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EXPORTING FRENCH WINE TO AFRICA

Degree Programme in International Business and Marketing

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This thesis was meant for any French wine company which wants to expand its market opportunities to Africa.

By comparing some economic, social and wine consumption data, Angola and Nigeria appeared as the most suitable choice to export French wines to.

Those two countries were then analysed with the help of the PEST analysis model. The Hofstede's cultural dimensions theory was also used to examine the cultural characteristics of the two countries.

The market studies of Angola and Nigeria were also carried out by determining the offer, the demand, the distribution and the regulations on wines in these countries.

According to these analysis, some recommendations were made on how to adjust the marketing mix of any French wine company to the characteristics of these African markets.

TABLE OF CONTENTS

1	INTRODUCTION.....	5
1.1	Purpose of the project	5
1.2	Research questions.....	6
1.3	Boundaries of the project	6
1.4	Conceptual framework.....	7
2	WHERE TO EXPORT FRENCH WINE IN AFRICA?	8
2.1	GDP per capita.....	8
2.2	Income inequalities	9
2.3	Wine consumption	10
2.4	Choice of the target countries	11
3	CHARACTERISTICS OF THE CHOSEN COUNTRIES	12
3.1	PEST analysis	12
3.2	Hofstede's cultural dimensions theory	13
3.2.1	Power distance.....	14
3.2.2	Individualism / collectivism	15
3.2.3	Masculinity / femininity	16
3.2.4	Uncertainty avoidance	17
3.3	Application to Angola.....	18
3.3.1	PEST analysis	18
3.3.2	Hofstede's cultural dimensions' analysis.....	22
3.4	Application to Nigeria.....	24
3.4.1	PEST analysis	24
3.4.2	Hofstede's cultural dimensions' analysis.....	27
4	CHARACTERISTICS OF THE WINE MARKET IN THE CHOSEN COUNTRIES.....	29
4.1	Angola.....	29
4.1.1	Offer	29
4.1.2	Demand	30
4.1.3	Distribution	31
4.1.4	Regulations	32
4.2	Nigeria.....	32
4.2.1	Offer	32
4.2.2	Demand	33
4.2.3	Distribution	34
4.2.4	Regulations	35

5	RECOMMENDATIONS TO ADJUST THE MARKETING-MIX TO THE DIFFERENT MARKETS	36
5.1	Definition of marketing-mix and 4 Ps model	36
5.2	Application to Angola.....	37
5.2.1	Product	37
5.2.2	Price	37
5.2.3	Place	38
5.2.4	Promotion	39
5.3	Application to Nigeria.....	40
5.3.1	Product	40
5.3.2	Price	40
5.3.3	Place	41
5.3.4	Promotion	41
6	CONCLUSION	43
7	REFERENCES	44

1 INTRODUCTION

1.1 Purpose of the project

Nowadays, the wine demand in some western countries is decreasing for many reasons (due, for example, to some tax increase) and the competition is tough. In Asia, the economic growth rhythm tends to slow down and the international competition is becoming stronger and stronger. That is why it is important for French wineries to find other growth relays around the world. The African continent appears to be an interesting market for the wine sector, as the wine consumption there grows 5 times faster than the average global consumption (according to the British wine and spirit analyst IWSR).

Therefore, I want to study and understand the wine market in Africa in order to know in which countries a French winery would be more likely to export its products and how this company can enter those African countries.

With the help of marketing tools like the 4 Ps and cross-cultural analysis models like the Hofstede's theory, my objectives are to learn more about the ways of doing business in African countries, the local wine consumption habits as well as all the steps and procedures to export a French wine to those countries.

I wanted to carry out this project because I am really interested in the international wine business and I also wanted to learn more about the African market because I think African countries will soon have an important role to play in the global market.

1.2 Research questions

What are the most suitable countries to export French wine to? Why?

What are the characteristics of those countries in terms of cultures, markets, habits, business environment, etc.?

What are the characteristics of the wine market in those countries? (Main actors, demand, distribution channels, restrictions)

How can a French winery enter the wine market in those countries? What are the procedures?

1.3 Boundaries of the project

- My research will only be focused on 2 African countries.
- I will not use a case company, though I might mention some examples. I consider this thesis as a “guide” to export to African countries rather than a real export project designed for only one company.
- I will not mention South Africa in this report as this country is a well-known wine producer and I do not find interesting to tap an already developed wine market.

1.4 Conceptual framework

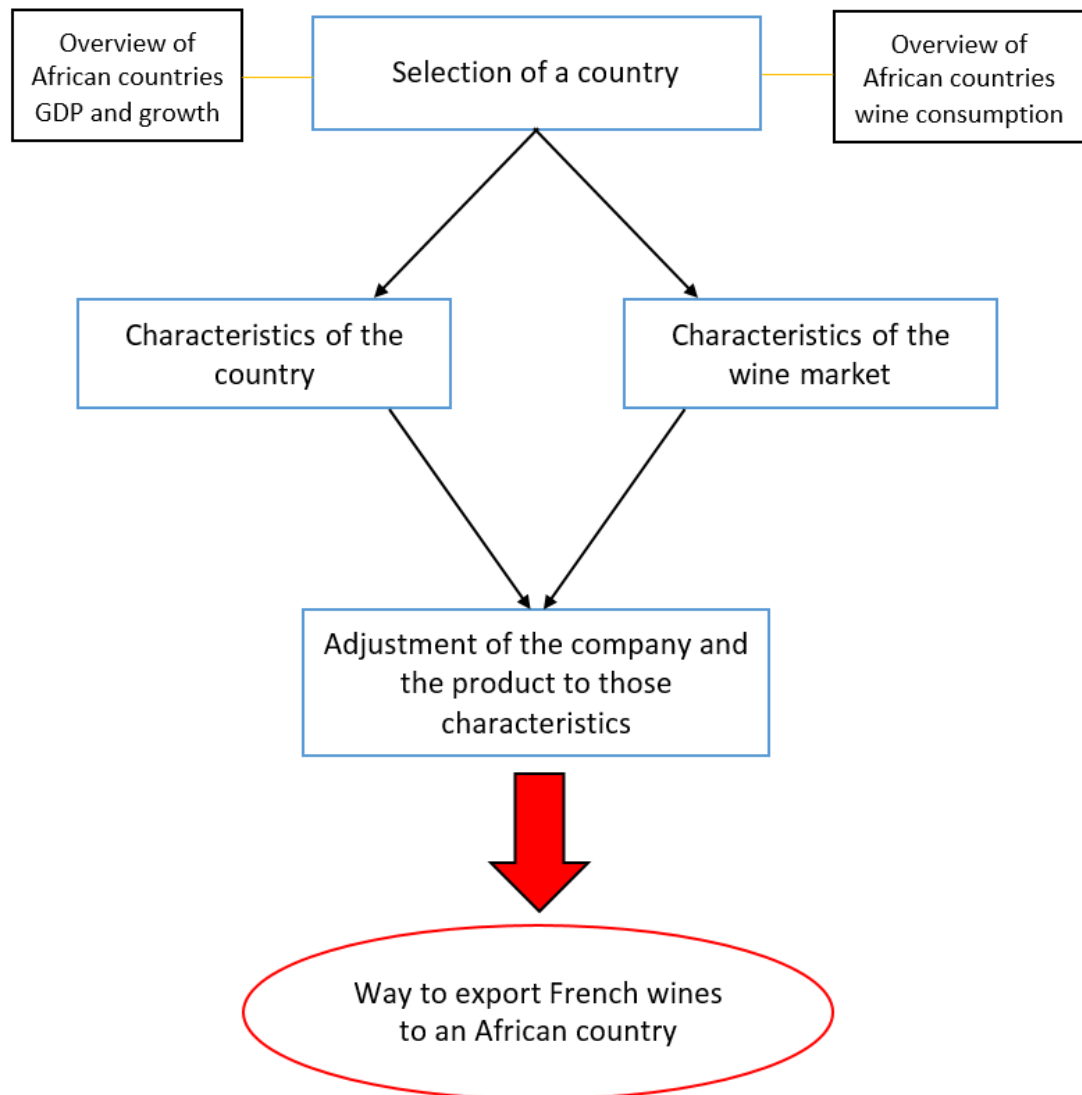


Figure 1. Exporting French wine to Africa. Conceptual framework. (Collet, 2016)

2 WHERE TO EXPORT FRENCH WINE IN AFRICA?

Wine is not a necessity good. Its consumption is not essential to the human species survival. That is why the demand for wine is elastic: it fluctuates in function of the prices and in function of the revenues of the consumers. Therefore, the target countries will first be selected depending on their economic situation. Then, I will check the overall wine consumption in those countries and rank them accordingly.

2.1 GDP per capita

In this part, I will rank the African countries depending on their GDP (Growth Domestic Product) per capita. This GDP is calculated in USD and based on PPP (Purchasing Power Parity) valuation. The PPP is an adjustment of the currency unit to the exchange rate of different countries. (Website of The Economic Times 2015) In other words, the exchange rate is adjusted so that an identical product in different countries has the same price when it is expressed in the same currency (here, the USD).

According to the website AfricanEconomic Outlook, the average GDP per capita on the African continent in 2014 was 4 826 USD, and without South Africa, the average is 4 384 USD per capita. So in order to reduce the list of countries, I will only show the countries with an above-average GDP per capita.

Table 1. GDP per capita ranking. (Website of African Economic Outlook 2014)

Ranking	Countries	Population (thousands)	GDP based on PPP valuation (USD million)	GDP per Capita (PPP valuation, USD)	Annual real GDP growth (%) (average over 2006-2014)
1	Equatorial Guinea	778	25 331	32 557	2,1
2	Seychelles	93	2 304	24 694	5,2
3	Gabon	1 711	34 280	20 032	4,3
4	Mauritius	1 249	23 422	18 751	4,0
5	Libya	6 253	103 267	16 514	3,2
6	Botswana	2 039	33 622	16 493	4,8
7	Algeria	39 929	551 720	13 818	2,8
8	Egypt	83 387	945 388	11 337	4,3
9	Tunisia	11 117	125 149	11 258	3,2
10	Namibia	2 348	23 592	10 048	4,7
11	Angola	22 137	175 540	7 930	7,0
12	Morocco	33 493	254 362	7 595	4,4
13	Swaziland	1 268	8 672	6 841	2,1
14	Cabo Verde	504	3 286	6 525	3,7
15	Congo	4 559	28 090	6 162	4,8
16	Nigeria	178 517	1 057 831	5 926	6,3

Looking at this table, we see that Equatorial Guinea and Seychelles are the richest African countries. Therefore, they are interesting candidates for a wine export.

2.2 Income inequalities

The GDP is a good tool to measure how rich a country is, however it does not show the inequalities in the said country. Indeed, it just tells how much value a country has produced over the years. It shows how rich a country is, but it does not show who is rich in this country. Therefore, if only a small fraction of a country's population holds most of the country's wealth, exporting a large volume of wine in this said country will be harder than if the wealth was allocated more equally. That is why I will now adjust Table 1 by adding a Gini index.

“The Gini index measures the deviation of the distribution of income among individuals or households within a country from a perfectly equal distribution. A value of 0 represents absolute equality, a value of 100 absolute inequality.” (Website of the World Bank 2013)

Table 2. Adjustment of Table 1 with the Gini index.(Website of the World Bank 2013)

Ranking	Countries	Population (thousands)	GDP based on PPP valuation (USD millic)	GDP per Capita (PPP valuation, USD)	Annual real GDP growth (%) (average over 2006-2014)	Gini index (%) (2013)
3	Gabon	1 711	34 280	20 032	4,3	41,5
7	Algeria	39 929	551 720	13 818	2,8	35,33
8	Egypt	83 387	945 388	11 337	4,3	30,8
9	Tunisia	11 117	125 149	11 258	3,2	36,1
11	Angola	22 137	175 540	7 930	7,0	42,7
12	Morocco	33 493	254 362	7 595	4,4	40,9
15	Congo	4 559	28 090	6 162	4,8	47,3
16	Nigeria	178 517	1 057 831	5 926	6,3	48,8

In Table 2, the countries are still ranked by their GDP per capita, but now only the countries with a Gini index inferior to 50 are remaining. Thus, we can see that the previous richest countries cannot be selected because their income distribution is more unequal than the average, so they do not appear as interesting as they were when we were only considering the GDP per capita. Now, the most interesting candidates are Gabon and Algeria.

2.3 Wine consumption

We have selected two countries according to their economic situation, but we cannot just base our selection on economic criteria. In order to have an optimal decision, the overall wine demand also needs to be checked. That is why I will adjust Table 2 by adding the 2014 wine consumption as well as the consumption growth between 2011 and 2014.

Table 3. Adjustment of Table 2 with the wine consumption. (Website of the Wine Institute 2015)

Ranking	Countries	Population (thousan)	GDP based on PPP valuation (USD millic)	GDP per Capita (PPP valuation, USD)	Annual real GDP growth (%) (average over 2006-2014)	Gini index (%) (2013)	Wine consumption (thousands of liter)	Wine consumption growth (%) (2011 to 2014)
11	Angola	22 137	175 540	7 930	7,0	42,7	104 579	-3,23
9	Tunisia	11 117	125 149	11 258	3,2	36,1	80 083	-3,62
7	Algeria	39 929	551 720	13 818	2,8	35,33	50 000	-37,03
16	Nigeria	178 517	1 057 831	5 926	6,3	48,8	40 383	29,17
12	Morocco	33 493	254 362	7 595	4,4	40,9	40 000	11,73
3	Gabon	1 711	34 280	20 032	4,3	41,5	7 289	-21,39
15	Congo	4 559	28 090	6 162	4,8	47,3	5 079	30,56
8	Egypt	83 387	945 388	11 337	4,3	30,8	225	-46,65

By taking the wine consumption into account, we can see that Gabon and Algeria cannot be in the selection anymore. Angola and Tunisia are the best fit. Indeed, Angola has a consumption of 104 579 000 litres and Tunisia has one of 80 083 000 litres.

2.4 Choice of the target countries

Angola and Tunisia look like the best selection of African countries. Even though Angolan wine consumption has been slowing down a little since 2011, this country has the most important GDP growth in Table 3 (7 % on average from 2006 to 2014).

The GDP growth of Tunisia (3,2 % on average from 2006 to 2014) is the second lowest in Table 3 so I feel uncomfortable picking this country. Algeria has the lowest growth rate (2,8 %) and its wine consumption from 2011 to 2014 has slowed down by 37,03 %, so it is not the most interesting market in this list.

However, Nigeria looks like a really interesting market. The GDP per capita is lower than in the other countries but with almost 180 million inhabitants, it is the biggest country of the continent so it leaves a better opportunity for a company to gain market shares. The Nigerian wine consumption is really important (40 383 000 litres in 2014) and so is the consumption growth (29,17 % between 2011 and 2014).

I will therefore study Angola and Nigeria as potential countries to export French wine to.

3 CHARACTERISTICS OF THE CHOSEN COUNTRIES

In order to enter a new market, a company has to understand its characteristics. To describe those characteristics, I will use the PEST analysis tool as well as Geert Hofstede's cultural dimension analysis model.

3.1 PEST analysis

Alan Chapman (for the website Businessballs.com) defines PEST as a management and marketing tool which is used to describe the external marketing environment of a company and how the environmental factors of a market can affect the company. It has a double objective: evaluate the different elements that can impact a company's activity, and identify the opportunities and threats of this company's environment.

It is called PEST because the elements that are taken into account in the analysis are Political, Economic, Social, and Technological.

Political factors show how the government intervenes in the economy and how – through its laws, regulations, tariffs, restrictions, etc... – it can affect a company's decisions and actions. Political factors can include governmental organisation, political stability, tax policy, foreign trade policy, currency policy, lobbying, wars and conflicts, etc.

Economic factors are all the variables and elements that act on the purchasing power and on how companies can operate and make decisions.

Social factors focus on the population: age distribution, religion, culture, education, health, etc. Social factors are very important when considering to enter a market because a company has to adapt its selling policy to the local culture and the social trends.

Technological factors include automation, rate of technological change, innovations, Research & Development, etc.

3.2 Hofstede's cultural dimensions theory

It is very important for a company to adapt to its target market's culture. There are many models, frameworks and tools that help analysing the different cultures around the world. One of the most famous is the Hofstede's cultural dimensions theory.

Between 1967 and 1973, Geert Hofstede based his research on over 116 000 people in 50 countries. He identified four dimensions (power distance, individualism vs collectivism, masculinity vs femininity, uncertainty avoidance) that explain and predict some behaviours in firms and societies; today two others dimensions complete his analysis (long term orientation, indulgence vs restraint). His first findings were based on a sample drawn from one multinational firm, IBM. Today, the sample to collect data is wider.(Schneider & Barsoux, 2003, 87)

What is interesting with Hofstede's dimensions is that he proposes evaluations of each dimension for 76 countries. It means that it is possible to know the score of a particular country and to make an analysis of his organizational culture. But, G. Hofstede insists on the fact that culture only exists by comparison. The country scores on the dimensions are relative - societies are compared to other societies. Without making a comparison, a country score is meaningless.(Schneider & Barsoux, 2003, 87)

All the results for the 76 countries can be found on the following website:
www.geert-hofstede.com

However, it is important to remember that those cultural dimensions only give some information about individuals' behaviours in different societies. They do not predict behaviours as each individual is different.(Schneider & Barsoux, 2003, 87)

In this thesis, will be analysed only the 4 original dimensions identified by Geert Hofstede.

3.2.1 Power distance

“Power distance measures the extent to which a society and its individual members tolerate an unequal distribution of power in organizations and in society as a whole.”

(Website of Hofstede Centre 2016)

In some cultures, power is concentrated in the hands of a few, and there is a great difference in the power held by these people and that held by the ordinary citizen. These are called high-power-distance cultures; examples of Mexico, Brazil, India, etc.(Schneider & Barsoux, 2003, 87)

In low-power-distance cultures, power is more evenly distributed throughout the citizenry; examples include Denmark, New Zealand, Sweden and to a lesser extent the United States.(Schneider & Barsoux, 2003, 87)

These differences affect interpersonal communication and relationships in a variety of ways. It is shown as much by the behavioural values of superiors who display their power and exercise it, as by the behavioural values of subordinates who wait for their superiors to show their status and power, and are uncomfortable if they do not personally experience it.(Schneider & Barsoux, 2003, 87)

In low power distance societies, members of the organization tend to feel equal, and close to each other in their daily work relationships. They cope with situations of higher hierarchical distance by delegating power.(Schneider & Barsoux, 2003, 88)

In high power distance societies, people are taught to have great respect for authority. Superiors and subordinates feel separated from each other. It is not easy to meet and talk with higher ranking people, and the real power tends to be very much concentrated at the top.(Schneider & Barsoux, 2003, 88)

This difference in attitudes toward authority can be seen right in the classroom. In high-power-distance cultures, students are expected to be modest, polite and totally respectful. In low-power-distance cultures, students are expected to demonstrate their

knowledge and command of the subject matter, participate in discussions with the teacher and even challenge the teacher.(Schneider & Barsoux, 2003, 27)

High-power-distance cultures rely more on symbols of power; for example titles (Doctor, Professor, Chief, etc.). Failure to include these in forms of address is a serious breach of etiquette.(Schneider & Barsoux, 2003, 88)

3.2.2 Individualism / collectivism

“Cultures differ in the extent to which they promote individual values (for example, power, achievement, hedonism and stimulation) versus collectivist values (for example, benevolence, tradition and conformity).” (Website of Hofstede Centre 2016)

Individualism refers to the tendency of people to look after themselves and their immediate families only and to neglect the needs of society. In countries that prize individualism (such as the United States, the Great Britain, and Australia), democracy, individual initiative and achievement are highly valued; the relationship of the individual to organizations is one of independence on an emotional level, if not on an economic level.(Schneider & Barsoux, 2003, 88-90)

In countries where collectivism predominates, one finds tight social frameworks, emotional dependence on belonging to the organization and a strong belief in group decisions. People from a collectivist country, like Japan, believe in the will of the group rather than on the individual, and their pervasive collectivism exerts control over individual members through social pressure and the fear of humiliation.(Schneider & Barsoux, 2003, 94-95)

Members of collectivist cultures are responsible for the entire group. The society valorises harmony and saving face, whereas individualistic cultures generally emphasize self-respect, autonomy, and independence. Hiring and promotion practices in collectivist societies are based on paternalism rather than achievement or

personal capabilities, which are valued in individualistic societies.(Schneider & Barsoux, 2003, 94-95)

In an individualist culture, you might compete for leadership in a small group setting, and there would likely be a very clear distinction between leaders and members. In a collectivist culture, leadership would be shared and rotated; there is likely to be little distinction between leader and members.(Schneider & Barsoux, 2003, 94-95)

These orientations will also influence the kinds of communication members consider appropriate in an organizational context. For example, individualist members will favour clarity and directness, whereas collectivist will favour “face-saving” and the avoidance of hurting others or arousing negative evaluations.(Schneider & Barsoux, 2003, 88-90)

3.2.3 Masculinity / femininity

“A society is masculine when the dominant values favour assertiveness, earning money, showing off possessions, orientation to material success and caring little for others. Conversely, feminine societies favour the quality of life, nurturing roles, interdependence between people and caring for others.” (Website of Hofstede Centre 2016)

In typically feminine societies, such as Northern European countries, the welfare system is highly developed, education is largely free and easily accessible, and there is openness to admit that people may have some problems: patience and helpfulness are shown to those who are in trouble; both girls and boys learn to be modest and to have sympathy for the underdog. Feminine cultures emphasize the quality of life and socialize their people to be modest and to emphasize close interpersonal relationships. Members of feminine culture are more likely to emphasize compromise and negotiation in resolving conflicts; they are more likely to seek win-win solutions.(Schneider & Barsoux, 2003, 87-90)

In typically masculine societies (like the United States or Japan), weaker people find, on average, less support from the society at large; people learn to admire the strong. These cultures emphasize success and socialize their people to be assertive, ambitious, and competitive. Members of masculine cultures are more likely to confront conflicts directly; they are more likely to emphasize win-lost conflict strategies.(Schneider & Barsoux, 2003, 87-90)

3.2.4 Uncertainty avoidance

“The dimension of uncertainty avoidance measures the extent to which people in a society tend to feel threatened and anxious by uncertain, ambiguous or undefined situations.” (Website of Hofstede Centre 2016)

A common problem faced by people in any society is how to deal with uncertainty. There are basically two ways. The first is based on the assumption that people have to deal with uncertainty, because it is in the very nature of the situations we face. The future is, by definition, unknown, but it can be evaluated, and people and institutions can deal with uncertainty. The other extreme is marked by uncertainty aversion, which results in the assumption that uncertainty is bad and everything in society must aim to reduce uncertainty.(Schneider & Barsoux, 2003, 87-91)

Where uncertainty avoidance is high (such as Japan, Portugal and Greece), organizations promote stable careers, produce rules and procedures, etc. In countries with low levels of uncertainty avoidance (such as Denmark or Great Britain), nationalism is less pronounced, and protests and such activities are tolerated. As a consequence, company activities are less structured and less formal, some managers take more risks and high job mobility is common.(Schneider & Barsoux, 2003, 95)

3.3 Application to Angola

3.3.1 PEST analysis

Political factors:

After 27 years of civil war (1975-2002), the Republic of Angola has had a stable political situation since 2002, even though there are still some tensions in the Cabinda region (North) between separatists and government forces.(Website of France Diplomatie 2015)

“In February 2010, the Constitution established a presidential parliamentary system. Under the new system, the president is no longer elected by direct popular vote, but instead the head of the party winning the most seats in Parliament becomes president. The 2010 Constitution sets a limit of two, five-year presidential terms.” (Website of the World Bank 2015)

Angola’s president, José Eduardo Dos Santos, has been in power since 1979. He is the head of the country ruling party: the Movimento Popular de Libertação de Angola (MLPA). The main opposition party is the União Nacional para a Independência Total de Angola (UNITA). (Website of the World Bank 2015)

Even though the president and its party are credited by many people for the economic growth and reconstruction since the end of the civil war, many others accuses José Eduardo Dos Santo of being authoritarian. After the approval of the 2010 new constitution, the UNITA opposition accused the government of “destroying democracy” by strengthening the president’s powers. (Website of the BBC 2016)

The presence of democracy in Angola can indeed be questioned. Even if freedom of speech appears in the constitution, the State controls every media. “The authorities impede the work of journalists and security forces have targeted reporters, especially those covering anti-government protests and corruption, says US-based NGO Freedom House.”(Website of the BBC 2016)

The organization Freedom House, which studies democracy in the world, considers Angola as non-free. The NGO (non-governmental organization) also warns about the country's political future. "Squeezed by low oil prices, Angola's autocratic government is likely to intensify suppression of dissent and expand surveillance of private citizens." (Website of Freedom House 2016)

Internationally, the country has an increasingly important role in many organization, especially in Africa where its priorities are maintaining the regional stability. Angola has a tight collaboration with Portugal and Brazil and an important place in the CPLP (Comunidade dos Países de Língua Portuguesa). The country also has close links with the US, Russia and China, with which it trades oil, gas, diamonds, etc. (Website of France Diplomatie 2015)

In terms of taxation, the standard consumption tax is 10 %, but it can vary: for basic products it is 2 % and for some luxury products it can be of 20 % or 30 %. Custom duties are usually between 5 and 10 % but they vary a lot, depending on the products imported. For the non-tariff barriers, can be mentioned the heaviness of bureaucracy, the corruption, the long control times by the customs for imported goods and the legislation on agricultural and food products.

(Website of the Société Générale 2016)

Economic factors:

After the civil war and before the economic crisis of 2008, Angola has had one of the fastest growth in the world. This growth had been led mainly by Angolan oil sector. Even after the crisis, the country still had an important growth (6 % in 2012-2013). But, due to the global drop in oil prices, Angolan economy has really slowed down lately. The GDP grew by 4,8 % in 2014 and by 2,8 % in 2015.

(Website of the World Bank 2015)

Oil and gas production are the main sectors in Angola. They account for approximately 40 % of the GDP and 95 % of the country's export. Diamond sector is also an asset for the country. Angola is the 4th diamond producer in the world. The agricultural sector is not very developed and only accounts for 10% of Angolan

GDP. The services sector accounts for almost 30 % of the GDP and is still growing. (Website of the Société Générale 2016)

Angola is very dependent on its oil, gas and diamond sectors. Manufactured goods are mainly imported, which makes the Angolan living costs very high. Indeed, inflation has been very high for the past few years. It has reached 14,3 % in 2015. (Website of the World Bank 2015)

Even if the country's economy has grown quickly, it still has a lot of deficiencies. Even if the revenue per capita is growing, it is mostly in the metropolitan regions and most of the population suffers from poverty and unemployment. More than half of the Angolans live with less than 2 EUR per day, and malnutrition still strikes more than a third of the country. (Website of the Société Générale 2016)

Social factors:



Angola: Presentation

Geography

Demography

Politics

Economy

Taxation

Trade

Presentation of Angola : Demography

Total Population:	24,227,524
Natural Increase:	3.3%
Urban Population:	43.3%
Density:	19 Inhabitants/km ²
Medium Age:	17.0 Years
Life Expectancy in Years :	Men: 50.4 And Women: 51.4
Labour Force	9,018,000 (Source: CIA – The world factbook, 2013)
Rate of Activity :	69.8% (Source: UN – United Nations, 2011)
Ethnic Origins:	Approximately 37% Ovimbundu, 25% Kimbundu, 13% Bakongo, 2% Mestico (mixed European and native African), 1% European, 22% other
Religion:	Indigenous beliefs 47%, Roman Catholic 38%, Protestant 15%.
Literacy Rate:	67.4%

Figure 2. Angola's demographic information. (Website of the Société Générale 2016)

Angola has an HDI (Human Development Index) of 0,532/1, which gives the country a rank of 149 out of 188 countries. The HDI synthesises many data such as life

expectancy, education level, incomes, etc. In comparison, France has an HDI of 0,888 and is ranked 22nd. (Website of the United Nations Development Programme 2015)

Technological factors:

Angola possesses many ports: Luanda, Lobito, Namibe, Cabinda, and Soyo. The main one is Luanda's port. However, due to the bad state and the small number of infrastructures, road transport is expensive, difficult and takes a lot of time. Goods are well distributed throughout the coast but, usually, most of those goods hardly make it to the inland. The railroad network was damaged during the war and only works on few short segments. Angola has invested a lot to reconstruct those infrastructure since the end of the civil war. (Website of the Société Générale 2016)

The electricity network is not well developed. Indeed, only a third of the population has access to electricity. (Website of the Société Générale 2016)

In order to improve the country's attractiveness, many infrastructure projects as well as hotel and telecommunication projects have been launched in 2013 and 2014. (Website of the Société Générale 2016)

3.3.2 Hofstede's cultural dimensions' analysis

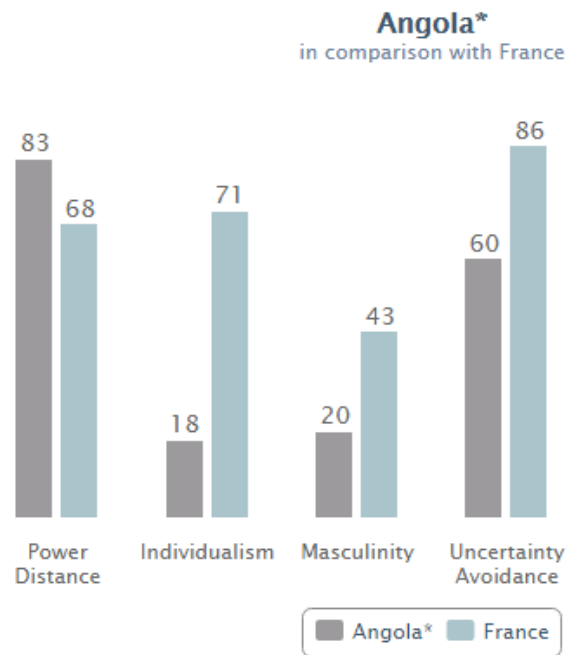


Figure 3. Comparison of Hofstede's 4 cultural dimensions between Angola and France. (Website of the Hofstede Centre 2016)

Power Distance:

Here, Angola's high score means that the country's society is very hierarchical. This order is widely accepted in Angolan society. This hierarchy justifies inequalities between members of an organisation. The power is centralised and people at the bottom of the hierarchy expect their superiors to tell them what to do. In comparison, France has a lower score but is still considered a hierarchical society. Therefore, some values can be shared with Angola, but to a lesser extent.

(Website of the Hofstede Centre 2016)

With this score, it can be understandable to see that the president of the country has so much power and has kept it for such a long time

Individualism:

Angola has a very low score of 18 for the individualism part. This means that the Angolan society is a collectivist society. Loyalty and commitment to a group are very important values. Inside a group (may it be a family, a group of friends and

even within a company), relationships are strong and everyone takes responsibilities when decisions are made. Saving face and not hurting or offending people are also important. For this factor, France is the complete opposite of Angola. It is a very individualistic society; autonomy, independence and self-accomplishment are more valued than in Angola. (Website of the Hofstede Centre 2016)

Masculinity:

Angola also has a low score in this dimension. It indicates that it is a feminine society. People put more value in quality of life (working to live, not the contrary), in solidarity and equality. (Website of the Hofstede Centre 2016)

This score can be seen as paradoxical when compared to the high power distance score, reflecting a strongly hierarchical society. Perhaps this paradox is the fuel of the tensions between the Angolan power and the opposition.

France also has a score that would make it a feminine society but this score is very close to 50. Therefore, masculine and feminine values are more balanced in this country.

Uncertainty Avoidance:

Angola's score on Uncertainty Avoidance is relatively high, which means Angolan people tend to avoid uncertainty. This can be manifested by strict belief or behaviour codes. Therefore, there are many rules and procedures in the country, security has an important place, and change is difficult to accept. France society also tends to avoid uncertainty, but to an even higher extent.

(Website of the Hofstede Centre 2016)

This uncertainty avoidance can explain the heaviness of bureaucracy in Angola.

3.4 Application to Nigeria

3.4.1 PEST analysis

Political factors:

For the first time in Nigerian history, the country has witnessed peaceful and fairly conducted presidential elections in 2015, leading to a change of the majority in the National Assembly. After 16 years in power, the main party, Peoples Democratic Party (PDP) lost to the All Progressives Congress (APC). The new president is Muhammadu Buhari and his priorities are securing the country, fight corruption and increasing the living standards of the Nigerians. (Website of Freedom House 2016)

Security is indeed a big issue in the country. Since 2009, the Islamist group Boko Haram has been present in the North East regions and has destroyed many infrastructures, killed and kidnapped a lot of people and contributed to the impoverishment of the region. Violence is also increasing in the Niger delta and in the middle of the country. Corruption is a big problem too, especially in the oil sector and between some members of the government. (Website of France Diplomatie 2015)

The country is considered “partially free” by Freedom House. It is officially a democracy but some journalists still suffers from threats, restrictions and/or attacks by police/military forces or by extremists groups like Boko Haram. Sharia law is still imposed in many northern states, restricting citizen’s rights. However, the situation tends to improve since the new government is in charge. (Website of Freedom House 2016)

Internationally, Nigeria has an important diplomatic role in West Africa and within the African union. It has a great influence in Africa because of its big population and diaspora, because of the financial power of the Nigerian banks, and because of the shining of its cinematographic industry. Indeed, Nigeria is the third biggest movie producer in the world behind India and the United States. The Nigerian film industry is called “Nollywood”.

The country is engaged in maintaining peace since 1960, and many of its troops are sent on different internationally lead operations (Darfur, Liberia, Mali, etc.). (Website of France Diplomatie 2015)

In terms of taxation, the standard VAT is 5 % and custom duties are 11,2 %. (Website of the Société Générale 2016)

Economic factors:

Nigeria is the first African economy, just before South Africa. It has had a GDP growth of about 6 % for the last decade. This growth has slowed down since the drop of oil prices. The GDP grew by 2,8 % in 2015.(Website of the Société Générale 2016)

Nigerian economy is very dependent on its oil and gas sector, which represents 15 % of its GDP. Another key sector is the agriculture, which stands for 20 % of the GDP. However, this agricultural sector lacks of modernization. Telecommunications are also important in the economy (9 % of the GDP) and are growing at a relatively fast pace. The industry sector has a small share in the Nigerian economy and is slowed down by the lack of electricity. (Website of the Société Générale 2016)

The country's development has contributed to the rise of a middle class (around 20 million people) with monthly income over 645 USD. But Nigeria is still one of the countries with the most inequalities in the world: there are 22 billionaires, 34 000 millionaires and 70 % of the population is living with less than 1 USD per day. (Website of France Diplomatie 2015)

The government has the objective to make Angola one of the 20 first global economies by the year 2020. This development program is called Vision 20/2020. (Website of France Diplomatie 2015)

Social factors:

Nigeria: Presentation

Geography	Demography	Politics	Economy	Taxation	Trade
Presentation of Nigeria : Demography					
Total Population:	177,475,986				
Natural Increase:	2.7%				
Urban Population:	46.9%				
Density:	195 Inhabitants/km ²				
Medium Age:	18.0 Years				
Life Expectancy in Years :	Men: 52.1 And Women: 49.7				
Labour Force	53,830,000 (Source: CIA – The world factbook, 2012)				
Rate of Activity :	55.6% (Source: UN – United Nations, 2011)				
Ethnic Origins:	Nigeria, Africa's most populous country, is composed of more than 250 ethnic groups of African origin. The most populous and politically influential are the Hausa and Fulani (about 29%), the Yoruba (about 21%) and the Igbo / Ibo (about 18%).				
Religion:	Muslim 50%, Christian 40%, Indigenous beliefs 10%.				
Literacy Rate:	69.1%				

Figure 4. Nigeria's demographic information. (Website of the Société Générale 2016)

We can see on the figure above that Nigeria is composed of many different ethnic groups and has two main religions. This explains the important number of tensions in the country.

Nigeria has an HDI (Human Development Index) of 0,514, which gives the country a rank of 152 out of 188 countries. In comparison, Angola has an HDI of 0,532 and is ranked 149th, and France has an HDI of 0,888 and is ranked 22nd.

(Website of the United Nations Development Programme 2015)

Technological factors:

Nigeria has 1000 km of coastline so most of the imported goods arrive through various ports. Air-transport is limited to large cities. Many infrastructures have been destroyed in the North East part of the country. In the whole country, the railway system is almost completely out of service and many roads are of bad quality. Therefore, road transports is very difficult within the country. (Website of the Société Générale 2016)

Another big challenge for Nigeria is the distribution of electricity. In March 2016, an article of The Economist stated that “Nigeria has about as much electricity as Edinburgh”. This is obviously a problem when comparing the number of people living in both places: about 500 thousands in Edinburgh and about 177 million in Nigeria.

As mentioned in the economic factors, the telecommunications industry is developing pretty well.

“By 2014, 67 million Nigerians were online (Internetlivestats.com). Mobile phones are commonly used to access the web. Most internet users are young, educated and urban. Facebook is the most popular social media platform; by June 2015 at least 7.1 million people were using Facebook daily.” (Website of the BBC 2016)

3.4.2 Hofstede's cultural dimensions' analysis

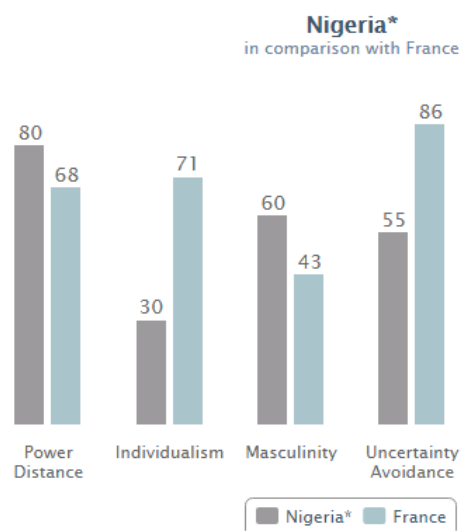


Figure 5. Comparison of Hofstede's 4 cultural dimensions between Nigeria and France. (Website of the Hofstede Centre 2016)

Power Distance:

Nigeria's score is almost as high as Angola's one. Therefore, the country's society is very hierarchical. It justifies inequalities between members of an organisation. The power is centralised and people at the bottom of the hierarchy expect their superiors

to tell them what to do. This hierarchical order is widely accepted by Angolan population. In comparison, same values are shared in France, but to a lesser extent.

(Website of the Hofstede Centre 2016)

Individualism:

Nigeria has a score of 30, which means that it is a collectivist society like Angola, but probably to a lesser extent since Angola's score is even lower. Loyalty and commitment are important values; saving face and not offending people is also very important. Relationships are strong and responsibilities are shared by everyone within a group. For this factor, France is also very different than Nigeria. It is a very individualistic society where autonomy, independence and self-accomplishment are key values. (Website of the Hofstede Centre 2016)

Masculinity:

With a score of 60, Nigeria is considered a masculine society. In a masculine society, competition, performance and equity are important, and usually people "live to work". However, this score is just 10 points above 50 so we can assume that those values are not so strong and that Nigeria can also share values that are more feminine. France also has balanced results for this factors, with more emphasis on femininity. (Website of the Hofstede Centre 2016)

Uncertainty Avoidance:

"Nigeria receives an intermediate score of 55 on this dimension, which does not show a clear preference." (Website of the Hofstede Centre 2016).

Those last 2 scores on masculinity and uncertainty avoidance are close to being intermediates. This can be explained by the very large number of different ethnic groups with different cultures composing the Nigerian population.

4 CHARACTERISTICS OF THE WINE MARKET IN THE CHOSEN COUNTRIES

In this part, will be studied the characteristics of the Angolan and Nigerian wine markets. This market research will be divided in 4 parts: the study of the offer (local and foreign), the study of the demand (quantitative and qualitative), the distribution channels, and finally, the regulations of this market.

4.1 Angola

4.1.1 Offer

Local offer:

Angola is not known to be a wine producing country. It is not listed in the “World wine production by country” table of the Wine Institute website. If there is a wine production activity in Angola, it is probably an insignificant production and it does not affect the competition. In Angola, the wine is imported.

The main alcoholic beverage produced in Angola is the beer. The national production of beer is over 600 million litres. This production is dominated by Groupe Castel, which owns 8 breweries and has 90 % of market shares.

(Website of Business France2015)

Foreign offer:

Angola’s wine market is dominated by Portuguese wines. They account for 90 % of the total offer. Two other important countries on this market are South Africa and Spain.(Website of Business France 2015)

In 2013, in volume and in value, Portugal, Spain and South Africa (in this order) where the main countries on the Angolan wine market. France was ranked 6th in volume behind Argentina and Namibia, and 4th in value.

(Website of FAO STAT 2014)

In general, wine imports in 2014 grew by 11% in value over the period 2010/2014. Even though France is not as much represented as other countries in the Angolan wine market, the country's exports in value grew by 35 % over the same period. Champagne accounts for 40% of the French wines in Angola and its value grew by 171 % in value and 91 % in volume between 2010 and 2014.

(Website of Business France 2015)

Retail prices for wines in Angola vary between 1,80 USD per litre and 50 USD for good bottles of red wine. (Website of Enterprise Mauritius, 2014)

4.1.2 Demand

Quantitative demand:

According to the 2015 "World wine consumption by country" table of the Wine Institute website, Angola is the 2nd biggest wine consumer in Africa behind South Africa. (Website of Business France 2015)

Most of the wines consumed are dry red wines with high alcohol percentage (15% or more). Although Champagne and other sparkling wine are becoming more and more popular. (Website of Business France 2015)

Qualitative demand:

The majority of Angolan consumers has a low purchasing power. There is a growing middle class with young consumers which are more receptive to advertising and packaging. The wealthy class is more willing to buy quality products and they care about the image of those products. Angolan people are usually brand loyal, but young people tend to be less loyal and want to try new products. In Angola, women generally make the purchasing decisions.

(Website of the Société Générale 2016)

Drinking wine in Angola is part of everyone's culture and habits. Wine is not reserved to people from wealthy classes. (Website of Business France 2015)

French products have an excellent image in Angola's consumers and distributors' eyes. People with high purchasing power like French wines. The "made in France" sells well and it reflects the access to an good social status.

(Website of Business France 2015)

4.1.3 Distribution

The informal market is the main distribution channel in Angola. The products distributed through the informal sector usually come from large chains and are distributed in the suburbs and in rural areas. It is composed of importers who sell goods directly from their warehouses, small shops, street vendors, market vendors, etc.

The formal market is constantly developing itself with the help of the government, probably to have a better control over the paid taxes.

This market is mainly composed of Portuguese and Brazilian chains. The main chains are:

- Kero Hypermarket : 40%
- Alimenta Angola Cash & Carry : 20%
- Maxi Supermarket : 10%
- Mega Cash & Carry : 10%
- Others : 20%

(Website of the Société Générale 2016)

Roughly 20 % of the population uses formal distribution channels because they are mainly located in the big cities. Wines are mostly found on the formal market: in super or hyper-markets, grocery shops or specialised shops (bottle stores or delicatessens). French wines can also be found in luxurious restaurants or European owned restaurants. Restaurants supply themselves from importers, specialised distributors or wholesalers. (Website of Business France 2015)

For the promotion of wines, an "Angola Wine Festival" was organised in 2013 and 2014, but it does not seem that it will continue in the next years. To promote French wines in Angola, some meetings and seminars are organised by Business France in

October 2016. The goal is to put companies in touch with Angolan importers and distributors. (Website of Business France 2015)

4.1.4 Regulations

All the labels must be translated in Portuguese. The wine must be sold through importers that are registered at the Ministry of Commerce and/or at the Regional Delegations of Commerce. Those importers must also have an import licence. (Website of Business France 2015)

The custom duties for wines of all types (still wine, sparkling wine, bottled or in bulk) are 30%. (Website of Market access database 2016)

Since September 2015, the consumption tax has risen and it is now 55 % for imported wines. (Website of Business France 2015)

Since there is a lot of bureaucracy in Angola, it might be wise to let the importers take care of this part. They might have a better knowledge on all the papers needed and the latest changes in regulations.

4.2 Nigeria

4.2.1 Offer

Local offer:

Like Angola, Nigeria is not known for being a wine producing country. The most important alcohols in Nigeria are beer, with 55% of the market, spirits with 30 %, and finally wine with 15 % of the market. (Ele & Ogbeide, 2015, 15)

Home and locally-made alcoholic beverages are also very common in Nigeria. Burukutu (alcohol made of Guinea corn and Millet), palm wines and wines from various fruits like pineapples or pawpaw can be found throughout the country. This

local production is very small and does not meet the needs of the current consumers. Thus, foreign wines are more interesting. (Ele & Ogbeide, 2015, 15)

Foreign offer:

In 2013, in volume, Spain, South Africa and the United States were the first three wine suppliers to Angola. France was at the 6th place, behind Italy. For the same year, in value, France was ranked 1st before Spain and South Africa. (Website of FAO STAT 2014)

This 1st place for France in export value to Angola can be explained by the fact that Champagne is very popular on the Nigerian market.

In 2014, the value of the exported Champagne to Angola was 23,7 million EUR and the total of still wines (of every origin) accounted for 4,71 billion euros. This gives an average price of 31 EUR per champagne bottle and 5,40 EUR per bottle of still wine (of any colour and origin).

(Dufau 2015)

4.2.2 Demand

Quantitative demand:

The major part of the wines sold in Angola are red wines, they accounted for 74 % of the sales in 2011 (Shaw 2012). But as we saw before, champagne and sparkling wines are well appreciated within the country.

In 2013, the total consumption of Champagne was of 750 million bottles, making Angola the 3rd fastest growing market for Champagne and placing it in the 20 first Champagne markets in the world.

(Moszynski 2014)

Qualitative demand:

In Nigeria, wine is generally consumed by people from the middle class and the high class. Furthermore, wine drinkers are mostly educated people. A survey on wine

habits showed that only 17% of the wine drinkers did not have a post-secondary education (Ele & Ogbeide, 2015, 20; 26).

According to the African Development Bank, Nigerians from the middle class have incomes between 2 and 20 USD per day, which is around 1 000 and 7 500 USD a year. (Halstead 2013)

Nigerians culturally like to appear wealthy, even if their incomes are still considered modest. “*For many Nigerians it’s perfectly acceptable to spend their last Naira [local currency] on status items,*” says Sarah Fitzgerald, MD of Executives in Africa, an executive search firm working in Nigeria. *‘It’s important to look successful.’*” (Halstead 2013)

Even though the interest for wine is constantly growing within the middle class, those Nigerians consumers are still careful with the prices (Adewunmi 2012). Indeed, Champagne is more consumed by Nigerian from the high class than people from the middle class. It is mainly consumed by people from the “elite”: people from Nollywood (Nigerian Hollywood) or from the oil and gas sector. (Hirsch 2013)

4.2.3 Distribution

Most of the distribution channels in Nigeria are informal, therefore illegals like in many African countries. For the formal sector, the market chains leaders are Shoprite, The Game, Park and Shop, and SPAR’s. A few times ago, new comers like Woolworths, Mr Price and Hawes & Curtis have arrived on the distribution market. There are also three main online retailers: Jumia, Konga, and Sabunta. (Website of the Société Générale 2016)

In Nigeria, as in most African countries, it is difficult to find adequate infrastructure for the distribution and the preservation of wine. Big firms prefer to implant their own distribution facilities. For smaller companies, it is recommended to have at least one representative in the country. (Dufau 2015)

In order to promote any company's wines and to meet key players in the importation and distribution of wines in Nigeria, there is the Wine, Spirit and Beverages Expo in Lagos. It is an annual event, and it could be a good opportunity to establish some business relationships. In 2016, it will take place between the 21st and the 24th of September. (Website of BKG Exhibitions 2016)

4.2.4 Regulations

The amounts of taxes, custom duties and red tape in Nigeria are very impressive. It is a big barrier for foreign companies. (Mercer 2012)

The Nigerian custom duties for wines are 20%, there is also an additional import levy of 50% and the excise tax is 20%.

(Website of the Société Générale 2016)

Labels must be written in English and must bear a NAFDAC registration number. NAFDAC means National Agency for Food and Drug Administration and Control, and wine importers must register the wines to this agency. This operation can be costly and take some time. (Mercer 2012)

Like in Angola, bureaucracy has an important place for imported products. My advice is to ask for more detailed information to local importers and/or distributors because it is difficult to find every possible information on wine import procedures and regulations.

5 RECOMMENDATIONS TO ADJUST THE MARKETING-MIX TO THE DIFFERENT MARKETS

With all the characteristics seen in the previous parts, this part will give advices to adapt a company's marketing strategy to the targeted markets. Those advices will be given on the 4 parts of the marketing-mix, also called the 4 Ps.

5.1 Definition of marketing-mix and 4 Ps model

“A marketing mix usually refers to E. Jerome McCarthy's 4 P classification for developing an effective marketing strategy, which encompasses: product, price, placement (distribution) and promotion.” (Website of Investopedia 2015)

“When marketing their products firms need to create a successful mix of:

- the right product
- sold at the right price
- in the right place
- using the most suitable promotion.

To create the right marketing mix, businesses have to meet the following conditions:

- The product has to have the right features - for example, it must look good and work well.
- The price must be right. Consumer will need to buy in large numbers to produce a healthy profit.
- The goods must be in the right place at the right time. Making sure that the goods arrive when and where they are wanted is an important operation.
- The target group needs to be made aware of the existence and availability of the product through promotion. Successful promotion helps a firm to spread costs over a larger output.”

(Website of Business Case Studies 2015)

5.2 Application to Angola

5.2.1 Product

As shown by the market study, red wine are the most consumed wines in Angola, and sparkling wines like Champagne are gaining in popularity. Therefore, those are the two markets a French company should focus on. But since those two kinds of wine are already gaining attention, perhaps it could be wise to introduce also introduce different wines (white or rosé) in small quantities. With an appropriate communication, a company could create a growing demand for those wines and access an “untapped” market. By being one of the first companies entering this market, it would give a status of first mover to the company, thus creating a loyal client base and a better brand recognition.

(Website of Investopedia 2015)

The companies wanting to enter the Angolan market also have to get their labels translated to Portuguese.

5.2.2 Price

If the targeted market is the Angolan wealthy class, then the prices can remain high to show that the product is luxurious. Since this part of the Angolan care about the image and the quality of the products, it would not be difficult to make them accept high prices. The market study showed that prices could go up to 50 USD for bottle of red wine, so those kind of prices can be practiced. In my opinion, price is not a problem for the Angolan “elite”, therefore higher prices for more prestigious wines can be used.

For the middle class, more accessible prices would be better, for the red wines as for the Champagne and sparkling wines. As Champagne wines are part of the top-range products, they could be destined to the Angolan high class. Lesser-known Champagne as well as other sparkling wines could target the middle class with more accessible prices.

A solution to sell cheaper wines and access the lesser wealthy consumer could be to export wine in bulk. The problem is that this bulk wine would be bottled in Angola, thus making the final product an Angolan wine. The consumer would not notice the origin of what he/she is buying so the French company would not gain publicity from those exports. Besides, the market study showed that foreign wines are the most consumed so there is no certainty that this French bulk wine sold as a bottled local wine will be popular.

5.2.3 Place

Since inland transport infrastructures are in bad shape, it would be recommendable for a first export to sell in large cities of the Atlantic coast of Angola. The large cities on this coast are Luanda (the capital city), Lobito, Benguela, Namibe and Soyo.

For the distribution, since the formal market is already small, every options on this market should be considered. For the middle class, super and hypermarkets appear as the most viable solutions. For wealthier Angolans, specialized shops or luxurious hotels and restaurants could be more appropriate.

As the Nigerian market study showed, but it is also true for many other African countries, distribution infrastructures are not as much developed as they are in other markets and countries, so the preservation of some products cannot always be guaranteed. It would be recommendable to have someone from the company in Angola to make sure that the distribution is done in the right conditions. It can be an expat from the company, or an agent, or even having an office in Angola. If the company can afford, its own distribution facilities could be implanted.

(Dufau 2015)

A participation at the meetings and seminars about Angolan wine market organised by Business France could help any company willing to export to this country to know more about the specificities of the Angolan wine distribution.

Those meetings organised by Business France are also a chance to promote any company's wines and to find the right partners.

5.2.4 Promotion

The Hofstede analysis revealed that Angolans had a collectivist culture. For that reason, it could be interesting to create a promotion campaign oriented on family values, friendship, wines that bring people together. Mentioning those values on the labels of the bottles can be a start. It could be done as a description of the product, or it could be reflected on the design of the labels with pictures of happy people sharing wine together. It would also be better to feature young people on the promotion as there is a majority of young consumers among the middle class and in general among the Angolan population.

Since French products are already seen as quality products and convey an image of wealth, there might not be much more to do than mentioning the French origin of the wine to spread their good image.

Finally, companies have to take into account for their advertising campaign that, generally, women make the purchasing decisions in this country, so they will be affected in priority by this promotion.

5.3 Application to Nigeria

5.3.1 Product

The market study showed that red wines as well as sparkling wines like Champagne are the most consumed wines in Nigeria, like they are in Angola. About 70 % of the consumed wines are red, but there is also an important demand for Champagne, particularly amongst wealthy Nigerians. Therefore, I would recommend the same product policy as the one used for Angola. Perhaps focusing a bit more on Champagne and other sparkling wines could be better, since Nigeria is part of the 20 biggest Champagne markets in the world. I would also recommend the same policy as in Angola for the introduction of white and rosé wines in smaller quantity in order to have a first mover advantage on the market.

The company must not forget to translate the labels in English and to add its NAFDAC registration number on them.

5.3.2 Price

Here the price policy can be similar as the one used for Angola. That is to say aiming the most expensive red wines and Champagnes to the wealthiest class: people from the oil sector and from Nollywood. It would not be difficult to make people from this class accept high prices since it is very common in the Nigerian culture to show off one's wealth.

It would be advisable to target the middle class with middle range products, might they be red, Champagne or other sparkling wines. As the market study revealed, Nigerians from the middle class are more price conscious than the ones from the high class. French companies will have to be especially careful with their prices for the wines aimed at the middle class because the amount of duties and other taxes can double the prices on each products.

5.3.3 Place

As there are many conflicts in the North of the country and some violence in the centre of Nigeria as well as in the Niger Delta, and because inland infrastructure are in a bad shape, it would be best to target the South West of Nigeria. In the South West are located the first and the third biggest Nigerian cities: Lagos and Ibadan.

For the distribution, same advice as in Angola, the use of every formal market channels is recommended. The wines aimed at middle class people can be sold in super and hyper market chains, and the wines aimed at higher classes can be sold in restaurants, hotels and specialised shops. It can also be noted that wine could also be sold via online retailers (Jumia, Konga and Sabunta are the main ones in Nigeria).

Like in Angola, distribution infrastructure are not always reliable, therefore it is advisable to have someone from the exporting company in Nigeria to supervise the whole import process.

To find some importers and distributors, there is the annual Wine, Spirit and Beverages Expo in Lagos.

5.3.4 Promotion

As there are some similar values shared in Angola and Nigeria, the promotion would not be so different: an emphasis on collectivist values and youth. The product labels and the promotion campaign could emphasize on the wealthy status any French wines can reflect, because the market study reveals that Nigerians like to show their external signs of wealth.

The movie industry is also very important in Nigeria, so it could be interesting to make some partnerships with some Nigerians film production companies. This way, some French wine would be featured in Nigerian movies in the form of product placements.

Participating in the Wine, Spirit and Beverages Expo in Lagos could be a good way to promote any French company's wines.

6 CONCLUSION

Throughout this thesis, we can find some similar patterns in the Angolan and Nigerian wine markets.

First, both countries have almost the same development level. There are some political tensions within the countries. The population is very young and inequalities are very high. In both countries, the majority of the population is very poor, but there is a growing middle class who is attracted by foreign and quality products. However, this middle class is still very price conscious. There is also a smaller part of the population composed of rich people. Those people are wealthy because of the oil and gas sector, because of the diamond sector in Angola, or because of the movie industry in Nigeria.

Then, the wine markets in the two countries have some similarities. Red and sparkling wines are the most consumed. French wines are very well seen and are synonyms of a certain quality and a good social status. French wines, and especially Champagnes are praised among the wealthiest populations of both Angola and Nigeria.

By adapting French wines to the Angolan and Nigerian cultures and by targeting those middle and high class accordingly, it can be possible for any French wine company to find opportunities on these markets.

For the moment, the quantities of wine consumed in Angola and Nigeria are still low and cannot be compared to the quantities consumed in other countries like in the United States or South Africa or China. This can be explained by the fact that Nigeria and Angola are still in the early stages of their economic development so most of their populations cannot afford to consume wine regularly.

However, this consumption will increase in a few years, perhaps a decade or so. In the future, the French wine companies will benefit from being amongst the first ones to sell on those markets.

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