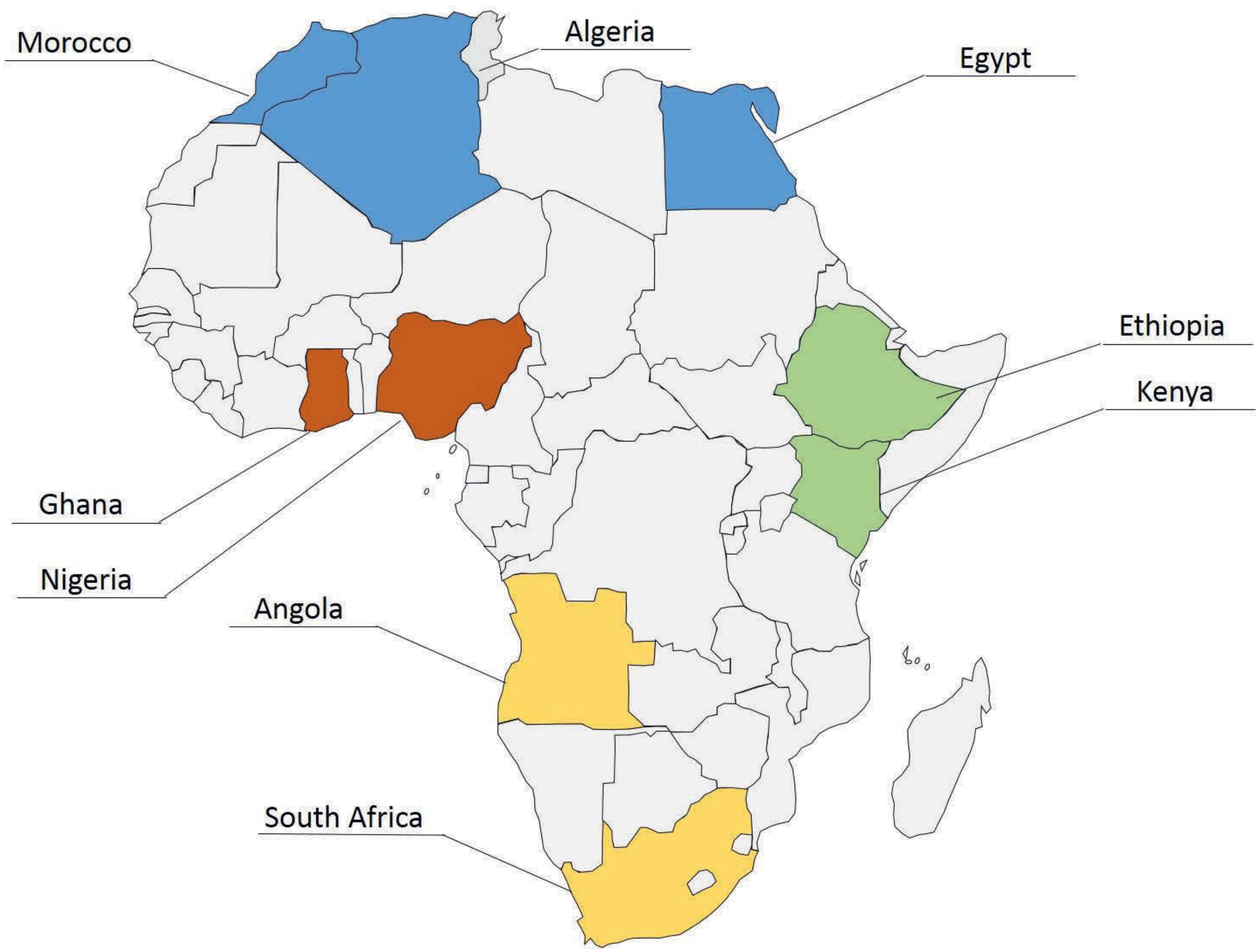
Industry: Market research

Setting: Africa, focusing on Nigeria, Morocco, Kenya. And to some extent, Ghana, Egypt, South Africa, Algeria, Angola.

1. Which markets to prioritize?

Key takeaway:

Individual markets were analyzed. However, a better approach would be to cluster markets from similar regions.



Morocco, Kenya, and Nigeria are the focal points of the following analysis. Other countries have been included since they belong to the same region as Morocco, Kenya, and Nigeria. To a lesser extent, South Africa will be analyzed as well.

Gauging the market potential

Evaluating each market potential involves analyzing various factors such as the Market size & Urbanization levels, and Consumption potential, among other variables.

Based on attractiveness scores, it becomes fairly clear that Nigeria stands out as the most attractive market in Africa. It is one of the largest market in terms of *Consumption potential*, and *Market size & Urbanization levels.* The country's middle class has grown six folds between 2000-2014. In addition, Nigeria has a significant young and urban population. However, Morocco and Kenya lead the sample in terms of the Economic activity and Business environment. Both countries have diversified economies with services and manufacturing being the main drivers of GDP. They are considered as stable growers. Their respective governments have been implementing reforms and stepping up investments in infrastructure to improve their competitiveness.

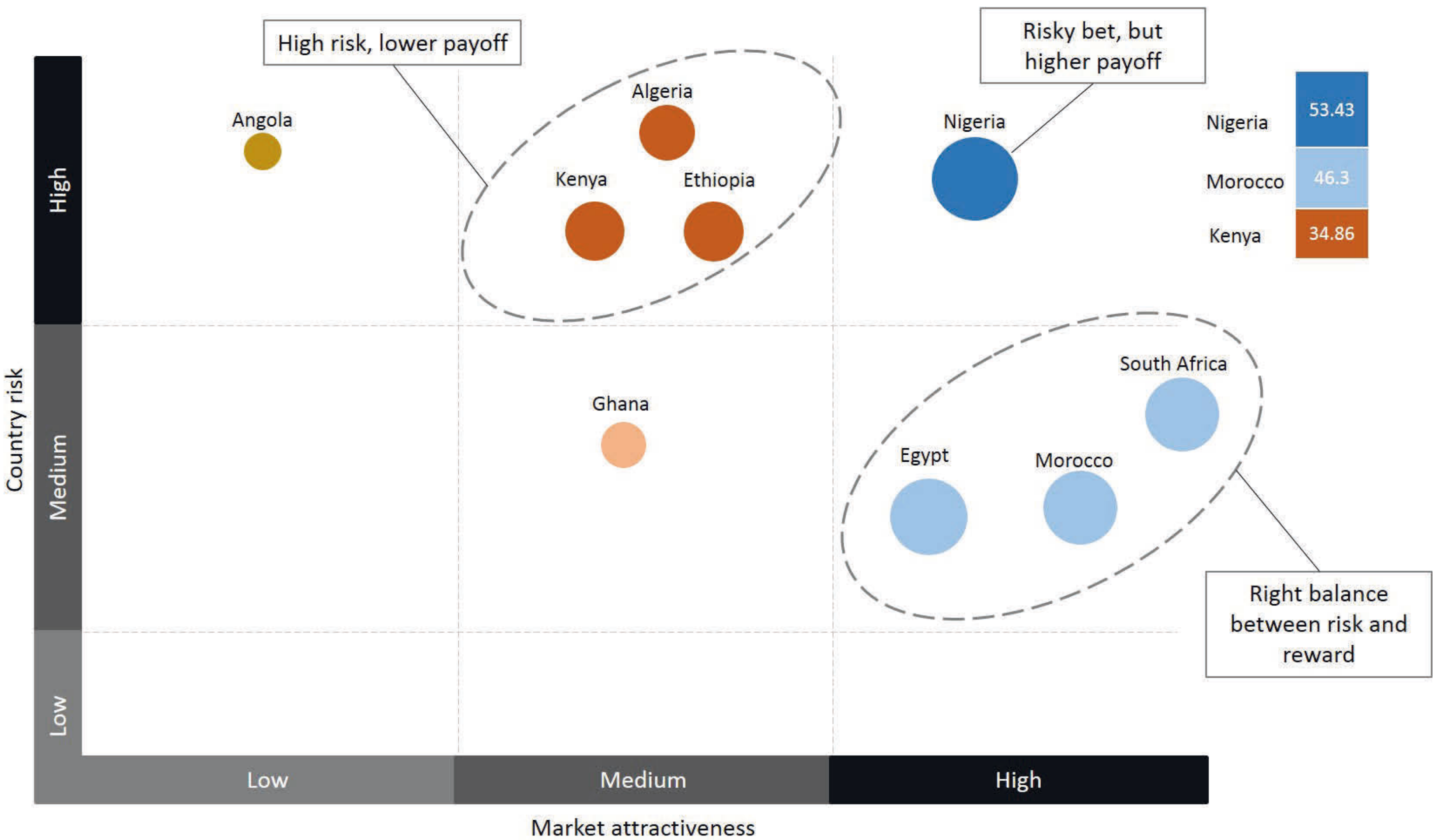
Finding the right balance between risk and market attractiveness

Countries attractiveness should be balanced with their risk profile. African economies are extremely volatile. And, companies find it challenging to develop long term plans. The following exhibit reveals two major clusters of countries. One group has a medium attractiveness combined with high risk level. Then, high attractiveness, yet medium risk level. In addition, there are individual countries with different risk profiles and attractiveness levels.

Nigeria is a risky country to do business in. The country is ranking low in terms of security risk as it grapples with a terrorist insurgency in the North. Morocco, Egypt, and South Africa are highly attractive markets with relatively lower risk levels. In fact, these countries perform better in terms of security risk. Also, they are raking well with regards to macroeconomic and financial risk. Kenya remains an attractive market. However, its high risk level somehow mitigates the country's prospects as a lucrative market.

<u>Figure 20</u>: Mapping countries based on the Market attractiveness index

The graph below plots countries' market attractiveness index against their risk assessment. It is designed to provide an additional perspective, and further insights on the current issue.



Notes: *The size of each bubble should indicate countries overall score on the market attractiveness index. In other words, the bigger a bubble is, the more attractive a specific country is.*

Countries position within a given quadrant does not indicate the magnitude of their overall attractiveness score nor their risk level. However, countries are included in a specific quadrant to illustrate they belong to a specific group.

Values for each country are market attractiveness scores on a scale from 0 to 100 (best)

Source: World Economic Forum, Nielsen, Bain & Co, the Economist intelligence unit.

In terms of operational aspects, Kenya emerges an ideal point of entry

The country offers favorable labor market conditions. Indeed, businesses regularly praise the country well trained workers. Research firms could capitalize on the local talent pool to offer sophisticated research services. In addition, Kenya provides a favorable access to capital for companies. Nairobi (Kenya's capital) is attracting funding from investors across the globe. The city is experiencing a boom in the local start-up ecosystem. Would be entrepreneurs face less red tape when setting up their businesses and starting their operations. They would find it relatively easy to settle disputes as well.

Kenya is closely trailed by Morocco. The latter outperforms most countries in terms of the local technology ecosystem. In fact, there is a large base of mobile subscribers, who benefit from high speed mobile internet. This represents a key aspect, as it influences Thot Insights' ability to deliver its service.

On the other hand, Nigeria is lagging behind most factors considered (except for starting a business). Access to funding represents the country's main area of improvement. Nigeria is known for providing limited financing options, which results in a low overall score.

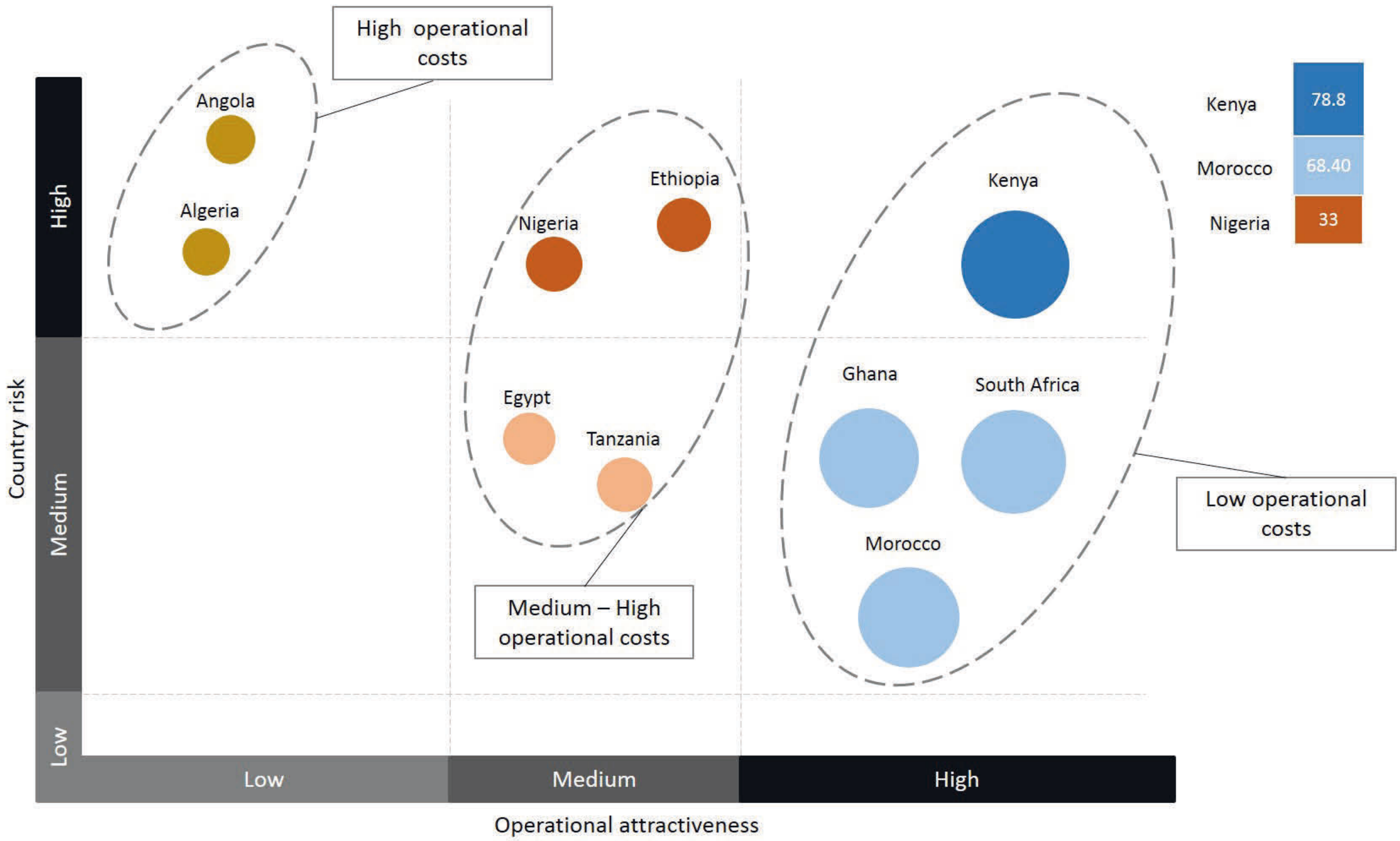
However, the situation is more nuanced when factoring in countries risk assessment

Three groups of countries seem to emerge. Among them, no country displays a low risk profile combined with medium attractiveness level.

Kenya no longer appears as the most interesting option. The country's high operational score is mitigated with its high operational risks. Morocco, Ghana, and South Africa register relatively similar attractiveness levels, yet lower risk ratings. In this setting, Thot Insights ought to assess how much risk it is willing to bear in order to capitalize on highly attractive markets for its operations.

Figure 21: Mapping countries based on the Operational index

The following graph maps countries in terms of their operational attractiveness and risk level. It serves the same purpose as Figure 2.



Notes: The size of each bubble should indicate countries overall score on the operational attractiveness index. In other words, the bigger a bubble is, the more attractive a specific country is.

Countries position within a given quadrant should be interpreted as stated previously (Figure 2)

Values for each country are operational attractiveness scores on a scale from 0 to 100 (best)

Source: World Economic Forum, the Economist intelligence unit.

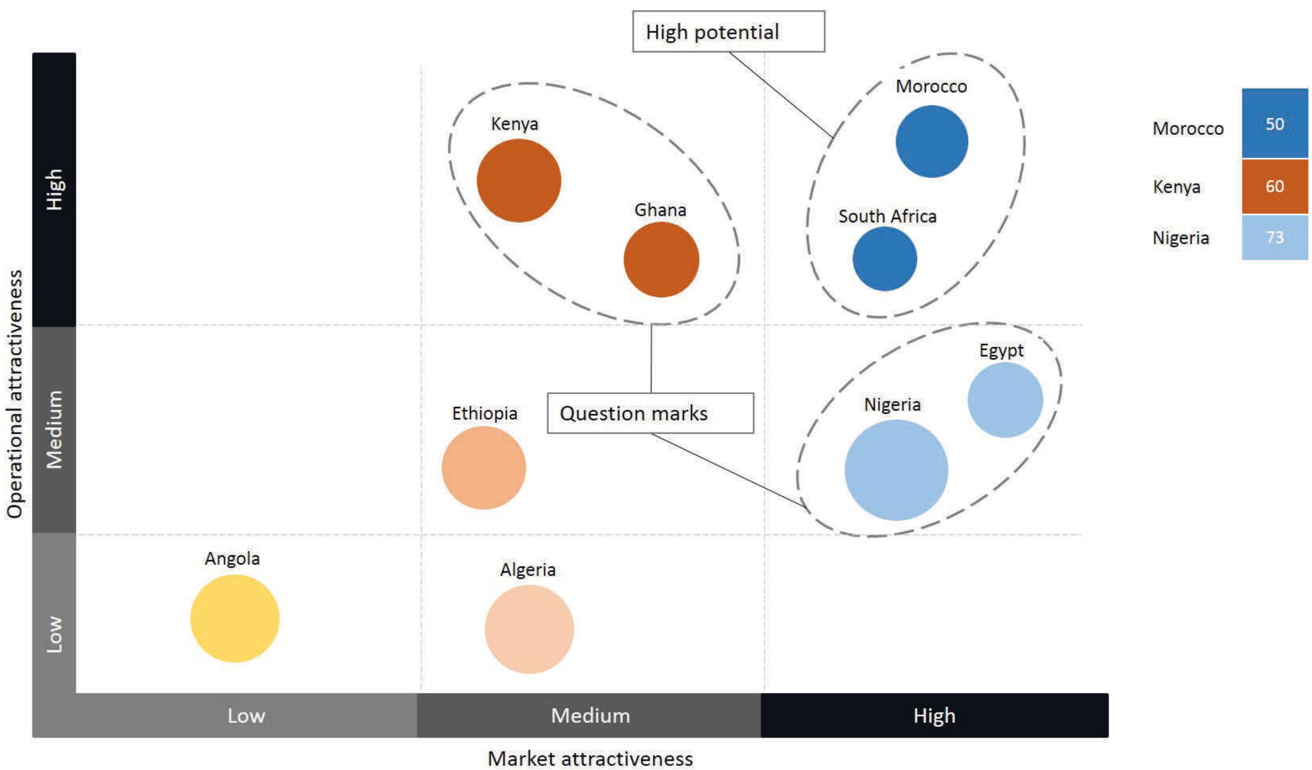
Assessing both the operational and market attractiveness

Countries are either scoring high or medium on operational attractiveness. Except for Angola, most countries report either a medium or high attractiveness score.

High potential markets include Morocco and South Africa. They display high scores on all dimensions considered. And, relatively lower risk levels. They are the sole markets scoring high on both criteria. Other worth mentioning markets include Nigeria, Egypt, Ghana and Kenya. Nonetheless, they are scoring only high on one dimension and ranking poorly on the other. They can be labelled as question marks. They appear to be in stark contrast with Morocco and South Africa.

Figure 22: Mapping markets based on Market attractiveness and Operational index

This figure provides a head-to-head comparison based on market and operational attractiveness.



Notes: The size of each bubble should indicate countries overall risk level. In other words, the bigger a bubble is, the riskier a specific country is.

Countries position within a given quadrant should be interpreted as stated previously (Figure 2)

Values for each country are risk scores on a scale from 0 to 100 (best)

***Source**: World Economic Forum, the Economist intelligence unit.*

A sneak peek at the competitive landscape

Another set of indicators will be taken into account in order to select appropriate markets. Such indicators relate to the intensity of competition and the extent of market dominance.

A closer look at the table reveals that Kenya seems to offer a favorable launching pad on the continent. In other words, companies can expect to capture more revenues from consumers, and face mild pressure from competition. Moreover, the corporate activity is not controlled by a small number of companies (as opposed to Nigeria). Therefore, research buyers don't wield significant negotiation power over research firms. Leading to a situation where they cannot dictate prices while commissioning research projects.

Morocco is ranking relatively well on all dimensions compared to Nigeria. Nevertheless, it lags behind Kenya in terms of the intensity of local competition. This typically translate into a tougher market to navigate in.

It is worth highlighting Nigeria's rank in term of market dominance. It indicates a clear lack of healthy market competition in the country. This translates into the most effective firms not necessarily being the ones who thrive.

Figure 23: Intensity of competition & relationship with buyers

The following table should shed light on the competitive landscape as well as buyer-supplier relationship in selected markets.

Kenya seems to perform better than others on both dimensions.

Country	Extent of market dominance	Intensity of local competition
Morocco	47th	48th
Kenya	41th	21st
Nigeria	63rd	50th

Notes: *Values in the Market dominance and Intensity of local competition columns correspond to rankings gleaned from an executive opinion survey.*

Source: *World Economic Forum*

Identifying markets ready for the company's service

A final factor to be considered in this analysis relates to how likely selected markets will positively welcome the company's service. This aspect is captured in the readiness index[12].

Nigeria seems to display the highest fit with the company's service. This country records high marks in terms of *consumer behavior & diversity* (a key component of the readiness index). Indeed, buyers are relatively less price sensitive than in other countries. And, Nigeria boasts an extremely diverse population.

Kenya represents an interesting launch pad as well. The country performs well with regards to marketing sophistication. This typically means there would be no need to educate customers about the benefits of market research. A key aspect for the company as it would foster rapid adoption of its service.

Identifying cluster of countries

Based on their readiness score, markets have been clustered into three categories. There is a total of four markets showing adequate readiness level. Two markets are in the monitor stage.

Within the ready quadrant, countries have relatively different risk levels. Geographical distance will be considered when grouping countries. This analysis assumes that countries within the same region will have relatively similar institutions, business environment, and similar consumer preferences. For instance, both Nigeria and Ghana would be a good match for the company's service. They are members of the same free trade agreement, and located within the same region. And, Kenya would be paired with Ethiopia.

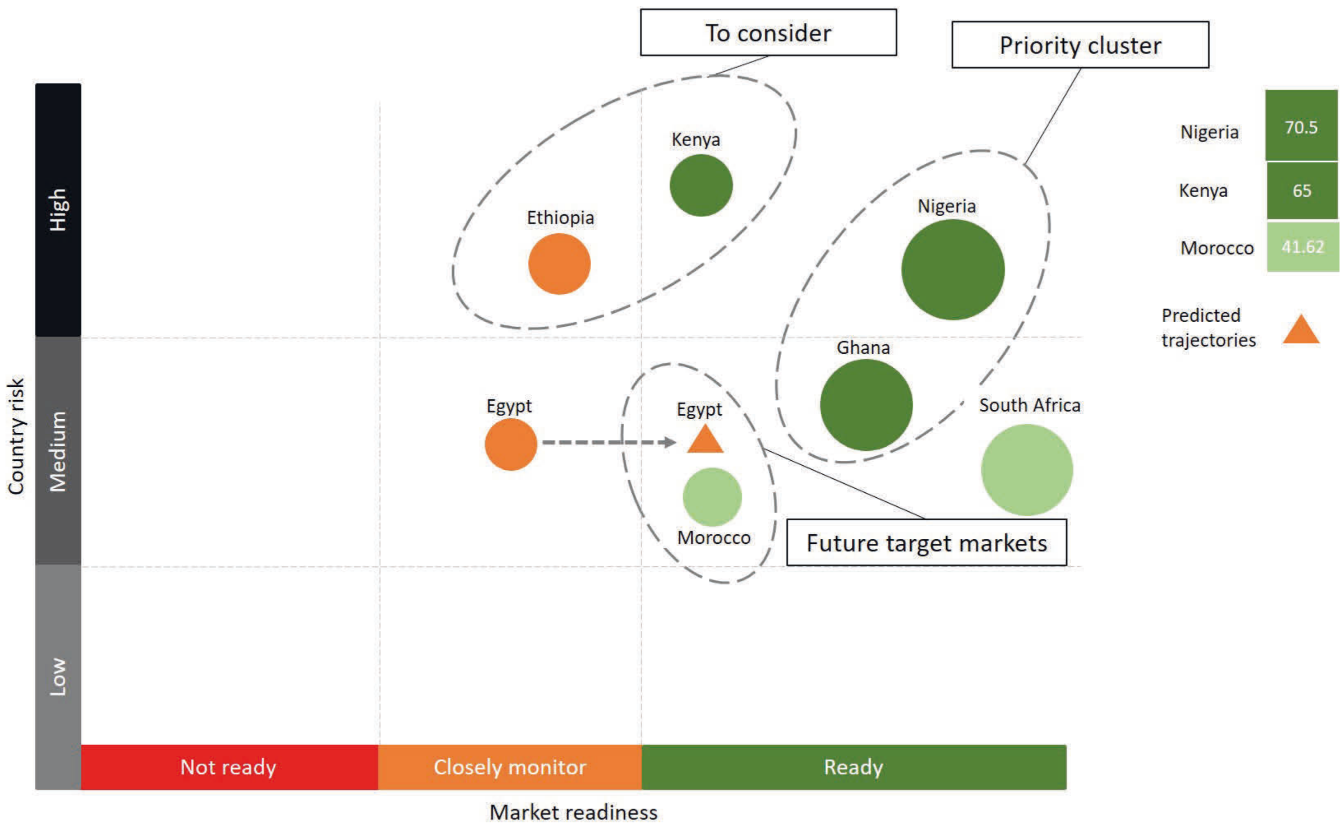
Although South Africa registers a high score, its research industry is ahead of other African markets in terms of collection methods used. Local companies have been quick to capitalize on new technologies. The timing would not be right for the company's solution.

[12] This index is designed to gauge the need for research services, and whether the company's collection method is the right technology for a given market.

On the other hand, Morocco offers the right conditions. Over time, the middle class will keep growing, consumer behaviour will further shift (seeking quality as opposed to price). Also, companies will increasingly use advanced marketing tools.

Figure 24: Mapping countries based on the market readiness index

The following infographic identifies in which countries the company's service is likely to be relevant for FMCGs.



__Notes__: The size of each bubble should indicate countries overall readiness level. In other words, the bigger a bubble is, the more likely a specific country will welcome the company's service. Countries position within a given quadrant should be interpreted as stated previously (Figure 2)

Source: *World Economic Forum, Nielsen, Bain & Co, Ethnologue languages of the world.*

Wrap up

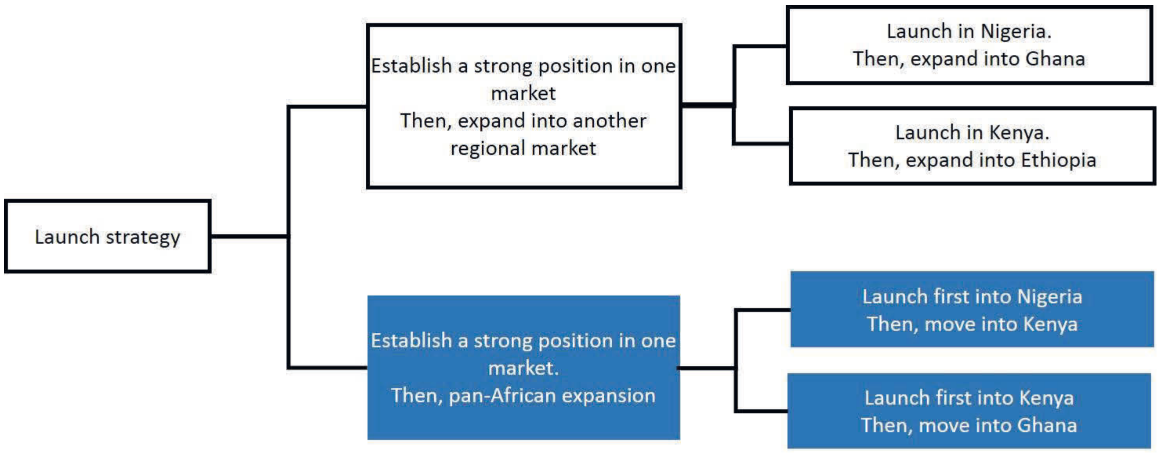
The following table is meant to summarize most of the analysis performed previously, and facilitate the transition to the option analysis.

<u>Figure 25: Key points from the analysis</u>

Selected markets	Key takeaways
Morocco	▪ High Operational and Market attractiveness ▪ Low operational risk ▪ Medium extent of market dominance and intensity of local competition ▪ Ready stage based on the readiness level
Kenya	▪ High Operational, yet Medium Market attractiveness ▪ High operational risk ▪ Low extent of market dominance and intensity of local competition ▪ Ready stage based on readiness level
Nigeria	▪ High Operational & Market attractiveness ▪ High operational risk ▪ High extent of market dominance and intensity of local competition ▪ Ready stage based on readiness level

Option analysis

The following section features an issue tree outlining possible options in order to identify markets to prioritize. This tree was derived from the analysis performed previously.



Describing each option:

There are two potential paths/options Thot Insights can follow. Each option is further broken down into sub options.

If the company decides to establish a strong position in one market, then, expand into another regional market, it will have to choose between launching first in Nigeria, then, moving into Ghana (option 1). Otherwise, launching in Kenya, and expanding into Ethiopia (option 2).

On the other end, in case Thot Insights was to establish a strong position in one market, yet pursue a pan-African strategy, it would have to decide between two alternatives as well. Either launching first into Nigeria, then, moving into Kenya (option 3). Or, building its presence into Kenya, then, expanding into Ghana (option 4).

It is worth having in mind that options (as well as their sub options) are mutually exclusive strategies.

Morocco has been excluded from strategic options since it barely meets the threshold to be labelled as a ready market.

Recommendations

Figure 26: decision making criteria

The table below outlines criteria used to compare options and devise an appropriate course of action

Options	Consistency with trends	Availability of resources	Overall assessment
Option 1	4	4	4
Option 2	3	3	3
Option 3	2	1	1.5
Option 4	2	1	1.5

Notes: *Consistency with trends refers to previous strategic moves pursued by companies in similar or different industries.*

The Availability of resources relates to whether the company has enough resources (in particular, human resources) to follow a given strategy.

Ratings range from 0 (worst) to 5 (best). Ratings reflect the author's qualitative assessment

Consistency with trends

Expert usually argue that successful companies start by building a strong presence in their domestic market before an expansion. Usually when they do so, they move into regional markets where they can expect to find relatively similar institutions, business environment, and similar consumer preferences. Few opt for a pan-African expansion in the first years, since the expertise gained in one market could be transferred across others within the same region. This explains why option 1 & 2 are rated higher. Furthermore, option 1 is preferred (on this dimension) as Nigeria represents a top destination for FDIs in the consumer good sector.

Availability of resources

Option 1 would yield better results. Indeed, FMCG have regional offices in order to service neighboring countries. An obvious sales strategy would be to build lasting relationships with these offices in order to achieve regional expansion.

It would be uneconomical to hire two sales teams handling different markets in distinct regions (under option 3 & 4) rather than one team spanning several markets in one region. Under option 3 & 4 additional resources would have to be committed over a longer time period. Meanwhile, client acquisition costs would not decrease. These aspects would negatively affect the success of options 3 & 4, leaving option 1 as the go to strategy.

Nigeria is home to a significant number of large companies compared to Kenya. Operating in this market would result in higher client acquisition costs. However, they would decrease over time. Moreover, doing so would be in line with the company's growth strategies.

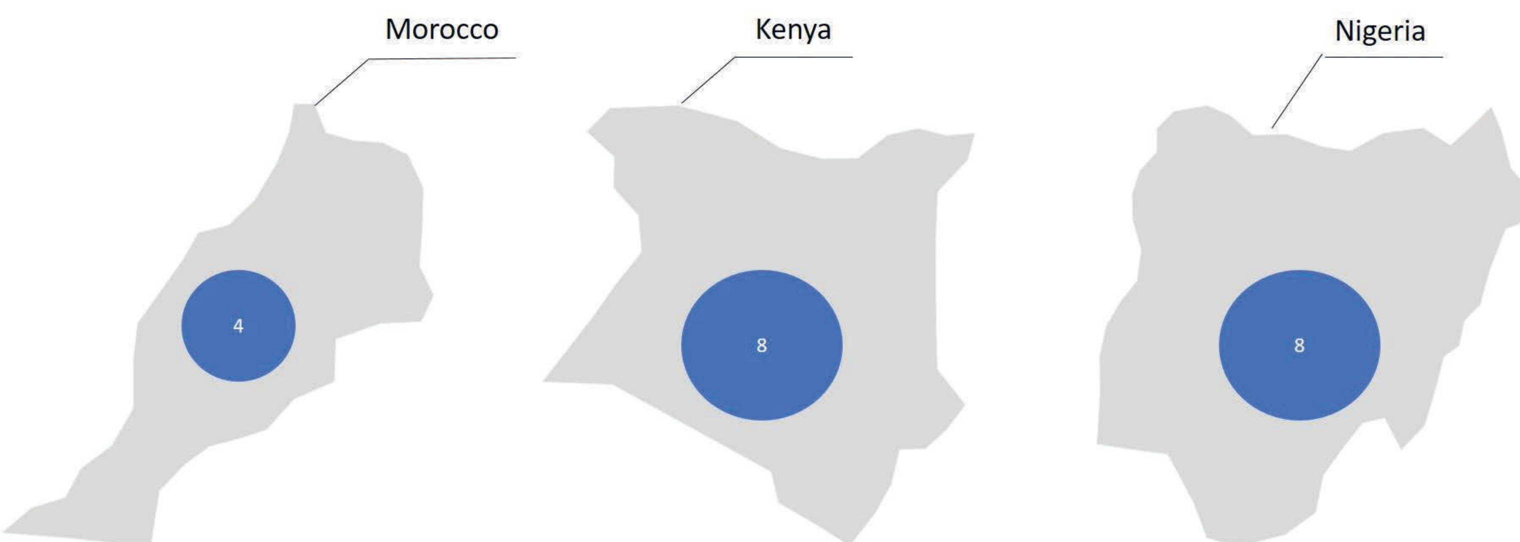
Finally, **the best course of action would be to pursue option 1**, since it rates higher across all criteria considered.

2. How to position the company's service for future success

Key takeaways:

- Based on predicted competitors' move, there would be a vacuum in the market (narrow to focus client scope combined with a narrow to focus breadth of service)
- Mobile would become the standard data collection method
- There are market spaces where a dominant player is yet to emerge

The majority of selected competitors (n = 8) operate mainly in Nigeria and Kenya.



The graph above was meant to depict the number of selected competitors by target markets.

The following section will not analyze competition in each targeted market. However, adopt a higher level approach in assessing the company's rivals.

Competition dynamics

There are various groups of companies. Each adopts a relatively different approach in terms of breadth of services and client type.

There seems to be less and less companies as one moves along the client scope axis (from a large client scope to a narrow one). Most companies offer either a full or narrow range of services. Except for Msurvey, most companies do not compete head to head with the likes of Ipsos, Nielsen. They would rather opt for different approaches.

Predicting competitors' move

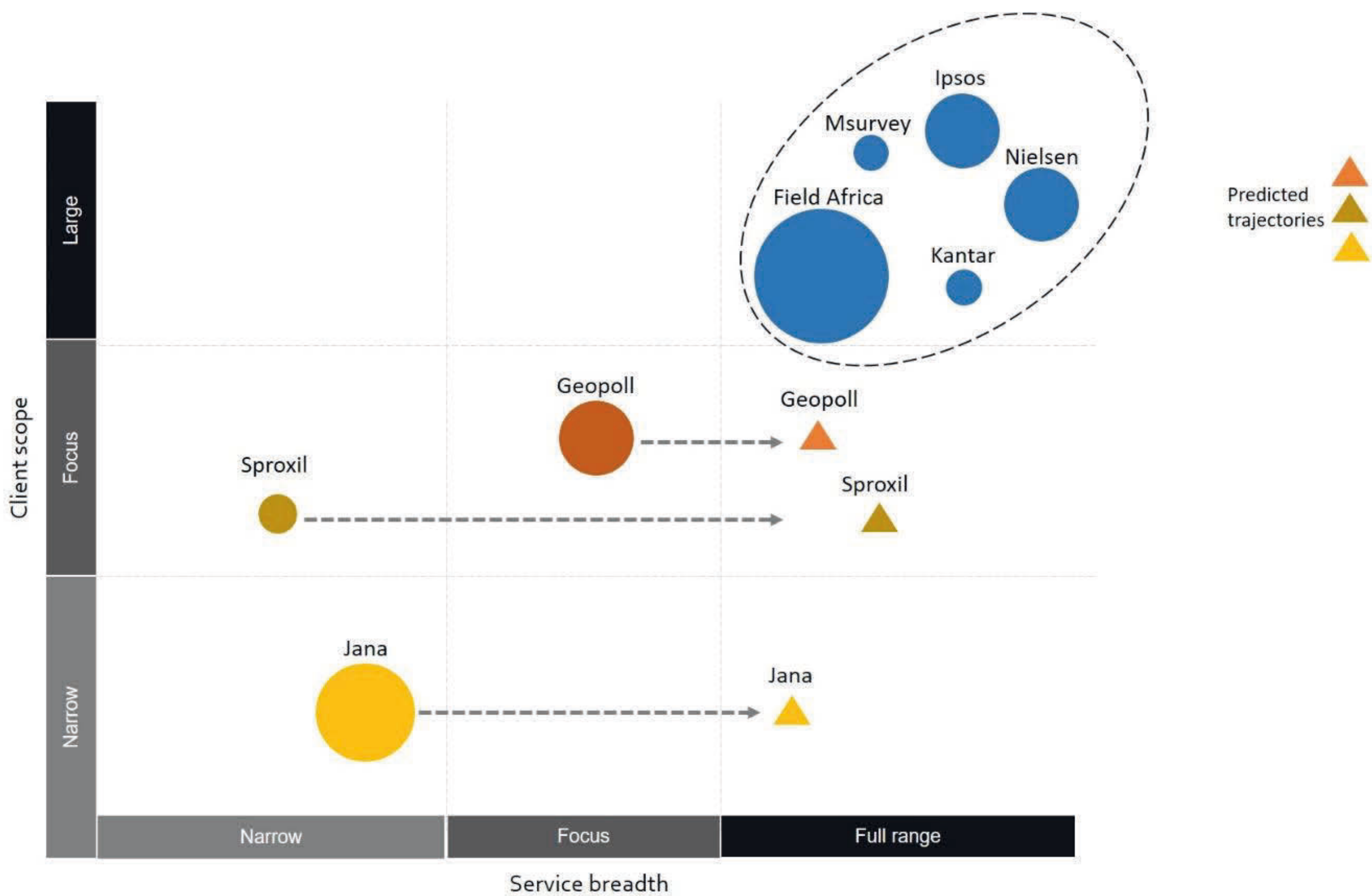
Companies such as Jana and Geopoll might move from narrow/focus to deliver a full range of services upon requests from their clients. The same rational would apply to Sproxil. The company might further ramp up its efforts to branch out from its core business.

The rationale underpinning such assumptions is that as these competitors (Geopoll, Jana, and Sproxil) complete their geographic expansion across Africa, the next step would be to expand their services. As of now there is a need to educate research buyers (specifically, domestic buyers). Therefore, revenue growth would be mainly fuelled by geographic expansion.

This would leave a vacuum in the narrow to focus segment on the service breadth axis. Then, narrow to focus segment on the client scope axis.

Figure 27(1/2): Mapping rivals competitive positioning

The following infographic summarizes the breadth of services offered by competitors in relationship to their client scope



Notes: *The size of each bubble should indicates the number of countries each competitor operates in. Companies within a given quadrant belong to the same group. A competitor's specific position in a quadrant does not indicate the magnitude of the dimension analyzed.*

Narrow: for instance, only businesses, Focus: for instance, businesses & non profits, Large: all client types.

Source*: Adapted from: Msurvey, Geopoll, Jana, Sproxil, Kantarworldpanel, Nielsen, Ipsos, and Field Africa websites*

Current dynamics (in terms of collection methods)

Research firms (such as Msurvey, Geopoll, among others) essentially collect data through mobile and online means.

Subsidiaries of international firms (Ipsos, Nielsen, and Kantar) rely on a variety of methods. Ipsos combines conventional methods, and mobile to conduct research. Field Africa bets on conventional methods. Surprisingly, opinion survey data proves conventional methods remain popular among clients' commissioning research services.

Choosing the right collection method

Online methods are yet to take off given the low internet penetration across Africa. Governments are adopting bold ICT strategies to improve internet accessibility. However, such efforts will require time to materialize. And, as of now mobile will likely become the standard for data collection. Research buyers will progressively embrace mobile as well.

This means Field Africa and Ipsos (precisely, the whole cluster) would establish mobile as their main data collection method.

In doing so, they would not incur any late comer disadvantage. On the contrary, the technology will have matured. And, several limitations will have been alleviated. Above all, mobile research would no longer be new to respondents.

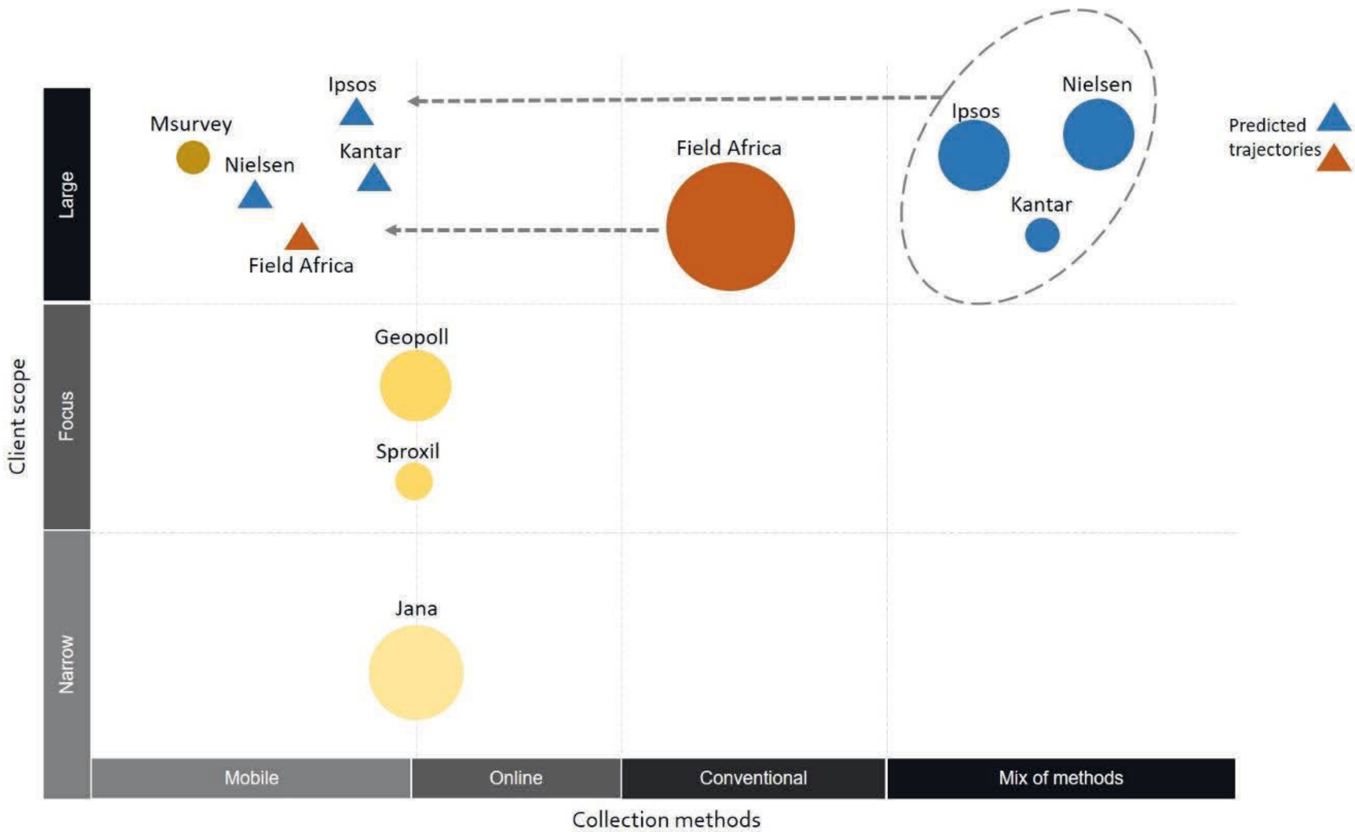
Assuming most competitors adopt a relatively similar collection method, the main differentiating factor would come from deriving interesting applications for such technology.

Evolving the collection method

Beyond capitalizing on mobile collection methods, Thot Insights ought to further differentiate itself against incumbents. The company does so by collecting point of sale data (In particular, purchase data). Such approach alleviates many of the short comings associated with survey and focus group research (used by most competitors). It would pave the way toward accurate data provision (a key success factor in such industry).

Figure 27 (2/2): Mapping rivals competitive positioning

The graph below specifies what type of collection methods are used by competitors in relationship with their client portfolio. It serves a relatively similar purpose as the previous graph.



Notes: *The size of each bubble should indicates the number of countries each competitor operates in. Companies within a given quadrant should be interpreted as stated previously (Figure 8.1).*

Source: *Adapted from: Msurvey, Geopoll, Jana, Sproxil, Kantarworldpanel, Nielsen, Ipsos, and Field Africa websites*

Where do competitors' strength lie?

Most competitors have developed strong capabilities when it comes to delivering traditional services. Their dominance might stem either from leveraging on technology to deliver a better/similar service, having acquired comprehensive expertise by operating across different geographies, or being the pioneers of market research in Africa. This setting typically suggests a highly competitive market space, where new entrants would face relatively high barriers. However, opportunities exist in adjacent business lines.

Where do opportunities arise?

As the following figure illustrates, there are market spaces (within the blue shaded area) where dominant players have not emerged yet. It would be a huge undertaking to determine what service in particular will be in high demand. Nevertheless, some services leverage on similar capabilities. For instance, predicting consumer behavior would require gaining a thorough understanding of customers. And, that involves gathering data from various sources: social media, real purchase behavior, among others. In other words, some services are intertwined, and delivering would equate to acquiring the skills

Gauging rivals ability to exploit these opportunities?

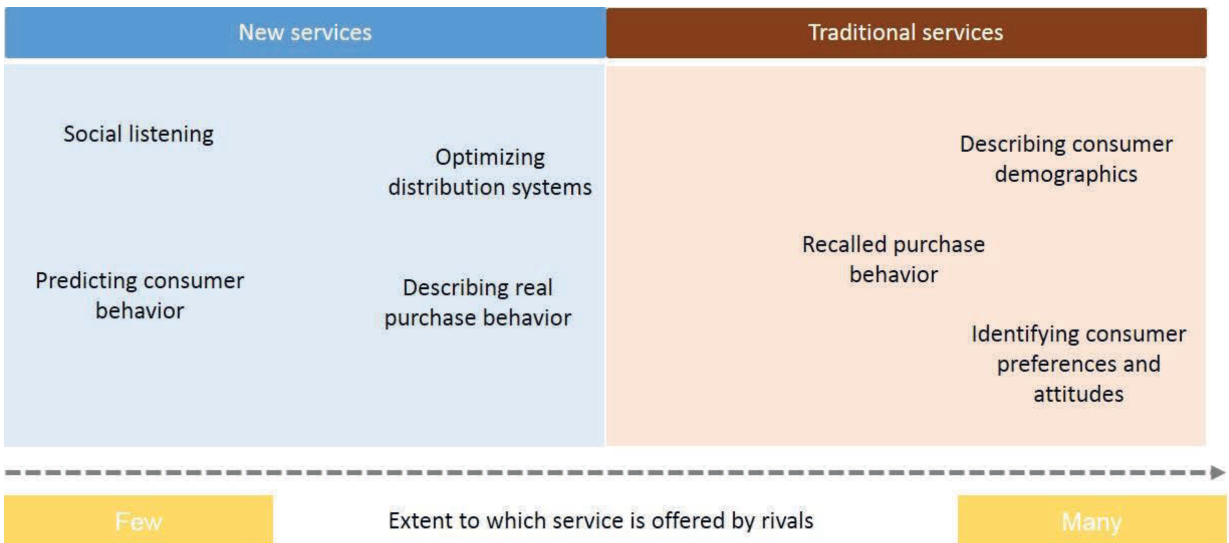
Pioneers of research services (such as Field Africa) have developed strong capabilities in traditional services, and might not be able to develop new skills to move away from their legacy business. Over time, they have developed strong rigidities, and are typically unable to sense change.

Subsidiaries of foreign research firms usually report to a head office located out of Africa. This office usually remotely coordinates operations across the region. In adopting such structure, they might fail to seize up/identify opportunities for novel offering. Above all, they would lack the responsiveness needed to capture such opportunities.

The largest threat might come from the new breed of competitors. They possess an entrepreneurial spirit. They are agile, able to identify opportunities for new services early on, and move quickly. Clearly, it would be a daunting task to counter their moves. However, the market is large enough for few players to operate in.

Figure 28: Visualizing white space opportunities

The table below was designed to highlight services offered by current competitors, but also identify other services not yet offered. Competitors might lack the required capabilities to deliver such services.

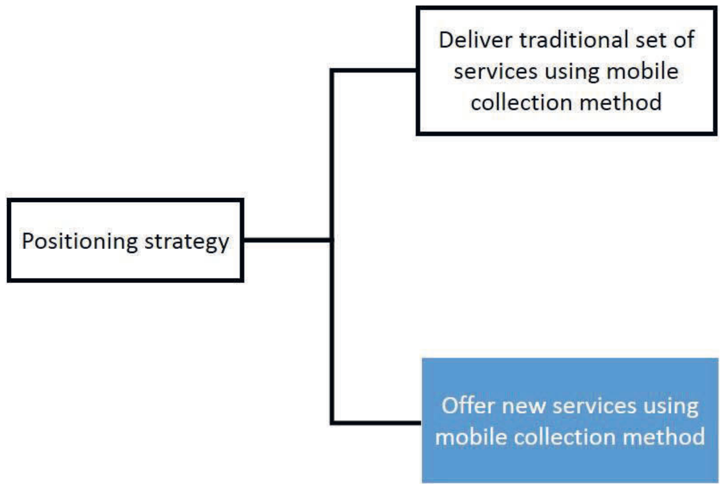


Notes: *The color cording could be read as follows: Orange represents services already delivered by competitors. Blue indicates that no competitor is offering this service.*

Source: *Adapted from: Msurvey, Geopoll, Jana, Sproxil, Kantarworldpanel, Nielsen, Ipsos, and Field Africa websites.*

Option analysis

The following graph outlines various options in order to identify the company's positioning strategy.



Here again, the company can choose from two alternatives. The first option being to offer traditional services (option1), while the second option would be to new services (option2).

In both options, the appropriate course of action would be a narrow to focus client scope combined with a narrow to focus breadth of service. Furthermore, Thot Insights would leverage on Point of sale data.

Recommendations

Figure 29: decision making criteria

The table below outlines criteria used to compare options and devise an appropriate course of action

Options	Consistency with trends	Availability of resources	Overall assessment
Option 1	4	3	3.5
Option 2	3	2	2.5

Consistency with trends

The first option corresponds to holding a competitive position previous rivals once held. These rivals moved to a new position as they decided to expand their service breadth or client scope. Although this approach has been followed by new entrants in the market research and other industries, it would not create ultimately a sustainable competitive position. Any would be entrant (after having performed a comprehensive scanning) should be able to identify a vacuum in the market and eventually move into this space. In addition, traditional services will eventually switch from being high/medium value services to lower margin offering as research buyer needs evolve over time. However, as of now research buyers experience fairly basic needs. A sophisticated suite of services would be relevant only in the near future.

Availability of resources

Regarding the availability of resources, offering new set of services would involve hiring qualified workers in these fields. Given the shortage of talent across markets (even for traditional services), this approach would undoubtedly result in a higher cost to implement. Significant resources would have to be devoted in order to attract top talent, let alone resources needed in order to retain these skilled workers. Also, the company would have to commit resources in order to grow and nurture future talent. Pay-offs will be in the long term.

Recommended action

In a nutshell, option 1 would seem as the right option across all criteria. However, **a dual approach would be more adequate**. In other words, starting with a traditional offering to establish credibility. Then, educating the client base about the need for new services. Such approach would ultimately minimize failure risk. However, the company's sustainability lies in facilitating the transition to new services.

Literature review

1. **Which countries to prioritize**?

Identifying a methodology to build indexes:

S. Tamer Cavusgil. "Measuring the potential of emerging markets: an indexing approach". Business Horizons. January- February 1997

As suggested by the tittle, the following paper focuses on emerging markets. It describes how attractive emerging markets are when compared to developed economies. However, there are challenges associated with emerging markets. And, not all markets offer the same set of opportunities. Leading companies usually target markets which hold great consumption potential.

The author suggests an ″ indexing approach″ in order to identify these attractive markets. Several variables have been collected for this purpose. They will be used to build sub indexes, which represent the main pillars of the final index.

Part of the methodology (adopted to develop indexes) has been inspired from this authors work.

O Andersen, A Buvik. "Firms internationalization and alternative approaches to the international market customer/market selection". International Business Review. 2002.

The following paper describes traditional methods of international market selection. Then, compares these methods with a "relationship approach", deemed more effective under certain instances.

The various indexes (used in the case analysis) were constructed by taking inspiration from traditional methods of market selection. Nevertheless, this case study adjusts this approach in light of constraints face throughout the study.

Concepcion Verdugo Yepes. "Compliance with the AML/CFT International Standard: Lessons from a cross country analysis". IMF working paper.

This paper was published by the International Monetary fund. It deals with issues related to money laundering and the financing of terrorist activities. Authors of this paper analyze the impact of cultural, institutional, and financial variables in ″boosting countries compliance with international standards″ (which restrict money laundering and the financing of terrorist activities).

This paper provides a detailed description of the Principal Component Analysis (PCA). It is basically a statistical method used to determine the weights of the various pillars forming the indexes. A brief description of the PCA method will be provided in the methodology section.

N. Papadopoulos, Hongbin chen, & al. "Toward a tradeoff model for international market selection". International Business Review. 2002.

This research paper is presenting a novel approach to evaluating foreign markets. It strives to facilitate the selection process. The paper argues there is no consensus over which market selection model is more effective in practice. Models should be simple, and easy to replicate. Moreover, this paper validates the use of the PCA technique to determine weights for an index.

Identifying relevant variables

Syed H. Rahman. "Modelling of international market selection process: a qualitative study of successful Australian international business". An international Journal, Vol. 6. 2006.

The following paper discusses about the topic of international market selection. It argues that companies cannot afford to build a strong presence in all markets. Therefore, they ought to choose carefully their battlegrounds. This paper strives to shed light on the following issues: ″ how successful businesses choose their markets? Specifically, what factors do they consider, and how are those factors integrated into IMSP″. It focuses on Australian companies.

This paper was instrumental in understanding what factors matter when selecting markets.

2. How to position the company's service for future success

Micheal E. Porter. ″What is Strategy?″ *Harvard Business review. November- December 1996.*

The present article was written by Michael Porter. It explains the difference between operational effectiveness and strategy. Also, details the concept of strategic positioning: ″achieving a unique position by choosing to perform activities differently or perform different activities than rivals″. The article goes on to outline the founding principles of strategic positioning.

In a nutshell, this article provided a framework in order to understand the concept of strategic positioning.

Richard A. D'Aveni. "Mapping your competitive position". Harvard Business review. November 2007.

This article presents the benefits companies could expect from mapping their own and rivals competitive positions in the market place. One of these benefits relates to identifying where competitors and the company stand on specific dimensions. Then, companies should be able to identify (to a certain degree) opportunities in their markets. And, foresee/ anticipate potential trajectories rivals might follow.

The author derived a systematic approach to draw positioning maps. However, a tailored approach has been developed. In fact, this approach leverages on information (related to competition) provided in the Appendix.

W. chan Kim and Renée Mauborgne. ″Blue ocean strategy?″ *Harvard Business review. November- December 1996.*

The following article introduces the concept of blue ocean strategy. This notion argues that companies are better off moving into or creating new market spaces rather than competing in highly contested sectors.

This article discusses two important facts. The first being blue oceans are less about inventing a disruptive technology, and more about finding practical applications for existing technologies. Then, blue oceans do not necessarily require creating new industries, they could be found in related sectors.

Such statements were key in guiding the thought process to address the second research question. Indeed, part of the case analysis was focused on identifying related business lines with fewer established competitors. Then, the rest of the analysis revolved around finding how mobile collection method (existing technology) could be used to derive better insights on consumers.

David J. Teece. "Explicating Dynamic capabilities: the nature and micro foundations of (sustainable) enterprise performance ". Strategic management journal. 2007.

This paper introduced the concept of dynamic capability. A notion in stark contrast with normal/regular capabilities. Indeed, dynamic capabilities are difficult to replicate, and are unique attributes of certain companies. They enable companies to identify, evaluate, and reorganize (their activities) in order to capture opportunities in the market place.

This notion was key in assessing whether Thot Insights rivals might be able to sense and leverage on opportunities to deliver new services.

3. Methodology

Describing the indexes

The following set of indexes were constructed from a sample of 9 countries. These countries were selected out of more than 50 countries.

Pillars are at the basis of each index. Each pillar captures a specific dimension of the index. Pillars are combined in order to form indexes. Every Pillar is composed of one or several measures.

Market attractiveness index

The table below breaks down the various components of the market attractiveness index.

Comments	Pillars	Measures
Macro-level indicators	Market size	▪ Population, in million inhabitants
	Business environment	▪ Doing business ranking, from 1-190
	Economic activity	▪ GDP CAGR for 2010-2015, in % ▪ Inflation rates for 2015, in %
Firm-level indicators	Consumption potential	▪ Middle class population, in % ▪ Per capita consumption, in $
	Consumer base	▪ Urban population, in million inhabitants

In order to gauge the market attractiveness of targeted countries, **the following case study will rely on a proxy**. In order words, a country's attractiveness for research firms will be evaluated through its ability to attract consumer good companies. These companies are the main buyers of research services (See Figure 15). Therefore, when a country represents an interesting market for FMCG companies, it is usually a lucrative market for research firms to enter.

This approach emerged as the best course of action given the lack of publicly available data on the market size and potential of the research industry in selected countries.

The pillars described above were deemed as key in determining countries attractiveness. The literature on market selection often emphasizes on these variables when evaluating market potential.

A variable (such as the quality of local supplier) was voluntarily left out as it does not fit the purpose of this index: evaluating the attractiveness of certain consumer markets. It covers operational aspects.

Operational index

The following table outlines the various pillars of the operational index.

Comments	Pillars	Measures
Macro-level indicators	Other key dimensions	▪ Ease of starting a business, ranking from 1 – 190 ▪ Efficiency of legal framework in setting disputes, ranking from 1 – 144 ▪ Burden of government regulation, ranking from 1 – 144
Firm specific indicators	Labor market conditions	▪ Quality of local education systems, ranking from 1 - 144 ▪ Hiring and firing practices, ranking from 1 - 144 ▪ Capacity to retain talent, ranking from 1 - 144
	Technology ecosystem	▪ Mobile phone subscription, ranking from 1 - 144 ▪ Mobile broadband subscription, ranking from 1 - 144 ▪ Availability of latest technologies, ranking from 1 - 144
	Access to financing	▪ Ease of accessing loans, ranking from 1 - 144 ▪ Venture capital availability, ranking from 1 - 144

The *Ease of starting a business,* and *Burden of government regulation* illustrate barriers would be entrepreneurs have to cope with. These two measures bear impact on operational costs. The *Efficiency of legal framework in setting disputes,* on the other end, would inform on the degree of contractual commitment from clients. Indeed, research buyers have limited budgets. It would lead to situations where they are unable to meet their financial obligations. This is worsened by the legal system inability to settle such disputes.

Labor market conditions are critical in analyzing the operational attractiveness of markets. *The quality of local education* was chosen as a key dimension, since human capital represents a key input in conducting market research. In other words, a skilled talent base directly affects a company's ability to perform accurate analysis. Another key area of concern for research firms corresponds to the flexibility of labor markets. This aspect is captured by *Hiring and Firing practices*. Then, *countries capacity to retain talent*. Upon graduating, talented Africans often leave their countries in search of opportunities. This situation contributes to a shortage of skilled labor, which eventually impacts research firm ability to operate.

Furthermore, the market research industry relies heavily on data storing and processing solutions. It comes as no surprise if the local technology ecosystem affects research firms' ability to operate. Specifically, a critical mass of mobile subscribers is of prime importance given the nature of the service delivered (*Mobile phone subscription*). Their ability to benefit from high speed internet will impact how data collection methods could evolve over time *(Mobile broadband subscription)*. Obviously harnessing the latest technologies *(Availability of latest technologies)* allows any company to deliver better insights.

Start-ups are known for burning rapidly huge amount of cash in a short time span. Companies operating in Africa are no exception to the rule. This situation is worsened by Africa's relatively high cost of doing business. In this setting securing a reliable access to financing is almost as important as the local technology ecosystem. The *ease of accessing loans* evaluates how painless it is to "obtain a bank loan with only a good business plan and no collateral". Combining this metric with the *availability of venture capital* offers a comprehensive view over financing conditions for start-ups.

Market readiness index

The table below summarizes the pillars of the market readiness index.

Comments	Pillars	Measures
Gauging the need for research services	Consumer sophistication & diversity	▪ Buyers price sensitivity, ranking from 1 - 144 ▪ Number of languages spoken
	Marketing sophistication	▪ Use of sophisticated marketing tools and techniques, ranking from 1 - 144
Assessing the company's solution relevance of	Retail channels	▪ Contribution of traditional trade to retail sales, in %

In markets where consumers are diverse and have sophisticated tastes *(consumer sophistication & diversity)* research buyers have to develop a thorough understanding of consumers. FMCG cannot develop strategies based on a generic understanding of their consumers. There would a need for market research service

This service will likely be adopted in countries with a strong culture of market research. This implies using sophisticated marketing tools and techniques. The lowest ranked countries (on this dimension) do not see the benefits of market research. Companies would rely on their knowledge and expertise of consumers to guide their marketing efforts.

Moreover, the company's service is particularly relevant in markets where traditional trade is the main driver of retail sales. Indeed, countries boasting a modern retail infrastructure often record customer transactions by means of loyalty card programs. There is little to no need for mobile data collection methods.

Standardizing and rescaling the data

Due to differences in terms of measurements units, all variables have been standardized following the method below:

$$\frac{(X_i - \bar{X})}{\sigma_x}$$

Once, this step has been completed. All variables have been converted to a 0 (worst) and 100 (best) scale. This move was intended to facilitate cross country comparisons.

Deriving the weights: Principal component analysis

Weights associated with each pillar (and extensively each variable) were identified by performing a PCA analysis. It is a statistical method often used for such purpose. This analysis combines a selected set of variables into a linear combination. Readers must bear in mind that various linear combinations are constructed (called principal components). However, only one principal component will be considered. It is the first one as it maximises the sample variance. Weights assigned to each variable in the first principal component will be used in computing indexes.

Weights for the market attractiveness index have been adjusted. Indeed, the PCA technique gave more importance to 3 measures out of 7. In this setting, the market attractiveness would mainly be a function of these three pillars. A result in contrast with the purpose of this index. This explains why these weights were adjusted. The main criteria when adjusting weights was to avoid giving a large importance to few variables.

Weights for the Operational and readiness indexes were unchanged.

Indexes	Pillars	Weights
Market attractiveness index	Market size	0.18
	Consumer base	0.13
	Consumption potential	0.24
	Business environment	0.16
	Economic activity	0.28
Operational index	Other key dimensions	0.25
	Labor market conditions	0.27
	Technology ecosystem	0.23
	Access to financing	0.25
Readiness index	Consumer sophistication & diversity	0.39
	Marketing sophistication	0.30
	Traditional retail share of sales	0.31

Computing the scores

The following set of equations summarizes the linear combinations for each index

$$Market\ attractivenes_{market\ research\ firms} = Market\ attractivenes\ index_{FMCG} = 0.18 * Market\ size + 0.13 * Consumer\ base + 0.24 * Consumption\ potential + 0.16 * Business\ environment + 0.31 * Economic\ activity$$

$$Operational\ index_{market\ research\ firms} = 0.25 * Other\ key\ dimensions + 0.27 * Labor\ market\ conditions + 0.23 * Technology\ ecosystem + 0.25 * Access\ to\ financing$$

$$Market\ readiness\ index_{market\ research\ firms} = 0.37 * Consumer\ behavior\ \&\ diversity + 0.3 * Traditional\ retail\ share\ of\ sales + 0.32 * Marketing\ sophistication$$

The following tables present the results for each index

Pillars	Weights	Morocco	Kenya	Nigeria
Market size	0.18	19.63	25.98	100
Consumer base	0.13	24.5	14.36	100
Consumption potential	0.24	36.2	18.46	41
Business environment	0.16	82.36	51.85	13.2
Economic activity	0.28	61.6	51.02	30.5
Overall index	1	46.3	34.86	53.43
Other key dimensions	0.25	59.76	75	39.44
Labor market conditions	0.27	57.47	89.29	45.17
Technology ecosystem	0.23	69.26	51.24	37.16
Access to financing	0.25	88.06	96.6	9.35
Overall index	1	68.4	78.8	33
Consumer sophistication & diversity	0.39	31.34	40.82	57.59
Marketing sophistication	0.3	34.82	71.12	56.27
Traditional retail share of sales	0.31	60.74	52.2	100
Overall index	1	41.62	65	70.5

***Notes**: Ratings range from 0 to 100 (highest mark). The higher a country's overall index, the more attractive it is for consumer goods companies. In turn, this translates into a highly attractive market for research suppliers.*

The colors should be interpreted as follows: green signals a high mark whereas red represents a low mark. The various shades of green and red are meant to illustrate the afore-mentioned differences.

Further comments

Figure 13: Intensity of competition & relationship with buyers

The lack of industry specific information prompted this approach (relying on broad indicators of competition and market dominance in Africa). Notwithstanding this aspect, these metrics provide key pieces of information relevant for the case analysis.