A market entry strategy for an industrial services firm

How Imtech Marine should develop business in the Gulf of Guinea

Master Thesis

Management of Technology

by

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Delft University of Technology

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A market entry strategy for an industrial services firm

How Imtech Marine should develop business in the Gulf of Guinea
This is for you buddy, like you told us:

“Always start a good story with a quote. Always!”

In memory of Kaisar Siregar, 1989-2013.
PREFACE

This thesis was written to fulfill the master program of Management of Technology at Delft University of Technology as well as provide Imtech Marine in Rotterdam with suggestions for a business problem they requested me to analyze.

I would like to take this opportunity to thank the graduation committee for their help and support during the project. Furthermore I would like to thank the company, Imtech Marine, for providing me with this opportunity. Specifically I would like to thank Nico van Leeuwen for giving me the freedom to do my work, Bron Sykstus for the many hours we spend on Skype, where I kept shooting questions at you, I’m glad you kept on answering my calls, and I would like to thank my colleagues at the connect department for their support and gezelligheid¹, without you guys I would not have enjoyed this time as much as I did. A special thanks goes to Coos van Tuinen for reading and correcting my thesis. Finally I want to thank my friends and family for their support, especially my parents for being the best parents I could possibly ever wish for, I love you two.

Upon finishing this graduation project I will also end my student life, I think I can honestly say that it was an amazing period that I exploited to the fullest; finally it’s time to start getting serious².

Delft, February 2015

Rutger Meinderts

¹ “Gezelligheid” is the Dutch word for “a pleasant atmosphere”, for which there’s no proper English translation available. For further reference please have a look at: http://stuffdutchpeoplelike.com/2011/09/23/gezelligheid-gezellig/

² If you detect any sarcasm here you’re right, normally I would have put a blinking smiley face here to ratify, but since this is a master thesis, I will withhold myself.
EXECUTIVE SUMMARY

Imtech Marine is a global maritime company offering technological solutions covering the whole ship. Part of Imtech Marine is Radio Holland. This subsidiary operates a worldwide service and maintenance network focused on navigation and communication equipment (navcom) on board of ships. The network exists of over 90 locations worldwide, stationed with engineers and staff. The offices are located near harbors enabling a quick reaction to requests from ships with navcom equipment problems.

For a few years now, Radio Holland/Imtech Marine (from now on Imtech Marine) has been active in a couple of countries in the Gulf of Guinea in Africa (Ghana, Nigeria, Angola, Congo, Namibia, Gabon). In these countries, engineers from the South African offices are temporarily stationed (usually not more than one engineer is present in a country). Working permits are acquired through local partners or clients, so a registered official local Imtech Marine entity is not present in these countries. So far, this, small scale, low profile way of operating, has been reasonably successful, providing a total revenue of almost €2 million in 2013 in the Gulf of Guinea.

The management in Rotterdam and Cape Town (South Africa) have identified the Gulf of Guinea as a potential growth market and intend to increase commitment in order to expand the business. However, two problems arise before commitment can be increased:

1. The current form of doing business is not sustainable because the amount of working permits is limited. A legal entity has to be established in the country before business can be expanded and the amount of engineers increased.
2. The current countries and locations of operations have been chosen ad-hoc without doing any market analysis. Imtech Marine wants to know which countries/markets are the most attractive to invest and expand business before making any investments.

Based on a market analysis, Imtech Marine wants to know which Sub Saharan African countries are attractive for the expansion of their global service network and how they should enter this market. A literature review was conducted to determine the various aspects of this – so-called – process of internationalization. It showed that the literature on internationalization of consumer product firms has been broadly dealt with, but that for industrial services is lacking. Consequently this thesis serves three purposes:

1. To provide a contribution to current international business literature by the development of a generic entry strategy model specifically for industrial services firms.
2. To provide Imtech Marine with a framework that can be used for international market entry.
3. To solve a specific market entry case for Imtech Marine in Africa by using the constructed framework and determine how and where to expand in the African market.

Consequently, the following three research questions were developed:

- RQ1: “What is a suitable decision making framework for the internationalization process of an industrial services company?”

Research question one was answered by doing a literature review that resulted in the choice for Root’s entry strategy model. The model was adapted to industrial services firms by emphasizing the importance of the characteristics of industrial services (intangibility, perishability, inseparability, heterogeneity, specialization and technology) in the decision making process. The model divides the process in four main phases: (1) market selection, (2) setting goals and objectives for the target market, (3) entry mode decision, and (4) the marketing plan. The model was used to design an entry strategy for Imtech Marine in Africa, consequently the second research question of this thesis is:
The model was then applied to the case of Imtech Marine in Sub Saharan Africa. Analysis of data and discussion with involved people resulted in a preliminary selection of the three most attractive countries: Angola, Ghana, and Nigeria. A discussion with the management resulted in a final choice for Angola. Imtech Marine’s market potential in Angola was estimated at €2.5 million annually, and the goal is to increase its current annual revenue of €0.5 million to this €2.5 million within 5 years.

For the entry mode decision, Angolan legislation regarding foreign investment turned out to be the decisive factor but difficult to interpret. It is highly likely that a form of partnership has to be formed incorporating a local Angolan partner and that a minimum amount of $1 million has to be invested. It is advised to engage in the process of registering the legal entity; exact consequences might only get clear along the way.

The marketing plan highlights that Imtech Marine should enter the Angolan market with a differentiation strategy focusing on the offshore industry. It will have a competitive advantage over its competitors by offering superior service quality for a premium price. This means multi-brand service by skilled and qualified engineers, technical support from South Africa and Europe, a reliable logistical system, manufacturer contacts, and dealerships. In order to control the quality of the service, proper education of the engineers and mapping of the service delivery system are important. Since customers take part in the service process, the whole process will be evaluated, making customer relationship very important. This means Imtech Marine should focus on managing buyer/seller relationships instead of transactions. The intangible nature of Imtech Marine’s service makes it very important to clearly communicate quality; this has to be done by marking equipment, brand image and promotion, in other words: “give tangibility to the intangible”. Distribution has to be achieved using dealerships, agents and a sales force. An increased focus on planned maintenance will mitigate the effects of perishability, and computerization and remote maintenance will become of increasing importance in the future influencing employee training and the service delivery process as well.

The last research question is of evaluative nature and will be answered by observing the results of the entry strategy, the designing process that let to this strategy, and the model itself.

**RQ3: “What is the value of the constructed model and strategy?”**

Root’s original model was designed to be applicable to a wide variety of companies and markets. Therefore it considers many different factors that might influence the decision making process. The adapted model for industrial services helps to make the outcome and output more specific for industrial services and can increase the speed of the decision making process by putting a focus on the most relevant factors. For the market selection, demand and market factors were decisive, although this was also highly influenced by the Imtech Marine managers who focused on the corporate strategy and goals. For the entry mode decision, the most important determinants were the foreign investment legislation and the characteristics of the service. Root acknowledges the fact that the market selection decision and the entry mode decision are two related processes. He overcomes this relatedness by emphasizing the iterative nature of his model. It was found that although this iterativeness is correct, it might not be the most efficient way of dealing with the two processes. A more combined or parallel approach might lead to better and quicker decisions.

The literature review pointed out that opportunistic behavior is a common determinant of companies’ entry strategies. I am confident that the results of this research will cause Imtech Marine to deal with the process in a pragmatic, instead of an opportunistic, way and will eventually lead to a successful development of the business in Angola.
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1 INTRODUCTION

1.1 BACKGROUND
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1.2 PROBLEM STATEMENT
The management in Rotterdam and Cape Town (South Africa) have identified the Gulf of Guinea as a potential growth market and intend to increase commitment in order to expand the business. However, two problems arise before commitment can be increased:

1. The current form of doing business is not sustainable because the amount of working permits is limited. A legal entity has to be established in the country before business can be expanded and the amount of engineers increased.
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Based on a market analysis, Imtech Marine wants to know which Sub Saharan African countries are attractive for the expansion of their global service network and how they should enter this market. A literature review was conducted to determine the various aspects of this – so-called – process of internationalization. It showed that the literature on internationalization of consumer product firms has been broadly dealt with, but that for industrial services is lacking. Consequently this thesis serves three purposes:

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1.4 RESEARCH QUESTIONS
As Blaauw (2013) states in his thesis that deals with a very similar topic as this research does: “The nature of the problem isn’t finding the right region and appropriate entry strategy for business development. It is to find a method to practice this internationalization decision process.” Therefore, the fundamental research question of this thesis will be of a deductive nature and reads:
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- **RQ1:** “What is a suitable decision making framework for the internationalization process of an industrial services company?”

Sub questions related to the main research question are:

- Which theories and methods are available?
- Is there a suitable model available or should one be made or adapted?

Once a suitable framework (entry strategy model) has been found, it will be applied to Imtech Marine in order to answer the following question, which is of inductive nature:

- **RQ2:** “When applying the framework, which countries in Sub Saharan Africa are interesting for Imtech Marine and how should these markets be entered?”

Sub questions related to this research question are:

- Which market segments should Imtech Marine focus on?
- In what legal form should Imtech Marine enter the market?
- How does the marketing plan for this specific market look like?

After the framework has been applied to Imtech Marine and consequently an entry strategy has been designed, the last research question will evaluate the output and reflect on the model itself. Therefore the last research question is:

- **RQ3:** “What is the value of the constructed model and strategy?”

Sub questions related to this research question are:

- Is the usability and outcome for the case of Imtech Marine satisfying?
- Is the model generic, meaning applicable to different kinds of industrial services firms?
- Should any changes be made to the used model?

### 1.5 Scope

The scope of this thesis is two-fold:

1. The literature review revealed a division of entry strategies for on the one-hand consumer products, and on the other hand industrial services. Because Imtech Marine’s activities can be labeled as industrial services, the theoretical scope of this thesis will be limited to industrial services.
2. The request for this research was initiated by the department of global services in Rotterdam (headquarter) together with its local department in South Africa. Imtech Marine divides Africa in:
   - North-Africa; part of the business region India, Middle East and North-Africa; which is coordinated from the United Arab Emirates.
   - Sub-Saharan Africa; which is coordinated from South Africa.

The management in South Africa is responsible for all business in Sub Saharan Africa; hence the geographical scope of the market analysis is limited to Sub Saharan Africa. The core business of global services is navcom equipment. The management has shown interest in expanding the service portfolio beyond navcom, but nevertheless the primary focus of the strategy for Imtech Marine will be on navcom equipment.
1.6 STRUCTURE AND METHODOLOGY

In general one can distinguish two different kinds of context in which a research project can take place; theory-oriented research (a process of knowledge formation) or practice-oriented research (an approach to solve a practical problem in a public or private organization). Generally most research projects serve both a theoretical and a practical goal (Verschuren & Doorewaard, 2010).

By looking at the research objectives above, one can understand that this two-folded goal also applies to this thesis. The theoretical part can be found in chapter two, as research question one will be answered here. In order to do this, a literature review was executed that exposed a literature gap regarding entry strategies specifically for industrial services. Consequently, a new model was developed to fill this gap.

The model will be used in the practice-oriented part of this thesis to design an entry strategy specifically for Imtech Marine in a country in the Gulf of Guinea and answer research question two. Chapter three (market selection), four (setting goals and objectives for the target market), five (entry mode selection), and six (marketing plan) each treat a separate part of the design of the entry strategy. The different sources and kinds of data used to design the entry strategy (RQ2) will be explained here shortly:

- **Market selection:** Initially, the market selection is done by desk research and using quantitative data. The goal of the market selection is to select countries but also to estimate market sizes. Most of the data can be found on the Internet for free and is publicly accessible. Two sources that will be used are not open to the public: (1) IHS live, a browser based tool that’s able to provide comprehensive details of the current world merchant fleet, its owners, ports, port calls and movements; and (2) GSS (global service system), Imtech Marine’s internal business intelligence system, that registers the world wide operations of Imtech Marine and local port activities. There has been contact with data traders to acquire specific data on ship movements and port activities, but the price of this information was found to be too high for the relatively small added value. The quantitative outcomes were confirmed by consulting field experts, people who have experience in the foreign markets. Former Imtech Marine employees, Willem Auret and Appie Hijstek, who worked as an engineer for multiple years in different countries in the Gulf of Guinea, and Ger Schets who’s also experienced as an engineer in Africa. Bron Sykstus assisted in the market selection; he has market knowledge of multiple countries in the Gulf of Guinea since he has been coordinating Imtech Marine’s activities there from South Africa. The final market selection decision will be made by presenting the data to multiple managers: Nico van Leeuwen, (Director Global Sales Services), René ten Brinke (Director Global Services), Bron Sykstus (General Manager South Africa) and Todd Gaine (Former general manager South Africa).

- **Goals and objectives:** The goals and objectives that will be set for the selected target market will be derived from three different inputs: First of all by the general corporate mission, vision and strategy as defined by Imtech Marine in their internal documents, special attention will be paid to the business unit services. Secondly, the management in South Africa will be requested to state their specific ambition, vision and strategy for the Sub-Saharan market. And finally the results from the market selection phase will be of decisive influence for the specific goals and objectives in the selected target market.

- **Entry mode selection:** The model derived from the literature review showed that there are many factors that can influence the entry mode of a company in a country. These factors will be studied specifically for Imtech Marine and the relevant countries by doing desk research. A decisive factor in the entry mode selection proved to be the host countries’ restrictions and regulations regarding foreign investment. Therefore, foreign investment regulations for these countries were studied. The regulations were found on the internet and studied, but
proved to be very complex and ambiguous. In order to get a clear understanding of the regulations, assistance was given by (1); Bron Sykstus, experienced as a manager in the Gulf countries, (2); the legal department of Imtech Marine in Rotterdam, and (3); LF services, a local Angolan firm that currently assists Imtech Marine with HR and legal matters in the country. This was done in the form of many Skype- and e-mail conversations.

- **Marketing plan:** A strategic marketing plan will be written based on the literature review and the output from the market selection. Specific details will be acquired by consulting relevant experts; people who were mentioned previously.

These four chapters together form the entry strategy for the specific market in Africa for Imtech Marine based on the model that was derived from the literature review. Chapter seven will summarize the conclusions from all the previous chapters and evaluate the outcome. Figure 1.1 gives an overview of the structure of the research.

![Figure 1.1 Thesis structure & methodology.](image)
2 LITERATURE REVIEW

This chapter will present the concepts and theories related to the first research question and sub-questions that were presented in the introduction. First, the general concepts of internationalization and entry strategies will be discussed. The entry strategy model by Root (1994) was found to be useful for this research and will be explained. This is followed by an explanation of the internationalization of industrial services firms and the differences compared to internationalizing firms that produce consumer products. The literature review is concluded with a short summary that answers research question one and explains the implications it will have for the rest of this thesis.

2.1 INTERNATIONALIZATION

Internationalization as a scientific type of research is part of the field of international business research and can be characterized as intellectually diverse and multidisciplinary (Melin, 1992). The topic has been studied extensively; hence the literature is rich and broad. According to Melin, internationalization is a major dimension of the ongoing strategy process of most business firms. He defines a strategy process as: “the ongoing development and change in the international firm in terms of scope, business idea, action orientation, organizing principles, nature of managerial work, dominating values and converging norms. The internationalization aspect is related to all these aspects of the strategy process.” Now we understand the characteristics of internationalization as a scientific type of research and its relevance as a dimension of a firm’s strategy process we can look for a definition of the concept. Welch and Luostarinen (1988) define internationalization as a process of increasing involvement in international operations across borders and characterize it as an ongoing flow of events over time associated with a companies’ operation method, sales objects, target markets, organizational capacity, personnel organizational structure and finance. Johanson and Vahlne (2009) characterize internationalization as “corporate entrepreneurship”.

In general, theories that explain the internationalization of companies can be divided into behavioral or economic (Johanson & Vahlne, 2009; Melin, 1992). A popular behavioral model is the (Uppsala) internationalization process model (Johanson & Vahlne, 1977, 2009). The Uppsala model explains the characteristics of the internationalization process of the firm based on empirical observations of Swedish firms in international markets. The study showed that companies incrementally increase their international involvement by usually beginning internationalizing with ad hoc exporting, followed by deals with intermediaries, installation of a sales force and finally manufacturing in the foreign market. All this is the result of firms learning from experience, increasing their commitment in the foreign country and building relationships.

The economic models generally build on the transaction cost theory and argue that three distinct set of advantages explain the involvement of firms in international markets; ownership-advantages, internalization advantages, and localization advantages (Agarwal & Ramaswami, 1992; Melin, 1992).

These are some of the most common models and theories that discuss the concept of internationalization. However, these models remain quite theoretical and descriptive whilst this thesis is looking for answers to a more practical problem; designing a decision-making framework and solving a specific case. Therefore we will now focus on some more pragmatic and normative scientific literature that focuses on answering specific questions relevant to this research.

2.2 A MARKET ENTRY STRATEGY

In general the literature on internationalization of a firm addresses two main questions, (1) to where does the company want to expand its activities, and (2) how does it want to do this in a successful way? (P. H. Andersen & Strandskov, 2008; Meyer et al., 2008; Papadopoulos & Denis, 1988). In order
A market entry strategy for an industrial services firm

to guide a company’s internationalization process over a future period an entry strategy has to be made. An entry strategy can be described as a comprehensive plan that sets objectives, goals, resources, and policies that will guide a company’s international business operations over a future period (Root, 1994). Kotabe and Helsen (2010) extend this view and state that there are six important interlocking questions to be answered in order to design a solid entry strategy:

1. What is the target market and product?
2. What are the corporate objectives for these target markets?
3. What will be the appropriate mode of entry?
4. What will be the appropriate timing of entry?
5. What will the marketing mix plan look like?
6. What will be a relevant control system to monitor the performance in the entered market?

O’farrell and Wood (1994) mention seven similar questions that should be answered when designing an entry strategy for the internationalization process of a firm:

1. Which overseas markets are targeted?
2. Which modes are most appropriate for entering and developing each market?
3. Where investment is appropriate which national markets require more than one office?
4. Where should the office(s) be located?
5. Which markets (countries) are serviced from each office?
6. Which services are offered in specific markets?
7. Towards which market segments are services targeted in specific markets?

In his book ‘Entry strategies for international markets’, Root (1994) provides a method for planning, designing and executing an international market entry strategy, incorporating very similar questions as proposed by the previously mentioned authors. According to Root, entry strategy planning is truly important for any internationalizing company, no matter what size, because it makes a company think systematically about its future in world markets. Despite its importance, entry strategy planning is not self-evident for many companies. If a firm doesn’t have an entry strategy it only has what Root calls a “sales” approach to foreign markets. Although this sales approach might be justifiable for inexperienced companies making a first foreign entry, “it is not viable in a world of international competitors who plan and act to create foreign market positions for long-run success” (Root, 1994). In table 2.1 the differences between a sales approach and an entry strategy approach to international markets are presented.

As described above, internationalization of companies can be characterized as an incremental process, where Root states that a sales approach is typical for companies that enter new markets. As soon as a company has surpassed the startup phase and gained some experience in the foreign market, Root advises to switch from a sales approach to an entry strategy approach. At least if it’s aiming for long-run success.
Table 2.1 Entry strategy Versus Sales Approach to International Markets (Root, 1994).

<table>
<thead>
<tr>
<th></th>
<th>Sales Approach</th>
<th>Entry Strategy Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Time horizons</strong></td>
<td>Short run</td>
<td>Long run (3 to 5 years)</td>
</tr>
<tr>
<td><strong>Target markets</strong></td>
<td>No systematic selection</td>
<td>Selection based on analysis of market/sales potential</td>
</tr>
<tr>
<td><strong>Dominant objective</strong></td>
<td>Immediate sales</td>
<td>Build permanent market position</td>
</tr>
<tr>
<td><strong>Resource commitment</strong></td>
<td>Only enough to get immediate sales</td>
<td>What is necessary to gain permanent market position</td>
</tr>
<tr>
<td><strong>Entry mode</strong></td>
<td>No systematic choice</td>
<td>Systematic choice of most appropriate mode</td>
</tr>
<tr>
<td><strong>New product development</strong></td>
<td>Exclusively for home market</td>
<td>For both home and foreign markets</td>
</tr>
<tr>
<td><strong>Product adaptation</strong></td>
<td>Only mandatory adaptations (to meet legal/technical requirements) of domestic products</td>
<td>Adaptation of domestic products for foreign buyers’ preferences, incomes, and us conditions</td>
</tr>
<tr>
<td><strong>Channels</strong></td>
<td>No effort to control</td>
<td>Effort to control in support of market objectives/goals</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>Determined by domestic full cost with some ad hoc adjustments to specific sales situations</td>
<td>Determined by demand, competition, objectives, and other marketing policies, as well as cost</td>
</tr>
<tr>
<td><strong>Promotion</strong></td>
<td>Mainly confined to personal selling or left to middlemen</td>
<td>Advertising, sales promotion, and personal selling mix to achieve market objectives/goals</td>
</tr>
</tbody>
</table>

Root provides a model for companies to design and plan their entry strategy. He divides the process in different stages, as can be seen in figure 2.1, and subsequently provides detailed information on how to perform each stage in the later chapters of his book. The goal orientated and practical nature of this method is relatively scarce in literature and was found to be very useful for this research. This model will form the foundation of the research and the relevant different stages, step one until 4, will be explained in the next few paragraphs. Step five and six are considered out of scope of this research.

![Figure 2.1: The elements of an international market entry strategy (Root, 1994).](image-url)
Alternatives for Root’s entry strategy model have been studied as well. Blaauw (2013) proposes a method for market selection and entry mode choice, but doesn’t consider a marketing plan. Although the model was found to be useful in some ways, especially because it specifically focuses on Africa as well, it was found to be focusing too much on general social/economic macro indicators and not so much on the demand side of a market. Koch (2001) MEMS model shows resemblance with Root’s model but puts a focus on the joint decision making for the market selection and entry mode. Root keeps these two decision-making processes more separated but overcomes this by addressing the iterative nature of his model. J. K. Johansson (2009) discusses the different aspects of an entry strategy, but fails to provide a comprehensive model. There is an abundance of literature available that focuses on the separate topics of market selection, entry mode choice and marketing plan. Root’s model is believed to be a good model for this thesis, encompassing all these different aspects. Therefore we will continue by discussing the different phases of the model.

2.3 INTERNATIONAL MARKET SELECTION (PHASE 1/4)
In general one can distinguish two different approaches to international market selection: a systematic approach and a non-systematic approach (O. Andersen & Buvik, 2000). The systematic approach can be considered normative, while the non-systematic approach describes how companies behave when selecting a foreign market. Several studies have shown that many companies don’t use a systematic approach; reasons for this mentioned are the decision-makers’ limited information-processing capacity, and opportunistic behavior (O. Andersen & Buvik, 2000). According to the Uppsala model by Johanson and Vahlne (1977), companies initially enter markets with low psychic distance and later on enter markets with higher psychic distance. Psychic distance is defined as factors that make it difficult to understand foreign environments. Also relationships proved to be important in the internationalization process, client-following strategies for example (Johanson & Vahlne, 2009).

Root provides a systematic method to select a foreign market. The first step in Root’s model (figure 2.1, step 1) is the international market selection. "The essence of the international market selection (IMS) problem is developing an efficient and effective method for selecting a foreign target market(s)" (Papadopoulos & Denis, 1988). Literature suggests the process to be broken up into two or more stages in order to save resources (Gould, 2002). Root (1994) proposes a useful model for selecting a target country based on three steps (see figure 2.2). Here the first stage involves the screening of a rather large number of countries based on a limited number of macro-level indicators. According to Root this is done in order to minimize two errors: (1) ignoring countries that offer good prospects for a company’s generic product, and (2) spending too much time investigating countries that are poor prospects. In order to save time this screening face should be done based on quantitative secondary data.

Once the first step is complete, a more detailed analysis is done in order to estimate an industry market potential in step two. This can be done by doing a top-down estimate or a bottom up estimate (Gross et al., 1993; Root, 1994). The top-down approach involves an analysis of historical economic/social data, where the bottom-up approach focuses on the number of (potential) end users in a market. Finally a company sales potential is estimated in step three on which the choice for the most appealing country is based.
2.4 **SETTING GOALS AND OBJECTIVES (PHASE 2/4)**

As soon as a target market has been chosen, goals and objectives for this specific market will be determined based on the outcomes of the market selection phase (step two in figure 2.1). These will have to be combined with the corporate strategy and objectives of the specific company.

2.5 **ENTRY MODE SELECTION (PHASE 3/4)**

Where the entry mode decision intends to penetrate the foreign market country, the marketing plan is made to penetrate the foreign target market. The marketing plan is the final stage of the market entry strategy. The choice of entry mode is the basis for the marketing plan, because it determines the amount of control a company can have over the marketing plan in the target country (Root, 1994). This paragraph will discuss the entry mode decision, paragraph 2.6 will discuss the marketing plan.

Root states that there are three different ways in which a company usually chooses its entry mode: the naïve rule, the pragmatic rule and the strategy rule. The naïve rule is applied when companies only consider one way to enter foreign markets. “Statements such as “We only export” are examples of the naïve rule” (Root, 1994). “The inflexibility of the naïve rule prevents a company from fully exploiting its foreign market opportunities.” The pragmatic rule is applied when companies enter a market with a low-risk entry mode, which usually is some form of exports. After gaining some experience in the foreign market, other opportunities are explored. The trial and error method of the pragmatic rule doesn’t give full benefit because an entry mode that works may not be the right entry mode. The strategy rule entails the systematic comparisons of alternative modes and, although complex, leads to the optimal entry mode choice.
According to the Uppsala model, companies tend to start internationalizing in low commitment modes (e.g. export), and gradually as experience in the market is gained and networks become stronger they move to higher commitment modes (e.g. greenfield). A study of 384 service firms found the problems shown in Table 2.2 to be the five most important barriers in foreign entry mode decision (J. K. Johansson, 2009; Reardon et al., 1996). These give a good indication of the factors that should be considered by the internationalizing company when designing an entry strategy.

Table 2.2 Entry barriers (J. K. Johansson, 2009).

<table>
<thead>
<tr>
<th>Problem</th>
<th>Frequency with which cited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Host-country restrictions and regulations</td>
<td>21,6%</td>
</tr>
<tr>
<td>Quality delivery and customer service</td>
<td>19,5%</td>
</tr>
<tr>
<td>Cultural differences</td>
<td>13,8%</td>
</tr>
<tr>
<td>Staffing and Personnel</td>
<td>13,0%</td>
</tr>
<tr>
<td>Logistics</td>
<td>8,3%</td>
</tr>
</tbody>
</table>

In general entry modes can be divided into two main categories: non-equity modes and equity modes, also called foreign direct investment (FDI). Both alternatives can again be divided in several distinctive entry modes that offer different benefits and costs to the company.

According to Root, “an international market entry mode is an institutional arrangement that makes possible the entry of a company’s products, technology, human skills, management, or other resources into a foreign country”. “Each of these modes of entry has different implications for the degree of control that a company can exercise over the foreign operation, the resources it must commit to the foreign operation, and the risks that it must bear to expand into the foreign country” (Hill et al., 1990).

The next paragraphs will give a short explanation of the most common modes of entry. Their characteristics will be discussed, their advantages and disadvantages and reasons why or why not to choose for a specific mode of entry. Special attention will be paid to entry modes for industrial service firms. More information about the characteristics of industrial services will be given in paragraph 2.7.

**Exporting** - Exporting is essentially the transfer of products. Big advantages of exporting are the low initial investment cost and the ease with which the customers are reached. Contrary to this, disadvantages are high transportation costs and unfavorable tariffs and quotas of the foreign country and difficulty to respond to (changing) customer needs. According to J. K. Johansson (2009), service exporting is typical where services can be produced similarly to products and then shipped across to countries.

**Licensing-/contractual agreement** - Licensing involves the transfer of technology and other industrial property. With a license- or contractual agreement, the home country transfers patents, trademarks, skills, technology, etc. to the company in the host country. The licensing company receives compensation from the host country for this transfer. These agreements are usually fixed for a certain time period or amount of work. According to J. K. Johansson (2009), an important condition for licensing or contractual agreements for service companies is that the service can be standardized.

**Foreign direct investment (FDI)** - Where export or contractual agreements involve only the transfer of a certain part of a company, investment involves the transfer of an entire enterprise. Where foreign ownership is permitted by the host government, service firms with complex services tend to choose for FDI. “The reason is that vertical integration improves the ability to control the quality of
the service delivery” (J. K. Johansson, 2009). There are three forms of FDI: Acquisition, Greenfield and Joint Venture.

**FDI: Acquisition** - Acquisition of a foreign company is a quick way of getting access to the local market, because it immediately increases the market share of your company. It also gives access to the target’s local knowledge, resources, and grants a high amount of control over the operations and technology. Acquisition promises a shorter payback period for the investor because income is generated immediately. These advantages can be negated due to the problematic aspects of an acquisition. Integrating the two companies is a complex and time consuming process. Locating and evaluating potential acquisition candidates can be very difficult and time consuming. Acquisition requires a relatively large investment and the questions is if host governments’ policy allows or fosters foreign acquisition at all. “In general, host governments view the acquisition of local companies by foreign investors in a less favorable (or more unfavorable) light than new ventures started by foreign investors” (Root, 1994).

**FDI: Greenfield/sole venture** - The establishment of a new wholly owned subsidiary grants full control over the company and the integration will be easier since it starts from scratch. A greenfield investment can be a good option if local trustworthy and or useful partners for a joint venture or acquisition are not available. The downside of starting a new legal entity is the slow startup; it will take time before the company is operating as planned. This is due to the physical startup (building, equipment, people), and local rules and regulations that have to be studied and applied. Research shows that in situations where required capabilities must be developed through close contacts with customers and high levels of professional skills, specialized know-how, and customization, wholly owned subsidiaries are preferred for service firms (Bouquet et al., 2002).

**FDI: Joint venture** - A Joint venture entails the establishment of a new legal entity by two or more parties. Just like an acquisition, a joint venture gives access to the partner’s local knowledge and network. Both parties have a performance incentive and the control of the operation is significant. The downside is that there is always possibility of conflict or disagreement and potential loss of proprietary knowledge. A joint venture can also be characterized as an equity based strategic alliance.

**Strategic Alliance** - “An international strategic alliance is a long-term collaboration between two or more companies that combine the core competencies of the partners to build global competitive advantages” (Root, 1994). This usually involves an agreement between the partners to share resources or knowledge beneficial to both. Unlike in a joint venture, companies that engage in a strategic alliance do not form a new entity, but collaborate while remaining apart. According to J. K. Johansson (2009), in services where government regulations are restrictive, alliances are typically necessary.

Root (1994) provides a model for selecting the right entry mode (figure 2.3). This is done in two stages, first by analyzing the external and internal factors that influence the choice of entry mode followed by a comparative analysis of the different modes of entry.
2.6 MARKETING PLAN (PHASE 4/4)

The final stage of this thesis will be the marketing plan. “The foreign marketing plan is an action program that specifies marketing objectives and goals; policies and resource allocations to achieve the objectives and goals; and a time schedule” (Root, 1994). The marketing plan is based on the market analysis that will be summarized in a SWOT-analyses and operationalized by the marketing mix, also called the 4 p’s, a common approach in marketing. The marketing plan will tell the company how it should operate in the foreign market. According to McDonald (1992), marketing planning is useful for multiple people within an organization:

For the planner:

- To help identify sources of competitive advantage
- To force an organized approach
- To develop specificity
- To ensure consistent relationships

For superiors:

- To inform

For non-marketing functions

- To get resources

For subordinates:

- To get support
• To gain commitment
• To set objectives and strategies

In the context of an entry strategy, the motivation of developing specificity is extra important because the marketing plan will clarify what the practical implications of the market selection and entry mode selection will be for the firm in the foreign market. Subsequently this means that the market selection phase and the entry mode phase will be of input for the marketing plan. McDonald (1992) makes a distinction between a strategic marketing and a tactical or operational marketing plan. A strategic marketing plan covers a period of three and five years while focusing on scanning the external environment and developing appropriate strategic responses. The tactical marketing plan is a more detailed operational plan with a one-year time horizon that further specifies the goals from the strategic plan, a planning, people and budgets. The tactical plan should be derived from the strategic marketing plan. This means that the strategic marketing plan should be made and agreed upon first before the one-year tactical plan can be developed.

2.7 Consumer Products VS Industrial Services
As has been specified in the scope; this thesis’ focus is industrial services. Industrial services are found at the intersection of manufacturing and service, and can be defined as: “The supply of after-sales services, including tangibles such as spare parts and consumables, related to the maintenance of industrial goods. After-sales services as such are also commonly referred to as customer support, product support, technical support and service” (P. Johansson & Olhager, 2003).

Most of the scientific literature on internationalization and entry strategies focuses on industries that manufacture products; hence the literature on internationalization of services is relatively scarce (Grönroos, 1999; Javalgi & Martin, 2007; Striekwold, 2009). There’s no consensus on whether a distinction should be made between internationalization of services and manufacturing. Some authors claim that factors that influence the internationalization process of a manufacturing firm are (almost) the same for a services firm (Sivakumar, 2004), while others claim the opposite and say that models for manufacturing firms cannot simply be transferred to services firms and require modification when applied to the service sector (Grönroos, 1999; O’farrell & Wood, 1994).

Besides an inclination towards manufacturing instead of services, contemporary internationalization literature also tends to focus on the consumer market instead of the industrial (business 2 business) market. Literature suggests that the industrial character of a firm influences international market selection, entry mode choice as well as (and most importantly) the marketing plan (Arinze & Burton, 1991; Gross et al., 1993; Jackson & Cooper, 1988; Webster, 1978).

The model of Root is also considering the internationalization process from a consumer goods perspective, whilst this thesis is focusing on industrial services. Despite this, the choice was made to use his model for the internationalization of industrial services. For this, the reason is threefold:

1. Root’s model was found to be unique in scope. (It deals with all the aspects of an internationalization process, many other models focus on just one aspect of it, e.g. market selection, entry mode or marketing plan), hence it gives a clear understanding of what an entry strategy entails.
2. Root’s model was found to be unique in practicality and amount of detail. (Every step in the process is explained and operationalized by the use of models and checklists.)
3. While applying Root’s model it was found that it provided a useful base for the research and therefore we agree with (Javalgi & Martin, 2007) who state that: “It is our belief that manufacturing-based theories provide a strong theoretical background for further extension and modification of the existing research to a multinational service context.”
On the other hand the model by Root will be supplemented and adapted where deemed necessary. A switch has to be made in the model from consumer goods towards industrial services, see figure 2.4. Literature suggests that where it involves internationalization of services, special attention should be paid to the characteristics of services that distinguish them from goods (heterogeneity, inseparability, perishability and intangibility). These can have important consequences for the entry mode choice (Javalgi & Martin, 2007; J. K. Johansson, 2009; Peinado & Barber, 2007); hence they will be discussed in more detail in the paragraph about entry mode choice.

Another point where literature suggests a distinction between entry strategies for products and services is the marketing plan (Bitner, 1990; Gross et al., 1993; Rafiq & Ahmed, 1995). Therefore the marketing plan as proposed by Root will be adapted specifically for services. The industrial character of a firm seems to influence all steps in an entry strategy (Gross et al., 1993; Webster, 1978). The consequences of the industrial service characteristics for Root’s model will be discussed in the following paragraphs and will finally result in an entry strategy model based on Root’s model, but specified towards an industrial services firm.

![Figure 2.4 The industrial-Consumer Matrix (adapted from Jackson & Cooper, 1988).](image)

### 2.7.1 Specifying Market Selection Towards Industrial Services

Root’s market selection model is quite generic and hence applicable to most situations. However, literature suggests a difference in the kind of data and way of acquiring data between consumer and industrial markets (Arinze & Burton, 1991; Gross et al., 1993; Webster, 1978). Information for consumer markets is generally available in the form of consumer-purchase-panel data, and retail store audit firms. The information available consists of sales, market share, availability, etc. In industrial markets this information is often partially or completely unavailable. This is due to less reliable monitoring mechanisms and real and imagined concerns about confidentiality and the effect of data disclosure on competitive position (Arinze & Burton, 1991; Webster, 1978). As Webster states: “Industrial marketing simply does not have the same quality data, either from primary or from secondary sources, that is available to consumer marketers describing customers and their purchasing behavior over time”. Webster’s paper is from 1978, and although he has a point, luckily in the past years the rise of the internet and specialized data consultancy companies have made things easier. Free data found on the internet can often give a first indication, where buying information from consultancy companies will give a final more exact confirmation.

A final important difference of market research between business and consumer markets is that “business research projects tend to seek rough (order-of-magnitude) estimates through unstructured interviews, whereas consumer research studies use highly structured questionnaires yielding precise measurements bracketed by statistical confidence limits.” (Gross et al., 1993). This will have consequences in the way information is gathered and used for this thesis.

25
2.7.2 Specifying entry mode selection and marketing plan towards industrial services
Several studies have indicated the importance of the specific nature of industrial services compared to consumer products and the consequences this has for the choice of entry mode and the marketing plan (Bitner, 1990; Gross et al., 1993; J. K. Johansson, 2009; Striekwold, 2009). We will take a closer look at the characteristics of industrial services that distinguish it from consumer products. Literature mentions four characteristics that distinguish services from manufacturing and two specifically for industrial services.

Intangibility – Marketing a service can be more difficult than goods because services cannot be touched or transported. “Intangibility increases the difficulty of assessing service quality as opposed to manufactured goods” (Striekwold, 2009). This subjective nature of service quality can make it more difficult to attract or convince clients. According to Gross et al. (1993) it therefore is important to the marketer of the service to “give tangibility to the intangible”. This can for instance be done by putting a date on a piece of electronic equipment that has been repaired. It is also important to brand-name the service and build corporate image in order to communicate quality (Gross et al., 1993).

Inseparability – Services are produced and consumed at the same time and the customer is an active participant instead of merely a receiver of the service. This requires the firm to be locally present in order to respond quickly to local demands. According to Buckley et al. (1992): “in the case of simultaneous production and consumption, it is necessary of the firm to locate activities abroad, either through contractual arrangements with host country suppliers or through foreign direct investment”. The inseparable nature of a service has consequences in the way the customer perceives the quality of the service. Not only is the quality of the actual service being performed (the service product) evaluated, also the quality of the service delivery experience is reviewed. This specific buyer relationship makes a service inherently different from a product and should be taken into account when designing the marketing plan.

Perishability – Except for the equipment and spare parts, the actual service cannot be stored or inventoried. This makes supply and demand more difficult to balance and manage. This can have an effect on the choice of entry mode, because firms whose outputs are more perishable will choose higher control entry modes than service firms whose outputs are less perishable (Striekwold, 2009).

Heterogeneity – A service is not exactly the same each time; services vary per service provider, location and moment. This causes a variation in labor and output and leads to different customer valuations and satisfaction. This uncertainty can be lessened by mechanizing, automating, standardizing and rationalizing available options. However, some clients might specifically desire customized service (Gross et al., 1993).

Two more characteristics, unique to the industrial market are also important to consider.

Specialization – While standardization is common in production, industrial services are characterized by the customization to their customers’ needs and are often specialized on a per job basis (Jackson & Cooper, 1988). The more specialized the service of the industrial services firm is, the more committed it will need to be to the foreign market. This results in a preference for a higher control entry mode (Striekwold, 2009).

Technology – The industrial sector is highly influenced by technological developments as equipment and machines are increasingly being computerized. Although this brings many benefits, it also has some negative aspects (Gross et al., 1993). The large amount of technological knowledge required of the employees can take years of expensive training and is not easily transferred to an unskilful person. This tacit component of an employees knowledge, hence firm-specific know-how, makes a
company prefer to choose a high control of entry mode instead of for instance a licensing contract (Hill et al., 1990).

As just has been explained, the four characteristics of services influence the entry mode decision as well as the marketing plan, same counts for the two characteristics of the industrial market. In general a marketing plan is based on the marketing mix, also called the four p’s (place, promotion, product, and price). The marketing mix is specified for consumer products, therefore, many authors claim the standard marketing mix should be adapted for services based on the characteristics of services that were just mentioned. A generally accepted model for a marketing mix for services is the seven P’s marketing mix by Booms and Bitner (Akroush, 2011; Bitner, 1990; Rafiq & Ahmed, 1995). They add participants, physical evidence, and process as extra dimensions to the standard marketing mix to specify it for services. The seven P’s marketing mix will be used for the marketing plan of this entry strategy model while also taking into account the specific consequences for industrial marketing. This will result in a marketing plan specifically for industrial services.

2.8 SUMMARIZING: AN ENTRY STRATEGY MODEL FOR AN INDUSTRIAL SERVICES FIRM

If a company wants to create a foreign market position aimed at long-run success, Root (1994) provides a useful model to structure, design and support the decision making process - of this so called internationalization process - in the form of an entry strategy. The model can be seen in figure 2.5. The four main phases (displayed in red) of the process are:

1. International market selection
2. Setting goals and objectives for the target market
3. Entry mode selection
4. Marketing plan

All the phases are operationalized by the use of models (displayed in green) that have been discussed in this literature review. Two important remarks are made by Root (1994) that should be kept in mind when designing an entry strategy according to his model: (1) Although the elements in figure 2.5 are shown as a logical sequence of activities and decisions, the design of an entry strategy is actually iterative, with many feedback loops, and (2) “Entry strategy planning in a multinational system should be an interactive process involving managers at corporate, regional, and country levels”. These two points are relevant for this thesis as well, it has been noticed that aspects in one step of the process can influence aspects in a previous or later step; consequently the iterative nature of this process should always be kept in mind. Prevalent theory also confirms the relatedness of market selection and entry mode selection decisions (Koch, 2001). Also, it has been noticed from conversations with corporate, regional and country level managers that all of them possess different and valuable information and opinions relevant for the process. Therefore there will be an evaluation round with the relevant managers after each of the four main decisions.

The model by Root is specified towards consumer products and not towards, as is the case for Imtech Marine, industrial services. The original model was found to provide a solid base in order to design an entry strategy but will be specified towards industrial services by incorporating the specific characteristics of industrial services. These were found to influence the market selection, entry mode decision as well as the marketing plan (displayed in blue).

Step by step this literature review has answered the four sub-questions of the first research question. Now we can answer the first research question: “What is a suitable decision making framework for the internationalization process of an industrial service company?” As one should understand from the literature review, the answer to this question is: Root’s entry strategy model specified for industrial services as can be seen in figure 2.5.
The process initiated by Imtech Marine in Sub-Saharan Africa can be characterized as an internationalization process. It can be noticed that Imtech Marine is currently using a sales approach for the markets in the Gulf of Guinea (see table 2.1). First of all, there is no real time horizon; the company doesn’t have a plan for the future. A market analysis hasn’t been done so there is no clear idea of what the market looks like, how big it is and which segments are most interesting. Resource commitment is low, only one engineer is sent on a temporarily base to help customers and generate sales. An entry mode has not been considered, currently the business is organized low profile and in a legally grey area. These are some of the aspects that reveal the current sales approach of Imtech Marine in the Gulf of Guinea. Since Imtech Marine has gained some experience in these foreign markets it has acknowledged that a next step in the internationalization process has to be made. According to literature and specifically the theory by Root, moving from a sales approach to an entry strategy approach would be a logical next step for Imtech Marine. The (navcom) service activities of Imtech Marine can be qualified as industrial services. Therefore the entry strategy model by Root, specified for industrial services as has been explained in this literature review will be applied to Imtech Marine’s situation in Sub-Saharan Africa to design an entry strategy for the company. The application of Root’s adapted model (figure 2.5) to the case of Imtech Marine in Sub-Sahara Africa will be described in the next 4 chapters. These chapters will form the entry strategy for Imtech Marine in Sub-Saharan Africa.
A market entry strategy for an industrial services firm

Figure 2.5 Entry Strategy Model (adapted from Root, 1994).
3 INTERNATIONAL MARKET SELECTION

According to the entry strategy model, the first step in designing an entry strategy should be the market selection. As has been explained in the literature review, this should be done in three phases: (1) preliminary screening, where a large number of countries has to be screened as potential markets based on macro indicators, (2) estimating industry market potentials, a more refined estimate based on the number of final users in each segment, and (3) estimating company sales potential by looking at the entry conditions, competition, distribution channels and the consumer. The model by Root for selecting a target country can be found in the literature review. This chapter will address the 3 phases as proposed by Root that will result in a selection of the country/countries with the highest sales potential.

3.1 PRELIMINARY SCREENING

“Finagle’s Law on Information: (1) the information you have is not what you want; (2) the information you want is not what you need; (3) the information you need is not what you can obtain; and (4) the information you can obtain costs more than you can afford. Preliminary screening is intended to soften – if not eliminate – the impact of Finagle’s Law on the selection of target country markets.” (Root, 1994)

3.1.1 STATUS QUO

Imtech Marine’s presence in Africa is basically limited down to South Africa, Morocco, and Egypt. (Imtech Marine divides Africa in: (1) North-Africa; part of the business region India, Middle East and North-Africa, which is coordinated from the United Arab Emirates and (2) Sub-Saharan Africa; which is coordinated from South Africa.) In South Africa as well as Egypt, Imtech Marine operates multiple service stations in the major ports. In Morocco there’s an office in Tangier. The company has been providing service in other (Sub-Saharan) African countries (e.g. Nigeria, Angola, Ghana, Kenya) for a couple of years, but so far this has been very low profile and on a small scale. Usually there are just one or a few Imtech Marine engineers temporarily stationed in these countries, which are flown in and coordinated from the South African offices.

3.1.2 MARKET SEGMENTS

In order to provide the proper solutions to its customers, Imtech Marine has distinguished nine different vessel market segments (see appendix A). These nine segments will be the starting point for the preliminary screening as proposed by Root. In the following paragraphs the different market segments will be discussed on a macro scale for the whole African continent to give a first indication of where the most attractive markets are located.

3.1.3 MARKET SEGMENT: CARGO

The largest part of the world’s vessel fleet consists of cargo ships; hence it’s an important segment to consider. Figure 3.1 gives an overview of the global cargo vessel journeys; when considering Africa, one can clearly see a concentration of ship movements at the street of Gibraltar (Morocco), the Suez Canal (Egypt) and the Cape of Good Hope (South Africa). Besides this, Africa remains relatively untouched by cargo vessels. Some activity can be seen near Ghana/Nigeria, but this is minor compared to other routes. Figure 3.2 gives an overview of all African ports and their characteristics. This again shows the importance of Morocco, Egypt and South Africa as Africa’s main cargo hubs. A very useful measure to express a country’s maritime cargo traffic intensity is UNCTAD’s Liner Shipping Connectivity Index (LSCI). It captures liner shipping services to a country’s port(s) using five components: (1) the number of ships; (2) the container carrying capacity of those ships; (3) the maximum ship size; (4) number of services; and (5) the number of companies that deploy container
ships on services to and from a country’s ports. Table 3.1 gives an overview of a few relevant countries and their LSCI score, this again confirms the dominating roles of cargo shipping in Egypt, Morocco, and South Africa. As said before, Imtech Marine is present in these three countries. When it comes down to cargo vessels, Imtech Marine seems to be in the right locations in Africa to be able to provide service and maintenance activities to customers in the cargo segment.

![Image](image_url)

**Figure 3.1** Global cargo vessel journeys (Wired, 2010).

![Image](image_url)

**Figure 3.2** African ports and their statistics (TEU in thousands) (AfricanBank, 2010).
Table 3.1 Countries’ LSCI scores (UNCTAD, 2013).

<table>
<thead>
<tr>
<th>Country</th>
<th>LSCI score</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>157</td>
</tr>
<tr>
<td>Netherlands</td>
<td>87</td>
</tr>
<tr>
<td>Egypt</td>
<td>58</td>
</tr>
<tr>
<td>Morocco</td>
<td>56</td>
</tr>
<tr>
<td>South Africa</td>
<td>43</td>
</tr>
<tr>
<td>Mauritius</td>
<td>25</td>
</tr>
<tr>
<td>Nigeria</td>
<td>21</td>
</tr>
<tr>
<td>Djibouti</td>
<td>20</td>
</tr>
<tr>
<td>Ghana</td>
<td>19</td>
</tr>
<tr>
<td>Cote d’Ivoire</td>
<td>18</td>
</tr>
<tr>
<td>Congo</td>
<td>16</td>
</tr>
<tr>
<td>Namibia</td>
<td>16</td>
</tr>
<tr>
<td>Togo</td>
<td>15</td>
</tr>
<tr>
<td>Benin</td>
<td>14</td>
</tr>
<tr>
<td>Angola</td>
<td>14</td>
</tr>
</tbody>
</table>

3.1.4 Market segment: offshore oil & gas

For the sake of this research, the segments of supply/survey, offshore, and specials are summarized under the heading of offshore oil and gas, because this is the industry that most of these ships are related to. Africa has some major oil and gas-producing countries as can be seen in figure 3.3. Although this map is already a few years old and since new explorations have been done, the proportions haven’t changed; the biggest producers of oil and gas in Africa are respectively Libya, Nigeria, Algeria, Angola, Egypt and Sudan. Very recently some new discoveries have been done in Eastern Africa. Countries like Madagascar and Mozambique have started producing oil and gas as well. But this is still on a relative small scale compared to the incumbent countries (U.S. Energy Information Administration, 2013). Most of the oil and gas activities in the Northern African countries are onshore; hence they’re less interesting for Imtech Marine. The countries in Western Africa (e.g. Nigeria, Angola, Congo) on the other hand have most of their oil and gas projects offshore, making it an interesting target for Imtech Marine. This is made even clearer by looking at figure 3.4. Here one can see all operational offshore platforms world wide in 2012. Very obvious is the concentration of platforms in the Gulf of Guinea.

Except for tankers, other ships related to the offshore oil and gas industry have very different moving patterns than cargo vessels. Where cargo vessels generally move between countries and continents, offshore vessels remain in a specific area for a longer period. They only move between the closest port (for supplies and service) and the oil fields. This has an important implication for Imtech Marine, because where cargo vessels can choose to wait and acquire service in Europe (where prices are often lower) Offshore vessels have no choice but to stay in the area and pay higher prices for service. One must understand the diversity and quantity of vessels that take part in the offshore oil and gas business. First of all there are the drilling platforms, around it you have the floating production, storage and offloading platforms (FPSO’s) that store and treat the oil that comes form the drilling platforms. From the FPSO’s the oil is loaded into tankers for transport. Besides these main vessels, you have a whole array of supporting vessels; tugs, supply vessels, anchor-handling vessels, heavy lifting vessels, crew boats, accommodation barges, etc. Many of these vessels have sophisticated and expensive navcom equipment on board, which makes them an interesting segment for Imtech Marine.
A market entry strategy for an industrial services firm

Figure 3.3 Proved oil and gas reserves Africa (BP, 2006).

Figure 3.4 Global offshore platform locations (Infield, 2013).

3.1.5 Other segments

Based on information from the cruise market watch (2011), it can be seen that major cruise ports are mainly situated along the European shores of the Mediterranean and the Caribbean. We assume that these numbers also relate to the yacht market, hence the leisure market in total in Africa can be considered as negligible for Imtech Marine’s business. The naval market is a niche market that is relatively small compared to other segments, especially in Africa, where national navies are small and
underdeveloped (web, 2010). Because of this the naval market will not be of any consideration in this research. Inland shipping and fishery are also not considered as a target segment due to the low-tech character of the vessels.

3.1.6 TARGET SEGMENTS: OFFSHORE & CARGO IN THE GULF OF GUINEA

From this quick macro analysis one should understand the potential importance of the offshore oil and gas business in the Gulf of Guinea for Imtech Marine (the Gulf of Guinea is the stretch of ocean that borders Ivory Coast in the North down to the North of Angola in the South). Although offshore seems to be the most promising market segment, the sheer size of the world cargo fleet makes it a segment that should not be neglected although cargo activity in the Gulf of Guinea is relatively low and cargo vessels prefer to wait and acquire service and maintenance outside Africa.

Therefore the first part of this preliminary screening resulted in a focus on the Gulf of Guinea and a primary focus on offshore and secondary cargo. We will now continue by analyzing the countries in the Gulf of Guinea more specifically by looking at these two segments: Oil & gas and cargo. According to the LSCI ranking of UNCTAD, Nigeria is the highest rated country in the Gulf of Guinea followed by, Ghana, Côte d’Ivoire, Congo, Togo, Benin, and Angola. When looking at the offshore industry, Angola and Nigeria are by far the biggest producers of oil and gas in the area. Compared to these two countries, the rest of the countries almost seem negligible. Figure 3.5 again confirms this. Interesting to see though is the increase of offshore oil production in Ghana in the recent years.

![Figure 3.5 Offshore oil production African countries (Clarkson, 2013).](image)

Infield, an energy analyst, published a report on the African offshore oil and gas industry. A useful indicator in this report is the capital expenditure (Capex) in the offshore industry for the period of 2013-2017, (figure 3.6). This confirms the importance of Angola and Nigeria as major oil producers, also in the coming years. A surprising third place is for Ghana. Although Ghana is a relatively small producer, it’s expected to grow the coming years, this explains the high expected capital expenditures and is consistent with the information given in figure 3.5.

![Figure 3.6 Offshore Capex Africa (Infield, 2014).](image)
3.1.7 CONCLUSION OF THE PRELIMINARY SCREENING

According to Root, the purpose of preliminary screening is to identify country markets whose size warrants further investigation and try to minimize two errors: (1) ignoring countries that offer good prospects for a company’s generic product/service, and (2) spending too much time investigating countries that are poor prospects. To minimize the first, the whole of Africa was observed. To minimize the second error the preliminary screening was done quick and focused on the segments as specified by Imtech Marine based on quantitative data available from public sources.

Preliminary screening and market selection in general is mainly focused on market factors. Based on this, Angola and Nigeria are chosen as countries to continue investigating because of the size of their oil and gas industry. Of course do nonmarket factors play an important role as well in market selection. But according to Root’s model, these will be discussed in the entry mode choice section. Therefor non-market factors will not be discussed in this chapter, however, because of the iterative nature of the model they will influence the market selection. One important implication of this is the selection of Ghana as a potential market. Not so much for its market potential but because of its relatively stable and good investment climate and political landscape, more about this in chapter five.

The preliminary screening of the markets in Africa and a discussion with the Imtech Marine management resulted in a preliminary focus on Angola, Ghana and Nigeria.

However this doesn’t mean that countries that didn’t make it through the preliminary screening are not an option. Because of time constraints the markets with the highest potential will be selected, and the lesser ones will be left out. However, these lower market potential markets can still be a viable option for an entry. In the two remaining sections of this chapter the industry market potential and company sales potential of the three countries will be estimated.

3.2 INDUSTRY MARKET POTENTIALS

“Industry market potential (IMP) is defined as the most probable total sales of a product or service by all sellers in a designated country over strategic a planning period. IMP, then, is total industry sales projected over a lengthy future period, say three to five years. It is management’s judgment of how big the industry market is now and how it is likely to grow in the future” (Root, 1994). There are two approaches to estimate industry market potential: (1) the top-down and (2) bottom-up. The top-down approach is well suited where economic and social statistics are used as predictor variables. The bottom-up approach is more suitable to industrial products that have a limited number of identifiable end users (Root, 1994). Since specific economic and social data is lacking, the bottom-up method will be used to estimate an industry potential in table 3.1.

Table 3.2 Industry market potentials.

<table>
<thead>
<tr>
<th></th>
<th>Angola (Luanda)</th>
<th>Ghana (Tema)</th>
<th>Nigeria (Bonny)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port calls (annually, #ships)</td>
<td>6500(^1)</td>
<td>1600(^2)</td>
<td>7000(^3)</td>
</tr>
<tr>
<td>Ships in need of service</td>
<td>25%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>Industry market potential</td>
<td>1625</td>
<td>320</td>
<td>2100</td>
</tr>
<tr>
<td>Average revenue per ship</td>
<td>€ 3.000</td>
<td>€ 3.000</td>
<td>€ 3.000</td>
</tr>
<tr>
<td>Industry market potential</td>
<td>€ 4.875.000</td>
<td>€ 960.000</td>
<td>€ 6.300.000</td>
</tr>
</tbody>
</table>

---

\(^1\) Port calls acquired from IHS

\(^2\) [http://ghanaports.gov.gh/tm/default](http://ghanaports.gov.gh/tm/default)

\(^3\) Very rough estimate, specific data was not obtained, explanation in chapter 7
Now that three countries have been chosen we can see what that specifically means for Imtech Marine. The company wants to be near a concentration of ships, which of course is a harbor. In Angola the main harbor is located near the capital Luanda. Luanda harbor deals with cargo traffic as well as offshore vessels. There are other ports in Angola, but these are negligible in size compared to Luanda. Ghana has two ports: Takoradi and Tema, which are comparable in size and activities. Observing port calls using HIS live, the offshore vessels activity seems very low in these ports. Nigeria has many harbors, of which the largest (Apapa) is located near the capital Lagos. Apapa is the main cargo harbor of Nigeria, but offshore activities are located at the other side of the country in the west in the Niger delta area. In the Niger delta there are three harbors relatively close to each other; Port Harcourt, Onne, and Bonny, all three mainly focused on offshore vessels. Observing port calls using IHS this is confirmed by noticing a high count of offshore-related vessels. The respective harbors and its port calls (=total amount of ships that arrive in the harbor annually) form the foundation for the estimation of the industry market potentials. To determine an industry market potential, the total port calls are multiplied by 0,25. This is an assumption used by Imtech Marine in major ports around the world. According to Imtech Marine, 25% of the ships that enter a major harbor are in need of some sort of navcom service/maintenance. Throughout the years this estimate proved to correspond with actual service calls. Because the amount of ships that dock in Ghana is relatively low, the percentage was lowered to 20%. Because offshore activity is the main business in eastern Nigeria, the number was raised to 30%. Multiplying the annual total port calls by these percentages results in an industry market potential expressed in number of vessels. Since we want to express the industry market potential in money we need an average revenue per ship. By looking at the total revenue of Angola in 2013 and dividing it by the amount of ships serviced, an average revenue of €3000,- was found. By multiplying the amount of vessels by €3000,- we get an industry market potential. This clearly shows that Nigeria is the biggest market followed by Angola and Ghana.

The estimates that were calculated so far are based on historical data. As Root mentions correctly, it’s also very important to get an idea of future growth (or decline) of the markets. For the past years, the number of port calls has been growing. However, this of course doesn’t give any certainty for the future. Two important indicators for growth are a countries GDP forecast, and the oil price. It has to be noted though, that the oil price also partly determines the GDP growth, and this again depends on the size of a countries oil industry compared to the rest of its total revenue. So the GDP of a country that relies heavily on its oil industry will be more sensitive for oil price fluctuations than a country that has a more diversified GDP revenue, table 3.2 gives an overview of these numbers for Angola, Ghana, and Nigeria. All three countries’ GDP is expected to grow considerably for the coming years, where Nigeria shows the most potential. Of all three countries, Angola’s economy is most depending on the oil industry. Nigeria’s economy is more diversified than Angola’s, which makes it less vulnerable to oil price fluctuations than that of Angola. Ghana is least depending on its oil industry (although this is expected to increase in the future), but this of course mainly due to its smaller size compared to Angola and Nigeria.

<table>
<thead>
<tr>
<th></th>
<th>Angola</th>
<th>Ghana</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average GDP growth</td>
<td>5,9% (2015-2019)</td>
<td>5,5% (2015-2018)</td>
<td>&gt; 6% coming years</td>
</tr>
<tr>
<td>Size of oil industry as part of GDP</td>
<td>45%</td>
<td>6%</td>
<td>35%</td>
</tr>
</tbody>
</table>

1 IHS live is an internet browser based ship tracking tool that lets you see ship movements all around the world.
3.3 COMPANY SALES POTENTIALS
Root defines the company sales potential (CSP) as: “the most probably sales of a company’s product in a designated country over a strategic planning period, given assumptions with respect to entry mode and marketing effort. CSP may also be viewed as a company’s most probable share of a country’s industry market potential. In order to come up with a CSP, certain aspects have to be analyzed: competition, distribution channels, and consumer/user.

3.3.1 COMPETITIVE AUDIT
In order to get an idea of Imtech Marine’s sales potential in Angola, Ghana, and Nigeria, it’s important to understand the competition. Root provides a list of 19 points that should be examined in order to do a full competitive audit. Researching these 19 aspects of the audit would generate a perfect competitive picture of the market. It is not within the scope of this thesis to provide a competitive analysis this detailed. It simply takes to much time and often data and information are missing. The African market is un-transparent and dynamic, a lot of information is missing because it doesn’t get registered and many companies operate on a low profile base. Basically there are three different kinds of companies competing in the market: local companies, foreign companies with a local permanent presence (branch office/legal presence), and foreign companies without a legal presence often operating on an ad-hoc basis (Imtech Marine’s current status). The information for this competitive audit has been acquired through the internet and Bron Sykstus, Technical Manager of Imtech Marine South Africa, who’s experienced in the markets of Angola, Ghana and Nigeria. In appendix B, an overview of the competitive landscape of all three countries can be found. Although this analysis is very basic, combined with the information provided by Bron, it does reveal some useful facts. In Angola there’s only one local company present where the other companies are all South African without a branch office, this characterizes the market as atomistic. In Ghana there are only two companies active, this resembles the relatively smaller size of the market in Ghana, hence the market can be characterized as a combination of monopoly and oligopoly. Nigeria is the most competitive market. There are a couple of big players (Radical Circle, Charkin, Gyra, and Multidigital) and many smaller companies, hence the market can be characterized as oligopolistic.

3.3.2 CONSUMER/USER
Imtech Marine delivers industrial services. Services are to some extent produced and consumed simultaneously, which means that the customer participates in the production process (Gabriel, 2006). In case of service activities, the customer, and Imtech Marine engineers have to congregate in order to solve a problem. This means the customer has to come to the location of Imtech Marine or the Imtech Marine engineer has to go to the client and board the vessel. In case of a rig it’s inevitable that the engineer has to go to there. As just has been explained, downtime is unacceptable in the offshore industry, therefore activities have to be coordinated and executed on a very short notice since defects happen unexpectedly.

Service activities are bought and used by the technical manager or charterer of the vessel. The main focus for Imtech Marine in West Africa will be vessels related to the offshore oil and gas industry. Particularly the anchor handling tugs (AHTS) and platform support and supply vessels (PSV), because these two types form the majority of the global offshore fleet (Clarksons, 2013). Vessels related to the offshore are an interesting target for Imtech Marine, because most offshore vessels have a more sophisticated and expansive navcom package, usually with dynamic positioning systems, compared to for instance cargo ships. These vessels also cannot afford any downtime and losses are generally much higher than cargo vessels due to the huge amounts of money and contracts involved in the oil industry, so they do not take risks. According to Clarksons, in West Africa, the incremental demand for AHTS’s and PSV’s will come from deep-water projects in Angola, Nigeria and Ghana (Clarksons, 2012). By looking at vessel activity in these waters using IHS live, the high amount of PSV’s
and AHTS’s is confirmed. For Imtech Marine it’s important to know which companies employ the vessels in these countries. According to IHS, the vessels market is top heavy, with Tidewater, Bourbon and Sanko Line forming around a 50 per cent share of the market (IHS, 2011). Other operators can be seen in figure 3.7.

Figure 3.7 Fleet split by manager (IHS, 2011).

### 3.3.3 Final Decision

Based on the previous paragraphs and a discussion with Bron Sykstus, it is estimated Imtech Marine can attain an initial market share of 50% in Angola as well as Ghana. This is because the quality offered by the local companies is very low, Imtech Marine will outcompete them by quality easily. Although this comes at a price for the customer, a 50% market share is considered realistic. In the near future a bigger market share, near 100%, seems realistic. Due to the oligopolistic and mature characteristic of the Nigerian market, an initial market share of 50% is considered not realistic. A 25% market share is a safer and probably more realistic estimate. When we take the industry market potential that was estimated in the previous paragraph as a starting point and multiply it by the market shares, we get the company sales potential for the three countries, see table 3.4. It can be seen that Angola is the most attractive market. Some remarks have to be made when considering this number.

#### Table 3.4 Company sales potential.

<table>
<thead>
<tr>
<th></th>
<th>Angola</th>
<th>Ghana</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry market potential</td>
<td>€4.875.000</td>
<td>€960.000</td>
<td>€6.300.000</td>
</tr>
<tr>
<td>Initial Imtech Marine market share</td>
<td>50%</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td>Company sales potential</td>
<td>813</td>
<td>160</td>
<td>525</td>
</tr>
<tr>
<td>Company sales potential</td>
<td>€2.437.500</td>
<td>€480.000</td>
<td>€1.575.000</td>
</tr>
</tbody>
</table>

- First of all, these are rough estimates. Exact numbers are difficult to come by due to a lack of data and information. However, it’s believed that these numbers give a reasonable estimate of the market size.
- Secondly, the estimate doesn’t include oilrigs and construction vessels, because this information was not obtainable. This causes the current market size number to be an underestimation of the real market size.
- Thirdly, the market estimates are based on the nation’s most relevant port. A national market estimate would give a much higher number. This was not achievable due to a lack of data. Consequently this causes the current number to be an underestimation as well.

According to Root, the sales potential of a company is an important factor in choosing for a specific country, but definitely not the only one. Many other factors are considered in chapter 5, the entry mode decision. Due to the iterative nature of this approach, they also influence the market selection.
The two most important factors next to market factors were found to be the political risk, and the business climate. Respectively specified by AON and the World Bank. They will be explained in more detail in chapter five. The market factors and political risk and investment climate are summarized in a comparative analysis as can be seen in table 3.5. This was presented to the Imtech Marine Management in Rotterdam as well as South Africa. All four managers, Bron Sykstus (General manager South Africa), Todd Gaine (Former General manager South Africa), Nico van Leeuwen (Director Global Sales Services), and René ten Brinke (Director Global Services) independently chose for Angola. They clearly weighted the market factors the heaviest which can be translated to a statement made by the African Development Bank: “While Angola is a difficult environment in which to do business, it should be weighed against the significant opportunities presented by the rapid expansion of its economy” (African Development Bank, 2012). A discussion of the Angolan economy can be found in chapter five. Although one can disagree with the choice for Angola, the decision was made to agree with the management and choose Angola as the country for market entry and hence further develop the entry strategy.

Table 3.5 Comparative analysis of countries.

<table>
<thead>
<tr>
<th></th>
<th>Angola</th>
<th>Ghana</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offshore market size</td>
<td>Medium/large</td>
<td>Small</td>
<td>Large</td>
</tr>
<tr>
<td>Offshore market prospects</td>
<td>Good</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>LSCI ranking (UNCTAD)</td>
<td>13,8</td>
<td>19,4</td>
<td>21,4</td>
</tr>
<tr>
<td>Competitive structure</td>
<td>Atomistic</td>
<td>Mono-/Oligopolistic</td>
<td>Oligopolistic</td>
</tr>
<tr>
<td>Political risk (AON)*</td>
<td>Medium-high</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Business climate (World bank)**</td>
<td>179/189</td>
<td>67/189</td>
<td>147/189</td>
</tr>
</tbody>
</table>
4. GOALS AND OBJECTIVES IN THE TARGET MARKET

Now that a target market has been chosen in phase one of the entry strategy design, the second step is setting goals and objectives for this target market. The market selection in the previous chapter concluded Angola to be the market of choice. So in this chapter we will set the goals and objectives for the Angolan market for Imtech Marine. First we will define Imtech Marine’s corporate mission, vision and strategy. This is followed by the ambition, goals, and strategy for Africa that have been defined by the management in South Africa. Finally, the goals and objectives for the Angolan market will be defined based on the corporate, and African goals and objectives combined with the results from the market selection done in the previous chapter.

4.1 CORPORATE MISSION, VISION & STRATEGY

The mission, vision and strategy are of major importance to an internationalization process of a company. These three concepts form the foundations of the internationalization process and should always be kept in mind to be sure decisions are made that are in line with the mission, vision and strategy that have been set by the upper management of the company. Besides describing these three rather generic concepts it is important to look at the consequences they have for Imtech Marine in Angola specifically.

Mission

Imtech Marine’s mission is to be the sustainable, reliable, global and technical partner for professionals in the marine industry. They want their technological solutions to work and yield measurable results and they want them to improve business as well as society.

Vision

“Our goal is to be a leading player in the global maritime market. We will realize this by delivering industry-leading technological solutions and 24/7 reliable services to our customers. Matching their needs, ensuring uninterrupted operations and exceeding their expectations.”

Strategy

Imtech N.V. and hence Imtech Marine have recently experienced some major structural and financial problems resulting in a change of management and a new strategy. The company has a history of growing by acquisitions of companies, this has been changed to a focus on organic growth, that is, expanding/improving existing businesses instead of acquiring new business. Furthermore has the company formulated three general strategic principles based on the value disciplines by Treacy and Wiersema (1992).

- Customer focus
- Operational excellence
- Technological leadership

The focus of the service business will in the first place be on operational excellence and to a lesser extent also on customer focus. This means the delivery of the service should be flawless, resulting in high quality customer service, growth of the service activities (revenue) and improved operational performance (margin). For the service and maintenance business unit, three specific strategic implications were derived from the main strategy to achieve these goals:

- From unplanned on demand service to planned maintenance. Currently most services are based on demand requests. Although Imtech Marine always wants to meet customer’s needs
and wishes, planning standard jobs in advance will result in a more effective and efficient workflow, higher productivity and better margin. In order to do this, service processes are being optimized globally. A cost price calculation tool is being build that consists of a maintenance library with (standard) NavCom jobs, maintenance norms and cost rates. This will bring benefits to the customer as well as Imtech Marine.

- **Expand number of technologies to be serviced.** Due to the increasing complexity of onboard systems, the knowledge on board reduces. This creates new market opportunities. By expanding the service portfolio from mainly NavCom to also other technologies Imtech Marine will be able to create more added value for both customers as well as the organization itself.

- **Remote monitoring, analysis and maintenance** provide the customer with information about their systems and equipment on board wherever the vessel is. By monitoring and analyzing data, Imtech Marine can support customers in improving the performance of their vessels and advise about operational performance and maintenance to be done in time.

### 4.2 IMTECH MARINE’S GOALS, STRATEGY AND AMBITION IN WEST AFRICA

The previously stated general strategy of course also applies to Africa, but in order to get a better feeling of the African market specifically, the management in South Africa was asked to provide their specific strategy, goals and ambition. These will be kept in mind if later on any decisions have to be made during the internationalization process. The goals, strategy and ambition of Imtech Marine in West Africa according to the South African Management are stated as follows:

**Ambition**
- To expand Imtech Marine’s sales/service operations to all Africa’s resource-rich countries.
- Provide healthy competition in that specific country.
- Become a truly powerful company in Africa.

**Goals**
- Maximize revenue generation.
- Establish a legal presence.
- Gain access to government contracts through local partner. (Often a local partner is a necessity in order to gain government contracts)
- Provide more focus on offshore oil and gas through incountry marketing as well as expanding Imtech Marine service ability to other market areas such as Cargo, fishing, leisure and land.
- Boost sales opportunities
- Invest in technical training in the form of internships and technical studies to increase technical ability, trust, and loyalty of the local staff.

**Strategy**
- Maximize on all opportunities from market research
- Obtain a suitable and trustworthy local partner in each country.
- Use current Imtech Marine staff complement as branch/service managers thus maintaining current momentum and relationships.
- Build on current business foundation (service depots).
- Hire suitable and trustworthy work staff from that specific country.
- Obtain and secure representation from overseas manufacturers in the respective countries.
- Secure additional maintenance agreements as a legal local entity.
- Expand to other electronic market segments
4.3 **OBJECTIVES AND GOALS IN THE ANGOLAN MARKET**

The primary goal for Imtech Marine in the Angolan market is derived from the focus on operational excellence as stated in the corporate strategy hence the maximization of revenue generation and the market selection from the previous chapter and can be stated as follows:

**The primary goal for Imtech Marine in the Angolan market is to maximize revenue generation. Within five years the revenue will have to increase from €550.000 to €2.500.000 while acquiring a positive NPV investment within 3 years (see appendix D).**

In order to achieve this primary goal, multiple sub goals have been defined:

- **A 50% market share (navcom service market) will have to be attained after 1 year. This will be attained by focusing on the offshore sector (specifically PSV's and AHTS's) and secondary on the cargo sector. Exposure will have to be gained by acquiring representation of manufacturers, focusing on planned service/contracts, gaining exposure from local agents, and an international marketing campaign.**
- **Competitive advantage will be pursued in the form of differentiation focus by delivering unparalleled quality of service for a premium price. Availability of spares, first time right, and trained engineers is paramount.**
- **Grow the number of engineers. Hire and train locals.**
- **Establish a legal entity, and if necessary, find a reliable partner. Invest the required amount of money.**
- **Minimize risk**
- **Build on current business foundation**
- **Expand portfolio beyond navcom.**
- **Maintain a 50% profit margin**
- **Specific marketing goals can be found in the marketing plan.**
A market entry strategy for an industrial services firm

5 ENTRY MODE SELECTION
The entry mode selection will be done according to the model that was presented in the literature review (figure 2.3). The model divides the selection process in two stages: (1) an analysis of the different entry modes based on internal and external factors, this will result in the rejection of the least feasible entry modes (figure 5.1), and (2) a comparative analysis of the remaining entry modes, based on profit contribution, risk and nonprofit objectives, in order to make the final choice of entry mode.

![Diagram of entry mode selection model](image)

Figure 5.1 Factors in the entry mode decision (Root, 1994).

5.1 INTERNAL AND EXTERNAL FACTORS
Root suggests that by evaluating the internal and external factors as displayed in figure 5.1, certain entry modes can be excluded from further analysis. In his book he discusses every factor and provides multiple sub-factors to determine which entry mode is suitable in a certain situation. This is a very clear and systematic method, but also time consuming. The literature review showed that the characteristics of industrial services could have an important influence on the entry mode decision. Root does mention the distinction product/service as one of the company product factors, but doesn’t go into the details of the differences between products and services. Therefore the characteristics of industrial services, as discussed in the literature review, will be added as a product factor that determines entry mode.

The characteristics of industrial services proved to influence the entry mode decision for Imtech Marine as well, since the very nature of its services excludes some entry modes. Exporting as an entry mode for Imtech Marine will be impossible because of the inseparability of the production and the consumption of the service. The heterogenetic-, intangible-, and high-tech character of Imtech Marine’s services makes it very difficult to standardize and transfer to others. Therefore, licensing and contractual agreements as a potential entry mode for Imtech Marine will not be a viable option. This brings us to the following statement by J. K. Johansson (2009): “where the service delivery requires local presence and the service is complex and standardization accordingly less feasible, the mode of entry involves either an alliance or FDI.” This means that to this point the remaining possible entry modes for Imtech Marine in Angola are: Acquisition, Greenfield, Joint venture and Strategic Alliance. As has been said in the literature review: “Unlike in a joint venture,
companies that engage in a strategic alliance do not form a new entity, but collaborate while remaining apart.” Because of the fundamental problem of this research that the business in the Gulf of Guinea cannot grow in its current configuration and a legal entity has to be established, a pure strategic alliance is not feasible. Consequently only three entry mode options remain viable which are all considered FDI: (1) acquisition, (2) Greenfield, (3) Joint venture. A strategic alliance can be an addition to either one of them.

Root states that: “A common reason for joint-venture entry is the prohibition or discouragement of sole-venture entry by the governments of some developing countries. Such joint ventures represent a second-best investment entry strategy, a strategy dictated by government rather than business policy. For most companies that want to invest abroad, the first-best entry strategy remains the sole venture (Root, 1994).” This conforms to the desire of the Imtech Marine management to start as Greenfield. Reasons for this that they mention can be summarized as risk and control related. The statement just quoted by Root does reveal an important aspect that has to be considered when making an entry mode decision; the government regulations and policy towards foreign investment.

Although Root advises to evaluate many different kinds of factors that might determine entry mode choice, a preliminary study showed that there are two sub factors that will have a decisive influence on entry mode choice: (1) the characteristics of industrial services, which limited the entry mode choice down to FDI. (2) Government policies and regulations towards FDI. The outcome of the research into the legislation will determine what specific form of FDI will have to be used by Imtech Marine in Angola to enter the market. In appendix C, an evaluation of the investment climate of Angola, Ghana, and Nigeria according to Root’s checklist can be found. This is to get a general understanding of the political, economic and sociocultural character of the countries and specifically the policies and regulations of the governments regarding FDI. Due to the iterative character of the research, the investigation of the investment climates of the countries also influenced the market selection in chapter 3.

A further analysis of internal and external factors was considered but not found useful. This would take a lot of time, and most factors are discussed elsewhere in this thesis already, although not related to the question of entry mode. Three alternatives was found to be a good amount of viable options to move on to the second part of Root’s model of deciding on the right entry mode, that is a comparative analysis of profit contribution, risk and nonprofit objectives.

5.2 Comparative Analysis

General understanding of entry modes

The analysis of the internal and external factors limited the choice of entry modes to Joint venture, acquisition, and Greenfield (plus strategic alliance). The second step in the entry mode decision process is a comparative analysis of financial, risk and nonprofit objectives related to these entry modes. The different dimensions discussed here for the three different entry modes and their quantification highly depend on the specific situation in Angola. The ideal situation would be to compare based on the consequences each mode has in the Angolan market. But the exact consequences for the dimensions in Angola were difficult to judge due to a lack of financial data, ambiguous FDI legislation and uncertainty about a possible partner. Root acknowledges the difficulty of his method of comparing entry modes based on exact information from the specific country. He states: “A crude use of this approach will still encourage managers to raise the necessary questions about entry modes, and thereby will guide them in the direction of the right entry mode for a target market” (Root, 1994). Therefore a general summary of the three entry modes is discussed and presented here (figure 5.2).
A market entry strategy for an industrial services firm

Table 5.1 Comparative analysis of entry modes.

<table>
<thead>
<tr>
<th></th>
<th>Joint Venture</th>
<th>Acquisition</th>
<th>Greenfield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return</td>
<td>low/medium</td>
<td>high</td>
<td>medium</td>
</tr>
<tr>
<td>Initial investment</td>
<td>medium</td>
<td>high</td>
<td>low</td>
</tr>
<tr>
<td>Break-even (after x years)</td>
<td>medium</td>
<td>late</td>
<td>fast</td>
</tr>
<tr>
<td>Risk</td>
<td>medium</td>
<td>high</td>
<td>medium</td>
</tr>
<tr>
<td>Control</td>
<td>medium</td>
<td>high</td>
<td>high</td>
</tr>
<tr>
<td>Integration</td>
<td>low</td>
<td>medium</td>
<td>high</td>
</tr>
<tr>
<td>Host government satisfaction</td>
<td>high</td>
<td>medium</td>
<td>medium</td>
</tr>
<tr>
<td>Reversibility</td>
<td>medium</td>
<td>problematic</td>
<td>relatively easy</td>
</tr>
<tr>
<td>Network gains</td>
<td>high</td>
<td>high</td>
<td>medium</td>
</tr>
</tbody>
</table>

Return can be expected to be relatively low in a joint venture due to the fact that revenue has to be shared with the partnering company, on the other hand, the support and knowledge of the local partner can have a positive influence. An acquisition might generate a high return because it gives a faster start in exploiting foreign market opportunities. Greenfield will need more time to generate revenue due to the fact that it is build up from scratch and will need time to operate properly in the market.

The initial investment of a joint venture depends on the amount of money that both companies are willing to invest, but is usually lower than a greenfield where the company can decide for itself the amount of money to invest (although this might be totally different when a country has regulated the minimum amount of investment required to start a company, this seems to be the case in Angola, more on this later). An acquisition is generally considered to need the highest initial investment, because of the price of the target company’s assets. The breakeven completely depends on the height of the return and the initial investment, but one should understand that a high initial investment will cause a late breakeven, considering only small differences in return for the three entry modes.

Although a joint venture will help you to minimize certain risks, mainly because the local partner has the knowledge of the business environment, this partner also means an extra risk to your organization. A conflict with your partner can have major consequences for your business especially in a country as Angola where resolving insolvency and enforcing contracts can be very problematic (see appendix C for further explanation). An acquisition can be even more risky due to the high investment and any possible concealed problems that arise later. The risk for a Greenfield is medium, the amount of invested money is relatively low, but the inexperience in the country and the absence of a partner that can support you can cause unforeseen problems.

Control will be high for both a Greenfield and an acquisition, because in both cases the company is 100% owned. Control in a joint venture will be lower because there will be another company that has a certain control. This might mean compromises. Because a Joint venture doesn’t give you 100% control over the local company, it’ll be more difficult to integrate in the parent company. For an acquisition integration should be less of a problem, although it might need a lot of time to change people and policies to be in line with the parent company. Integration for a Greenfield should be the easiest of the three because you don’t have to take into account any partners. People
and policies can be trained and organized according to the parent company’s standards straight from the start.

Some governments have their legislation targeted at foreign investors to form some kind of joint venture or partnership with a local party. This way there will always be some kind of local influence in the company. Therefore starting as a joint venture might please local governments, which might result in tax reductions and other incentives. Starting as a Greenfield on the other hand might be more problematic and costly. Acquisition can be considered less desirable by governments because acquisitions do not make much economic contribution and just displace local ownership with foreign ownership. Again, this can have negative consequences.

It might be problematic to stop or leave a joint venture since certain commitments have been made in cooperation with the joint venture partner. An acquisition is even more problematic due to the high initial investment that has been made. Finding a buyer that is willing to pay enough for the company might solve this problem. A Greenfield entry is the least problematic if the decision is made to exit the market. The initial investment is relatively low, and there are no commitments towards partners.

Network gains for a joint venture and acquisition are high due to the experience and knowledge of the partner in the local market. This is not the case for a Greenfield where there’s no partner with local knowledge and support.

**ENTRY MODES IN ANGOLA**

Root states that there’s no objective procedure to capture the comparative analyses in a single number, consequently, managers must use their own judgment in making the overall assessment. The above comparative analysis is quite general and hasn’t been adapted to Angolan legislation and financial consequences. The reason for this is that the exact consequences of Angolan foreign investment legislation for the comparative analysis are difficult to determine, and some will only become clear after negotiations with the Angolan government. Apparently things are not as black and white as Root’s model suggests. Also the Angolan investment policy proved to offer entry modes not predicted in the model. Many online documents explaining the Angolan foreign investment law have been studied to get a better understanding of these laws. These are the most important observations from studying Angolan investment law:

According to the Angolan national private investment agency (ANIP), there are three options for foreign investors to establish a physical presence in the country (ANIP, 2013):

- **Representative office.** A representative office is established for the purpose of looking out for the interests of the foreign firm it represents. It has no independent legal authority, which causes it to be subject to a number of restrictions. Therefore, a representative office is not advisable for foreign investors that want to engage in regular, long-term economic activities in Angola, or intending to make major investments.

- **Branch office.** According to ANIP, branch offices are the most common form of representation for foreign firms in Angola, because it permits foreign investors to do business in Angola on the same terms and under the same conditions as firms legally established in Angola although a branch office lacks an independent legal identity. This means that the parent company (Imtech Marine South Africa) assumes unlimited liability for the Angolan subsidiary.

- **Corporation.** Different forms of limited partnerships. This can be done by setting up an Angolan company in which the foreign company is shareholder or by acquiring shares in an Angolan company.
Since the beginning of the operations of Imtech Marine in Angola, labourforcervices (LF services) has been involved in the operations as local partner, representing Imtech Marine in Angola as host employer and taking care of all HR and legal matters. The management in South Africa experienced LF services as a valuable and reliable partner, and consider them to be of significant importance in any future plans. There has been contact by Skype and email with LF services regarding the establishment of a full-scale legal entity of Imtech Marine in Angola. They have been providing legal assistance in understanding the foreign investment regulations, since they proved to be complicated and ambiguous. LF services acknowledges the fact that Angola does not constitute an easy internationalization market, but that it’s worth investing in because it will be a fruitful market for decades to come. Therefore LF services supports Imtech Marine’s expansive move and even offered to be a minority partner in any future partnership. LF services advises Imtech Marine to enter the market in the form of a branch and later on convert into a subsidiary. “A branch is, without any doubt, the juridical adequate instrument for a company to assess external markets in order to give its first steps in a sustained and cautioned way. Once the commercial and economic activity of the branch increases, it demands for a higher degree of independence, which can be materialized in a subsidiary.”

The main reason according to LF services for Imtech Marine to eventually convert into a subsidiary is because of the unlimited legal status of a branch. “Nevertheless, we advise Imtech to consider the possibility of being converted into a subsidiary for the single reason that, as we already stated, the liability of the parent company extends to all activities performed in Angola by Imtech Angola, in a joint, several and solider basis.”

Despite LF services’ support, until this moment, a final entry mode decision hasn’t been made yet. The most important points that cause confusion are:

• A $1 million minimum investment requirement. This seems to apply to any entry mode except for a representation office. Although this is an extremely high investment requirement, the only other possible way to circumvent this so far seems to be by using Angolan nationality partners to represent the interests of the foreign company as formal holders of its shares in limited liability commercial companies.

• It seems possible to start a company by investing less than $1 million, but the consequences of this are no tax reductions, and no repatriation of funds. Especially the exclusion of repatriation of funds is problematic.

• The rules regarding compulsory partnerships remain vague.

• It’s not certain if Imtech Marine will be considered “offshore”, this industry has special legislation.

• The advice by LF services to convert into a subsidiary, although the legal status and consequences of a subsidiary remain unknown and are not mentioned in Angolan investment laws. (Highly likely to be some form of corporation).

When looking at the three entry modes discussed in the comparative analysis, it seems that a pure Greenfield entry is not possible. The Angolan rentier culture basically forces business to “partner” with members of the political and military elite (Economist, 2014; Wallace, 2014). This automatically forces Imtech Marine to engage in a joint venture or some form of partnership. This has disadvantages in the form of extra costs, generally some kind of fee has to be paid to the local partner. But it also brings in extra risk in the form of some amount control that has to be given away hence creation of extra uncertainty. On the other hand, a partnership can also bring benefits, in fact, foreigners looking to do business in Angola are often advised to find a local partner (Investment, 2013). A local partner can facilitate in the process of establishing in Angola by providing a greater integration into the local networks, help overcome obstacles and navigate the complicated regulatory and bureaucratic environment (Bank, 2012). However, finding the right local partner is not easy. This
configuration, a partnership with a local person or party, has also been used for the Imtech Marine subsidiaries in Brazil and Dubai. Acquisition is not in line with the corporate strategy, Imtech Marine has evidently made clear to grow organically. On the other hand, interesting acquisition targets haven’t been seen in Angola yet either.

All three options have positive and negative aspects and can be a justifiable option. But in the end it seems that Angolan legislation will be the decisive factor that will determine the entry mode. LF services is a reliable and valuable partner in the process of understanding the legislation, but also as a potential entity partner. Because, from what we understand from the legislation so far, some form of joint venture or partnership with an Angolan stake has to be made in order to establish a legal entity in the country. It’s highly likely that an amount of $1 million dollar has to be invested in order to be granted access to the Angolan market in the form of a legal entity. This amount has been used as a worst-case scenario in the NPV calculation (appendix D). It shows that a positive NPV value can be attained within three years if the amount of $1 million has to be invested. In order to get a decisive final answer the following is recommended:

- Research the exact consequences of a branch office and subsidiary regarding investment requirement, tax, HR, partnerships.
- Contact Dutch Embassy to get an independent judgment of the entry mode proposal.
- Continue cooperation and communication with LF services.
- Increase commitment to speed up the process, it’s advisable to give responsibility to someone with a legal background.
- Engage in the process of registering a legal entity. Things might get clear along the way. Continuing to try and increase the understanding of the legislation might strangle the process.
6 MARKETING PLAN

The final step of the entry strategy is the marketing plan. Once the target market has been identified, the marketing plan will specify objectives and strategies for that specific market by identifying sources of competitive advantage (McDonald, 1992). As has been explained in the literature review, first a strategic marketing plan has to be written, followed by a tactical marketing plan. At the time of writing this thesis, Imtech Marine did not have a strategic marketing plan. Therefore the decision was made to write a strategic marketing plan for the Angolan market, but not to write a tactical marketing plan because of time constraints. The strategic marketing plan will start with a SWOT analysis that is a summary of the market analysis that has been done in the previous chapters. After the SWOT analysis the six characteristics of industrial services will be discussed and its implications for the marketing plan. The final paragraph will specify the strategic marketing plan based on the seven P’s. Many of the routines that are described in the marketing plan are being applied in the Imtech organization already, but they haven’t been recorded in a strategic marketing plan. The literature review gave multiple reasons why it’s useful to record the information in a strategic marketing plan. Therefore this will be a valuable document for Imtech Marine. Although this marketing plan is specified for the Angolan (offshore) market, its strategic nature makes it quite generic and broadly applicable. A tactical marketing plan would normally contain action programs, telling what exactly has to happen, who is going to do it, when it has to happen and what it is going to cost. The strategic marketing plan will not go further than explaining strategic decisions that later on will have to be specified further in a tactical marketing plan.

6.1 SWOT ANALYSIS

The SWOT analysis emanates from the market analysis and gives a brief overview of the key factors for Imtech Marine in Angola. The marketing mix will be based on the SWOT analysis.

Table 6.1 SWOT-analysis Imtech Marine Angola.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Practical implication</th>
<th>Strategic implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Member of the worldwide service network</td>
<td>Customer database, support (tech, logistics/spares, etc.) from South Africa and Rotterdam, local knowledge</td>
<td>Exploit network opportunities</td>
</tr>
<tr>
<td>2. Only major Maritime service organization in the local market</td>
<td>Able to deliver superior quality in the local market</td>
<td>Speed, exploit on quality superiority</td>
</tr>
<tr>
<td>3. Good relation with classification bureau’s</td>
<td>Entrusted by bureau’s to provide certificates in the local market.</td>
<td>Exploit relation by creating local awareness</td>
</tr>
<tr>
<td>4. Skilled employees</td>
<td>High service quality</td>
<td>Crucial to quality, training is crucial</td>
</tr>
<tr>
<td>5. Independent position with respect to suppliers</td>
<td>Broad portfolio: able to service a wide range of equipment and problems</td>
<td>Create awareness amongst suppliers,</td>
</tr>
<tr>
<td>6. Radio Holland Brand name</td>
<td>Ensures trust amongst customers</td>
<td>Branding is important+tangibility</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Implied</th>
<th>Strategic implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. High price</td>
<td>Skeptical customers</td>
<td>Focus on offshore, convince customers of constant quality</td>
</tr>
<tr>
<td>2. Local management support</td>
<td>Challenge to find proper management</td>
<td>Recruitment</td>
</tr>
</tbody>
</table>
## A market entry strategy for an industrial services firm

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Implication</th>
<th>Strategic implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Weak competition</td>
<td>Able to provide superior quality</td>
<td>Focus on quality</td>
</tr>
<tr>
<td>2. Large offshore market</td>
<td>Expensive and sophisticated navcom equipment, high profit margins</td>
<td>Target segment: offshore</td>
</tr>
<tr>
<td>3. Expansion of portfolio (DP, land)</td>
<td>Growth, training</td>
<td>Future business expansion</td>
</tr>
<tr>
<td>4. Legal assistance from LF services</td>
<td>Assistance in dealing with bureaucracy and legislation</td>
<td>Keep good relationship with partner</td>
</tr>
<tr>
<td>5. LF services as potential entity partner</td>
<td>No need to search anymore for a reliable partner</td>
<td>Idem</td>
</tr>
</tbody>
</table>

## Threats

<table>
<thead>
<tr>
<th>Threats</th>
<th>Implication</th>
<th>Strategic implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New competition</td>
<td>Loss of market share</td>
<td>Speed</td>
</tr>
<tr>
<td>2. Change of political situation</td>
<td>Changes in social stability and legislation</td>
<td>Exit strategy, short roi, legal assistance</td>
</tr>
<tr>
<td>3. Oil price fluctuations</td>
<td>Decrease in market size</td>
<td>Flexible organization, short term investments</td>
</tr>
<tr>
<td>4. Corruption</td>
<td>Financial implications</td>
<td>Partnership</td>
</tr>
<tr>
<td>5. Local partner</td>
<td>Trust issues, conflict</td>
<td>Manage relationship, contract</td>
</tr>
<tr>
<td>6. Business environment/bureaucracy/regulations</td>
<td>Time consuming, unpleasant surprises</td>
<td>Due diligence</td>
</tr>
<tr>
<td>7. High office rents</td>
<td>Increase in overhead costs</td>
<td>Share office space</td>
</tr>
<tr>
<td>8. Low educated workforce</td>
<td>Difficult to find employees, high training costs, time consuming</td>
<td>External engineers</td>
</tr>
<tr>
<td>9. High investment requirement</td>
<td>High exit barrier</td>
<td>Quick positive NPV</td>
</tr>
<tr>
<td>10. Repatriation of funds</td>
<td>Financial issues</td>
<td>Due diligence</td>
</tr>
</tbody>
</table>
6.2 INDUSTRIAL SERVICES CHARACTERISTICS
In this paragraph the implications of the characteristics of industrial services are described for Imtech Marine from a marketing perspective. These characteristics have consequences for the marketing mix that will be described in the next paragraph. Although these characteristics will also be addressed in the marketing mix, it was found important to describe them separately.

**HETEROGENEITY**
The heterogeneous nature of industrial services implies that there’s a risk of variation in the process and customer experience. For Imtech Marine it’s very important to deliver a constant high quality service, hence customer experience in order to win customers trust, prevent skepticism, and keep/build reputation. To prevent variation and be able to deliver constant quality, uniform education of employees as well as proper design of the service delivery system are key. A proper design of the service delivery system will reduce variability in the quality delivery.

“Heterogeneity implies that quality should be controlled through education and the service delivery system.”

**INSEPARABILITY**
Inseparability implies simultaneous production and consumption of the service as well as client participation in the process. An important implication of the inseparable nature of Imtech Marine’s services is that the customer’s perception of the service not only depends on how it is performed, but also on how it’s delivered. Meaning, the service must not only be provided in the right place and at the right time, but also in the right way (Gross et al., 1993). In other words, not only the result is evaluated by the client, but the whole service process. The Imtech Marine engineer that does repair on board of a ship is Imtech Marine. This again has implications for the training of the engineers, training goes beyond technical knowledge, and the focus of the firm should be on managing buyer/seller relationships instead of transactions.

“Inseparability implies process quality evaluation due to client participation”

**PERISHABILITY**
Where physical products can be stored in inventory until a sale is made (this also counts for the spare parts that are part of the service delivered by Imtech Marine), this is not possible for services. When there is an abundance of customers demanding service, some will have to be disappointed due to a lack of engineers, this has negative consequences for the Image of Imtech Marine. But when demand falls short, revenue will be lost and profit decreased. The inability of services to be inventoried makes the marketing of services more challenging than that of physical products. Planned maintenance (defined as one of the strategic pillars) is way of controlling this perishability.

“Perishability can be controlled by planning service.”

**INTANGIBILITY**
Because of the intangible nature of the service delivered by Imtech Marine, the client cannot really feel, touch or see it. Also does the customer not really own anything after the service has been provided. Because of this ephemeral nature of the service ways must be found to communicate that the service has been performed. In other words, the client should be able to understand that the service was provided at a particular level of quality and that it provides certain benefits. For the marketer this means giving “tangibility to the intangible” (Gross et al., 1993), providing visible indications that the service was provided. One possibility to do this is by tagging equipment/ship with some kind of quality hallmark once it has been repaired.
Another important aspect is that of branding the service and creating image. According to (Gross et al., 1993), services are more difficult to brand than physical goods. “Selecting a name for a service organization can be critical to a total marketing strategy because it is extremely costly and difficult to establish a brand name for the individual service products offered by the firm. Imtech Marine learned this the hard way after they acquired Radio Holland in 2006 and rebranded Radio Holland to Imtech Marine. Despite a marketing campaign by Imtech Marine, the many years of name building and consequently the reputation of Radio Holland was never achieved under the new name. The name Imtech Marine didn’t ring a bell to former Radio Holland customers and some even lost their trust in the organization. After a few years, Imtech Marine realized this and by the end of 2014, the company reintroduced the service division of Imtech Marine as Radio Holland. The brand probably lost some of its value, but it seems like the right decision. The most important determinant of brand image is of course the quality of the service itself. This can be transmitted by the courtesy of the employees, professional looking uniforms, graphics on trucks, logo’s on documents and advertising (Gross et al., 1993).

“Communicating quality by giving tangibility to the intangible!”

SPECIALIZATIONS
The involvement of the client in the service process automatically results into the production of a service specialized to customer requirements and needs. Very often a problem is unique to a customer’s situation. Therefore it needs to be identified first before a solution can be proposed. This is also relevant for Imtech Marine. Ships are usually not build in large series as for instance cars. Almost every ship is unique. The uniqueness of the ship in combination with the complexity and variety of the systems on board of it, make the service job very specialized. This has implications for the engineers that have to perform the service. They have to be able to deal with the wishes of the customer. The multibrand aspect of Imtech Marine’s services causes the company to deal with a wide variety of specialized problems.

“Specialized as well as multi-brand”

TECHNOLOGY
The increasing speed with which technology develops and become more complex influences many industrial firms in two ways (Gross et al., 1993). This also applies to Imtech marine. On the one hand, equipment installed in customer’s ships is becoming increasingly computerized and more complex. In the past, service was more a hardware matter, these days, it’s becoming more and more a software matter. On the other hand, higher technology is being applied to the internal operations of the firm. An important implication of technology applied to the internal operations of the firm that Gross et al. (1993) mention applies to Imtech Marine as well: “Technology applied at the simultaneous production/consumption interface that characterizes services can be useful in two ways. It can reduce the heterogeneity of services while increasing delivery efficiency. It can also enhance the adaptation of the service to individual customer’s requirements as in the use of diagnostic equipment”. Imtech Marine is doing this by developing remote maintenance. The Increased computerization of the equipment on board of ships enables the possibility of diagnosing problems without the need of an engineer on board. As soon as the ship docks in the harbor, the engineer is already aware of the problems on board and can skip the diagnostic phase. Another implication of the remote maintenance is that software updates can be done without the involvement of an engineer. The remote maintenance goes hand in hand with the switch from spot service to planned maintenance, since the first supports the latter. These three developments: computerization of equipment, remote maintenance, and planned service are expected to become even more important in the future. The high complexity of the technology, and the shift towards IT has some major implications for the
training of the engineers. First of all it’ll take a lot of time for an engineer to be properly trained. Second, the speed and increase in IT changes the way engineers have to be trained. Regular training is necessary. Within this also lays the competitive advantage of Imtech Marine. Skilled engineers are a valuable asset; even more in Angola, and the tacit character of the knowledge they poses makes it hard to be copied by competitors. The downside of tacit knowledge is that it’s hard to transfer, which complicates training.

“Future developments: computerization & remote- and planned maintenance”

6.3 MARKETING MIX

PRODUCT/SERVICE: COMPETITIVE ADVANTAGE

Although Imtech Marine offers a very broad range of products and services that covers almost every part of a ship (appendix E), the focus of the Radio Holland subsidiaries is mainly the service and maintenance of navigation and communication equipment. Based on the market analysis, the decision was made for Imtech Marine in Angola to focus on vessels related to the offshore market due to their dominating presence in the local market and their more sophisticated and expensive navcom packages and dynamic position systems. The main product groups that Radio Holland focuses on are issues related to:

- Radar equipment
- GMDSS (Global maritime distress and safety system)
- Satellite communication equipment
- Radio communication equipment
- Navigation (gyrocompass, gps, autopilot)
- Radio Surveys

Overviews of specific service activities and supplier equipment can be extracted from GSS.

As Gross et al. (1993) state: “the smooth and uninterrupted operations of a business organization depends on the uniform and predictable quality of its inputs.” For Imtech Marine the most important inputs are spare parts (stock) and people (engineers). So, in order to be able to deliver a constant high quality of service these two are paramount. This means, proper training of the engineers and an efficient and reliable logistical system.

Imtech Marine’s (potential) customers always focus on using their assets in the most profitable way. Reliability and availability of their vessels as well as predictability of costs are of key importance to them. Downtime is unacceptable, especially in the offshore, and must be brought to a minimum, therefore they’ll demand for a problem to be fixed after the first visit, and a follow-up visit is not necessary. In order to achieve this, Imtech Marine offers service and maintenance focused on navcom equipment on board of vessels. Important features of Imtech Marine to meet the needs of its customers are 24/7 availability, a global service network (over 90 locations world wide), remote monitoring, diagnose & maintenance, a multi-brand portfolio and qualified field engineers.

Imtech Marine will meet the needs of the customer by deploying skilled engineers that will be able to diagnose the problem quickly and perform repairs so the problem will be repaired instantly. Besides skilled engineers, spare parts will be available so the waiting time for a client will be very limited. Imtech Marine will be based in Luanda, but it is possible that the customer is not able to come to Luanda harbor, which means the engineer will have to travel to the customer. The engineer will have to board the ships of the customers and be able to reach the problematic areas of the ship easily.

Imtech Marine will distinguish itself from local competitors by being the first major maritime service provider in the country. This means multi-brand service by skilled engineers, technical support
from South Africa and Europe, a reliable logistical system, manufacturer contacts, and dealerships. This results in high quality service, unseen in Angola until this moment.

**Price: Premium**

The customer perceives the value of Imtech Marine’s services in the light of the uptime and availability of its vessels that’s assured by making use of Imtech Marine’s services. Uptime and availability in the offshore industry are extremely important due to high daily charter rates and strict contracts with high penalties for noncompliance. Besides this, maintenance costs are usually included in charter rates. The significant importance of uptime and availability of the vessels in the offshore industry make service costs of less importance hence the price sensitivity is low. A first time fix is of paramount importance to the customer. As said before, Imtech Marine will set a premium price in Angola. Local competitors offer lower prices but are not able to deliver the same quality as Imtech Marine. Their engineers are not as skilled, only able to repair relatively simple equipment, will not be able to service a wide range of equipment, and don’t have a global support. Imtech Marine’s hourly rate in Angola will be €135,- (excluding spare parts) and is based on cost based pricing. (Rotterdam is €114). These hourly rates don’t give a reliable ratio because spares will be more expensive in Angola than in Rotterdam due to distance and import duties. The price is based on the regular profit margin, but higher costs due to import duties, higher personnel costs, safety costs, etc.

**Place: Dealerships, Agents, Sales Force, Logistics**

**Commercial distribution:** Imtech Marine will be located in Luanda, the capital city of Angola, and also the biggest port of the country. The office can be reached directly by phone, website, email, social media, etc. Indirectly, Imtech Marine in Angola can be found if equipment manufacturers address it. If a potential customer has a malfunctioning piece of equipment it usually contacts the manufacturer of this equipment. If the customer is close to Angola, the equipment manufacturer might redirect him to Imtech Marine Angola for repairs. This of course is only the case if Imtech Marine is able to establish these connections with the manufacturers, this will be crucial. Another option is representation of Imtech marine by local port agents. If a ship enters a harbor and requests the agent for repairs, the agent might redirect the ship towards Imtech Marine. Establishing these connections will be more important than maintaining an active sales force. The sales force will be more important if a switch is made from demand service to planned service. This will require a more proactive attitude instead of the current reactive one. Partially this is also the responsibility of the engineers, since they are in direct contact with customers. On the other hand, management is responsible for negotiating service contracts with larger customers. Intermediaries (suppliers/agents) will secure the mass distribution coverage, while the sales force is responsible for more selective coverage by focusing on the offshore.

**Physical distribution:** In order to be able to provide high quality services to the customer it’ll be important to keep inventory of spare parts. This has been described shortly already in chapter two of this thesis. So far, there haven’t been many problems related to spares in Angola. Figure 6.1 gives an overview of the logistical structure of the operations in Angola. The two most important flows for spare parts and equipment that Imtech Marine needs in order to provide service to its customers are the direct connection/supply from the manufacturer, and via Imtech Marine South Africa. Only very basic equipment can be bought in Angola self. Direct supply from the factory will be the channel of preference since it will be faster than sending it to an Imtech Marine subsidiary first. According to Bron Syktus, DHL and UPS are reliable partners in these countries, although shipments may take up to a week. It will be very important to properly maintain an inventory of spare parts to be able to provide quick and efficient service to the customers, although this will only be acceptable for parts of a relatively low price and high throughput. Expensive and uncommon parts will only be ordered when a specific customer demands it. Demand forecasting is extremely difficult due to unpredictability of electronic breakdowns and the large service portfolio. This means the logistical system will rely on
speed and flexibility instead of stock. Cheap equipment will be shipped into the country where it’ll be cleared by the customs at the border. Expensive equipment will be stored in a bond-store, where it’ll be cleared only when it’s going to be sold. Because most equipment will have to come from outside Africa it’ll bring extra costs to the service hence the customer.

![Logistical structure Imtech Marine Angola](image)

Figure 6.1 Logistical structure Imtech Marine Angola.

Now that we have an idea of the different flows in the logistical system of Imtech Marine in Angola we’ll have a look at some more practical details. According to (Amstel, 2008), managers should design and organize the logistical aspect of an organization in three dimensions: strategically, tactically and operationally. Table 6.2 gives a short overview of the most important aspects of the logistical system in Angola.

**Table 6.2 Logistical aspects.**

<table>
<thead>
<tr>
<th></th>
<th>Purchase</th>
<th>Production</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic</strong></td>
<td>- Cooperation with suppliers</td>
<td>- Location: Angola</td>
<td>- Part of the service (engineer + equipment + car) transport by plane/helicopter/boat is done by a third party</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Core activity Imtech Marine</td>
<td></td>
</tr>
<tr>
<td><strong>Tactical</strong></td>
<td>- Choice of supplier (DHL+manufacturers)</td>
<td>- Capacity planning</td>
<td>- Demand forecasting - Buy/hire car</td>
</tr>
<tr>
<td></td>
<td>- Make agreements with supplier</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operational</strong></td>
<td>- Placing orders</td>
<td>- Planning work per employee</td>
<td>- Transport planning - Promising delivery period to customer</td>
</tr>
<tr>
<td></td>
<td>- Checking status</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Finally it’s important to set operational logistical goals. These should be in line with the competitive strategy. As has been discussed before, Imtech Marine will compete by offering a superior product for a premium price. This means costs are not the main driver in logistical decisions. According to (Amstel, 2008) this means external logistical performance should get more attention than internal logistical
efforts. Therefore it’s important so set goals. The following goals are examples that should be made specific in the tactical marketing plan.

- **External:**
  - Delivery time to customers: state a certain time period within which customers can expect to receive service.
  - Reliability of delivery: set a minimum percentage of on time delivery.
  - Delivery time from reception of equipment to completion of service activity.
  - Information of service: set a maximum time on answers to requests from customers
  - Set a maximum waiting time for customers

- **Internal**
  - Logistical costs should not go beyond X% of total revenue
  - Set maximum amount of stock
  - Engineers capacity should be employed for at least X%

**Promotion: Tangibility**

An important part of getting the marketing message of Imtech Marine across to the target market is by intermediaries as described in the previous paragraph. Establishing these connections of course is very important. Besides this, promotion will be important as well. Promotion can be done by advertising, personal selling, sales promotion public relations & publicity, and post service follow-up. These will be discussed shortly.

**Advertising** - Magazines, press, radio, social media, etc. are possible platforms for advertising. By advertising in local magazines targeted at the offshore industry, potential customers can be addressed. Social media will be useful for informing existing customers of the new office in Angola. The intangibility of Imtech marine’s service makes it more difficult to advertise the service. According to (Gross et al., 1993), it therefore is important to emphasize the tangible cues to help the customer understand and evaluate the service. He provides four ways in which a company can overcome its intangibility in advertising.

1. Advertisements should show: physical facilities, equipment, appearance of personnel, etc.
2. Personalizing the service by featuring the engineer in the advertisement is another technique to make the service appear more tangible according to Gross. Example: “Because people like James work for you”. This can be followed by a short personal profile summary of the involved engineer (background, interests, education, etc.).
3. Focus on the benefits and the value added of the service. This has to be supported with factual evidence. For Imtech Marine in Angola this can for instance be: “Survey evidence showed that vessel operators who use Imtech Marine as their service partner reduce downtime of their ship by X% on average per year while increasing reliability of the vessel and predictability of service costs.”
4. Another strategy is to build a favorable image for the service: “We’re the first maritime service provider in Angola offering 24/7 high quality multi-brand service with global support”.

Advertising is not only important for (potential) customers of the service organization, it’s also important to the internal organization as a way of influencing and motivating employees. This can for instance be done by sending weekly newsletters, organizing competitions, and giving away prices.

**Personal selling** – According to Gross et al. (1993) are marketing and operations virtually inseparable in service industries. This has consequences for the way in which engineers have to be trained. It’ll be important to also train their commercial abilities as well as managing customer relationships.
**Sales promotion** - Sending sales promotions to customers, gifts, gadgets, (giveaway promotional items.)

**Public relations and (free) publicity** - events, sponsorships, press releases, executives delivering speeches at high-level business and government meetings, media.

**Post service follow-up** - “The big bucks aren’t in making customers. They’re in keeping customers” (Gross et al., 1993). To keep customers in the first place, the quality of the service must meet or surpass the expectations of the customer. But more is needed. Because of the intangibility of the service, customers have to be shown and reminded that the job was done well. This can be done in the form of sending customer surveys, examining the satisfaction of the resolved problem. Another option is sending a card that restates the problem and solution (Gross et al., 1993).

**Participants: (Standardize) Training, Relationship, Customer Satisfaction**

Inseparability and customer involvement make participants an important part of the service. The importance of the service participants (customer and provider) have been broadly dealt with in the previous paragraphs. Still, because of its importance, the implications for Imtech Marine will be discussed shortly. Regarding the personnel, training will be very important because they’re the most valuable assets of the company. Due to the increasing complexity of technology on board of ships, continued training is necessary. Training is also important to prevent variation in the service quality and teach engineers how to interact with customers. It’s important that the training program is consistent, so every engineer is able to deliver the same quality of service. This should be done by the use of a special school or a uniform training program applicable to the complete Imtech Marine organization. This means an engineer should not only be educated in the field of technology, but should also be able to deal with commercial, cultural, communication (discretion, interpersonal behavior, attitudes) sales issues, and for instance be able to decide when it’s still plausible to repair a piece of equipment or rather replace it.

When it comes to customers, the role of the customer in the process should not be overlooked. The degree of customer involvement is an important part of the service. It’s not just a transaction that has to be managed but also a relationship. Part of this relationship means collecting information about customer needs and requirements on a regularly base.

**Physical evidence: Promotion, Brand Image, Tangibility**

The importance of the physical evidence for services has been addressed in the explanation of tangibility. It’ll be shortly summarized here. For service organizations where the customer visits the firm’s location regularly, the appearance and the way in which the customer experiences the environment is very important in order to enhance the tangibility of the service. This is not the case for Imtech Marine since consumption (and production) of the service takes place on board of the vessels of the customer. This means Imtech Marine has to give tangibility to its service in different ways. The primary goal of giving tangibility is communicating quality. This can be done by tagging serviced equipment, building brand image, and emphasize the tangible cues in the promotion.

**Process: Mapping the Service Delivery Process, Standardizing Procedures**

For Imtech Marine the process of service delivery is crucial because it makes sure that the same standard of service is repeatedly delivered to the customers. It’s also important because the customer not only evaluates the service result, but the whole process. This means that the whole service process must be documented in a flowchart or blue print, which describes the steps and activities (standard procedures) required to deliver the service to the customer. This blueprint must include even the small details of the service delivery process. Things to include in the service delivery
A market entry strategy for an industrial services firm

blueprint: (before, during, after) policies and procedures, employee discretion, customer involvement, customer direction, measuring customer satisfaction, safety regulations, boarding, transportation, cultural differences, language, computerizing work process etc.

SUMMARIZING

Imtech Marine will enter the Angolan market with a differentiation strategy focusing on the offshore industry. It will have a competitive advantage over its competitors by offering superior service quality for a premium price. This means multi-brand service by skilled and qualified engineers, technical support from South Africa and Europe, a reliable logistical system, manufacturer contacts, and dealerships. In order to control the quality of the organization, proper education of the engineers and mapping of the service delivery system are important. Since customers take part in the service process, the whole process will be evaluated, making customer relationship very important. This means Imtech Marine should focus on managing buyer/seller relationships instead of transactions. The intangible nature of Imtech Marine’s service makes it very important to clearly communicate quality; this has to be done by marking equipment, brand image and promotion, in other words: “give tangibility to the intangible”. Distribution has to be achieved by the use of dealerships, agents and a sales force. An increased focus on planned maintenance will mitigate the effects of perishability, and computerization and remote maintenance will become of increasing importance in the future influencing employee training and the service delivery process.
7 CONCLUSIONS AND DISCUSSION

7.1 ENTRY STRATEGY MODEL
The first research question of this thesis reads: **RQ1: “What is a suitable decision making framework for the internationalization process of an industrial services company?”** The literature review showed that the entry strategy model by Root (1994) appears to be useful for this. If a company wants to create a foreign market position aimed at long-run success, Root (1994) provides a useful model to structure, design and support the decision making process - of this so called process of internationalization - in the form of an entry strategy. The model can be seen in figure 2.6. The four main phases (displayed in red) of the process are:

1. International market selection
2. Setting goals and objectives for the target market
3. Entry mode selection
4. Marketing plan

The model by Root focuses on firms that produce consumer products and not on, as is the case for Imtech Marine, industrial services. The original model was found to provide a solid base in order to design an entry strategy but will be adapted specifically for industrial services firms by incorporating the characteristics of industrial services; intangibility, perishability, inseparability, heterogeneity, specialization and technology. These were found to influence the market selection, entry mode decision as well as the marketing plan (displayed in blue).

Evaluation
Root’s (customized) model forces the user to analyze a very wide variety of variables that can influence the decision making process. The two main decisions are the market selection and entry mode decision, these are further specified in the goals and objectives chapter and the marketing plan. During its use, only a few variables proved to be decisive. For the market selection, demand/market factors determined the market selection, although this was also highly influenced by the Imtech Marine managers who focused on the corporate strategy and goals. For the entry mode decision, the most important determinants were the foreign investment legislation and the characteristics of the service. The foreign investment legislation of Angola proved to be very restrictive for foreign investors hence having great influence on the entry mode decision. In countries where the government legislation regarding foreign investment is less restrictive this can be of significant less influence on the entry mode decision. The entry mode decision model makes the decision process look easier than it is in reality. Root makes it look like it’s only a matter of choosing the right entry mode from a couple of predefined options. In reality this turned out not to be so black and white. First of all, he doesn’t consider the fact that an entry mode in one country might have totally different consequences than the same entry mode in a different country. Therefore it’s recommended to examine the different entry modes and its consequences for a specific country first, before continuing to consider other external factors that might influence the entry mode decision. In this way, a lot of time might be saved examining factors that might not influence the decision at all. For the marketing plan, the characteristics of industrial services proved to be useful since they revealed strategic implications specifically for industrial services.

Although Root’s model recommends to analyze many different factors, especially regarding the entry mode decision, for the case of Imtech Marine, it showed that only very few factors eventually influenced the entry mode decision. Examining all these factors for its relation to the entry
A market entry strategy for an industrial services firm

mode decision was not necessary. Therefore the researcher believes that the value of considering all these factors is more related to the general internationalization process instead of just the entry mode decision, something Root confirms by emphasizing the iterative nature of his model. This raises the question in what way the international market selection and entry mode decision are separate or joint decisions. The literature review showed researchers that recommended a model in which these two decisions should be combined. Root overcame this by pointing out the iterative nature of his model. Although this did emphasize the cohesion of the two decisions, it doesn’t seem to be the most efficient way of solving the two problems. The iterative nature of the model mainly focuses on the market selection decision and entry mode decision and was found to be useful, although it was also experienced as confusing and inefficient. A more combined approach as for instance proposed by Koch (2001) seems a viable option. His MEMS model regards the market selection and entry mode decision as two aspects of one decision process. Potentially this can increase the efficiency of the decision making process, but as Koch (2001) also acknowledges his model will need further examination to determine specific factors for the model.

About step two in the model (setting goals and objectives) Root doesn’t really say anything specifically besides the fact that they result from the market selection. It was found useful to also include Imtech Marine’s corporate goals and strategy here. Root does mention them to be analyzed in the entry mode decision, but not specifically for step two in the model.

Regarding the generalizability of the model: Root’s original model was designed to be applicable to a wide variety of companies and markets. The adapted model for industrial services helps to make the outcome and output more specific for industrial services and can speed up the decision making process by putting a focus on the most relevant factors.

The market selection model hasn’t been adapted, there’s just a slight difference between industrial services and consumer products in how information is acquired. Therefore the model is widely applicable to any kind of service or product delivering firm.

For the entry mode decision the characteristics of industrial services proved to have an important influence on the decision. The characteristics of services: heterogeneity, inseparability, intangibility, and perishability can be considered as variables, each to a different degree in different (industrial) services firms. By considering the characteristics for different firms, the model is applicable throughout the spectrum of (industrial) service firms.

The same as for the entry mode decision is the case for the marketing plan; by describing the characteristics of the company’s service and process incorporating this in the 7 P’s marketing mix, a marketing plan is written. The variability of the characteristics for different service firms make it applicable to a wide range of (industrial service firms).

7.2 ENTRY STRATEGY IMTECH MARINE

The process initiated by Imtech Marine in Sub-Saharan Africa can be characterized as an internationalization process. It can be noticed that Imtech Marine is currently using a sales approach for the markets in the Gulf of Guinea (see table 2.1). Since Imtech Marine has gained some experience in these foreign markets it has acknowledged that a next step in the internationalization process has to be made. According to literature and specifically the theory by Root, moving from a sales approach to an entry strategy approach would be a logical next step for Imtech Marine. The (navcom) service activities of Imtech Marine can be qualified as industrial services. Therefore the entry strategy model by Root, adapted specifically for industrial services as has been explained in the literature review, was applied to Imtech Marine’s situation in Sub-Saharan Africa to design an entry strategy for the company. This brings us to RQ2: “When applying the framework, which countries in Sub Saharan Africa are interesting for Imtech Marine and how should these markets be entered?”
The answer to this question has been divided in three sections: international market selection, entry mode decision, and the marketing plan.

7.2.1 INTERNATIONAL MARKET SELECTION

Preliminary screening of a large number of countries in the Gulf of Guinea limited the total amount down to the three most promising: Angola, Ghana, and Nigeria. The three countries were compared by using multiple dimensions and presented to the management of Imtech Marine. Based on the results of the analysis and discussion with the management, the decision was made to choose for Angola. The sales potential of Imtech Marine in Angola was estimated at €2.5 million annually. Consequently, a target was set to increase revenue from the current €500.000 to €2.5 million in the coming five years.

Evaluation

The market selection model provided by Root proved to be a useful method to screen different countries for their attractiveness in a quick and efficient way. It helped in getting a broad understanding of the region by making use of macro indicators. The final step of making a decision based on financial projections, proved to be an important and useful step for the rest of the entry strategy. Consequently, the market selection isn’t just important to decide on the target market, but it’s also a method to set targets and objectives in the specific market.

As explained in the literature review, gathering information for industrial services firms can be more problematic than for consumer products. This was also the case for this entry strategy, specific information of vessel quantities and locations proved to be difficult to acquire.

Basing the market estimate on port calls (=total amount of ships entering a harbor) was found the best way to determine a market size. It doesn’t give a 100% reliable number but it’s the most reliable available. It was difficult to make a reliable estimate because of a number of reasons. First of all, the vessel market is literally a very dynamic market; most ships travel constantly and don’t remain within the waters of one country. Furthermore is it an international market, operators and owners of these vessels come from all over the world. Basically it’s a small international market within a different nation’s waters. This makes it very difficult to track ships, also do some companies want their vessels or platform’s locations to remain unknown due to safety reasons or competitive/secrecy reasons.

A potentially valuable tool for acquiring information on market data around the world is Imtech Marine’s Global Service System (GSS), the company’s own business intelligence system that contains information that has been registered by Imtech Marine employees themselves as well as information acquired from other parties. The system was consulted multiple times and historical data was extracted related to service activities in the Gulf of Guinea and total amount of port calls in the relevant harbors. Cross checking the data with the management in South Africa resulted in negative responses and strong doubts regarding the correctness of the data. While the employees in Rotterdam seem to blindly trust the GSS system, the employees in South Africa don’t. Rebuilding the data with the use of information from South Africa and external sources (IHS, and free internet sources) resulted in different data than the data recorded in GSS. In the end data was constructed of: total amount of serviced ships, revenue per service activity, and total amount of port calls.

In general, the amount of information gave a reliable estimate of the Angolan and Ghanaian markets. Although it can be assumed to be larger than Ghana as well as Angola reliable information on the market size of Nigeria was not found. Nigeria is by far the biggest economy in Africa. And in total also a bigger producer of hydrocarbons than Angola. Still, it was difficult to make a reliable market estimate for Imtech Marine in Nigeria. Most of the offshore activity can be found near the eastern shores of the country, away from its capital in the west. The problem with making a market estimate based on port calls is, that different than Ghana and Angola where there are only one or two major ports, in Eastern Nigeria, there’s a whole array of ports where offshore vessels dock. So
although the total market in Nigeria is bigger than Ghana and Angola, it’s also more diffused. Exact information on port calls in these different harbors was not possible to find on the internet. Therefore a data consultant company was contacted. They were able to provide the prober data for a rather high price. Despite the fact that an exact market estimate for Nigeria was still missing, the findings so far were presented to the management that unanimously resulted in a choice for Angola. Because of the preference for Angola, it was decided not to buy the data to get a better estimate of the Nigerian market and continue to design the entry strategy specifically for Angola.

Despite the fact that the Nigerian market is bigger, it’s diffused character makes it more difficult to attain. Therefore a reliable market estimate was not attained for Nigeria, in total size it’s assumed to be larger than Angola, but it’s also more diffused. Therefore a rough estimate was made of 7000 port calls, slightly bigger than Angola, to give an indication of the size of the Nigerian market.

Personally I agree with the choice for Angola. Both Nigeria and Angola are difficult environments that propose serious and comparable challenges. Both countries have a lot of similarities so a choice for either one of them would be justifiable. The third option; Ghana was never considered a serious option by the management, although the environment is much easier to start a business, the market there for Imtech Marine is relatively small. In the end one can conclude that the decisive factor that determined the choice for Angola is in line with the goal set for Africa: to increase revenue generation, Angola probably is the best choice for pursuing this goal.

One can argue that the determination to focus on revenue increase is slightly opportunistic and risky. The literature review explained that opportunistic behavior is a common reason why companies internationalize. On the other hand, where the biggest risks are, are usually also the biggest opportunities. In the end this is what this thesis is about and why Imtech Marine hired me to do this research, to expose the risks that arise when entering these kinds of countries and define the market. I believe this research helped to change the attitude from opportunistic to pragmatic, which can to lead to a successful market entry in Angola and who knows what other countries in the Gulf.

The fact that Imtech Marine has some experience in the Angolan market makes the decision to enter the market more credible as well.

7.2.2 Entry Mode Decision
The characteristics of Imtech Marine’s industrial services limited the choice of entry modes down to Joint venture, Acquisition and Greenfield. All three options have positive and negative aspects and can be a justifiable option. But in the end it seems that Angolan legislation will be the decisive factor that will determine the entry mode. LF services is a reliable and valuable partner in the process of understanding the legislation, but also as a potential entity partner. They advice to start operations as a branch office and later on convert into a subsidiary. Because, from what we know from the legislation so far, some form of partnership with an Angolan stake has to be made in order to establish a legal entity in the country. It’s highly likely that an amount of $1 million dollar has to be invested in order to be granted access to the Angolan market in the form of a legal entity. This amount has been used as a worst-case scenario in the NPV calculation (appendix D). In order to get a decisive final answer the following is recommended:

- Research the exact consequences of a branch office and subsidiary regarding investment requirement, tax, HR, partnerships.
- Contact Dutch Embassy to get an independent judgment of the entry mode proposal.
- Continue cooperation and communication with LF services.
- Increase commitment to speed up the process, it’s advisable to give responsibility to someone with a legal background.
Engage in the process of registering a legal entity. Things might get clear along the way. Continuing to try and increase the understanding of the legislation might strangle the process.

Evaluation
The focus on the characteristics of industrial services helped to narrow down the choice in entry modes very quickly. The comparative analysis is a useful way to get an overview of the different remaining entry modes and its implications for Imtech Marine. The problem with the comparative analysis was that it was not possible to get a clear understanding of Angolan legislation and its financial implications for Imtech Marine. Consequently it was impossible to compare entry modes financially. Complicated government regulations regarding foreign investment in Angola proved to be the most problematic factor in determining the proper entry mode. Root states in his model that government negotiations should be the final decisive step in the entry mode decision, hence this should also be the case for Imtech Marine in Angola. The fact that the Angolan legislation proved to be such a problematic factor is not a fault in the model but inherently related to the difficult investment climate of Angola. The $1 million investment is a rather large investment, which might not be necessary for Imtech Marine itself but is mandatory. The true consequences still remain unknown; technology and knowledge are also considered as investment and will be quantified. Maybe you only have to move this money to an account upon registration and can remove it quickly afterwards. Again, the true consequences remain unknown. In the worst case, the management should reconsider Nigeria as a viable and cheaper option. As the literature review pointed out, many companies see host-country restrictions and regulations as the main entry barrier, this also proved to be the case for Imtech Marine in Angola. The research done so far helped to understand these regulations but a next step has to be made in this process to finalize the entry mode decision.

7.2.3 Marketing plan
A strategic marketing plan was written that states the strategic implications through the industrial service characteristics and a 7P’s marketing mix. First an overview of the six characteristics of industrial services is given and its strategic implications. This is followed by a summary of the marketing mix.

- The heterogeneous nature of industrial services implies that there’s a risk of variation in the process and customer experience. “Heterogeneity implies that quality should be controlled through education and the service delivery system.”
- Inseparability implies simultaneous production and consumption as well as client participation in the process. “Inseparability implies process quality evaluation due to client participation”
- Impossible to store services. “Perishability can be controlled by planning service.”
- Because of the intangible nature of the service delivered by Imtech Marine, the client cannot really feel, touch or see it. Also does the customer not really own anything after the service has been provided. “Communicating quality by giving tangibility to the intangible!”
- The involvement of the client in the service process automatically results into the production of a service specialized to customer requirements and needs. Very often a problem is unique to a customer’s situation. “Specialized service as well as multi-brand”
- Increasing complexity and computerization of technology on board of clients’ vessels as well as technology applied to the internal organization. “Future developments: computerization

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dealerships. In order to control the quality of the organization, proper education of the engineers and
mapping of the service delivery system are important. Since customers take part in the service
process, the whole process will be evaluated, making customer relationship very important. This
means Imtech Marine should focus on managing buyer/seller relationships instead of transactions.
The intangible nature of Imtech Marine’s service makes it very important to clearly communicate
quality; this has to be done by marking equipment, brand image and promotion, in other words: “give
tangibility to the intangible”. Distribution has to be achieved by the use of dealerships, agents and a
sales force. An increased focus on planned maintenance will mitigate the effects of perishability, and
computerization and remote maintenance will become of increasing importance in the future
influencing employee training and the service delivery process.

Evaluation
According to literature a strategic marketing plan should be written before the tactical marketing plan.
Because of the absence of a strategic marketing plan at Imtech Marine a strategic marketing plan was
written. The more practical tactical marketing plan was not written due to time constraints. Also, a
tactical marketing plan will need more involvement from people who are closer to the operations.
The marketing plan was written by first discussing the implications of industrial services for the
marketing plan, and then further specifying them by describing the seven P’s marketing mix specified
for services instead of the normal marketing mix. The focus on the characteristics of industrial
services for the marketing plan proved to be valuable. The focus on the characteristics of services
helped the marketing plan to uncover the specific attention that should be paid to marketing
industrial services. This resulted in some practical leads for Imtech Marine to apply to the overall
strategy of the company in the market. The SWOT gives an overview and helps to create awareness.

7.3 Reflection
A difficult and time-consuming part of this thesis was to get a proper market estimate. Partly because
of the absence of the proper data, but also because what has been stated in the beginning of chapter
three:

“Finagle’s Law on Information: (1) the information you have is not what you want; (2) the information
you want is not what you need; (3) the information you need is not what you can obtain; and (4) the
information you can obtain costs more than you can afford.”

I could very much identify myself with this law during the process. The law implies that you’re
trapped in a circle, and that if you don’t make a decision you’ll not make any progress. This means
that you’ll have to come to a point where you decide to accept what you have and move on to the
next phase. This proved to be very difficult because the outcome was never perfect. Therefore at a
certain moment I decided to base my estimates purely on port calls. I learned that at some moment
you have to acknowledge the fact that the information is limited and your estimate isn’t perfect. On
the other hand you can’t accept an easy answer. This is a very grey area, but the consultation of
supervisors helped to convince myself of the proper decision and move on to the next phase.

Another difficulty I experienced during the project was to get commitment from other people within
Imtech. In my opinion this was because the project didn’t have a specific problem owner and it didn’t
belong to a specific business unit. Therefore it wasn’t of primary concern for anyone except me. The
good thing about this is that it gave me a lot of freedom. But sometimes it also delayed the process if
certain information was needed. It took a lot of energy and time to push people in providing me with
the right information.
7.4 LIMITATIONS & FURTHER RESEARCH

**Practical** - During this thesis project, a model was derived from literature and subsequently applied to the case of Imtech Marine in the Gulf of Guinea. The output was recorded in the form of an entry strategy that can be used by Imtech Marine in the Gulf of Guinea to develop their business. Before the entry strategy is finished and entry operations can start, three aspects still have to be taken care of. First of all, the entry mode decision has to be finalized. After this, a tactical marketing plan specifically for Angola has to be made. The tactical marketing plan deals with operational issues assigning people, budgets, and time to specific marketing tasks. The tactical marketing plan will be of input for the control system, the last aspect to deal with before the entry strategy is complete. The control system monitors operations and revises the entry strategy if necessary.

**Theoretical** - Validation of the outcome of the model can only truly be done after execution of the strategy. Generalizability of the model can be tested by applying it to other companies’ internationalization process. A final interesting topic for further research is to try a different approach when designing an entry strategy, specifically regarding the relatedness of the market selection and entry mode decision. A more parallel or combined process for the two decision processes might improve the quality of the decisions and the efficiency of the process.
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Clarksons. (2013). Offshore overview and FLNG.


A market entry strategy for an industrial services firm


Young, Ernst &. (2013). Angola, more than an oil and gas story.

To be able to provide our technology with an customer-centric outside-in approach, 9 main market segments were defined in order to relate the applicability and operational added value to our solutions. Therefore, we will first explain which types of ships belong to each of these defined market segments.

**Definition of Market segments**

<table>
<thead>
<tr>
<th>Market Segment</th>
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<tr>
<td>Cruise/Ferry</td>
<td>Seagoing cruises, Seagoing ferries, River cruises</td>
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<td>Cargo</td>
<td>Sea-going Container ships, Bulk carriers, Tankers</td>
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<td>Specials</td>
<td>Floating Crane, Heavy Lift, Yacht Carrier, Semi-Submersible (platform transport), Dredger, Bucket Dredger, Trailing Suction Hopper Dredger, Cutter Suction Dredger, Rock Dumping Vessel, Pipe Laying Vessel, Rock Dumping Vessel</td>
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<td>Inland</td>
<td>Bulk cargo inland, Liquid cargo inland, Container cargo inland, Port security vessels, TUGs, Inland Ferries</td>
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<td>Yachts</td>
<td>Fishery ships</td>
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<td>Leisure</td>
<td>Superyachts</td>
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## APPENDIX B: COMPETITIVE ANALYSIS

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APPENDIX C: ANALYSIS OF INVESTMENT CLIMATES

To get an idea of the investment climates of Angola, Ghana, and Nigeria short summaries were made based on information from the IMF, US department of state, the World Bank and a couple of other sources. The last part deals with the cultural differences of the countries compared to the Netherlands and South Africa based on Hofstede’s theory of cultural dimensions. For Angola specifically some practical implications have been stated.

ANGOLA

GENERAL POLITICAL STABILITY

After a long independence war, Angola became independent of Portugal in 1975. This was followed by a civil war that ended in 2002. Since then the country has maintained political stability. Angola is governed by president José Eduardo dos Santos who holds office since 1979. According to the World Bank, the prospects for rule of law and peace are good, although a source of conflict within the country is the oil-rich province of Cabinda, where a separatist movement is fighting for its independence. A memorandum of understanding was signed between the government and the separatists in 2006, but attacks on government and other members of the society are still common (Worldbank, 2014b).

GOVERNMENT POLICIES TOWARD FOREIGN INVESTMENT

“Angola offers both high returns and great risks to investors and exporters, and while no formal discrimination against foreign investment exists, Angolan or other companies familiar with the bureaucratic and legal complexities of the business environment hold an advantage over newcomers” (State, 2013). In May 2011, a new private investment law changed the benefits and incentives available for investors. Foreign investors wishing to establish an entity in Angola must have their venture approved by the Angolan Private investment Agency (Agencia Nacional de Investimento Privado (ANIP)) and invest a minimum of $1 million in equipment, cash, and/or know-how in order to benefit from taxation incentives and repatriation of profits. The incentives and benefits must be negotiated with ANIP on a case-by-case basis and are incorporated into the investment contract. Starting a business in Angola can be very time consuming, the World Bank ranked Angola 178 out of 189 countries for starting a business, it takes 8 procedures and at least 66 days before a business can be successfully registered. Furthermore only firms with a majority Angolan stake can benefit from the incentives from the government and the government encourages “Angolization” of companies’ workforce and urges the use of Angolan suppliers of goods and services. Expatriate staff cannot exceed 30% of the workforce although enforcement of this law is inconsistent. This might make it easier to apply to government regulations, it can cause an uncertain competitive situation when applying for government contracts and licenses (State, 2013).

OTHER GOVERNMENT POLICIES AND LEGAL FACTORS

Based on time, cost and procedural complexity of resolving a commercial lawsuit between 2 domestic businesses, Angola is ranked 183 out of 185 countries by the World Bank, making it extremely important to work with reliable local partners. The U.S. department of state describes the Angolan justice system as slow, arduous, and not always impartial, while the U.K. government describes it as weak and fragmented. Foreign workers are not protected under the labor law only if they work under contract or have to defend for criminal acts. All employees must register for social security and contribute 3% of salary; the employer 8%. Foreign workers can avoid this if they can prove they already contribute to a foreign insurance. When it comes to paying taxes, the World Bank ranks Angola 155 out of 185, where on average 30 payments have to be done per year, which will take 282 hours of work and a total tax rate as % of profit of 52%. Detailed information on taxation in Angola.
can be accessed freely on the internet. Import costs should be checked with the local logistical partner, which usually is DHL who delivers reliable logistical services although bureaucracy, corruption and port inefficiencies can complicate imports and raise costs. Corruption amongst public officials is a problem in Angola. The country scored 23 out of 100 in the transparency international’s corruption perception index, placing it in the 153\textsuperscript{th} position out of the 177 countries ranked.

**Macroeconomic Environment**

Angola was the world’s fastest-growing economy for the first 10 years of the new millennium, and it continues to be among the fastest-growing economies on the contingent. Currently it’s the third biggest economy in sub-Saharan Africa (after South Africa and Nigeria) (Young, 2013). According to the U.S. government, the business environment in Angola remains one of the most difficult in the world, where corruption, an underdeveloped financial system, poor infrastructure, bureaucracy and extremely high on-the-ground costs, are some of the major problems. The World Bank ranks Angola 179 out of 189 countries on the ease of doing business (Worldbank, 2014a). The economy of Angola is strongly depending on the oil industry; nearly 50% of the GDP is made up of revenues from this industry and 96% of its exports. Because of this, the government is keen on diversifying the economy by focusing on the non-oil sector, especially by infesting in the national infrastructure that has been neglected for years. Also, the government wants the national economy to become more self-sufficient and has declared its intention to minimize imports. The most important macroeconomic indicators of Angola in 2013: size of the GDP was $121.7 billion, of which the composition is: 10,2 % agriculture, 61,4% industry and 28,4% services. Total GDP grew by 4.1%. The population was 21.47 million and grew by 1%, inflation was 8,8%. Public transportation is not advised to be used by expats and communication systems are unreliable. The recent global financial crisis has caused financial instability within the market and therefore the government has tried to stop the relation between the US dollar and the local currency, the Kwanza. They have not been completely successful in this, but one of the results is that from 1 July 2013 all transactions in the Oil and Gas sector must be made in Kwanzas. Getting credit in Angola is difficult due to an underdeveloped financial system. In 2009, Angola established a Special Economic Zone (ZEE) outside of Luanda with a principal objective of reducing Angola’s dependence on imports (State, 2013).

**International Payments**

According to the IMF, the projected current account balance for Angola for 2014 is 2.2 % of the GDP and the country has a strong international reserves position, and a stable exchange rate (IMF, 2014a).

**Summarizing**

- Doing Business: 179/189 (World Bank)
• Political Risk: medium-high because of exchange transfer, sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, and risk of doing business. (AON)

GHANA

**GENERAL POLITICAL STABILITY**

In 1957 Ghana became the first sub-Saharan country in colonial Africa to gain its independence after it was formed from the merger of two British colonies. Since then, Ghana stands out in West Africa for its democratic track record and political stability (EDC, 2014). The country has a strong multiparty political system, and completed its sixth consecutive democratic election in December 2012 that was won by the incumbent President John Mahama.

**GOVERNMENT POLICIES TOWARD FOREIGN INVESTMENT**

According to the U.S. Department of state, attracting foreign direct investment continues to be a priority for the Government of Ghana hence they recognize this requires an enabling legal environment. The government’s policy is specifically targeted at stimulating private sector involvement in infrastructure and public service delivery. The Ghana Investment Promotion Center (GIPC) governs investment in all sectors of the economy except for minerals and mining, oil and gas, and the Free Zones. Foreign investors are required to satisfy the provisions of the GIPC. In General the GIPC has streamlined procedures and reduced delays (State, 2013), and once all necessary documents are submitted GIPC states that the new business will be registered within five working days. However this can take much longer, The World Bank ranks Ghana 128 out of 189 countries of starting a business, where on average it takes 14 days to register a business. Recently, Ghana made starting a business more difficult by requiring entrepreneurs to obtain a tax identification number prior to company incorporation (Worldbank, 2014a). The government of Ghana has no overall economic or industrial strategy that discriminates against foreign-owned business (State, 2013). The minimum capital required for foreign investors is $10,000 for joint ventures with Ghanaians or $50,000 for enterprises wholly owned by non-Ghanaians. Trading companies (firms that buy/sell finished goods) either wholly or partly-owned by Ghanaians require a minimum foreign equity of $300,000 and must employ at least ten Ghanaians. The minimum capital requirement does not apply to portfolio investments, enterprises to set up for export trading or branch offices (State, 2013). Foreign investors are not required by law to have local partners except in the fishing, insurance, and extractive industries. Investment incentives differ slightly depending upon the law under which an investor operates, The GIPC website provides a thorough description of available incentive programs.

**OTHER GOVERNMENT POLICIES AND LEGAL FACTORS**

The legal system is based on the English common law, and customary law of Ghana. The World Bank ranks Ghana 43 out of 189 countries when it comes to enforcing contracts. Labor regulations and policies are generally favorable to business. The World Bank ranks Ghana 68 out of 189 countries on paying taxes. An average number of 32 payments have to be done annually, taking 224 hours of work and an average total tax rate of 22.9%. The tax types in Ghana that investors will encounter are corporate tax, withholding tax, capital gains tax, value added tax/NHIL, employment tax, dividend tax and excise and CST (KPMG, 2012). In Ghana, all imported goods attract an import duty and import VAT. Three additional fees and levies are paid on imported goods. These are an inspection fee of 0.5% of the value of the imported goods, a 1% ECOWAS levy, and a 0.5% fee for the financing of the Ghanaian Export Development and Investment Fund (EDIF) (KPMG, 2012). Corruption is not as severe in Ghana as it is in its surrounding countries, but it still remains a problem. The country scored 46 out
of 100 in the transparency international’s corruption perception index, placing it in the 63rd position out of the 177 countries ranked.

**MACROECONOMIC ENVIRONMENT**

The stable political situation in Ghana has caused impressive economic output in the past years. GDP growth averaged over eight per cent from 2009 to 2013, however the country’s economy slowed down to an estimated 5.5% in 2013 and is expected to remain at the same level in 2014 (Worldbank, 2014b). Growth prospects are positive in the long-term due to the relatively new and growing oil and gas industry. Other important export products are cocoa, gold and timber. The GDP is composed as follows: agriculture 21.5%, industry 28.7%, and services 49.8%. Ghana faces some significant macroeconomic challenges, where high budget and current account deficits and a depreciating currency are the most challenging. The government is trying to counter these problems by increasing revenue collection through tax increases, utility tariffs and petroleum product prices. The World Bank ranks Ghana 67 out of 189 countries on ease of doing business, that’s just below Italy, which is ranked, 65th. High inflation remains a problem in Ghana, the average inflation rate in Ghana from 1998 until 2014 is 17%, and the rate in August 2014 is 16% (Economics, 2014). This is expected to remain high due to rising prices of imported products due to the devaluation of the national currency, the Ghanaian cedi, and demand pressures from the governments fiscal policy (Worldbank, 2014b). The World Bank ranks Ghana 28 out of 189 countries when it comes to getting credit, although interest rates on bank loans are high, generally higher than 25%. Management-labor relations are generally positive, although there are occasional labor disagreements stemming from the high inflation rate in the country. Ghana has a bilateral investment treaty with the Netherlands and prepared one with South Africa, which not has been ratified yet. Ghana has three free trade zones, one in the greater Accra region, and two near Takoradi.

**INTERNATIONAL PAYMENTS**

Ghana’s current account deficit in 2013 was 13.2% of GDP. The foreign exchange reserves are largely met through the exports of cocoa, gold and oil. But due to the volatility of these products a sharp depreciation of the exchange rate occurred in 2012. Ghana’s investment laws guarantee the transfer of different kinds of transactions in convertible currency, companies have not reported widespread challenges or delays in remitting investment returns (State, 2013).

**SUMMARIZING**

- Doing business rank: 67/189
- Political risk: medium because of exchange transfer, sovereign non-payment and risk of doing business.
NIGERIA

GENERAL POLITICAL STABILITY
Nigeria became independent of British influence in 1960. After many years of military rule, a new constitution was adopted in 1999 that marked the transition to a democratic government. In 2011 the fourth consecutive elections were held, which were considered by observers the freest and fairest elections in the country's history. Although Nigeria’s socio-political environment is considered to be fairly stable, the country continues to experience longstanding ethnic and religious tensions. Recently, the militant Islamist movement Boko Haram has increased its terrorist activities in the north east of Nigeria in order to try and establish an Islamic state. Since the resurgence of Boko Haram in 2010, the Nigerian government has struggled to respond to the growing threat posed by the group (Blanchard, 2014). For now, most of the violence happened in the northern (Islamic) part of the country, and away from the southern (Christian) part of the country where most of the economic activities are located.

GOVERNMENT POLICIES TOWARD FOREIGN INVESTMENT
The World Bank ranks Nigeria 122 out of 189 countries when it comes to doing business. According to the U.S. Department of state, the main impediments to invest in Nigeria are inadequate power supply, lack of infrastructure, delays in passage of announced legislative reforms, an inefficiently property registration system, restrictive trade policies, an inconsistent regulatory environment, a slow and ineffective judicial system, unreliable dispute resolution mechanisms, and pervasive corruption. Security is another major concern for investors due to the high rates of violent crime, kidnappings, and terrorism. “The Nigerian Investment Promotion Commission (NIPC) degree of 1995 allows 100% foreign ownership of firms outside the oil and gas sector, where investment stays limited to joint ventures or production-sharing agreements” (State, 2013). Nigerian laws apply equally to domestic and foreign investors and the government encourages foreign investment in agriculture, mining, oil and gas, and the export sector. There are different incentive programs made available by the government, but in practice these programs meet with varying degrees of success. Foreign investors must register with the NIPC, incorporate as a limited liability company with the corporate affairs commission, procure appropriate business permits, and register with the Securities and Exchange Commission (when applicable) to conduct business in Nigeria (State, 2013). According to the U.S. department of state, expatriate personnel do not require work permits, but they remain subject to “needs quotas” requiring them to obtain residence permits that allow salary remittances abroad. U.S. companies often report problems in obtaining these quota permits.

OTHER GOVERNMENT POLICIES AND LEGAL FACTORS
Nigeria’s legal, accounting and regulatory systems comply with international norms, but enforcement remains uneven (State, 2013). “The Nigerian court system does not have enough court facilities, lacks computerized document-processing systems, and poorly remunerates judges and other court officials, all of which encourage corruption and undermines enforcement.” The tax laws in Nigeria generally do not try to prevent investment, but they are applied uneven and lack transparency. Corruption amongst public officials is considered a serious problem in Nigeria. The country scored 25 out of 100 in the transparency international’s corruption perception index, placing it in the 144th position out of the 177 countries ranked.

MACROECONOMIC ENVIRONMENT
In the past years, the government of Nigeria has been focusing on increasing the capacity of the power sector, stimulating private investment, improving the service sector, job creation and basing its government budget on a more conservative reference price for oil and storing excess revenues in the
Excess Crude Account (ECA). Nigeria’s GDP in 2013 was $523 billion, and the past six years GDP growth averaged 6.6%. The country’s economy relies heavily on the oil sector, 90% of its exports and 40% of government revenues come from this industry. The GDP is composed as follows: agriculture 30.9%, industry 43%, and services 26%. The economy’s dependency on the oil sector increases macroeconomic risks due to weaknesses in this sector and declining revenues. The IMF has accused the bank of Nigeria of maintaining artificially low interest rates and intervening heavily in the foreign exchange market to prevent devaluation of the Naira. The bank’s policy is targeted at keeping inflation rates around 11-12%. Nigeria’s fiscal policy remains troublesome due to its dependence on oil revenues, although the government has made some improvements by basing its budget on a more conservative estimate of the oil price. Labor-management relations can be troublesome in some sectors, especially in the oil and gas and public education sectors. Nigeria has bilateral investment agreements with the Netherlands and South Africa, but only the agreement with the Netherlands has been ratified. There are two properly functioning free trade zones, one in Calabar and one in Onne. Besides these two, the government has established the free trade zones of Lekki, and Olokola, but these remain under construction.

INTERNATIONAL PAYMENTS
The decline in oil output and the somewhat lower oil prices have weakened the balance of payments. The current account balance of 2013 was 3.1% of the GDP and is expected to decline in the coming years (IMF, 2014b). Foreign companies and individuals can hold non-naira-denominated accounts in domestic banks. Account holders have unlimited use of these funds, and foreign investors may repatriate capital without restrictions (State, 2013). The Nigerian government pursues a policy of exchange rate stabilization that has worked well so far.

SUMMARIZING
- Doing business rank: 147/189
- Political Risk: High because of sovereign non-payment, political interference, supply chain disruption, legal & regulatory risk, risk of doing business, and political violence.
CULTURE

As has been discussed in the literature review, culture can be of influence on the entry mode decision, but it is also mentioned as an important entry barrier. Therefore it’s important to get an idea of Angolan Culture and its differences compared to western culture. A popular method to compare cultures is the method of cultural dimensions by Hofstede et al. (2010). Hofstede compares countries’ cultures based on six dimensions.

- **Power distance**: “The extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally”
- **Individualism**: “In individualistic societies the ties between individuals are loose: everyone is expected to look after him- or herself and his or her immediate family.” The opposite of an individualistic society is a collectivistic society which pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty.”
- **Masculinity**: “A society is called masculine when emotional gender roles are clearly distinct: men are supposed to be assertive, though, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life. A society is called feminine when emotional gender roles overlap: both men and women are supposed to be modest, tender and concerned with the quality of life.”
- **Uncertainty avoidance**: “The extent to which the members of a culture feel threatened by ambiguous or unknown situations.”
- **Long-term versus short-term orientation (LTO)**: Long-term orientation stands for the fostering of virtues oriented towards future rewards – in particular, perseverance and thrift. Its opposite pole, short-term orientation, stands for the fostering of virtues related to the past and present – in particular, respect for tradition, preservation of “face” and fulfilling social obligations.”
- **Indulgence**: “Indulgence stands for a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun. Its opposite pole, restraint reflects a conviction that such gratification needs to be curbed and regulated by strict social norms.”

![Diagram of cultural dimensions]

- **Angola**
- **Ghana**
- **Nigeria**
- **South Africa**
- **Netherlands**
A market entry strategy for an industrial services firm

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</tr>
<tr>
<td>Indulgence</td>
<td>83</td>
<td>72</td>
<td>84</td>
<td>63</td>
<td>68</td>
</tr>
</tbody>
</table>

- Angola is a hierarchical society, this means that managers should lead by telling subordinates what to do, not by setting an example and expect employees to follow. Autocratic leaders are generally accepted in society.
- Angola is a collectivistic society, family relationships are very important. This also means that employer/employee relationships are perceived in more than just a professional relationship. Hiring and promotion decisions also take into account social consequences.
- Angola is a feminine society, this has consequences for what motivates people. In a feminine society people rather choose things that hey like to do than doing what they think is best. This means that things as free time and flexibility are highly favored by employees.
- Angolan people have slight preference for avoiding uncertainty. This can be explained as relatively conservative when it comes to certain behavior and ideas.
- The short-term orientation in Angola implies that there’s great respect for traditions, and a focus on short-term results. Saving for the future is not common, and there’s a focus on achieving quick results.
- A high indulging culture implies that people focus on fulfilling their impulses and desires.

For some more practical information on Angolan (business) culture the following websites provide useful information:


http://www.kwintessential.co.uk/resources/global-etiquette/angola.html
## APPENDIX D: NPV CALCULATION ANGOLA

<table>
<thead>
<tr>
<th></th>
<th>y0</th>
<th>y1</th>
<th>y2</th>
<th>y3</th>
<th>y4</th>
<th>y5</th>
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<tr>
<td>discount rate</td>
<td>15%</td>
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<td>initial investment</td>
<td>€ 812,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>revenue</td>
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<td>€ 1,000,000</td>
<td>€ 1,500,000</td>
<td>€ 2,000,000</td>
<td>€ 2,500,000</td>
<td></td>
</tr>
<tr>
<td>cost</td>
<td>€ 300,000</td>
<td>€ 500,000</td>
<td>€ 750,000</td>
<td>€ 1,000,000</td>
<td>€ 1,250,000</td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>€ 300,000</td>
<td>€ 500,000</td>
<td>€ 750,000</td>
<td>€ 1,000,000</td>
<td>€ 1,250,000</td>
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<tr>
<td>accumulated profit</td>
<td>€ 812,000</td>
<td>€ 512,000</td>
<td>€ 12,000</td>
<td>€ 738,000</td>
<td>€ 1,738,000</td>
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<tr>
<td>net present value</td>
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<td>€ 173,059</td>
<td>€ 320,079</td>
<td>€ 891,832</td>
<td>€ 1,513,303</td>
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</tr>
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</table>
A market entry strategy for an industrial services firm

APPENDIX: E IMTECH MARINE PORTFOLIO
A market entry strategy for an industrial services firm
A market entry strategy for an industrial services firm