

MARKET RESEARCH FOCUSING ON NIGERIA, ANGOLA AND ALGERIA

Case: Kemppi Oy

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Saija Karetoja

Lahti University of Applied Sciences
Degree Programme in International Trade

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Case: Kemppi Oy

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ABSTRACT

The Bachelor's thesis is based on a market research of African markets. The research is made from viewpoint of the welding industry. The topic takes a look at welding machine manufacturer, Kemppi Oy, and African welding machine markets. The thesis concentrates first on the three countries Nigeria, Angola and Algeria on a general level and then on the chosen pilot country, Nigeria. The aim is to examine selected countries as well as create new useful information about African welding machine markets.

The Bachelor's Thesis consists of a theoretical part which is divided into themes: a market research process and a business analysis which is needed for a market research. The empirical part uses the business analysis to apply information of the selected countries. The goal of the theoretical part is to explain market research, what kind of benefits it brings and when to use business analysis for analyzing the business field.

The empirical part describes the societal issues of Nigeria, Angola and Algeria. It uses the business analysis to achieve the goals. At the end of the empirical part, competitors and the business environment of Nigeria are analyzed.

As a conclusion it can be stated that there are many positive options regarding the industry in Nigeria. Natural resources, such as, oil is the most significant reason for the development of the welding industry and it can be seen as an important factor for the success of Kemppi in Nigerian markets. The potential company for cooperation in future is presented as well.

Key Words: Market research, business analysis, welding machine industry, Kemppi, Nigeria, Algeria, Angola

Lahden ammattikorkeakoulu
Koulutusohjelma kansainvälinen kauppa

KARETOJA, SAIJA:

Markkinakartoitus Nigerian, Angolan
ja Algerian alueille
Case: Kemppi Oy

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TIIVISTELMÄ

Opinnäytetyön perustana toimii markkinakartoitus Afrikan markkinoille hitsaavan teollisuuden näkökulmasta katsottuna. Työssä käsitellään hitsauslaittevalmistaja Kemppi Oy:n kannalta Afrikan markkinoita. Työssä keskitytään ensin yleisellä tasolla kolmeen maahan, Nigeriaan, Angolaan ja Algeriaan. Tämän jälkeen esitietojen perusteella valittuun pilottimaahan, Nigeriaan, paneudutaan tarkemmin. Työn tavoitteena on tutkia kattavasti valittuja maita sekä luoda uutta tietoa kyseisten maiden hitsaavan teollisuuden markkinoista.

Opinnäytetyö koostuu teoreettisesta osuudesta, joka käsittelee markkinakartoitukseen tarvittavia analyysejä kun taas työn empiirinen osuus soveltaa tietoa analyysien avulla kolmesta valitusta maasta, Nigeriasta, Algeriasta sekä Angolasta. Teoreettisen osuuden markkinatutkimuksen sekä liiketoiminta-analyyysien tavoitteena on selvittää mitä markkinatutkimuksella tarkoitetaan, mitä hyötyjä se tuo yritykselle sekä miten liiketoiminta-analyysejä käytetään yrityksen ja liiketoimintaympäristön analysointiin.

Empiirisen kokonaisuuden tavoitteena on tuoda esiin kolmen analysoitavan maan yhteiskunnallisia aihealueita. Empiirisen osuuden lopulla keskitytään Nigerian analysointiin kilpailijoiden sekä toimialan analysoinnin saralla.

Johtopäätöksiä tarkastellessa voidaan todeta Nigeriasta löytyvän useita myönteisiä tekijöitä hitsaavan teollisuuden alalla. Nigerian luonnonvaroihin, kuten öljyn tuotantoon keskittynyt talous antaa hyvät edellytykset hitsaavan teollisuuden menestymiseen sekä Kempin menestymiseen Nigerian markkinoilla. Tulevaisuutta ajatellen Nigerian markkinoilla toimiva potentiaalinen yhteistyökumppani on esitelty myös.

Asiasanat: Markkinakartoitus, liiketoiminta-analyytit, hitsaavateollisuus, Kemppi, Nigeria, Algeria, Angola

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1 INTRODUCTION

1.1 Background of the Bachelor's Thesis

The Bachelor's thesis is completed as an assignment for the Finnish welding machine manufacturer, Kemppi Oy. The thesis concentrates on a market research process of the African countries Angola, Algeria and Nigeria.

The author came up with the idea of doing her bachelor's thesis for Kemppi during her practical training there in 2014. The company has a need for market research concerning African countries. Kemppi, as a company, is family-owned and is headquartered in Lahti but operates around the world. Their products are welding machines, equipment and other side products. In addition, they have welding data analyzation systems in their product range.

The goal of the thesis is to carry out a market research of three African countries; Nigeria, Algeria and Angola. First of all, the author will complete a general research on the three countries. And after that, one pilot country will be chosen and it will be examined in more detail.

The main reason for the market research is the case company's lack of knowledge about the selected countries in consideration to their business. Overall, the company does not have that much exact information on the possibilities open to them in the African countries.

1.2 Research Questions and Objectives

The research topic tells about issues the company should take into account when planning their entry to new markets. The aim is to gather a wide range of information about the three countries and after that more closely examine the chosen pilot country, Nigeria. Partial market research covers Angola and Algeria and then the thesis will dig deeper into the Nigerian economy – thus providing useful information. The ideal result

would be to find a potential distributor in Nigeria for Kemppi. The research problem is based on the need for market research. Nigeria, Angola and Algeria are among the five largest economies in Africa and therefore they are ideal countries to take a closer look at. Considering that Kemppi is a welding machine producer, the oil industry is highly related to their business. Furthermore, Nigeria, Algeria and Angola are the three biggest oil producers in Africa. (Jokela 2013.)

The bachelor's thesis ends up examining, in more detail, Nigeria as a pilot country. The reason for choosing Nigeria is its position as the largest oil producer in Africa, producing 2.5 million barrels every day. Thus, there is a huge demand in welding machines. In addition, the company's earlier activity in Nigeria and the large size of the Nigerian economy are the other reasons. (Jokela 2013.)

The information is based on books and electronic sources. The theoretical part of the thesis uses more book sources while the empirical part is mainly based on formal electronic sources as well as the case company's internal sources. Very little studies researching of similar subject matter exist and that is why the case company as well as other operators will benefit from the research.

In the bachelor's thesis the qualitative method will be used by studying theoretical material and creating new results. Inductive deduction is part of the qualitative research because the research problem is led from the problems the case company is facing in practice. By using inductive deduction it is possible to build new theoretical concepts.

1.3 Structure of the Bachelor's Thesis

The bachelor's thesis consists of theoretical and empirical parts. The theoretical part examines what kind of information a market research process includes and what is the structure of a good company analysis and also how to concentrate on the market research process. Different divisions of the market research process will be examined as well as

threats to market research process. The theoretical part is divided into two chapters. The first chapter explains the divisions of market research such as product and sales research as well as threats to market research. The second theoretical chapter describes analyzes needed to examine a company's structure and its potential in a business field. Required analysis for a company's microenvironment and macroenvironment interpretation and SWOT analysis are included. Industry analysis, according to Michael Porter (Magretta 2012), attempts to analyze the level of competition in the industry in question. In this chapter the reader becomes familiar with the terms of segmenting and targeting. Furthermore, marketing channels will be explained.

The last three chapters of the study are the empirical part explaining the company analysis, country analysis and pilot country analysis. The fourth chapter concentrates on the case presentation from the viewpoint of Kemppi Oy. The chapter starts with a company presentation and takes a closer look at Kemppi's subsidiaries and distributors around the world. The Kemppi's product range will be presented concisely and the company analyzed with the SWOT analysis. Kemppi's key industries are described and the competitors are presented and analyzed.

The country analysis chapter provides basic economic information about all three countries Nigeria, Angola and Algeria. By analyzing them with the PESTEL and SWOT analyses it helps to see the overall situation. The last empirical chapter focuses on Nigeria, having a closer look at Nigeria's economic and political situation including Porter's five forces analysis. Furthermore, the competitors will be analyzed in more detail and focus will be on potential customers.

2 MARKET RESEARCH

2.1 Definition of Market Research

This chapter will concentrate on the market research process giving an overview of its basic functions. The picture (figure 1) describes different factors of market research by providing information about all the internal and external factors influencing the market research process.



FIGURE 1. Market research. (Forval Cambodia 2016)

Market research process (figure 1) shows different parts of a coherent market research. Different analysis such as SWOT analysis, target market analysis, competitive analysis are part of the market research process. By analysing a market with the mentioned analysis and ways it is likely to create a complete image about a researched company and industry.

2.2 Role of Market Research

The main purposes of a market research are to get knowledge about markets, understand the prevalent marketing culture and environment. Market research brings information about manufacturers and suppliers and it finds ways to solve marketing problems. (Gupta 2007, 5.)

Market research hands relevant information over to the right persons. Challenges concerning market research can be divided into two groups; the first group handles the increased complication of business environment and the second group examines the increased complication of decision makers. The main reasons for an increased complication of a business environment are technology changes, research and development, product changes and information technology changes (Gupta 2007, 7.)

Technological changes mean the level of knowledge in the technological field in question. Usually the knowledge varies between different fields of the industry. Complexities in the research and development are mainly shortened product lives and more complicated products. Product changes tell about quickly developing technology and challenges that occur. The last complexity is about the huge changes in information technology. (Gupta 2007, 7.)

2.3 Market Research Process

The planning of a professional market research process has six different steps starting with the problem and ending up with interpreting the findings.

1. Identify the problem
2. Determine the research design
3. Outline the sample and method of data collection
4. Collect the data

5. Analyze the data
6. Interpret and present the findings

(Sarstedt & Mooi 2014, 11-12.)

The first step is to identify the problem faced by the company. Recognizing the problem helps the researcher continue the process. The researcher may be able to determine techniques that could be used and the range of information needed.

Determining the research design ensures that the information gathered is based on the objectives of the study. In the third point, the researcher should decide the type of sources of information needed, the method of data collection, the methodology, the timing and the sampling.

Data collection can be divided into two parts based on data collecting sources: internal and external sources. Data can also be primary collected, collected from the original sources or secondary collected, for example, from articles or reports. After data collecting, it is time to do the analyzing part. Analyzing data starts with editing. This means observing the data collection forms such as legibility of data. The final step in the market research process is to formulate the conclusion and express the concrete findings and results. (Your Article Library 2015.)

2.4 Divisions of Market Research

All the divisions of market research including product research, sales research, customer research and pricing and advertisement research, are described below. (Beri 2008, 5).

Product Research

Product research is improving, developing, testing and designing of products. Its mission is to analyze whether the quality of a product is desired and how the product behaves compared to the competitive products. After-sales business is part of the product research as well and it

investigates whether this part will be fulfilled in the product life cycle vision. (Beri 2008, 6-8.)

Sales Research

Sales research includes all the selling-related actions in the company. The focus is mainly on different sales outlets and territories. Finding the factors that need to be improved is one of the main areas of sales research and this also helps the company to find its position in the market. (Beri 2008, 6-8.)

Customer Research

Customer research examines buyer's behavior in sociological, economical and psychological sectors. The aim of the research is to figure out customers' decisions to buy certain products. Customer research can be taken into account when estimating different segments and macro level factors. (Beri 2008, 6-8.)

Pricing Research

One of the most important factors having an impact on the success of the company is price. The main reasons affecting price is the cost of the product although there are several other components for example technological growth. The company investigates in the target market concerning price before launching a new product. (Beri 2008, 6-8.)

Advertising Research

Advertising research can be divided into two groups: media research and copy testing. Media research concentrates on television, radio, newspapers and magazines. The dilemma is how to find the right channel of media. The meaning of copy testing is to specify the rightness of a particular copy before the company releases it. The most important factor of using advertising is to increase knowledge of the company's products among the target customers. Potential customers are also interested in the availability of the product as well as service. (Beri 2008, 6-8.)

Threats to Market Research

Three threats of market research are mentioned. Excessive interviewing, lack of consideration and underestimating of market research. The last one has been considered to be the biggest threat. (Beri 2008, 6-8.)

3 BUSINESS ANALYSIS

3.1 Company Analysis

Company analysis tells about a company's internal resources that have an effect on competitiveness and the analysis estimates a company's international activity as well. The following areas: company, management, production, procurement and logistics, technology, marketing and sales, human resources and financial administration must be included in an extensive company analysis. (Äijö 2008, 118-119.)

3.2 Microenvironment

The concept of microenvironment means factors having an influence on a company's performance. Factors such as customers, suppliers, distribution channels, competitors and public are part of microenvironment.

The company's internal environment consists of departments such as finance, purchasing, sales, marketing and management. These all form the company's internal environment and marketing has the most important role on a coherent whole. Suppliers connect customer value to delivery network. This means the services and products required by the company to manufacture its goods. Resellers and distribution companies help the company to sell and distribute its products to final customers. (Kotler and Armstrong 2014, 93-94.)

As the marketing concept states, to be successful a company needs to provide better customer value and satisfaction than its competitors do. The meaning of public, in the company's marketing field, is its potential to achieve the organization's goals. There are parties such as financial public, media public and government public. (Kotler and Armstrong 2014, 94-95.)

3.3 Macroenvironment: PESTEL Analysis

There are six major forces of macroenvironment: economic, social, political, legal, environmental and technological. These forces have an influence over a company's macroenvironment. As a result, the forces can be seen as PESTEL – the acronym which is used to explain the macroenvironmental analysis (figure 2). (Fahy & Jobber 2015, 34.)

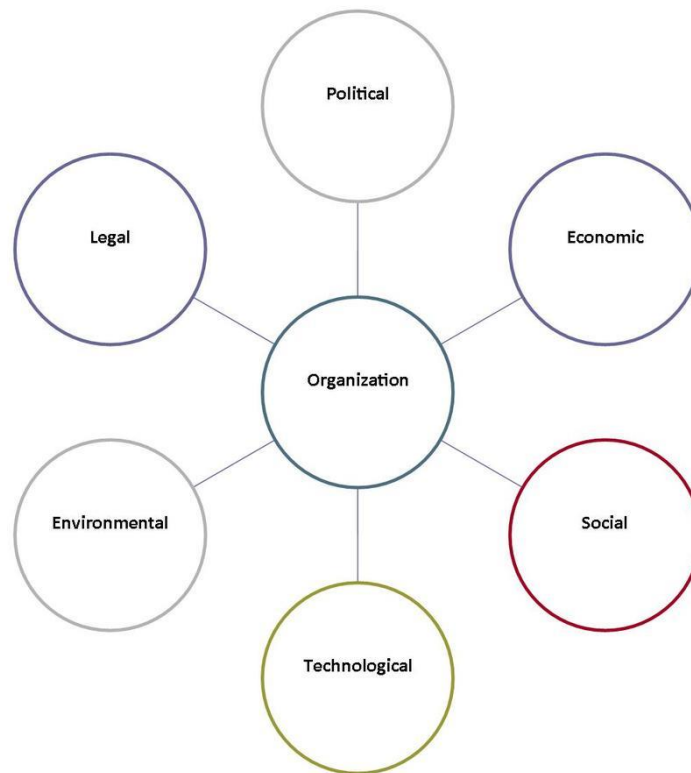


FIGURE 2. PESTEL analysis. (Boundless 2015)

Economic forces include areas such as economic growth and unemployment. The condition of international and national economies

have an impact on an individual company as well. One of the levers that is used by the government to control the economy is interest rates; the amount charged by a lender to a borrower for the use of assets. The economic factor, e.g. exchange rates, affects the economy by floating exchange rates. The main currencies such as US dollar, euro, pound and yen are all floating currencies, meaning that the currency's value is allowed to fluctuate according to the exchange market. The floating rates might have an effect on the company's international operations and thus the profitability of the company. Taxation is part of the economic force which can have an impact on demand. There are two sort of personal taxes: direct and indirect. Direct taxes such as income tax and inheritance tax determine consumer disposable earnings to spend. Indirect taxes such as value added tax and tariffs are taxes added to prices of products. Changes in indirect tax rates can lead to the problem of parallel importing meaning that the products are purchased in a low-cost country. (Fahy & Jobber 2015, 35-37.)

Social forces are divided into demographic and cultural changes. Demographic factor includes areas such as the growth of population and effects caused by it, increasing proportion of people over 60 years of age and the improvement of middle and wealthy classes in low-income countries. Culture has an impact on how the business is built in different countries. (Fahy & Jobber 2015, 37-39.)

Political and legal elements, being a part of marketing, are explained by the determined rules. They both have consequences for business for instance creation of businesses and industries. There exists a lot of regulations and standards for advertising among the advertising industries. In addition, ethical side of marketing has been taken into account in the standards of marketing. However, sometimes we can see differences between ethicality and legality and it needs to be remembered that unethical marketing methods are not always illegal. Ethicality comes up many times when thinking of profits. For example, with the situation between using child labour and the costs of production. (Fahy & Jobber 2015, 39-41, 45-46.)

The technological environment has a bigger and bigger role in business. Identifying the potential technologies, which can be utilized to develop the internal capability in the company, increases effectivity. (Boundless 2015.) The big issue today is environmental sustainability affecting the welfare of nature, for example ecological forces delving into items such as climate change, pollution and recycling. The impact of climate change on business can be explained for example with air traveling. Pollution is a huge problem in expeditiously growing economies such as China. However, pressure from the authorities supports reducing pollution levels. (Fahy & Jobber 2015, 41-42.)

3.4 SWOT Analysis

SWOT analysis is divided into external and internal environments. Strengths and weaknesses tell about a company's internal features when opportunities and threats concentrate on external elements. Whereby a company has a need for change in a strategy or strategic decisions SWOT analysis studies the market (figure 3). (Richards & Grinsted 2013, 239.)

SWOT analysis bring risks forward as well; the risk that the strategy will decline or the strategy ignores company's strengths and weaknesses. And on the other hand, risk is lower if the company specifies its weaknesses and strengths. (McDonald, Smith & Ward 2007, 104-105.) Usually SWOT analysis is expressed as a fourfold table (figure 3).

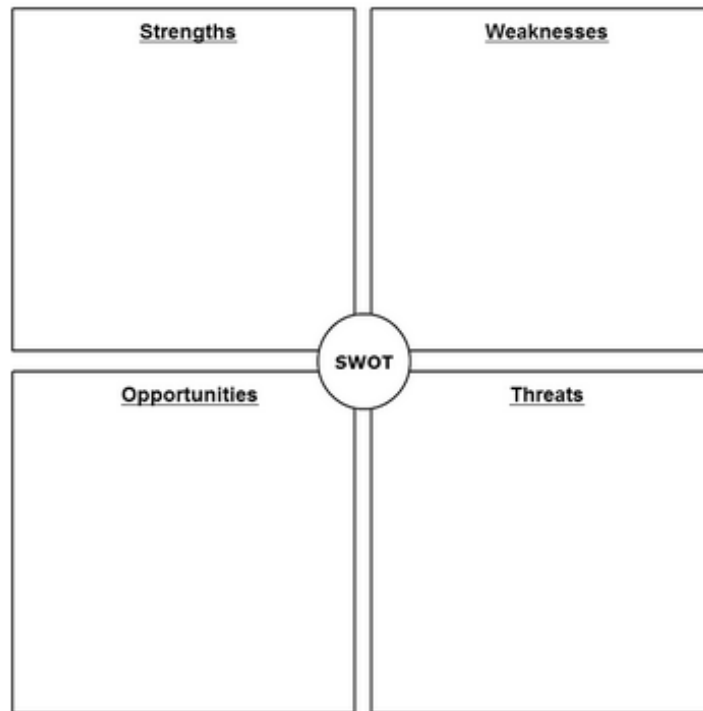


FIGURE 3. SWOT analysis. (Bilyet 2015)

3.5 Target Marketing and Segmenting

Factors such as population and income may provide an approximate evaluation of market size but the detailed information about the market gives a better view for targeting. Age, gender, ethnicity, income and religion are typical factors based on demographics when targeting is in question. Segmenting by country, local segment, region are geographic factors and psychographic factors include segmenting by opinions, attitudes and interests. Behaviors cover factors such as habits, purchase frequency and brand loyalty. (Daniels, Radebaugh & Sullivan 2013, 647-648.) Segmenting business markets can be done according to the same rules and factors as consumer segmenting even if business marketers use some other factors such as operating characteristics, situational factors and personal characteristics (Kotler & Armstrong 2014, 222).

A marketer has numerous possibilities for doing segmentation. Demographic segmentation factors are quite easy to measure. Age and life-cycle segmentation suggesting different products to different age

groups. (Kotler & Armstrong 2014, 215-216.)

Psychographic factors such as social class and lifestyle can be very different among the buyers who are in the same demographic group. Dividing a market into segments is known as behavioral segmentation. This model is based on consumer knowledge and attitudes. (Kotler & Armstrong 2014, 218-220.)

Targeting can be described as an attractiveness of the market segments. A company has to choose at least one segment to enter a market. Evaluating segments is an important part of targeting. Relevant issues for the segment evaluation process are size, growth, company resources and attractiveness. Selection of the target market segments comes after the evaluation process. The company has to make a decision on how many segments to target and what would be the segments. (Kotler & Armstrong 2014, 209, 224-225.)

3.6 Customer Analysis

The mission of the customer analysis is to decide the company's marketing strategy by identifying potential customers and ascertaining their needs. By clarifying how often people buy certain products and what are the decisions that lead them to buy certain products the company will manage to understand the current customers better. (Udemy 2014)

Customer analysis consists of two main areas: customer chain and demand. The question "Who is the customer?" is important to ask but the answer is not always clear. In many cases it is relevant to know the end customer and their needs. (Äijö 2008, 106-107.) Known as customer profiling, an organization needs to evaluate buying behavior, products purchased by customers, quantity ordered, payment behavior and frequency of orders. Customer value for the company means the amount of annual purchases made by a customer. The difference between the value offered to the client and the cost of client determines the customer value. From a consumer point of view the value is different between what

consumer receives and what the company offers. A choice consumers make depends on the value offered by the company. This method is also used showing strengths and weaknesses of the company compared to its competitors.

In analyzing a customer, a company needs to identify the features a customer appreciates and the company should carry out a research concerning the features and benefits of its products. Consumer opinions are important and the company should use them in the situation such as company segment assessment compared to competitors. Customer satisfaction needs to be measured to receive the value for the evaluation of the company. (Radulescu & Cetina 2012, 309-310.)

When doing business-to-business marketing major problems and challenges need to be clear and then specified how these problems would be solved from the customer's point of view (Äijö 2008, 106-107).

3.7 Competitive Analysis and Porter's Five Forces

The aim of competitive analysis is to identify the strengths and weaknesses of the competitors. Identifying these features of the competitors will provide a company valuable information when entering new markets. In recognizing the weaknesses and strengths of competitors, the company will be aware of the impacts due to competition. (Entrepreneur 2006.)

In the beginning, the first step is to sort out the competitors and start analyzing direct and indirect competitors. The difference between direct and indirect competitors is that a direct competitor is a company selling a similar product to the same customer base. An indirect competitor is a company offering products that are a bit different but the object is the same customer base.

After the current and potential competition have been identified, the competitor analysis can concentrate on the strategies of the competitors. The idea is to find out the weaknesses of the competitors. (Entrepreneurial

Insights 2014.)

In competitive analysis, it is important to collect and analyze data about the companies you want to compare with your company. Information such as main target customers, services provided, technological knowledge, brand and customer focus are things that have to be figured out (Entrepreneur 2006.) The size of market, current and future and the growth rate have to be figured out when doing the competitive analysis. The market size is possible to evaluate based on present sales and on potential sales. The market growth rate forecasts the growth of the market in the future. (NetMBA Business Knowledge Center 2010.)

Porter's Five Forces Analysis

Porter's five forces analysis (figure 4) consists of the bargaining power of suppliers, the threat of substitutes, the bargaining power of buyers and the threat of new entrants. The five forces build the industry's structure and Porter's research findings are based on the connections between industry structure and profitability. Profitability does not depend on such factors as high growth or low or high tech, it is all about the industry structure. (Magretta 2012, 36-37.)

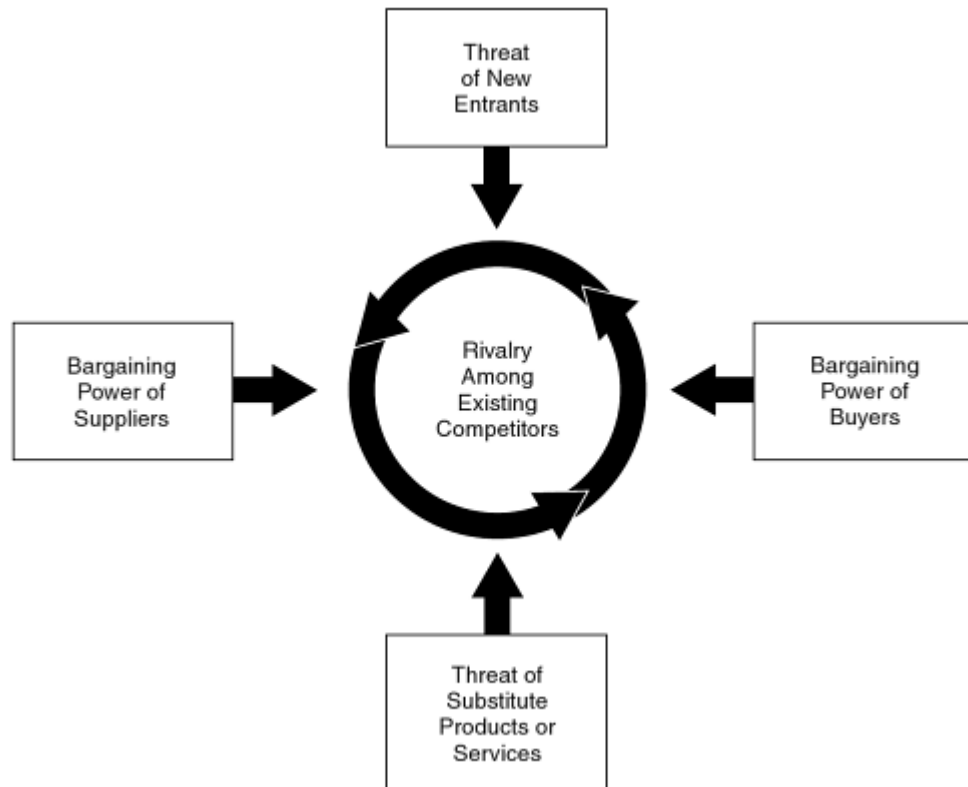


FIGURE 4. Porter's five forces of competitive position analysis. (Porter 2008, 4)

Buyers

Buyers, in other words consumers, have an influence on putting the prices down and they usually require more value of a product. End customers are in major role because the purchase decisions are made by them.

(Magretta 2012, 42.)

Suppliers

Suppliers usually try to charge higher prices affecting at the same time the industry's profitability in a negative way. The power of suppliers can be qualified by the purchased inputs. There are similarities between the power of suppliers and buyers. Both of them rest on their customers buying decisions. If they lose a current supplier or a customer, it would harm them. The expression "The industry needs more than they need the industry" explains that sometimes it is possible that there are no substitute suppliers. Thus, the expression highlights the importance of significant

partners. (Magretta 2012, 43-44.)

Substitutes

The word substitute means products that can be used for the same basic need. The difference comes from the price gap – substitute products are often priced with lower price, although there are alternatives with higher prices such as energy drinks are more expensive than coffee. Keeping in mind that substitutes are not direct rivals and that is why it is a bit challenging to estimate where they come from. (Magretta 2012, 46-47.)

New Entrants

The threat of entry describes new entrants and they bring new capacity to a market as well as gain a market share. New entrants have an effect on prices and they put pressure on costs. The threat of entry depends on present entry barriers and the reaction of entrants. (Porter 2008, 8.)

3.8 Industry Analysis

Industry analysis is an objective tool to help understand more about competition in the current business field. It provides information that is more precise and creates new information more likely compared to other corresponding analyses. (Magretta 2012, 39.) An understanding of an industry's competitors and the causes of profitability are the goals of the industry analysis. After all, the analysis should take a deeper look at quantitative features of an industry instead of the qualitatives. Considering the elements of the five forces, many of them are quantitative, such as the percentage of industry sales needed to cover a plant. One of the aims of the industry analysis is to figure out what is the difference between revenues and costs. Well created industry analysis sums up a comprehensive analysis about the investigated industry. (Porter 2008, 5.)

Steps in Industry Analysis

Finding the relevant industry is one of the breaking points. Clarifying the geographic reasons for the competition, identifying participants and segmenting them is important. The following questions could be utilized when analyzing an industry.

Who are the buyers?

Who are the suppliers?

Who are the competitors?

Who are the substitutes?

Who are the potential entrants?

(Porter 2008, 5-6.)

4 COMPANY ANALYSIS KEMPPI OY

This chapter is the empirical part of the study and first presents basic information about Kemppi and its products and afterwards concentrates on the competitive factors and key industries of the company.

4.1 Company Presentation

Kemppi, a world-leading manufacturer of arc welding machines, was founded in Lahti in 1949 by Martti Kemppi. Kemppi provides solutions for productive welding and Kemppi, as a brand, is well-known worldwide. Chief Executive Officer is Anssi Rantasalo and the Chairman of the Board is Teresa Kemppi-Vasama. Kemppi Oy, headquartered in Lahti, is a subsidiary of Kemppi Group.

The total global revenue in 2014 was 114 million euros. Kemppi has its own offices in 16 different countries and regularly export into 70 countries. The whole Kemppi group has approximately 630 employees. Production plants are located in Finland; Lahti and Asikkala, and also one in Chennai, India.

The company still follows its basic values. The company has created its values in the following way: entrepreneurship as a value shows the confidence in one's own potential and courage to take risk; a curious and open-minded attitude are basis for the innovativeness and honesty is a natural part of human behavior. The way of thinking at Kemppi is that respecting other people makes it easier to understand other people's motives and co-operation works better as well.

In over 65 years Kemppi has developed many innovations and it is a pioneer of welding technology and productive welding solutions. Kemppi's aim is to offer more comprehensive solutions than ever before to its customers. (Kemppi 2015.)

4.2 Kemppi's Activity

Kemppi's activity in the African market is quite low (figure 5) and Kemppi's market share is close to zero. Kemppi has distributors in the following African countries: South Africa, Cape Town a distributor for 17 years; Egypt, Cairo distributorship for 12 years, and in Nigeria three years. In Algeria there has been occasional activity. (Jokela 2013.) The main reasons for inactivity can be explained by the economic and political situation (Kemppi 2015).

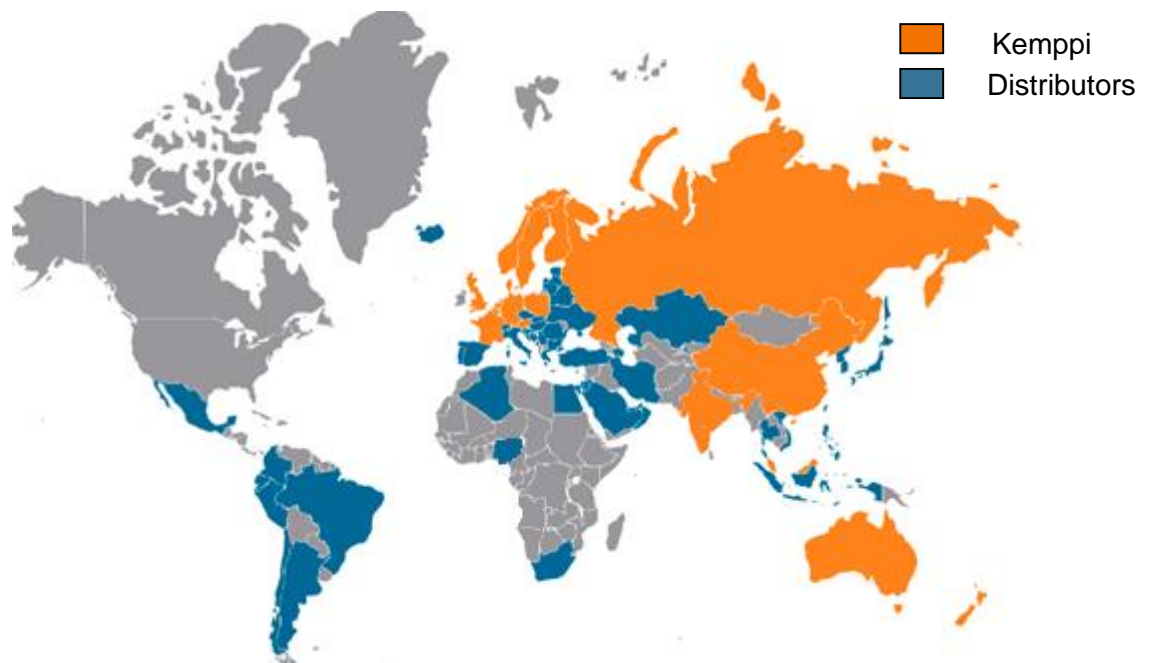


FIGURE 5. Kemppi's subsidiaries and distributors. (Kemppi company presentation 2014)

4.3 Kemppi's Products

The wide range of MIG/MAG welding, TIG welding, MMA welding and welding automation products are products Kemppi manufactures. Other

equipment such as transport units, cables and connectors are also available.

Kemppi offers several models for MIG/MAG (metal inert gas and metal active gas) welding such as basic and synergic FastMig models. Also AC/DC TIG welding machines such as MasterTig AC/DC 3500W and DC TIG welding machines such as MinarcTig and MasterTig MLS are included in the product range. The MMA (manual metal arc) welding machines that Kemppi offers are Minarc Evo 150 and 180. (Kemppi 2015.)

4.4 Kemppi SWOT Analysis

Analysing Kemppi with SWOT analysis provides internal and external information about the company concerning African markets (table 1).

TABLE 1. Kemppi SWOT analysis.

<p>Strengths</p> <p>Technology knowledge</p> <p>Reliability</p> <p>Product quality</p> <p>Service products</p>	<p>Weaknesses</p> <p>Poor distributor network in African countries</p> <p>Uncompetitive product range</p> <p>Long delivery time</p>
<p>Opportunities</p> <p>Large market size</p> <p>Rapidly growing economy</p>	<p>Threats</p> <p>Multi-brand distributors</p>

Kemppi's strengths are technology, reliability and professional level in product quality. As Kemppi's strength can also be seen new type of

service products such as the Kemppi Arc System solution which analyzes welding data. By way of welding data analysis, Kemppi has strengthened its position in the welding machine market. (Kemppi 2015.)

South Africa is the biggest welding market in the African continent. Weaknesses can be found in the poor distribution network in Africa and an uncompetitive product range for African welding needs. For example, MMA machines and basic MIG/MAG welding machine ranges are missing. Considering delivery time from Finland to Africa it is seen as a weakness because the customer usually needs the product faster than the real delivery time allows to deliver it. The company has only a little information about the African markets which can bring difficulties in the beginning.

Opportunities in Africa are wide due to the large size of the market and a rapidly growing economy. There are only very few local machine suppliers which could be then seen as positive for Kemppi's machine demand in Africa.

As for threats, the multi-brand distributors can be considered. Usually local distributors are serving many different competitive products such as welding machines and welding consumables under different brands. (Jokela 2013.)

4.5 Kemppi's Key Industries

Kemppi's key segments can be categorized into shipbuilding, automotive industry, mining industry and oil, gas and chemicals. The shipbuilding and steel structure segment includes patrol and fishing boats and repair yards. High quality welding is one of the main drivers of productivity in shipbuilding and that is why steel structure industries are successful. There are no segment value nor investment plans in Africa concerning shipbuilding. Transportation and material handling plays an important role ensuring the production of safe and decent vehicles.

The automotive industry does not have segment value nor investment plans from the viewpoint of welding industry. However, in many African countries there are several automotive industry plants. For example, in

Algeria there is the Renault automotive industry plant and in Nigeria a Nissan industry plant.

The mining industry concentrates on installation and repair work yet there are not investment plans for the welding industry. Oil, gas and chemicals mean repair, installation and modernization. In Nigeria the oil and gas industry is investing USD 12 billion annually and 75% of it goes to the welding industry. Offshore industries involve high quality welding in all sectors and it can be seen that welding plays a key role in manufacturing offshore, onshore and subsea equipment. Pipelines, pressure vessels and tanks as well as automation such as robotic welding systems are included industries that Kemppi serves. (Kemppi Oy 2014.)

4.6 Competitive Analysis

Kemppi, as a manufacturer, is reliable and the brand is highly appreciated. High quality end products are the huge competitive factor. A lower price level in Africa in comparison to Europe complicates Kemppi's success in Africa. Chinese products and American suppliers have lower prices which makes it more difficult for Kemppi to compete in the African market. As a conclusion Kemppi's possibilities in Africa are mainly to market basic MMA and MIG/MAG machines because of the lower price level and basic level functions.

Kemppi's biggest competitors in the African market are ESAB, Lincoln, Miller and Fronius. Furthermore, some Chinese producers are there as well. Technological knowledge as well as price level of the biggest competitors is nearly the same compared to Kemppi's technological knowledge. (Jokela 2013.)

ESAB is known as a welding and cutting equipment company headquartered in Sweden. It is represented all around the world by its subsidiaries and distributors. In Africa, ESAB has a distributor in Angola, in Luanda and it has a subsidiary in South Africa and several distributors

there as well. ESAB is not present in Nigeria nor Algeria. However, ESAB has distributors in other African countries. (ESAB 2015.)

The Lincoln Electric Company is headquartered in Cleveland and it offers arc welding products. Lincoln has distributors worldwide in more than 160 countries and over 40 manufacturing plants. In Africa it has subsidiaries in Algeria and South Africa and distributors in other African countries such as Nigeria and Tanzania. (Lincoln Electric 2015.)

Miller, known as an arc welding and cutting equipment manufacturer, has its main office in Wisconsin, US. Miller has distributors in some African countries such as South Africa. However, the distributor network in Africa is not very extensive but most of the African countries are controlled over distributors located in South Europe. (Miller 2015.)

Fronius is headquartered in Austria and it is still a family owned company providing arc welding machines. Wide sales network is located all over the world and in Africa Fronius has distributors in the following countries: Algeria, Morocco, Nigeria, Egypt, South Africa and Tunisia. (Fronius 2015.)

At the moment welding machine markets are distributed in Africa among ESAB, Lincoln and Miller. ESAB is the key player, Lincoln is in second place and Miller third place. There are also some Chinese manufacturers and other manufacturers having smaller market share. (Jokela 2013.)

5 COUNTRY ANALYSIS

This chapter concentrates on providing the basic facts as well as economical and political factors of the chosen countries Nigeria, Angola and Algeria. All the countries will be analyzed with SWOT and PESTEL analysis providing an outlook of each country. Nevertheless, Nigeria will be elaborated further by providing more detailed information.

5.1 Economic Overview of Angola, Algeria and Nigeria

Here below is (figure 6) an overview of the overall economic situation of all three countries Angola, Algeria and Nigeria.

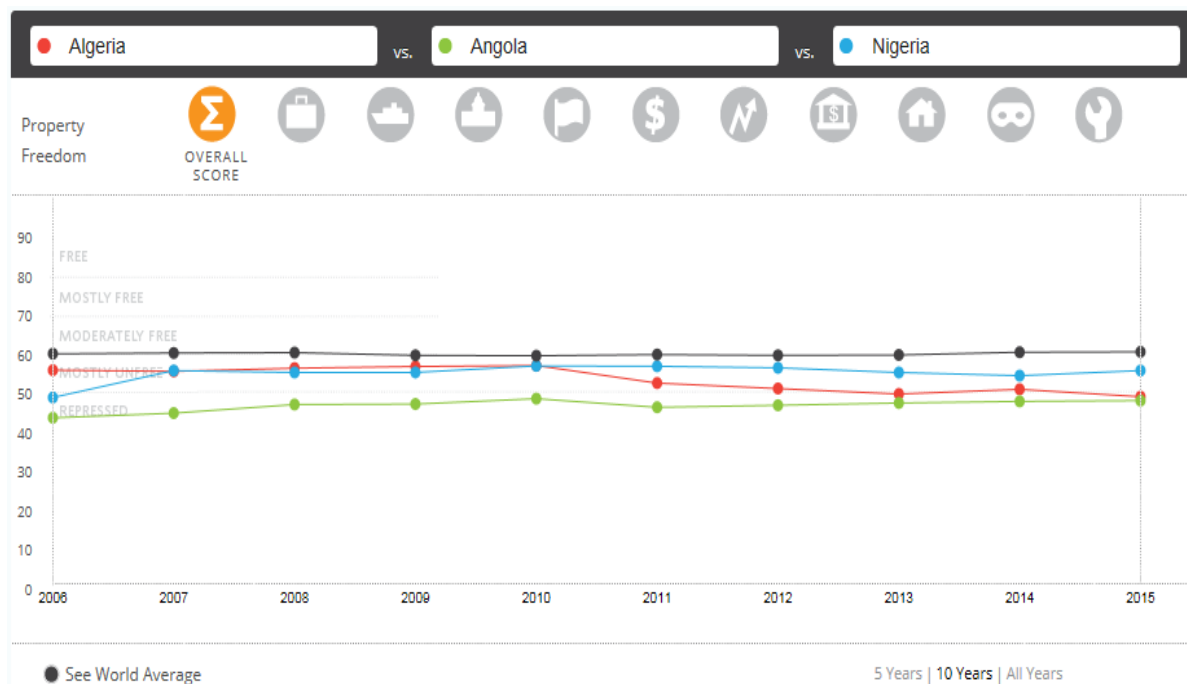


FIGURE 6. 2015 Index of economic freedom. (Heritage 2015)

The situation of economic freedom in Algeria, Angola and Nigeria is illustrated with the picture (figure 6) during the last 10 years. This picture provides an overall score for each country and compares them in all economic areas. Business freedom, trade freedom, fiscal freedom, government spending, monetary freedom, investment freedom, financial freedom, property freedom, freedom from corruption and labor freedom are all included into this overall score.

The red colour describes Algeria, green colour for Angola and blue is for Nigeria. The black line shows the world average rate. As we can see these three countries are on the same levels. Angola has been doing a bit worse than Algeria and Nigeria in the long term. Nevertheless during the last year Nigeria is doing better and Algeria and Angola have been ranked almost at the same level. (Heritage 2015.)

5.2 Nigeria

Overview into Nigeria's economy is described in the next chapter but the basic facts are presented briefly in this (table 2).

TABLE 2. Nigeria. (Trading Economics Nigeria 2015)

Population	178.5 million
GDP (USD)	568.51 billion
GDP growth rate	6.3%
Unemployment rate	9.90%

Nigeria, officially known as Federal Republic of Nigeria, is located on the coast of West Africa and has the biggest population in Africa with the population of 178.5 million people and a growth rate of population around 2.6%. (Trading Economics Nigeria 2015). The capital is Abuja and official language in Nigeria is English. In 2014 Nigeria surpassed South Africa as the continent's largest economy. In March 2015 a presidential election was held and an opposition candidate Muhammadu Buhari was elected. The head of state is president Mr. Buhari and the national government is Federal Executive Council which is led by the president.

Economic growth has slowed to 4.3% in 2015 and also the downturn in oil prices will be a restriction on growth in 2015. The slump leads to a reduction in investments although investment rates are quite low in

Nigeria. (Country Report Nigeria 2015, 17.) The GDP rate in US dollars was 568.51 billion in 2014 and growth rate was 6.3%. In Nigeria the inflation rate in October 2015 was 9.30 decreasing slightly for the first time for a year. (Trading Economics Nigeria 2015.)

When considering human and natural resources Nigeria is a very rich country. Natural gas, petroleum, tin, coal and, at the moment Nigeria is a leading oil exporter in Africa and the fifth biggest oil exporter in the world. (Central Intelligence Agency 2015.)

TABLE 3. Nigeria PESTE analysis.

Political	Political stability since 1999 Humanitarian problems in the north-east
Economic	Strong oil and gas sector Decline in oil prices One of the top countries to invest in Africa Poverty Corruption
Social	Large population Unskilled workforce High illiteracy rate Security issues Child and infant mortality rates high
Technological	Developed technology Welding institutes

Environmental	Oil spillages Water pollution
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In May 1999 the Fourth Republic came into effect in Nigeria. This means, that in 1999 Nigeria started a democratization process developing the government and carrying with it elections. (African Affairs 2010.)

Oil price decline has an impact on Nigerian economic situation. There can be seen a drop in fiscal revenues and GDP growth 6.3% and it is mainly a result from oil sector revenues. Due to a decline in oil prices the Nigerian government set off concentrating on methods to boost non-oil revenues. The government increased revenues by tax administration and policy and improving economic diversification. (Barungi, Ogunleye & Zamba 2015, 2-3.)

Humanitarian problems in the north-east of Nigeria became an issue in fall 2014. It got worse after the national elections and direct violence and conflicts are daily happenings in Nigeria. (Barungi, Ogunleye & Zamba 2015, 11.) Main political issues that need improvement in Nigeria are job creation, particularly among the young people and corruption (Country Report Nigeria 2015, 27-29). Corruption can be described as poor care of funds and political instability. Poverty plays a huge role in Nigeria as well, around 45-60 percent of the population live below the poverty line. Nigeria also remains as a country with the largest population of poor people, high unemployment rate being, 9.90%, and it is the most corrupt country in Africa. (Africa and the World 2015.)

Nigeria's economic situation can be seen to be unsteady due to corruption and weak rule of law. Oil market is one factor which increases the economical situation in Nigeria. The maximum individual tax rate is 24% and corporate tax rate 30%. Value added tax and capital gains tax are other collected taxes in Nigeria. (Heritage Nigeria 2015.) In Nigeria exports of goods and services measured of GDP in 2014 was 16.1% and imports

14.1%. In 2014 oil and gas GDP experienced a decline around 1.3% compared to year 2013. (The World Bank, Nigeria 2015.)

The equilibrium of development is a key factor for job creation and this affects Nigeria's future. There are a lot of differences between rural and urban areas and the societal transformation plays a major role when considering that the aim is to get rid of inequalities. Security problems in Nigeria have impacted on investments at the same time having an effect on poverty and crime rates. (Barungi, Ogunleye & Zamba 2015, 2.)

With the population of 178.5 million Nigeria has a lot of labor force but the major problem is unskilled workforce. Life expectancy is 52 years and school enrollment in the primary phase is 85% (The World Bank, Nigeria 2015.) Child and infant mortality rates tell of inadequate resources in healthcare and only 5.66% of the budget goes to healthcare (Index Mundi 2015).

There exists welding institutes which are authorized to offer international welding engineers, technologists, specialists, practitioners, inspection personnels and welder courses. Some of the biggest Nigerian oil and gas companies use welding training services offered by Mudiame Welding Institute which is authorized to run the International Institute of Welding diploma programmes. (Mudiame International Limited 2015.)

Nigeria's oil spillages cause harm to the environment in water, air and soil. However, also agricultural issues and the growth of human population create pollution problems. (Index mundi 2015.)

TABLE 4. Nigeria SWOT analysis.

<p>Strengths</p> <p>The largest oil and gas sector</p> <p>Large population</p> <p>In the list of N-11 countries</p> <p>Shipbuilding</p>	<p>Weaknesses</p> <p>Financial resources</p> <p>Corruption</p> <p>Unemployment</p> <p>Infrastructure</p> <p>Conflicts</p>
<p>Opportunities</p> <p>High demand for products and services</p> <p>Outsourcing</p> <p>Educating workers</p>	<p>Threats</p> <p>Increasing rate of crimes</p> <p>Companies do not have much capital to invest</p>

Oil and gas produce over 90% of the foreign exchange earnings to Nigeria. Around 40% of the population has technological knowledge so there is workforce available for new and existing business. Nigeria is among the N-11 countries which mean it is an emerging market and its growth potential has increased. However there are issues that need improvement in Nigeria such as health care because in the long run it has an impact on economic growth. (Developing Country Studies 2015.) The shipbuilding industry has a significant role in Nigeria's economy as well. There has been investments for shipbuilding but bigger investments are

expected to be done because there is huge potential for wider maritime business. (MMS plus Nigeria 2015.)

A lack of capital in Nigeria can be seen as a weakness for business opportunities such as competitiveness and productivity (Developing Country Studies 2015). Unemployment, especially youth unemployment, is above 50% and poverty as well as inequality is visible. Nigeria's infrastructure, particularly in transportation hinders economic growth. Conflicts cause insecurity and it has negative effect on business as well. (Economic Research 2013.)

In Nigeria there is an economic, political and social transformation and improvement is significant and because of that new businesses can easily arise. By increasing the export amounts and developing its economy Nigeria has opportunities to create bilateral relations. Outsourcing can be seen as an option for Nigeria because it has a large population and labor base as well. (Developing Country Studies 2015.)

An increase in the rate of crime has had an impact on the success of business when considering new entrants. Also issues such as corruption and violence affect on the reputation. (Developing Country Studies 2015.) Nigeria has been evaluated 136th out of 175 countries in the corruption statistics of Transparency International. There can be seen improvement by the government but still more development needs to happen. (Barungi, Ogunleye & Zamba 2015, 10.)

The lack of capital investments, shortage of material resources and low standards of products and services are the main problems in Nigerian business environment affecting also on the operation of international companies. (Developing Country Studies 2015.)

5.3 Angola

This section starts with showing the key facts about Angola's economy (table 5) and afterwards focusing more on Angola's situation.

TABLE 5. Angola. (Trading Economics Angola 2015)

Population	24.3 million
GDP (USD)	131 billion
GDP growth rate	4.7%
Unemployment rate	26%

The naturally and culturally rich Republic of Angola has a total population of 24.3 million people (The World Bank, Angola 2015). Angola is located in Southern Africa and the capital is Luanda being the largest city as well. Official language is Portuguese and currency kwanza (AOA), 1USD = 135.3 AOA. (Country Report Angola 2015.)

Governmentally Angola is a multi-party democracy and the government and the council of ministers are all appointed by the president. After the civil war the economy of Angola has increased rapidly in current years. (Country Economic Forecast Angola 2015, 4.)

The GDP in 2014 was USD 131 billion and a purchasing power parity in Angola is on a high level compared to other African countries, GDP per capita in 2014 was USD 2,759. The GDP growth rate in 2014 was 4.7% declining a bit compared a year ago. The inflation rate of Angola in October 2015 was 12.4%. (Trading Economics Angola 2015.) Lower oil prices have caused a decline of public consumption and hence had an impact on GDP (Muzima & Mendy 2015, 2). The falling oil output has had a decreasing influence on GDP of Angola during the year 2014. (Country Economic Forecast Angola 2015, 1.) Angola can be counted for one of the poorest countries in Africa. The GDP of Angola doubled after the civil war

during the years 2002-2008 but in 2009 global recession had a negative effect on oil prices. (Country Economic Forecast Angola 2015, 4.)

The rate of people over age 15, having an ability to read, is 67.4% telling that the education is poor and one of the most consequential problems is low girl-child education. Corruption presents a huge problem in Angola as well as in most other African countries as well. (Africa and the World 2015.) Unemployment has been very high and the rate in 2014 was 26% (Trading Economis Angola 2015).

Angola's main export products are oil accounts, covering 45 percent of the GDP and over 90 percent of exports and government revenue. Angola is the second largest oil producer after Nigeria producing around 1.9 million barrels daily. (Muzima & Mendy 2015, 4.) Diamonds are presenting a significant single export goods covering almost five percent of the total. (Country Economic Forecast Angola 2015, 4).

TABLE 6. Angola PESTEL analysis.

Political	Political stability Difficult to enforce contracts
Economic	Corruption One of the fastest growing developing economies Rapid GDP growth FDI role huge
Social	Unemployment Labor force participation 70% Education

Technological	Quality and maintenance of infrastructure Poor in technology
Environmental	Environmental sustainability programmes
Legal	Portugal Civil law based law Labour law

Angola was ranked 174 out of 189 when considering the easiness of starting a business. Enforcing contracts and getting credits in a private sector are criticized by the authority and these issues are now under improvement. Settling insolvency and trading across the borders could bring a solution for the private sector challenges. Significant low ranking, place 140 out of 144 economies, in the Global Competitiveness Report of 2014-2015, describes the circumstance of Angola's economy. (Muzima & Mendy 2015, 8.) Angola is the 158th freest economy in the 2015 index (Heritage Angola 2015). Political stability in Angola has been continuing since 2002 after the civil war meaning they have steady policy towards trade and legal issues (The World Bank, Angola 2015).

The GDP growth during the years 2003-2007 was increasingly rapidly, for example in 2007, 21% and also at that time Angola was among the fastest growing countries in the world (Goyal 2010). The role of the FDI in Angola's economy is vital. Developing country such as Angola is, foreign direct investment inflows are significant. Depending low prices in oil and gas, Angola's economic forecast is negative for the year 2016. Oil revenues have had a 3.9% decline compared to 2014 levels. (Muzima & Mendy 2015, 3.)

The education system in Angola consists of primary, secondary and vocational education. The only compulsory part is primary education and it lasts for four years. Universities are available as well but only around 0.7% of Angolan youth attend university in Angola. (Classbase 2012.)

Unemployment, especially among the young people, is causing serious poverty problems and creating high income inequality (Muzima & Mendy 2015, 2). There are 24.3 million people, labor force participation is 70% of total population 15 years and older. However, most of the skilled workers come from other countries. Life expectancy in Angola is 52 years and literacy rate of total population is 70.4%. (The World Bank, Angola 2015.)

Although Angola has done some improvements for the infrastructure such as the improvement of railways, the quality and maintenance still remain a concern (Muzima & Mendy 2015, 9). Technologically poor Angola has difficulties to become a technologically driven economy because there are not enough investments in issues such as education, infrastructure and business support (IT News Africa 2015).

Environmental sustainability programmes include issues such as wastewater management, pollution restriction and environmental protection. However, the budget that aims to reduce the environmental detriments has been declining from 2.1% to 0.7% during the years 2013-2015. (Muzima & Mendy 2015, 10.)

Angola's law is based on Portugal civil law. Labour law provides protection for the Angolan workers focusing on labour rights. Nevertheless, Angola has cheap labour force and the government is steady and that is why legal regulations will remain stable. One aim mentioned in a constitution law is to improve the and hence create new jobs. (Constitution Law 2003.)

TABLE 7. Angola SWOT analysis.

<p>Strengths</p> <p>Oil and gas</p> <p>Politically stable</p>	<p>Weaknesses</p> <p>Infrastructure</p> <p>Lack of skilled workforce</p> <p>Corruption</p> <p>Weak government</p> <p>Unemployment</p>
<p>Opportunities</p> <p>Increasing foreign interests</p> <p>Strengthening infrastructure</p>	<p>Threats</p> <p>Economy dependent on oil and diamonds</p>

Angola is dependent on oil exports. Around 97% of its export revenues comes from oil. Inflation rate in Angola is 7.8% and almost 90% of all consumable goods in Angola are imported. The most significant part of Angola's investments come from its oil industry therefore we can see the economy is strongly dependent on oil and gas. Chinese companies have noticed the huge market potential of Angola's oil industry and approximately 200 Angolan visas are authorized to Chinese. (Annual Report of Southern African 2014.)

Despite Angola's strong oil industry, poverty is increasing all the time. Rehabilitation of the damaged infrastructure is one of the main activities of the government of Angola. Environmental matters such as sanitation, transportation networks and energy issues are the targets of rehabilitation. (Annual Report of Southern African 2014.)

Corruption and weak governance in Angola effect on its political and economical situation. Angola has been ranked as a highly corrupted country although it has developed its political stability. However, all the other factors still remain poor. The world statistics list it among the ten most corrupt countries as well. (Transparency International 2010.)

Most of the foreign direct investments (FDI) go to oil sector meaning that oil sector strengthens. Angola is among the fastest growing economies and its economic is stable and that is why FDI flows can be seen as an opportunity for Angola. (Santander 2015.) After war was ended in 2002 infrastructure has strengthened however, improving infrastructure more in Angola, it will increase the economic growth (Pushak & Foster 2011, 3). The strong dependency on oil as well as other natural resources can cause harm on the long run for example because of fluctuations in oil prices (Muzima & Mendy 2015, 3).

5.4 Algeria

The aim of the section is to offer an overview on Algeria´s situation by providing facts about the overall economic situation. In the beginning a table shows economic indicators (table 8).

TABLE 8. Algeria. (Trading Economics Algeria 2015)

Population	31.1 million
GDP (USD)	214 billion
GDP growth rate	3.10%
Unemployment rate	10.6%

Algeria is located in northern part of Africa having a coastline in the north as well. Algeria is the second largest country in Africa with a population of 31.1 million people (Trading Economics Algeria 2015). The capital is

Algiers and there are approximately 3.06 million people. Official language is Arabic and other spoken languages are French and Berber dialects. (National Geographic 2015.)

The GDP of Algeria in 2014 was USD 214 billion and GDP per capita USD 3,316. The growth rate of GDP was 3.10% last year. Inflation rate in October 2015 was 5.10%. (Trading Economics Algeria 2015.)

Algeria is known as a hydrocarbon producer country and low oil and gas prices have had an impact on GDP growth by decreasing revenues and increasing the budget deficit. Investments will be falling during the next few years because of the low oil prices. Hydrocarbon revenues decreased over 21% in the year 2015 during the first quarter. (Country Economic Forecast Algeria 2015, 1.) Algeria keeps place as the second largest gas exporter and other export products are coal and ammonia. (The World Bank, Algeria 2015.)

Government capital spending is one of the reasons for the better economic situation. Economic growth will increase over the medium term. Lower oil and gas export amounts are estimated to continue falling over the following couple years. (Country Economic Forecast Algeria 2015, 2.)

TABLE 9. Algeria PESTEL analysis.

Political	In 2014 pro-democratic Politically stable
Economic	Corruption Energy sector
Social	Unemployment Shortage of skilled workforce
Technological	Technological improvements

Environmental	Desertification in the north
Legal	French and Islamic law

In 2014 the Algerian government decided to start a five-year programme for 2014-2019 investing in transportation, education, tourism and healthcare. In 2015 Algeria was the 157th country when measuring economic freedom, with the score of 48.9%. The number has decreased a bit because Algeria's government has not fulfilled its promises to improve the situation of corruption and monetary freedom. Having a look into Algeria's economy, during the past five years there can be seen a decline in an economic freedom. (Heritage Algeria 2015.)

Although there exists corruption, that can be seen quite low in Algeria among other African countries. As expected, there occurs corruption but Algeria is the least corrupted country among the three countries in this study. (Transparency International 2010.)

The government aim is to diminish unemployment and develop living standards by bringing investments into other fields than the oil sector. The lack of skilled workforce is one of the factors affecting technological development which means Algeria is highly reliant on foreign technologies. Energy sector plays the main role in the revenues and nearly 60% of budget revenues come from energy. Technological improvements have been made since its independence in 1962.

Desertification in the northern parts of Algeria causes harm and it is spreading out over fertile soil. In Algeria French and Islamic law systems have had an impact on the existing legal system. (Algeria Pestel 2009.)

TABLE 10. Algeria SWOT analysis.

<p>Strengths</p> <p>Industry sector</p>	<p>Weaknesses</p> <p>Lack of skilled workers</p>
<p>Opportunities</p> <p>The government plans investments in the oil and gas sector</p> <p>Process of accession to the WTO</p>	<p>Threats</p> <p>Rise in imports to EU without a rise in exports to EU</p>

In Algeria there are a lot of industries operating, mainly in the capital, Algiers as well as Oran. From the viewpoint of welding industry, the most significant industries are automotive plants and oil refineries. (Nations Encyclopedia A 2016.)

The lack of skilled workers in Algeria is one of the concerns in the technological field and it is dependent on foreign technology. Although there has been several improvements in steel and petrochemical industries Algeria still needs a skilled workforce more. (Nations Encyclopedia B 2015.)

The government has been planning to invest more in the oil and gas sectors. There has been plans like replacing the old gas fields with new ones. (Eia 2014.) Algeria has been under a negotiating process with the World Trade Organization (WTO). However, there are some economic improvements that are needed to be done before accession for example questions concerning energy and services trade. (International Centre for Trade and Sustainable Development 2008.)

Algeria's location nearby Europe indicates that the biggest trading partner is the European Union and Algeria also has a free trade agreement with

the EU. Even though there can be seen an imbalance in trade between Algeria and EU. The export levels in goods from Algeria to EU are higher than imports from EU to Algeria. (European Commission 2015.)

6 PILOT COUNTRY NIGERIA

The choice concerning pilot country is based on the economic and political situation of the country. Nigeria is a favourable selection for the pilot country because of the shipbuilding industry and oil and gas industries meaning in Nigeria there is a large welding machine market. Nigeria is known as the fifth largest oil exporter in the world and significant oil producer as well. (Central Intelligence Agency 2015.)

6.1 Nigerian Economy

In Nigeria a significant economic growth has had a positive influence for a decade. The economic growth of GDP has increased 6.3% even if the most consequential increasing factor was non-oil sectors. It can be stated that the economy is under the modification because for example retail and wholesale trade has developed and in that way services have been capturing market share in many fields.

During the year 2014 total exports increased 155% compared to year 2013. The value of oil exports developed 8.3% in 2014. Nigeria has set an objective to decrease dependency on the oil sector and concentrate on the manufacturing sector in the long term. However, oil can be seen as the biggest export factor. (Barungi, Ogunleye & Zamba 2015, 2.)

Trade Barriers

The largest harbor in Africa is located in Lagos but as a negative point can be seen slow operations and high risk of corruption. There are embargos also on some products executed by WTO. In Nigeria finding a reliable distributor has been a problem as well as competition contributed by the state authorities. (Ulkoasiainministeriö 2011.)

6.2 Welding in Nigeria

In Nigeria there is the Petroleum Technology Development Fund which is an agency of the Federal Government of Nigeria set up for training and

educating workers for Nigerian oil and gas industry (Petroleum Technology Development Fund 2015).

There are some welding institutes which are authorized to offer international welding engineers, technologists, specialists, practitioners, inspection personnels and welder courses. Some of the biggest Nigerian oil and gas companies use welding training services offered by Mudiame Welding Institute which is authorized to run the International Institute of Welding diploma programmes. Mudiame Welding Institute has been the major offerer of these training courses for a long time. (Mudiame International Limited 2015)

Unemployment is a huge problem in Nigeria and the problem comes from unskilled workforce because people do not have required skills. There are a lot of jobs especially in oil and gas sector but only the skilled workers are missing. The aim of improving the education system will be a future challenge. (The Guardian 2015.)

6.3 Competitive Factors in Nigeria

Lincoln, Miller and Fronius all have distributors in Nigeria. Epoxy Oilserv operates in several cities in Nigeria as well as in West Africa. Welding machine brands Epoxy Oilserv offers are Lincoln and Miller. Epoxy Oilserv has sales offices in Port Harcourt and Lagos. (Epoxy Oilserv 2016.)

C. Woerman is a company headquartered in Germany but having subsidiaries in African countries including Nigeria. It is located in the Lagos area. The company is operating in the technical equipment field and products offered include welding machines by Miller. Woermann offers products for the Nigerian industries and it has recently extended its welding machine product range of the Big Blue Series by Miller. (Woermann 2015.)

Port Harcourt is located in the southern part of Nigeria and further it is near the harbor. It is one of the leading industrial places in Nigeria for example

steel structural products are mainly produced there. (Encyclopedia Britannica 2016.)

Lagos is located in South Nigeria in the seaside of Atlantic Ocean. Lagos is known as the biggest city in Nigeria and the whole of Africa. The economic gap is seen there strongly, around one third of people are very rich and two thirds slum dwellers. The city has been growing explosively during the last decades, however the problem is job creation. Even though jobs are created, education is poor thus it needs improvement. (The Atlantic 2012.)

Kemppi has a distributorship with A & X Consulting located in Lagos, Nigeria. A & X Consulting is co-operating with a couple of other companies as well. It provides CEA welding machines and co-operates with Electro Portugal. CEA is an Italian manufacturer of arc welding machines and plasma cutting power sources. Electro Portugal, known as a distributor of Kemppi Oy in Portugal, represents various brands including Miller welding machines. Although there exists a distributor in Nigeria, an up-to-date market research provides a wider and concrete look at Nigeria's situation and markets.

Porter's Five Forces Analysis

Rivalry Among Existing Competitors

As mentioned before, in Nigeria there are distributors of Miller, ESAB and Fronius and they are located mainly in the southern part of Nigeria. Rivalry competition is strong when there are only a small number of companies. In this situation consumers can easily select a competitor as per price. (Business News Daily 2015.)

Bargaining Power of Buyers

The shipbuilding industry is operating but problems can be seen in strategic planning. There has been a lack of steel industries and troubles with loans and funding, that is why shipbuilding sector has not been flourishing in the last years. (Business and Maritime West Africa 2015.)

The automotive industry has been expanding in the last 30 years in Nigeria. In the other words there is need for professional welding machines in this industry as well. (Agbo 2011).

There are customers for welding machines in the Nigerian market that explains there is bargaining power of buyers. However, there are a lot of welding machine brands available which means the bargaining power of buyers is a bit low. Even though Kemppi, as a brand, can be seen as very highly appreciated in that way there are not so many competitors among high quality brands. The only question is whether Kemppi has suitable machines to offer for the customers need. Bargaining power of buyers is low because end customers buy machines in small doses and Kemppi's brand is very strong.

Threat of Substitute Products

Competition in Nigerian market is divided between Miller, Fronius and Lincoln. Although rivalry exists, there would be a demand for Kemppi's machines in Nigerian market because of the strong brand and high-quality technology. Comparing Kemppi to its main competitors operating in Nigeria, the prices as well as technology are all almost the same but some little differences can be noticed. However, it can be stated that American manufacturers, Lincoln and Miller have a strong influence in oil and gas producing countries. (Jauhiainen 2015.)

Bargaining Power of Suppliers

Kemppi's products are produced mainly in Finland, some of the parts are delivered throughout subcontractors located in China as well. Besides, there is a production plant in Chennai, India. A diverse distributor network around the world makes Kemppi's position strong. (Kemppi 2015.)

Threat of New Entrants

Entering a market in Nigeria is simpler in the biggest cities: Lagos, Kaduna, Port Harcourt and Abuja. As mentioned the oil sector is strongly represented in Nigeria meaning welding machine manufacturers have easier access to markets.

6.4 Next steps in Nigeria

According to the research, when thinking of welding industry, favourable areas in Nigeria are near harbors. Lagos and Port Harcourt both are located in the South of Nigeria and they have harbors as well. In the Lagos area there is shipbuilding industry as well as oil and gas industries which are significant industries in welding business.

The researcher would recommend to contact C. Woermann Nigeria located in Lagos because the company is highly appreciated and it is operating in Ghana and Angola as well. C. Woermann offers high quality products, its services include training, workshops, spare parts and consultancy. Kemppi's products would fit into their product range because they already offer Miller's welding machines therefore Kemppi could create more competition as well. (Woermann 2015.)

7 CONCLUSIONS

The goal of the bachelor's thesis was to gather information about the African economies Nigeria, Angola and Algeria as well as charting Nigeria's welding markets more closely. The bachelor's thesis consists only of material collected from theoretical sources. Analyzing the material and producing new valuable information were the aims of the empirical part. The research problem faced by the company was limited amount of knowledge about Nigerian welding machine markets. The starting point for a study was to get more useful information about the current situation in Africa and especially in Nigeria. Finding a potential company for cooperation with Kemppi was one of the aims as well.

In chapter two market research was handled and as a summary the research produced a procedure which includes all the information and analysis needed for entering a new market. Different steps and divisions of market research process were introduced in the second chapter. The divisions started with improving and analyzing a product and ended up advertising it. The planning process was divided into six different steps from problem indentifying to presenting the findings.

The third chapter focused on business analysis providing a solution for micro- and macroenvironmental issues. This chapter summed up factors of micro- and macroenvironment. In microenvironment customers, suppliers and competitors were analyzed whereas in the macroenvironment section political, social, economic, technological, environmental and legal factors were analyzed.

In the fourth chapter the main focus was on the case company, Kemppi Oy. The goal was to gather information about competitive factors as well as the products and company's activity globally. The fifth chapter concentrated on the situation of Nigeria, Algeria and Angola.

The pilot country Nigeria was analyzed with a thorough analysis in the last empirical chapter and material was brought forward about the main political and economic factors more closely and other factors having an

impact on welding machines demand in Nigeria. Competitive factors such as the distributors of Miller, Lincoln and Fronius and Kemppi's own distributorship besides the most significant areas in Nigeria were included in the analysis.

It was found that this kind of topic has not been very common among academic researches. Countries examined in this study are a bit rare as well as the field researched. Occasionally it was hard to find proper information and as an explanation can be seen a small amount of academic information.

The author recommends to have further studies done about the two other countries, Angola and Algeria as well. Additionally there was neither information available about market shares in Nigerian welding machine markets nor specific information about competitors prices or technological differences, only some basic information was provided for the researcher.

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