Master's thesis

Carlsberg in East Africa – an entry strategy

Increasing sales through entering East Africa

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Abstract

This master's thesis aim was to explore which entry strategy Carlsberg should use when entering the East African Community. Carlsberg have used several different constellations over the years, and have recently changed their approach to new markets, with their SAIL 22 strategy, in which they want to enter by licensing or exporting through other companies, while maintaining an asset light approach. The goal was not to challenge the new strategy from Carlsberg, it was simply to find the best possible entry strategy for Carlsberg in the East African market, in order to secure both short- and long-term success. Through interviews and studies of journal articles as well as other papers, the recommendations and conclusion was found. It was recommended that Carlsberg focus mainly on Kenya, and enters with a joint venture. Their partner should have a large distribution network in the region. Furthermore, Carlsberg should target the multi-tier consumer segment, by introducing their own premier brands, and acquiring a local brand with the JV.

Introduction

With increased internalization and firm globalization, it is important for multinational companies to be present markets worldwide. Along with the increased globalization, is the emergence of new markets, markets that previously was undesirable, low growth, inaccessible. The markets were largely left to the domestic companies, as it was too uncertain, too risky to enter. With more and more markets maturing, companies must seek new pastures, new areas in order to grow. For the right company, an emerging markets is such that. A place to grow, a place to renew your company, as you adapt to the market and the consumers. For the right companies, an emerging market is a goldmine. You just need to know how to operate within them, how to manage a company in a market that can change in a blink, due to a political situation.

As the world's third largest brewery, Carlsberg is present worldwide. It is possible to buy a Carlsberg Pilsner in 140 different countries around the world, and in every continent. Carlsberg is a worldwide company, though it still got its roots in Denmark. Due to the small market size in Denmark, Carlsberg was exporting from the early stages. As early as 1869 did Carlsberg export its beers around the world, as Hong Kong was the destination. Carlsberg have always been a visionary company, and they continue to be so today.

Carlsberg have had many different approaches to exporting its beer to foreign markets, though Africa has never been a hit with Carlsberg. Despite opening a brewery in 1968 in Malawi, Carlsberg have not owned other production sites in the continent, and recently sold it off. This paper aims to challenge the current approach Carlsberg have taken to the African and other foreign markets, and explore the best way Carlsberg can to enter the East African Community in order to gain both short- and long-term success.

In doing so, this thesis will examine the business conditions in East Africa, what the challenges are for Carlsberg, and how they shall enter to win those challenges, and bring along their own advantages. Additionally, this paper will bring an in-depth analyze of Carlsberg's organization as well as the company's previous entries in foreign markets, in order to determine the best possible strategy for Carlsberg.

1. Methodology

The theoretical work of this master's thesis is concentrated on the constructivist view, though I firmly believe that parts of the thesis is positivistic. The interviews as well as some of the data collection has been influenced by an individual's social reality, meaning that it is not certain we would all have come to the same conclusion. However, parts of the data collection is positivistic, and is not subject to an individuals social reality. Additionally, I believe that the findings of this report can be used as a general guide in how to enter East Africa. The reason I have the constructivist view as the leading, is that with a large part of the data collection it is possible to interpret it through our individual social reality. As mentioned before, others might come to a different conclusion, and especially over time as things change, the result might be different from what I got.

The master's thesis is a qualitative paper, as it opened the option for getting deeper into the subject, and allowed me to enter the underlying subjects and reasons, and lastly come up with a solution on how to enter the East African market, with Carlsberg's individual skillset in mind.

The Data was collected by the desk research method. Primary data was telephonic interviews, while the secondary data was both qualitative and quantitative, and it was external data. This was e.g. a study of Carlsberg's previously entries, journals, and articles.

1.1 Research question

What is the best entry for Carlsberg in the East African Community, in order to obtain long-term success?

To answer that question, I need to know more about the East African market. From the countries in the EAC, to what a foreign company must be aware of when entering the market and which difficulties there are within the market. Furthermore, I need to know about Carlsberg in terms of their brands, their markets, and what have they done previously with success as well as failure. Lastly, it is important to know about the East African beer market in order to know how Carlsberg shall target the consumers.

In order to help answer the research question, the following questions was conceived:

- Describe the situation in the member states of the East African Community
- Describe and analyze the conditions for doing business in East Africa
- Analyze Carlsberg's organization and what they have done in previously entries
- Analyze the East African beer market

1.2 Demarcation

I am well aware that an interview base on two persons is short, as well as no interviews with Carlsberg is not optimal due to the fact that Carlsberg is the final study of the thesis. However, through several article, journals and official papers from Carlsberg (annual report, strategy plan), I have tried to get around it, though it will never be as good, as having it from the source itself.

I will not look into South Sudan, as the country is in no state for Carlsberg to enter. South Sudan ranks second overall in The Fund For Peace's "fragile state index", only beaten by Somalia, and only just. In 2015, South Sudan had the dubious distinction of being number one (The Fund For Peace, 2016).

I have briefly mentioned the signed free trade agreement with EAC, COMESA and SADC, though it is not a subject I will further look into, as it is not deemed relevant for the moment, though it might be relevant in the future.

I will not focus on INCOTERMS, as though it is important for an importer, there is no consensus in which terms to use, and it is decided in the individual deal.

2. Literature review

On the following pages, I will discuss relevant theories for a company wishing to enter an emerging market, theory such as entry modes, choosing the right consumer segment, and internalization.

2.1 Emerging market

The main reason for companies entering an emerging market is the high economic growth and the increased demand for consumer goods (Meyer & Tran, 2006), a demand that is expected to increase further in East Africa, due to the rapid urbanization the area experience these years. To fully capitalize on the potential riches, it is important to enter with the right strategy.

Typical traits for an emerging market is having a high economic growth as well as an increasing demand for consumer goods. Furthermore, an emerging market often have a low level of both soft and hard infrastructure. They have a moderate to high level of FDI, and while you often see a rapidly liberalization of the market and the trade barriers, these are often burdened by a high level of bureaucracy (Pedersen, Asmussen, & Sørensen, 2013). Furthermore, the consumers are very segmented in terms of discretional income (Meyer, Estrin, Bhaumik, & Peng, 2009; Meyer & Tran, 2006). It is difficult to gain a large market share in an emerging economy, as markets often are highly fragmented, with many small firms competing for customers (Meyer & Tran, 2006).

At the same time, there are many risks and disadvantageous involved in emerging markets. Political instability, extensive bureaucracy, poor infrastructure as mentioned above, weak institutions as I will elaborate later, high volatility (though it creates a competitive advantage for companies with a flexible strategy), are some of the most important (Pedersen et al., 2013). It is of great importance that an entering company is aware of these risks, and has a strategy to deal with these challenges.

As mentioned, a typical trait for an emerging economy is their weak institutions. In an advanced economy, institutions has a large role to play as well, though they may be that efficient, that you do not notice them. In an emerging economy, where the markets are often inefficient and malfunctioning, their role is often obvious, if it exist at all. Should it not, the lack of the institution will be obvious as well (Meyer et al., 2009).

The transaction cost are in general very high when dealing in emerging economies (Meyer et al., 2009), and it is an important task for a company wishing to enter an emerging economy to find ways to lower them (Dunning & Lundan, 2008; Meyer et al., 2009).

When entering an emerging market, such as East Africa, a company must accept that it (usually) takes time to be successful (Petersen, 2016), and that the large volatility you typically experience in emerging economies demands a long-term planning as well as patience (Meyer et al., 2009; Meyer & Tran, 2006; Pedersen et al., 2013).

2.2 Entry modes

When entering a foreign market, a company can either do it by an equity mode or a non-equity investment (Haarzing, 2002).

The decision between equity and non-equity lies in the company's resources allocated to the market, as well as the risk the company is willing to take on (Canabal & White, 2008). The decision also affects the control the company has on the operations in the market. The higher the investment, the more control the company must exercise (Canabal & White, 2008; Haarzing, 2002), meaning that an equity based investment requires a higher degree of involvement, than a non-equity investment. A greenfield investment often leads to an increased control from the firms headquarter, compared to an acquisition (Haarzing, 2002). Furthermore, a greenfield investment also often leads to an increased number of expatriates compared to an acquisition, supporting that the headquarter is more involved the bigger the investment is (Haarzing, 2002). The reason for the increased number of expatriates is, that a greenfield investment requires a higher level of knowledge transferred from the headquarters to the new market, as well as training of new employees.

In addition to that, the choice between a non-equity based entry and an equity based entry, is also be based on the company's strengths and what the market of entry can offer, as well as the overall global strategy of the company. Do they succeed when they acquire a local company, have they had any success in greenfield investments etc. (Haarzing, 2002). Haarzing argues for an increased usage of primary and secondary data, in order to find the right entry strategy.

A company's timing in deciding when to enter the market has an effect on the entry as well, as there are advantages and disadvantages for which ever it chooses. Becoming a first mover has such advantages as relationships (both to consumers and to authorities), consumer loyalty and reputation. The risk is different kinds of uncertainty, such as market size, how the consumer will react etc. With a later entry you bypass many of these uncertainties, but you have to take on an the established company and find a way to win over their customers (Meyer et al., 2009; Meyer & Tran, 2006).

2.2.1 Entry strategies

There are different approaches when choosing an equity-based entry strategy. The three main are joint venture (JV), acquisition and greenfield investment.

A JV is when two or more parties come together to take on one project, and thereby create a partnership. When you start a JV, you gain access to your partner's strengths, you are two parties to take on the risk, and you have a greater capacity both in financial terms as well as in labor and specialists. Therefore, it is a good idea to collaborate with a company who can help you with your weakness. E.g. if you have a great product, but you do not know how to sell it or how to distribute it, then you should seek a JV with a company that can help you with that (provided you want to enter into a JV). There are many sub-terms of a JV as it can be for a limited time, for a limited project etc. The JV is operated separately from the parties other businesses (Investopedia, 2016c; IVÆKST, 2016).

An acquisition is when a company buys (acquires) another company, either all of it, or a large part. Through the acquisition, the company gains access to the market as well as the customers in the acquired company's portfolio. There are several potential reasons for an acquisition. Technology owned by the acquired company, market share, distribution channels are some of them. A big risk in an acquisition is how to incorporate the new company, into your existing one. How do you merge the two cultures, without ruining either of the companies? Do any key personnel leave? Additionally, there is a risk that the customers leave due to the new ownership, which will spoil parts of the idea behind the acquisition (Entrepreneur Media, 2016; Investopedia, 2016a).

A greenfield investment is when a company enters a new market and builds the operation from the ground up. This type of investments offers a very high level of control to the company, though it also is the investment with the highest risks involved, as well as in most cases invested capital (Investopedia, 2016b).

2.2.2 Non-equity strategies

Besides the equity-based strategies, there are the non-equity based strategies, which are exporting through an agent and licensing.

Licensing is when you license a foreign company to manufacture and sell your product, in return for royalties (Delaney, 2016). It is useful in situations where the transaction cost are too high for you to import the product yourself or where other factors prevent you from doing so. In order for licensing to work, there company manufacturing must be of a certain standard, as they will be responsible for the quality of your product, meaning that your reputation is in their hands. A company must therefore be very selective, when choosing to export through licensing. With licensing, the company has a low degree of control.

When exporting through an agent, the company keeps a higher degree of control, as they are still responsible for manufacturing the product. The agents role will either be to create the contact to the customers, and make sure that the products reach the customers or to be fully responsible for the distribution and sales in the market (Bothma, 2016; BusinessDictionary, 2016).

2.2.3 Institutions

Meyer, Estrin, Bhaumik & Peng argues that the entry strategy should follow the institutional context of the country (Meyer et al., 2009). They say, that the weaker the institution, the more you need local involvement. Meyer argues that as the institutional framework is weak, you need local involvement in order to access many resources. On the other hand, in markets with stronger institutions, there is a higher level of market efficiency, meaning that you are less dependent on local involvement as you are able to obtain these resources by yourself (Meyer et al., 2009). In areas where the institutions are weak, Meyer argues for a JV, as it means involvement of a local player, with connections, relations and knowledge of the market and the consumers. In areas with stronger institutions, as in advanced economies, Meyer argues that JV and local involvement are less important, and thereby that acquisitions and Greenfield entries are more relevant. He does that, because the access to intangible resources, such as data on the consumers, are easier accessible with stronger institutions (Meyer et al., 2009). Thus in emerging economies, the need for cultural resources is usually high, and the supply is low, meaning that some sort of local involvement is critical in order to gain a competitive advantage (Meyer et al., 2009). JV and smaller acquisitions may in some cases serve as a way to get a foothold, or a taste of the market, before a larger entry takes place. They allows a company to learn about the market, and gradually increase their involvement (Meyer & Tran, 2006). This means that a company must choose its entry strategy based on its long-term strategy in terms of involvement. A foothold strategy may lead to a JV, where an aggressive approach might lead to several acquisitions, and maybe even a greenfield entry, should the level of the institutions allow it.

In addition to a JV, Meyer argues for other ways of dealing with the weak institutions. As the legal institutions are often weak in emerging economies, having a strong network and local relations becomes important. It helps you e.g. uphold contracts, which often is regarded lesser important than in Western countries. Relations to governmental authorities, other businesses etc., becomes of great importance (Meyer et al., 2009). In emerging markets however, the market of companies relevant for acquisition is often very small (Meyer et al., 2009), as well as the weak institutions limits the possibilities for an entry by greenfield investment.

2.2.4 Consumer segment

The consumer-segments is also an interesting area, as the majority of the population (the mass market) in an emerging market is relatively poor and price sensitive, where the middle class and high-end consumers are less price-sensitive, though not very numerous (Meyer et al., 2009; Meyer & Tran, 2006; Pedersen et al., 2013). That means that there are a lot of different consumers, and thereby discretional incomes, customer-habits, and consumer-behavior. In order to deal with all these differences, a company must choose whom to target as well as how to target them. To do that, Meyer and Tran talks about three different branding strategies; global branding, local branding and a multi-tier strategy (Meyer & Tran, 2006). Scholars talks about a trade-off between global brand for the premium segment (high markup, low volume) and a local brand for the mass market (low markup, high volume), whereas Meyer and Tran talks about a mixture of the two, in order to gain full advantage of the market (Meyer & Tran, 2006). That however, requires that the company have enough resources to do so, as well as have a global brand. A global brand requires standardization, whereas a local brand means you must adapt in order to be successful in the mass market. Additionally, the global brand strategy requires that the company can deliver the expected quality under difficult conditions, as a lower quality then elsewhere will hurt the brand worldwide.

The local brand strategy is more suitable to a fragmented market, and though it has a low markup, it is a way of generating economies of scale as it typically sales in large volumes (Meyer & Tran, 2006). In order to succeed with the local brand strategy, it is crucial to adapt to the local needs as well as price range. Additionally, it is important to have strong operational capabilities to support the strategy. In areas with low accessibility to service, robustness is an important factor of products (Meyer & Tran, 2006), and though the consumer may be poor, they still have preferences, and still desire quality to some extent. Furthermore, when you enter with a local brand strategy, you are competing against the local competition, and their expertise and knowledge of their consumers. The competition know how the market works, they are used to the bureaucracy as well as its volatility. A great example of a company and their product who successfully adapted to a market is Tata Motors and their Tata Nano, a car made for the Indian-urban market. It is small as well as being very cheap, suiting the essential needs in India (Chang, 2008). An example of a company who did not do their due-diligence and adapt their approach is the Danish company Jysk, when they entered China. They did not alter their approach from the European market, where they are a low-price company and standard-to-low quality. The Chinese consumer did not want to buy cheap, low quality goods from a foreign company, meaning that Jysk did not have any success in their initial entry to the market (Gården, 2012; Hall, 2012).

In order to serve both the mass market as well as the middle class/high-end market, Meyer and Tran argues for a multi-tier strategy, which combines the two through both global and local branding. Besides the large market size the consumer strategy allows the company to operate within (both in size and financial power), the local brand may improve in recognition and value, due to it being associated with the global brand. Furthermore, the multi-tier strategy introduces the opportunity of increasing the global brand when the market matures, as the set-up is already in place (Meyer & Tran, 2006), and in general increases the company's flexibility within the market. This also brings additional risks, especially for the more specialized products, which requires more attention from the company in the long run, like electronics.

The multi-tier approach is the best in terms of total volume, though it is also the one with the most risks, as the global brand may take a hit, as well as it usually demands a higher degree of investments from the company (Meyer & Tran, 2006).

2.3 Internalization

With the increasing globalization, companies need to alter their approach compared to earlier days. There are more competitors in each market as well as improved products. This means that companies must be aware of their strengths as well as what they may gain from entering a new market. The Eclectic Paradigm can help a company with that.

2.3.1 Eclectic Paradigm

Before deciding on entering a foreign market, a company must be sure on what they aim to achieve as well as how they shall succeed in the given market. In order to do so, the eclectic paradigm, offers some assistance as it helps a company determine their advantages compared to the competitors as well as the market, and how they will achieve them in the foreign market.

The eclectic paradigm is a holistic approach, and consist of three factors, Ownership-specific advantage, Location-specific advantage, and Internalization advantage – OLI (Buckley & Hashai, 2005).

Ownership-specific advantage is based on Stephen Hymer's idea that a foreign company always have disadvantages towards the domestic companies, and that a company entering a foreign market therefore should have ownership advantages, in order to offset those disadvantages (Hennart, 1991). It is therefore a key objective to transfer some of these advantages to the foreign market, in order to become profitable (Dunning & Lundan, 2008; Hennart, 1991). Ownership-specific advantages is something that is specific to the company, and that is not available to competitors (Buckley & Hashai, 2005), e.g. knowledge or a technological advantage.

Location-specific advantages is a comparative advantage you would gain by moving to the area, and could be the cost of materials, labor and obtaining access to natural resources in the host country (Buckley & Hashai, 2005). The purpose with location-specific advantages is to provide an explanation to what the foreign market can provide, and why it is attractive to enter (Buckley & Hashai, 2005).

The third and last part of the eclectic paradigm is internalization. Internalization is when a firm decides to exploit its ownership-specific advantages through an equity-based entry, rather than licensing or exporting through an agent (Buckley & Hashai, 2005).

2.3.2 Uppsala Model

The Uppsala model has another approach to internalization than Dunning's OLI framework. Where the OLI framework expect a high flow of information, as well as a high level of accessible information, the Uppsala model accepts that it is not certain that a company can obtain the necessary information.

The two main terms in the Uppsala model are experimental knowledge and psychic distance (Forsgren, 2002; Johanson & Valhne, 1977). Experimental knowledge is knowledge we gain from exporting and expanding into other markets, meaning that once we enters a new market, we gain knowledge from that experience, knowledge that we can and shall use in the next market we enter.

Psychic distance is factors that can prevent or disturb the flow of information. The main areas of psychic distance are language, culture, political system and currency.

In order to gain experimental knowledge, the Uppsala model presents a step-by-step approach for internalization. The company start out with a very low level of risk, and stepwise increase it as the company gain more knowledge of the market. The steps are 1) no regular export (or sporadic), 2) international sales through sales representative, 3) export through a sales subsidiary and lastly 4) open a manufacturing subsidiary in the new market.

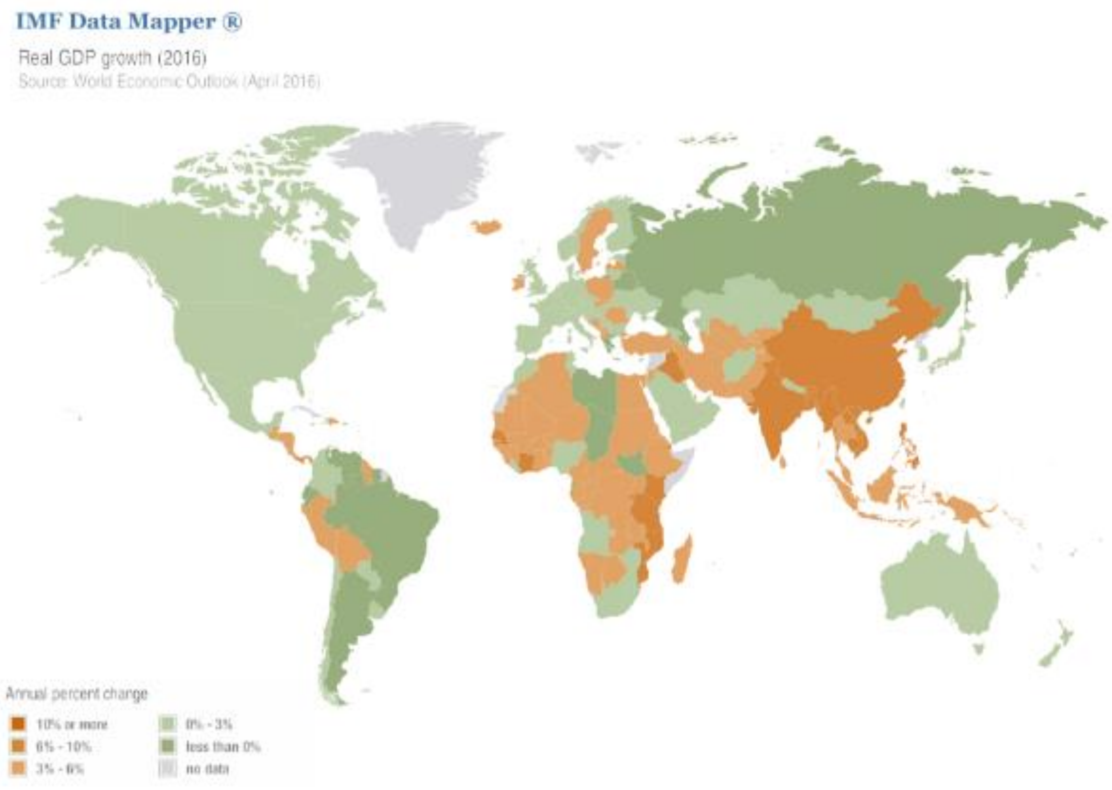
In step one, the entire focus is on the domestic market and the company does not actively look for exporting opportunities. In step two, the company actively tries to makes international sales through sales representatives. That means that the company acknowledges that there are interesting opportunities in a foreign market, and that they should investigated, though the company still focusses on its domestic market. In step three, the company create a sales subsidiary. This is done to increase the presence as well as the sales, and prepare for step four, which is opening a manufacturing subsidiary.

The Uppsala model argues that a company should advance through each step, and once the company is successful in the given step, it should advance to the next, and not skip any steps. Furthermore, a company should not advance in steps unless it is going well in the current.

The Uppsala model is very risk averse, as it start out with basically no risk, and only takes on more risk, once it is successful in its current situation. Furthermore, the Uppsala model means that expanding will be a slow process for a company, as it will only expand once it acquires new knowledge about the given market.

3. East Africa

Sub-Saharan Africa is one big pot of growing economies (africanbusinesscentral.com, 2016; Bremmer, 2015; Mutiso, 2016). With a few exceptions, all the sub-Saharan countries are showing impressive growth figures, as the chart shows. Countries like Ivory Coast and Senegal in West Africa are doing very well, as they are producing some impressive growth numbers. Their PPP is at a low level, though that can be said of most of the African countries. However, as shown on the chart, there is one region that really stands out, a large concentration of high growth rates. East Africa. With high growth rates, economies and markets that are increasingly opening to foreign companies, it is a promising region, with opportunities both in the short as well in the long-term. As the following chapter will elaborate, East Africa is a very attractive area for business, if you are able to crack the keys to enter it.



3.1 East African Community

The East African community is an intergovernmental organization consisting of six countries. The member states are Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda.

The aim of the organization is to increase co-operation within the region and the member states, as well as improve the economy and the social and political aspects of the region (African Union, 2016; East African Community, 2017; UNECA, 2016b). In other words, the EAC is looking towards the idea of the European Union, and its goal of increasing the living standard of its member states and their population. Furthermore, a goal for the EAC is to introduce a common currency. In time, the member states are looking into the idea of forming "East African Federation", though the idea has been postponed numerous times. It might however, come sooner than we think, as especially Uganda and Rwanda are pushing forward, and the Ugandan President Museveni has said, that he wants a federation in place before his time as president is over.

Besides great growth rates, and an overall positive economic development in most of the EAC, the countries surrounding the EAC, Democratic Republic of the Congo, Ethiopia and Mozambique, are all countries with very high growth rates, and a low PPP – a profile much like the EAC countries. That means that there are many opportunities to expand, not only within the EAC, but also in the surrounding area. A success in the EAC could be a head start for success in the neighboring countries, and becoming a success in Africa.

3.2 Country profile

On the following pages, I will describe the countries in question, and their current state. I will go through their political as well as their economic stability, and clarify their advantages, as well as their issues.

3.2.1 Burundi

Burundi has seen its fair share of instability, and is continuing to do so. Their first president, Melchior Ndadaye, was assassinated just 100 days after he took office (CIA, 2016), which led to a civil war in Burundi with ethnic killings. Several thousands died following the assassination (CIA, 2016). Just as there are ethnic-problems in Burundi's neighboring country, Rwanda, Burundi have had them too, and are still troubled by it. The Hutu tribe currently consist of 85 % of the population, while the just 14% of the population is Tutsi. In spite of the overload of Hutus, there had been mass-killings of both tribes, and President Melchior Ndadaye (1953-1993), was the first Hutu leader of the country. In 2002, the United Nations called the 1993-mass killings of the Tutsi a genocide.

3.2.1.1 Political and social stability

Burundi has had the same president since 2005, though in the latest election in 2015, the opposition boycotted the election, due to uncertainty whether or not President Pierre Nkurunziza was allowed to run for a third term. The excuse the president used for running a third time, was that he was originally elected by the Parliament, and thereby not by popular vote, and that the term therefore did not count as a term (BBC, 2015). The election was followed by a massive uprising in the country, which is still going on today (Al Jazeera, 2015; Lemarchand, 2016; Nshimiye, 2015). The uprising has reopened the ethnic-issues, though there have not yet been any direct confrontation, besides random shooting at night (Lemarchand, 2016). There are reports of human rights violations, and the UN fears that with the history of genocide within Burundi, it is a serious risk at the moment (France24, 2016b). What is even more worrying, is that the UN fears that this downward spiral Burundi is in, will continue if there is no engagement from the international community, and that it potentially will threaten the entire region. Furthermore, the UN Security Council had agreed to deploy UN Police forces (228 men) in Burundi, in order to help maintain order, and prevent the situation to escalate further, though the Burundian government refused the allow any force on its territory (France24, 2016a).

The election led to an opposition in exile, and probably the worst situation in the country, since the peace agreement of 2005, which ended 13 years of civil war (OLUOCH, 2016). It is not unlikely that a new civil war is on the way (Bertelsen, 2016).

According to appendix 2, Burundi's risk of social unrest is "high", though that is from 2014 and thereby before the election, making it very plausible that Burundi is now among the few countries in the world with a "very high risk" of social unrest. Burundi is ranked 15th overall in "fragile state index" provided by The Fund For Peace (The Fund For Peace, 2016). If the crisis continues, they will mostly likely clime that scale at a rapid pace.

Things have gotten so out of hand, that Burundi is currently threating to withdraw from the International Criminal Court, as the first country ever (AP in Bujumbura, 2016). The International Criminal Court is designed to investigate genocide and crimes against humanity, and it would be quite a statement from President Pierre Nkurunziza, should Burundi go through with it and withdraw.

The media is operating under difficult circumstances, and are subject to censorship from both themselves and from occasionally from the government (BBC, 2016b).

On Transparency Internationals corruption-index, Burundi scores 21, which ranks them 150 out of 168 (Transparency International, 2015b) countries, a less than important ranking, showing that they got some serious issues on that front as well. To be fair, Burundi is not the only country in the area with serious problems, when it comes to corruption. Except for Rwanda, who is ranked 44th worldwide, all the neighboring countries struggle on the subject.

3.2.1.2 Population

With a population of around 11 million people, and almost 46 % of them aged from 0-14, and around 2/3 of them 25 or younger, the population as well as the work force in Burundi is increasing greatly (CIA, 2016; UNCTAD, 2016). The urbanization is still low, as only 12 % lives in urbanized areas, and the capital Bujumbura being the only major city, with a population of 750.000.

There is a high level of poverty, and a low level of education, meaning that though the work force will increase in the coming years, they are projected to be limited to mostly unskilled labor. An advantage though, will be the very low level of salary required. Currently, the minimum wage per day in rural areas are set to 105 Burundian Franc (wageindicator.org, 2016), which is roughly 0.5 DKK[1]. Though you might be expected to pay a higher wage than that, it should be manageable by a company setting up shop in Burundi.

Burundi has two official languages, Kirundi and French. The literacy rate is at 85 %. With the country only having compulsory education from the age of 7-13, and a high level of child labor (19 %), it is difficult to see that number increase (CIA, 2016).

3.2.1.3 Economic stability

Before the current political crisis, Burundi was doing well. In 2013, they had a GDP growth of 4.5 % and in 2014 a growth of 4.7 %. In 2015 that plummeted to -4.1 %, which is one of the worst in the world. It is hard to see them regain that growth rate in the near future, simply due to the political instability.

Given that the level of resources is very low in Burundi, they are highly dependent on foreign aid – in 2014, 42 % of the nation's income was from foreign aid. Burundi's biggest industrial sector in agriculture, mainly tea and coffee. Because of that, they are highly dependent on the weather as well as the price on tea and coffee (CIA, 2016). Agriculture accounts for 40 % of the GDP, and is greatly important for the countries employment, as 90 % of population is employed by it (CIA, 2016).

There is only one airport in Burundi with a paved runway, and almost 1.300 km paved roads[2] (CIA, 2016). That is not a lot[3], but it is sufficient, to e.g. transport goods across the country, though overall it is a poor transportation system.

[1] From www.valutakurser.dk
[2] As of 2004
[3] Denmark is about twice the size of Burundi, and has 75.000 km paved roads

Due to the situation in Burundi, the US have removed Burundi from its trade agreement with sub-Sarahan countries, AGOA.

3.2.1.4 Country conclusion

There are several issues in Burundi. There is a high level of political instability, which has resulted in economic instability. Along with the population which is mainly suited for unskilled labor, a low level of education, a underdeveloped road system, and massive problems with corruption, the future looks bleak, unless things starts to change. The potential peace agreement between the government and the opposition in exile is the first step, and that is not expected to happen before summer 2017, at the earliest. If the crisis continues, and a civil war breaks out, it will most likely be much later than that.

3.2.2 Kenya

Kenya is viewed as the most well-functioning country in the East-African region, and are used as a hub/gateway to the entire region. Its largest port is in Mombasa, which works as an entrance for imports to the EAC-region. Kenya has been relatively peaceful since its independence in 1963, but with the ongoing situation in Somalia, there has been situations where tourist and locals have been attacked and kidnapped. In October 2011, Kenya sent military forces to the border-area, in order to defuse the situation, and bring some stability to their northern border (Branch, 2011). Unfortunately, there are still problems, the latest as recently as October 2016 , when the Somalian terrorist group al-Shabab attacked a village (BBC, 2016a). This is however limited to the border-area in the north.

However, the Somalians are not the only ones who create problems in Kenya. The latest elections has been followed by some turmoil, especially in 2007-2008, were there was serious riots due to electoral manipulation (Kanina, 2008). The riots resulted in ethnic violence and killings, and resulted in around 1.500 deaths, as well as around 600.000 being displaced (BBC, 2008; Kanina, 2008). The current president, President Uhuru Kenyatta, was in 2010 suspected for crimes against humanity, crimes committed after the 2007 presidential-elections (BBC, 2016c; International Criminal Court, 2015). Those charges were dropped in 2014 (more than a year after Kenyatta was elected president), due to lack of evidence provided by the Kenyan government (BBC, 2014; International Criminal Court, 2015). Again in 2013, there were problems with the election, as Uhuru Kenyatta was accused of election manipulation (Gettleman, 2013).

3.2.2.1 Political and social stability

In spite of all the problems there has been with President Uhuru Kenyatta, he has an appeal to all Kenyans, despite of their different tribes/ethnicity (BBC, 2016c). That do gives them some sort of stability. Furthermore, the presidents father, was the first ever president of Kenya, giving him some credibility. The next presidential election is coming up, and the situations is uncertain, in regards to potential violence.

According to Henrik Petersen, President Uhuru Kenyatta is expected to win, which will be the most beneficial situation for businesses, as he expect that to bring fewer changes, if any (Petersen, 2016). Should the opposition win, it will mean changes and that may prolong all dealing with the government, and create problems for especially foreign businesses. Peter Bertelsen do not necessarily agree with Henrik Petersen, as the opposition is gaining ground due to an alliance against President Kenyatta (Bertelsen, 2016).

As I shortly mentioned earlier, Kenya sent troops to their northern border as well as into Somalia, in order to stabilize the region, and to prevent the situation in Somalia to destabilize the peace in Kenya (Branch, 2011). Previously to the Kenyan-intervention, there had been different sorts of incidents on Kenyan soil, including kidnapping of tourist, which had put a negative spotlight on Kenya (Branch, 2011; Rice, 2011). In spite of the presence of Kenyan troops, there are still attacks on Kenyan soil.

Kenya is the leading country in the region, and has a GDP - real growth rate of more than 5 % over the last three years (CIA, 2016), which is much higher than the worlds average.

3.2.2.2 Population

Almost 41 % of Kenya's population is between 0-14 years old, and almost 60 % is younger than 25. That means that the labor force is growing at a fast pace (CIA, 2016), just as the Kenyan middleclass (Petersen, 2016). According to Henrik Petersen, the recent growth in Kenya is starting to show, as new hotels are being build, and an increase in living standards are showing. It is estimated that Kenya's population will grow to 55.000.000-58.000.000 by 2025, which will be an attractive market, especially if Kenya is able to continue their growth.

In regard to urbanization, 25.6 % of Kenya's population lives in urbanized areas, with Nairobi, the capital, and Mombasa being the two flag ships (CIA, 2016). There are 11 years of mandatory school in Kenya, with several Kenyans going to universities, both domestic and abroad (CIA, 2016; Petersen, 2016). Though the productivity level is different from what we know in Denmark, the worker in Kenya is in general at a high level.

Kenya has two official languages, English and Kiswahili (CIA, 2016). Communication is not a problem, when operating in Kenya (Petersen, 2016).

3.2.2.3 Economic stability

Kenya has had a high level of growth in recent times. During the last three years, they have averaged a real GDP growth of 5.47 % annually (CIA, 2016). That is an impressive growth, and though some of their neighbors have had similar or even better growth rates, Kenya's GDP per capita is higher than all others in the region (CIA, 2016).

Kenya's service sector is responsible for more than 49 % of the country's GDP. With additionally almost 18 % of it made up by industrial production, it shows that Kenya is evolving from a less-developed country, towards a modernized country less dependent on unstable business such as agriculture, though the sector still occupy 75 % of the labor force (CIA, 2016).

Kenya has a very protective domestic market, with high entry barriers as well as several taxes and duties (Petersen, 2016). They have a VAT of 16 %, and typically 25 % import fees on industrial products (Petersen, 2016). Importing goods to Kenya is a problematic affair, as you need an import permission, which you might need to have renewed more often than not (Petersen, 2016). That do (potentially) create some problems, though several companies have made it work, proving that there are ways to deal with the system, and those not necessarily being bribery (Bertelsen, 2016). One who has done it successfully is Maersk Line, who has completely stopped bribing (including facilitation payments) their way to a quicker service (Maersk, 2016a, 2016b; Petersen, 2016).

Doing business in Kenya is very troubled by corruption (Bertelsen, 2016), which is support by their ranking on Transparence International's list, where they are ranked 139/168 (Transparency International, 2015b).

The infrastructure in Kenya is in general at a low level (CIA, 2016; Petersen, 2016). The road network is limited with questionable pavement (Bertelsen, 2016), and very little of it. The rail network is very limited as well, meaning that transportation of goods within Kenya, as well as to its neighboring countries, is troublesome. With Kenya's position as a hub to the region, it is a problem that their infrastructure is in that state. Earlier in 2016, the work of an expansion of the port of Mombasa was completed, which is expected to bring additional business to the region. In order for it to be successful, it is important that Kenya improve the rest of the infrastructure, as well as the procedure.

Furthermore, DANIDA has now informed Kenya that they will go from "aid-to-trade" (Petersen, 2016). They do that, because Kenya is now in a situation where they are ready for international, and in a lesser degree are dependent on foreign aid. The Netherlands have already informed Kenya that the current aid-package is the last one, before they will completely shift over to being a trading-partner.

According to Peter Bertelsen, Kenya is far ahead of the other EAC-countries in terms of business, and operating in Kenya is more manageable than in the other countries (Bertelsen, 2016).

3.2.2.4 Country conclusion

Kenya is a relatively well-functioning country, and is a country that is expected to take the driver seat, in bringing growth to the East African region. A natural expectation, as Kenya is the gateway to the rest of the region, and a lot of trade is going through the country. In spite of some riots due to politics, the country is in a good shape. There are some uncertainty about who is going to win the next presidential election, which might bring some instability with it.

Kenya has a fast-growing labor force, which are in relatively educated, some of a higher level. The economy is in a good shape, and there are no reason to think it will not continue that way in the near future. With an urbanization of 25 % and increasing, the access to goods increases, as well as the Kenyan middleclass.

There are some issues in regards to openness for foreign companies. A big issue is the slow pace of the system in Kenya, as well as the protection of the domestic market by duties and taxes. However, the country is moving away from an aid-receiving country, and start being a trading nation.

3.2.3 Rwanda

Rwanda is a country that has seen its fair share of troubles. Even before the country became independent from Belgium, which happened in 1962, the ethnic killings started. In 1959, the Hutus attacked the Tutsis, which resulted in about 150.000 people fleeing Rwanda to the nearby countries. The Tutsis then formed "Rwanda Patriotic Front", and received a massive support from Uganda both in terms of weapons and financial aid (Conroy, 2014). In 1990, the troubles led to a civil war, which resulted in the 1994 genocide, where around one million people died. The Hutus represent 84 % of the population, with Tutsi representing 15 % (CIA, 2016).

3.2.3.1 Political and social stability

Since 2003, Rwanda has had multiparty elections every seventh year, meaning that they will have their third multiparty presidential election on August the 4, 2017. President Paul Kagame is running for a third term, which was not allowed until the parliament approved a constitutional change in 2016 (Reuters, 2016). The president's party is the Rwanda Patriotic Front, the same party that took back the control of the country after the 1990-1994 civil war. President Paul Kagame has effectively been in control of Rwanda since 1994, even though he did not became president until 2000. From 1994-2000 he was vice-president and defense minister, but he was seen as the leader of the Rwanda (BBC, 2016d). In 2000 he was elected president by the parliament, and then by the public in 2003 (BBC, 2016d), though people who have been close to him, have said that the election was fake, just as they claim his re-election in 2010 was (Conroy, 2014).

Despite the governmental-stability and apparently large support for President Kagame, not everything is going perfectly well in Rwanda. The constitutional change that allows President Kagame to run for president in 2017, actually allows him to stay in power until 2034, and then the parliament could potentially change the constitution ones more, or President Kagame could simply decide to retire at age 77 (Agence France-Presse, 2015b; Wrong, 2016). Furthermore, there are some reports suggesting that President Kagame is involved in the developing crisis in Burundi (Brooks, 2016; Ola-David, 2016), which suffers from political unrest due to President Nkurunziza's third term. In addition to the current crisis between the two neighboring countries, their presidents are from different tribes, as President Kagame is a Tutsi and President Nkurunziza is a Hutu (Ola-David, 2016), which are the two tribes responsible for the genocides, that has happened in the two countries.

As mentioned earlier, people close to President Kagame has said that the elections were fake. In the two previous multiparty elections, President Kagame has won both with more than 90 % of the votes (95 % in 2003, 93 % in 2010) (BBC, 2010; Kigali, 2003), which is some unusually high numbers in any democracy. Besides potentially fake elections, there might be other reasons for the large support for President Kagame, as his former Army Chief says;

"Most of President Kagame's political opposition are in exile or in prison or are dead" Faustin Kayumba Nyamwasa, former Army Chief of Rwanda (Birrell, 2014).

That quote is from an article about the former intelligence chief of Rwanda, Patrick Karegeya who was assassinated in South Africa. Faustin Kayumba Nyamwasa have survived four assassination attempts himself, one of which he was shot in the stomach in South Africa (Birrell, 2014; Conroy, 2014). The two are not the only ones who have opposed the Rwandan government, and have been assassinated or tried to. Judges, journalist, and others has been found dead. The link between them was criticism of President Kagame and the government (BBC, 2011; Birrell, 2014; Ghosh, 2011).

In general, there are a lot of issues with President Kagame, that he and his advisors (including former British Prime Minister, Tony Blair) are trying to remove. Many of these are brought forward in the British documentary "Rwanda: The Untold Story", which questions the official explanation of the 1994-genocide, and the role of President Kagame as the liberator and the one who ended the genocide (Conroy, 2014).

Most importantly, the documentary focusses on the insecurities of what happened in 1994, where the official story is that most of the +/- 1 million people was killed was Tutsi, even though an American study shows that there was nowhere near that many Tutsi at the time. It estimates that 200.000, of the million people killed, was Tutsi, meaning that 800.000 Hutu was killed – even though the Hutu's got all the blame, and the Tutsi-President Kagame is celebrated as the one who ended the killing. Furthermore, anyone who questions the official story of what happened in Rwanda, is charged with "genocide denial" and faces long prison sentences (Conroy, 2014).

3.2.3.2 Population

More than 41 % of the population is between 0-14 years old, and just over 60 % is younger than 25 years old. This is typical for the region, and as it is with the neighboring countries, it means that the labor force of Rwanda is increasing greatly in the years to come. Regarding education, Rwanda is doing great. In 2012 there was an enrolment of 97 %, which is the highest in all of Africa (UNICEF, 2012). This is extremely positive for the continuing development of the country, to ensure that the labors will be skilled, and thereby increase the chance of attract investments to the nation.

Rwanda has an urbanization level of 28.8 %, which is closely to the other nations in the region. It is expected to increase over the coming years, among other reasons that it is prioritized by the government who has made an urbanization-strategy, which is support by the World Bank (World Bank, 2016b).

Rwanda has two official languages, Kinyarwanda and French.

3.2.3.3 Economic stability

Rwanda is doing really well when it comes to GDP growth rates and rank 17 worldwide. From 2013-2015 they averaged annually 6.2 % growth rate (4.7, 7.0, 6.9), which is some impressive numbers. GDP per capita is however a different story, as Rwanda ranks 207/229 with $1,800 (from 1,700 in 2013) (CIA, 2016). Though they have a long way to go, Rwanda is economically on the right track, and they are producing some impressive growth numbers, as shown.

What is very positive for the Rwandan economy, is that the service-sector makes up for more than 50 % of their GDP (CIA, 2016). That means that they are financially less dependent on the instability of agriculture. Despite the large percentage, the service and industrial sector only employs 10 % of the labor force, meaning that agriculture, and its 34.6 % of the GDP employs a staggering 90 % of the labor force (CIA, 2016). Rwanda has made a “Vision2020”, which focusses on moving the Rwandan economy from agriculture-orientated towards services, especially information and communication technology. With services responsible for more than 50 % of their GDP, they are on the right track (World Bank, 2016a). Currently, Rwanda is receiving a large amount of foreign aid, as it makes up for as high as 40 % of their budget (World Bank, 2016a).

39.1 % of the population lives below the poverty line, which informs us about the state of the nation, though it is quite similar to the neighboring countries.

Rwanda’s infrastructure is much like Burundi’s. There are only 4,700 km roads, with just 1,200 of them paved. That do create some problems for anyone planning to go off the main roads. It is however a priority from the government, to improve and expand the road system in Rwanda, and they have received funding to do so (African Development Bank Group, 2013; World Bank, 2014).

An area where Rwanda is doing great is to prevent corruption. Transparency International has them ranked at 44th worldwide, only second to Botswana in all of Africa. This is a huge accomplishment, especially in a continent that is notorious for its problems with officials and corruption (Transparency International, 2015a).

3.2.3.4 Country conclusion

There is a lot of insecurity when it comes to Rwanda. What will happen with the political issues? With the involvement in the Burundian issues, with the alleged election fraud, with the alleged involvement of President Kagame in the 1994-genocide etc. Should someone make an investigation of the official explanation, and possibly expose President Kagame as the one to blame, everything in Rwanda might crumble.

Besides the political insecurity, there are the economic questions. For how long will the massive foreign aid program continue, and even more importantly, how will Rwanda and its economy react once the decreases to a "normal" level? The fact that Rwanda receive aid in terms of up to 40 % of their budget is not sustainable. It is positive that Rwanda has a focus on transforming their economy and move it towards services, which will probably put them in a better position for when the aid stops.

Finally, it is very positive that Rwanda has such a low level of corruption, and something that really can attract foreign investments, especially because it creates trust, and that it decreases the differences from operation from say a Western market and in Rwanda.

3.2.4 Tanzania

Tanzania is another hub into East Africa, through its container port in Dar es Salaam, though it is not working at the same level as the port in Mombasa. With new port-projects in Kenya, and the growth in Mozambique, it is vital that Tanzania crack the key to make Dar es Salaam efficient, as it is a key-asset to their growth.

Tanzania has had a low level of political violence since its independence in 1961 and its merger with Zanzibar in 1964, especially when you compare them to the other countries in the region (CIA, 2016; export.gov, 2016).

3.2.4.1 Political and social stability

Tanzania is in a great situation when it comes to political stability. They have had multiparty elections since 1995, and have basically not seen any political-led violence or tribal wars, which has tormented their neighbors (CIA, 2016; export.gov, 2016). Up until 1995, there was a one-party system, though that ended, and in 2015, Tanzania had its fifth presidential election. President John Magufuli's party is Chama Cha Mapinduzi, which has been the leading party in all the elections (CIA, 2016). Previously to being elected president in 2015, he has held several different positions as a minister (Zinazoendana, 2015).

The "fragile state index" confirms that Tanzania is doing quite well in terms of stability and order. Tanzania ranks 62nd worldwide, and though they are still listed as "high warning", it is a great score compared to their surrounding countries. Appendix 2back this up, as Tanzania is ranked as medium risk – the same category as e.g. France.

On Transparency International's corruption index, Tanzania ranks 112 worldwide, which is much on par with the rest of the region (Transparency International, 2015c).

3.2.4.2 Population

Just over 44 % of the population is younger than 15 years old, and a staggering 66 % is younger than 25 years old. That means that the labor force will be massive in the years to come, and that the population will increase greatly. In 2016, Tanzania had a population growth rate of 2.77 %, which was the 11th highest in the world (CIA, 2016). Furthermore, Tanzania has a, for the region, high level of urbanization with 31.6 % of the population living in urban areas. From 2010 to 2015, it increased annually with 5.36 % (CIA, 2016). Dar es Salaam and Mwanza are the two largest cities measured by inhabitants.

Tanzania has a high level of child labor with 21 % of children aged 5-17, and with only 8 years of education, it is not expected to change anytime soon. Even though Tanzania has made education a priority, it is hard to see those statistics change in the near future, due to the large number of children (44 % of the population are 14 or younger, as listed above) which means that the educational-sector requires a large amount of funding, in order to succeed (CIA, 2016). Moreover, there are a fertility rate of 4.83 children per woman, meaning that the population looks to increase. Besides that, there are also question marks about the level of the provided education as well as the relevance (USAID, 2016).

Tanzania has two official languages, Kiswahili/Swahili and English.

3.2.4.3 Economic stability

In terms of GDP growth, Tanzania is doing great. They have averaged 7.1 % over the last three years, while their PPP is one of the highest in the East African region, with $2.900 in 2015 (CIA, 2016). A key part of continuing their impressive growth numbers is to improve the country's infrastructure, especially the port and hinterland around Dar es Salaam, which I will elaborate later on.

47.4 % of the GDP is composed by the service-industry, which is very positive. With new investments in the infrastructure, as well as the increased urbanization, is it expected to increase in the years to come (CIA, 2016). Agriculture is responsible for 25.6 %, but employs 80 % of the labor force. An absolutely staggering 67.9 % of the population is expected to live below the poverty line (CIA, 2016).

As mentioned earlier, the key to develop Tanzania further, is to improve the infrastructure and especially improve the container port in Dar es Salaam as well as the hinterland, which has limited the operations in the port for a long time (Notteboom, 2011). Furthermore, the shipping cost at Dar es Salaam is reported as the highest in the world, something that is unsustainable when operating in a market, where the cost means everything to the costumer (The Citizen, 2015; Wiggill, 2016). The port in Dar es Salaam is hindered by the city, which surrounds the port and thereby limits its options for expanding.

All these problems means that Dar es Salaam is losing business to especially the port of Mombasa, which is not only operating as an import/export hub to East Africa, but also as a feeder port. As mentioned in the section about Kenya, the port of Mombasa is being developed in order to meet the ever-increasing demand, which does not look to slow down, as the African middleclass only looks to increase in the coming years. Tanzania had huge plans with a new port in Bagamoyo (60 km North of Dar es Salaam), though they were suspended in early 2016, as Tanzania would rather focus on developing their existing ports (Mirondo, 2016). Which option is the better, is not for me to analyze, but something must be done. In 2014, the inefficiency of the port in Dar es Salaam had an estimated cost for the Tanzanian economy of $1.9 billion (Ihucha, 2014). There are benefits to gain both in the short-term as well as in the long-term. I have just listed the short-term, and the long-term benefits would be to improve the economy of the entire country. Transforming Dar es Salaam into an efficient hub is a straightforward way of improving the nation's economy, and it would open up for further investments both within infrastructure and the country in general, and thereby attract more foreign business.

3.2.4.4 Country conclusion

Overall, Tanzania is doing really well. They have a functioning democracy, the country is stable, and they are not subject to ethnic attacks or anything like that. However, there problems in terms of a large percentage of the population living below the poverty line, and with the children-per-women ratio, that does not look like it's going to drop anytime soon.

Tanzania has a large PPP compared to the rest of the region, which makes their high GDP growth rate even more impressing. One of their biggest assets is the port in Dar es Salaam, though it is also one of their biggest threats, as it is very inefficient as well as expensive to use, meaning that the rival ports is winning some of their business.

3.2.5 Uganda

Uganda is a relatively stable country, though there are problems in the north, which I will elaborate later on. Since its independence in 1962, Uganda has seen its fair share or troubles, especially with the dictators Ida Amin (in power from 1971-1979) and Milton Obote (in power from 1980-1985). They are responsible the deaths of an estimated 400.000 people, with Idi Amin responsible for 300.000 of them (CIA, 2016; Sandbox Networks Inc, 2016).

President Yoweri Museveni has been in office since 1986, which have created some much-needed stability following the two violent dictators. Uganda have a growing economy, among other reasons because of their natural resources. An issue is the situation in South Sudan, which means an increasing numbers of refugees entering the country (CIA, 2016).

3.2.5.1 Political and social stability

Uganda has had stability in their presidency, as President Museveni has been in office since 1986. It is however, not a real democracy, as political activities are illegal, parties are not allowed to have other offices than their headquarters, and the opposition at least, claims that the elections are fixed (Al Jazeera, 2016; EU Election Observation Mission, 2016; Sandbox Networks Inc, 2016). Just before the voting ended, the opposition leader, Kizza Besigye, was arrested by the Ugandan police (Al Jazeera, 2016). Furthermore, the European Union's committee clearly states, that they did not find equal terms for the different candidates, and that President Musevevi had access to media as well as funding, that the other candidates did not have (EU Election Observation Mission, 2016). In the 2016 election, President Museveni was reelected with just above 60 % of the votes (Electoral Commission, 2016). When President Museveni won the 2016 election, he was elected for a fifth term as president (BBC, 2016f). In 2012, a bill passed reintroducing presidential terms, though they would not be retrospectively, meaning that President Museveni was allowed to run for president in 2016 and again in 2021 (Gatsiounis, 2012).

As mentioned earlier, there are problems in northern Uganda. The "Lord's Resistance Army" (LRA) has terrorized the region for a long time. Joseph Kony started the LRA in 1987, and have been responsible, along with other militant rebels, for around 1.8 million people being displaced (Globalsecurity.org, 2016; Okiror, 2016). Though the Ugandan government has had some success fighting LRA, they are still active and Joseph Kony is still not captured, even though he is wanted for war crimes.

A law that shows that Uganda still has some ways to go, before they can be seen as a modern free nation, is that it is illegal to be a male homosexual, and that it is punishable with life in prison (Thompson et. al., 2014).

On Transparency International's corruption index, Uganda is ranked 139/168, which confirms that there are serious problems with corruption in the country, though it is still at the same level as Kenya and better then Burundi, so compared to the other nations in the EAC, Uganda is doing all right, though there is clearly room for improvement.

3.2.5.2 Population

Uganda has a very young population, with 48.28 % of them being 14 or younger, and more than 69 % of the population 24 or younger (CIA, 2016). As with the rest of the countries in the EAC, it means that the labor force is going to increase greatly in the years to come. Furthermore, there is a fertility rate of 5.8 children per women and a population growth rate of 3.22 %, meaning that there are no signs of it to slow down (CIA, 2016). The median age is 15.7 years old, so Uganda will soon have many people in the working age, and even though Uganda is focusing on education, they will mostly be unskilled, as there is a large dropout percentage (African Educational Trust, 2016; Mwesigwa, 2015).

Uganda has a high level of child labor, with 25 % of the 5-17 years old in jobs (CIA, 2016). The Ugandan government are taking steps to lower that number, and in 2015, they introduced a new law setting a minimum working-age of 16 years old, and prohibited hazardous work for children (United States Department of Labor, 2016).

Uganda has a low level of urbanization, with just 16.1 % of the population living in urbanized areas (CIA, 2016). However, there is an annual increase of 5.43 % (from 2010-2015), so that could change in the near future. English is the official language (CIA, 2016).

3.2.5.3 Economic stability

Just like the rest of the East African region, Uganda has an economy on the rise, with great growth rates. During the last three years, Uganda has averaged 4.63 % of annual GDP growth, though their starting point is quite low, as they have a low PPP ($2.000 in 2015) (CIA, 2016). The instability in norther Uganda is also very damaging for their economy. A positive for Uganda is their natural resources, one of which being oil. Currently, Uganda is sitting on the fourth largest oil-reserve in sub-Sahara (Riordan, 2016), which is a great way of securing economic growth, as the income they receive from the oil, can be invested in the country, and thereby help increase the growth. In order for this to happen, you need a government that spends the money wisely, and then you need the oil price to go back up, in order to truly benefit from it.

Another positive factor for the Ugandan economy is the sector-distribution, as Uganda's service sector is responsible for 53.8 % of their total GDP, and employs 50 % of the labor force (CIA, 2016). That means that they are less dependent on uncontrollable factors such as the weather.

19.7 % of the population lives below the poverty line, which is a fine number compared to the region.

Being a landlocked country, Uganda is relying on other nations when trading, especially the ports in Kenya and Tanzania, as they are the gateway into Uganda. Their own infrastructure is of course important as well, though that is in a poor state (CIA, 2016; Coronel, 2015).

In order to improve their infrastructure, Uganda is seeking foreign investments, as well as agreements where Uganda will backload the money, instead of the common approach with frontloading. It is especially Chinese companies, which are mostly owned by the Chinese government, that Uganda is targeting (Corr, 2016; McGregor et. al., 2013). Uganda is targeting investments in both roads and railways, especially a railway connected to that of Kenya, in order to have a direct way of transporting good to the port of Mombasa (Corr, 2016; McGregor et. al., 2013). Uganda expects its oil to flow seamlessly by 2019/2020, and by then they expect their infrastructure to be improved accordingly.

3.2.5.4 Country conclusion

Uganda is for the most part a stable country. There are issues in the north with militant rebels, though they seem to be somewhat fading away. There are question marks about the level of democracy, with President Museveni whom have been in power since 1986, and opposition leaders being arrested, besides the unequal terms for the political candidates.

The Ugandan economy is on the rise, and its large reserve of oil should keep them going. They are seeking to improve their infrastructure, which will increase trading as well as production and bring additional growth to the country.

3.2.6 EAC-conclusion

The region's economy is improving at a rapid pace, the discretional income is increasing, and the size of the middle class is increasing as well due to the economic prosperity.

There is a lot of underlying vulnerabilities in the region, mainly political, and especially when you go in-land, to Uganda, Rwanda and Burundi. Ethnic wars, a violent history, vast numbers of refugees, instable neighboring countries, lack of true democracy. However, despite all these risk and faults, the region is on the rise, as seen in the growth numbers.

There are investments in education, the region as a whole is aware that the infrastructure must improve, in order to cope with the increased trading there is in the region. It is vital for the region that the two ports in Mombasa and Dar es Salaam becomes efficient, especially because the import-demand will increase greatly over the years to come, as the population as well as the African middleclass will increase. The freight and transport cost are very high, and it is damaging the business, not only for the ports, but also for the region as a whole, as it is an additional cost to the products, meaning that it is less desirable to trade with the region.

The labor force of the EAC will increase greatly in the years to come and with that the demand for products. There is also an increase in urbanization, and with that an easier access to the products.

3.3 Surrounding countries

As I shortly mentioned in the intro, the countries surrounding the EAC is producing some very impressive growth numbers. Democratic Republic of the Congo has over the last three years had an annual GDP growth of 8.47 %. On the downside, their PPP was in 2015 mere $800, showing that they are still far behind, though improving. Ethiopia has had an annual GDP growth of 10.13 % and a PPP of $1800 in 2015. Lastly, Mozambique had an average annual GDP growth rate of 6.93 % from 2013-2015, with a PPP of $1200 in 2015 (CIA, 2016). There are other neighboring countries, but given the mentioned three has the highest growth numbers, I have chosen them, and left out Somalia, Malawi and Zambia.

4. Business conditions

This chapter focus on areas critical to doing business in East Africa, areas a foreign company must be aware off and be prepared to manage.

4.1 Corruption

Corruption is a serious issue all over Africa, and East Africa is no exception, though Rwanda is one of the countries with the lowest level of corruption in Africa. In Kenya, there are people saying that it has become worse in the recent years, especially after President Kenyatta was elected to office in 2013. While there is doubt about that statement, there are several instances in the last decade of cases with corruption, which has led to ministers stepping down, and other governmental-employees facing charger for corruption (Agence France-Presse, 2015a; Anti-Corruption Digest, 2016; Nyakachunga, 2016; Oketch, 2016). The high level of corruption, and the limitations it puts on Kenya is backed up by my interviews with Henrik Petersen (from the Danish Foreign Ministry) and Peter Bertelsen (from Global Supply and Trading - GSAT), as well as Kenya's ranking on Transparency International. Additionally, the GAN Integrity corruption report, confirms that Kenya is corrupt from top to bottom (GAN Integrity, 2015), and that it is a great limitation for the progress of the nation. It is the same with the rest of the nations in the EAC (except for Rwanda), as there is a very high level of corruption in all of them, from the governmental decision-making, to outsourcing projects to foreign companies (infrastructure, ports, etc.), the judicial system, and down to the normal police officer. When it comes to the regular police officer, it is at a level of "facilitation payments"[4]. It can be a way to get out of a speeding ticket, or you might not even have done anything wrong, but because of the very low salary, he simply harass you until you pay a (for a Westerner) symbolic amount (Petersen, 2016).

[4] Often cigarettes, drinks, small amount of cash, etc. to speed up an everyday action (GAN Integrity, 2016)

Though all the countries are serious about addressing the issues, at least officially, the judicial system is so weak, that it is rarely upheld, especially the minor incidents such as facilitation payments.

There are different ways to handle the situation. Some accept it as a part of doing business in Africa, some accept the facilitation payments, and some totally refuse to pay any form of a bribe. Maersk Line is a part of the latter, as they have a zero tolerance policy for any type of bribery. Previously they have accepted facilitation payments when making port calls, but that has all stopped now, and they say that their ships are being cleared faster now, than they were before (Maersk, 2016a; Maersk Line, 2016). Furthermore, Maersk Line says that the acceptance of facilitation payments is of course increasing the price in the short run (by the payment), but even worse, it increases a system of inefficiencies.

GSAT is another company who do not accept having to bribe in order to get their containers through customs, which means that they from time to time are subject to an increased amount of processing time (Bertelsen, 2016).

It is of great importance that a company is a) aware about the level of corruption there is in the EAC and b) has an idea about how they will handle it, as you risk being played with unless you know what you are doing and how you want to do it.

4.2 The East-African consumer

As it was mentioned in the country profiles, the PPP of the EAC-countries are low. Kenya was the leading country with a PPP of $3.200 in 2015, and Burundi is the lowest with a PPP in 2015 of $800 (CIA, 2016). To comparison, Denmark had a PPP of $45,700. In spite of the large economic differences, the African consumer is in general very optimistic about his economic future, as 84 % expect to be better off in two years (Hattingh et. al., 2012), which is a very likely scenario due to the GDP growths. The survey was concluded in 2012, and though it is a bit old, the African economy as a whole has improved since then, making it unlikely that the optimism should have decreased since. Sub-Sahara are the most optimistic in the continent when it comes to their economy, which falls great in line with the situation in northern Africa (the Arab-spring, Libya, the turmoil in Egypt, etc.) (Hattingh et. al., 2012). Additionally, the discretionary income is increasing these years, which is expected to lead to an increased consumption of goods.

The East-African consumers are very fragmented due to their income differences. The level of discretionary income is increasing, though the middle and upper class are still a small market. The mass market however is a huge market, though they are poor, meaning that there is volume though low prices.

The middle and upper class consumers are less price sensitive, and more brand- and quality aware. While the most important factor for the mass market is the price (Bertelsen, 2016), they still have some preferences in terms of quality and branding (Editorial Staff Africa.com, 2016; Hattingh et. al., 2012). It is important to be aware of, what we characterize as a quality in Europe might very well be different in the EAC, as the usage of the product will most likely be different, from the usage in Europe. This could be in clothing, where we in Europe have a focus on soft fabrics, though it might be more likely to break, where the sub-Saharan consumer would most likely have a higher focus on durability, and how easy the fabric is to wash, as it will be worn in a different way.

Given that price is the most important factor for the mass market, and that their income is so low, the manufacturer might have to change your packaging, in order to succeed. A sub-Saharan consumer might not be able to afford as large packages of e.g. laundry detergent as we do in Europe, which is why it is sold in smaller packages in Africa – an example of a product that has been adjusted to the market. As it is anywhere in the world, it is crucial to adapt the product to the consumer, in order to succeed in East Africa and Africa in general. Coca Cola is doing it as well, as they are keeping their packaging cost at a low, by using reusable bottles for their drinks (Hattingh et. al., 2012).

As mentioned in the country profiles, the EAC has a very young population, which also makes for different approaches when it comes to consumer-behavior. The younger Africans are more likely to search online for products than the elderly, and they are more aware of the brands (Hattingh et. al., 2012). This supports the statement, that the East African consumer is selective when it comes to brands, even though they are in general poor, compared to a Western consumer (Editorial Staff Africa.com, 2016). Furthermore, with the advancement of social media, and the accessibility of information online, knowing the latest trends becomes easier for the East African consumer, which speaks well for the brand-aware consumer. Meanwhile, once a consumer is into your brand, the loyalty towards it is generally high which is very positive, for the ones who is in the market (Editorial Staff Africa.com, 2016).

Urbanization in sub-Sahara is increasing at a rapid pace, which means that the consumers access to products becomes easier, which should lead to an increase in consumption. According to the McKinsey report by Hattingh et. al., the urban spending in Africa is increasing twice as big, as the rural spending. This, along with the high level of brand-loyalty, means that companies should enter the EAC-market soon, in order to be in position for when the market really picks up.

The African consumer is a modern consumer ready for new technologies, and despite what many think of Africa, the consumers are ready and on-board on with the latest technology. That was proven with m-pesa, the East African version of MobilePay, which was launched in 2007 (The Economist, 2013b; Vestergaard, 2015). Especially because very few Africans have a bank account (Vestergaard, 2015), m-pesa was the only alternative to cash, and it was an instant success.

In regards to marketing, the television and the internet is the most important areas, and as more and more can afford a smartphone, the internet-focus should increase from both the consumer and the seller. Additionally, the African consumer is relatively open to marketing through alternative channels, such as text-messaging (Hattingh et. al., 2012). Furthermore, as the sub-Saharan market is relatively young and new, it is open to information and informative marketing, such as events where the selling company shows how the product works.

Along with the modernization of Africa, the consumer demands for an improved in-store environment is increasing. It is important to remember, that the sub-Saharan consumer-market is way behind European consumer-markets, so things such as in-store environment, is very important, where it is something the European consumer, most of the time, takes for granted (Hattingh et. al., 2012). An example of this, is the entry of Carrefour in Kenya, which has had a positive effect on the super markets, and made them more professional (Bertelsen, 2016).

As it is anywhere in the world, there are many different consumer-types in the EAC, and though these features are general, price means more to some, as certain quality-aspects means more to others. It is therefore extremely important, to be aware of who you are targeting and what their situation is, in order to be successful.

4.3 Market accessibility

Entering the East African market is a long and bureaucratic process. As Henrik Petersen said in my interview with him, the bureaucratic process is filled with delays and bumps, as well as the EAC-countries being very protective about their home markets, meaning that there are high import fees and tariffs, for companies wishing to import their products.

In order for the process of attaining the necessary paperwork, it is important to involve the Danish authorities in the given country, as they have the necessary experience in the process, and because it shows a level seriousness, that you go through your local authorities (Petersen, 2016).

4.3.1 EAC and trade

There are trade agreements in place from the EAC to the USA and the European Union, though these only address the export of goods from the EAC. The deal with the EU is EU's "everything but arms" (EBA) deal, they have with countries the UN list as "least developed nations". Due to Kenya's development, they no longer hold that status, and are therefore no longer included in the EBA-agreement (East African Community, 2016c). The deal with the US is called "African Growth and Opportunity Act" (AGOA), and offer duty-free access to the US market for sub-Saharan Africa. As of now, it is in place until 2025. As of 1/1 2016, Burundi was banned from the agreement due to the situation in the country (East African Community, 2016a).

The EAC operates as a single market, with a free movement of goods within the borders of the member states. In reality however, there are problems with the system, as the duty drawback system is an extraordinary long process (Bertelsen, 2016), meaning that the importer often have to wait a long period of time, before his duties from one country are refunded, which means that the importer will have inaccessible means at the different duty-offices. According to Peter Bertelsen, the single market is overall not functioning (Bertelsen, 2016). Additionally, there is a signed agreement between EAC, COMESA and SADC, about a free trade agreement between the three organizations (COMESA, 2016; East African Community, 2016b; SADC, 2016), though it is not yet operational due to issues such as tariff liberalization, rules of origin, and harmonization of trade related policies (UNECA, 2016a).

Once the paper work is in order, the next step is to transport your goods to the area. There are two ways to do that, 1) by ship and 2) by air. However, the problems do not end with the bureaucracy, when entering the EAC-market. Logistical issues such as port congestion, port inefficiency, and poor infrastructure are all threats to importers.

4.3.2 The ports in EAC

To start with, I will talk about the ocean-borne transport.

As mentioned in the country profiles, the ports of Mombasa and Dar es Salaam are not very efficient, though they have a strategic important position for the region and the landlocked countries. North of Mombasa, there is another Kenyan port in Lamu.

Transport corridors in Africa, The Economist

Lamu

Lamu is under a development, as the Kenyan government want to prepare it for the expected additional tonnage it will be asked to handle in the future. The expansion is not expected to be fully complete until 2030 (Kenya Vision2030, 2016; Mooney, 2016a), and it will be developed in stages and when it is found necessary (BBC, 2016e). According to Peter Bertelsen, it cannot be expected that the project will be finished in time, as “all the projects takes longer to complete than scheduled” (Bertelsen, 2016). The Lamu port will focus on the landlocked countries Ethiopia and South Sudan.

The development-project is called LAPSSET, which is short for "Lamu Port Southern Sudan-Ethiopia Transport" (LAPSSET, 2016). Besides great expansions of the port, the hinterland is a critical component of a functioning and efficient port. Luckily, the hinterland has not been forgotten. In 2012 the work started on a railway, going from Lamu to Ethiopia (to connect with the capital, Addis Ababa) and to South Sudan (to connect with the capital, Juba), and once it is finally completed, it will connect with the West African countries (BBC, 2012; Kabukuru, 2016).

Besides the railway, the work for highways has also began, as well as an oil-pipeline from South Sudan to Lamu. The pipeline is of great importance to South Sudan, as they are currently using a pipeline through Sudan, which is a) not to their liking since the split-up and b) very expensive (Kabukuru, 2016).

As I just briefly covered, the hinterland is an essential part of a ports efficiency. Unfortunately, the hinterland is often one of the problems in modern shipping-time, especially because of economy of sale.

Within logistics, you are always expected to deliver the goods on time, as well as undamaged, meaning that the one area where you can set yourself apart, is when it comes to the price. Because of that, the shipping industry has an ever-increasing focus on economy of scale. That has lead the shipping companies to build bigger and bigger ships, as the larger ships are more price-efficient, as long as they are full. In order to fill the ships, the companies has made alliances, where they use each other ships, and thereby prevent sailing with only half a load. One of the alliances is the 2M, which members are Maersk Line and MSC (Ritzau, 2016c), who are also the world's two largest shipping companies (Ship-technologi.com, 2015).

Ever since the introduction of the TEU container, the shipping companies has increased the size of their ships (see appendix 2, development in container ships). Unfortunately, the hinterland has not increased or improved at the same speed, meaning that the bigger ships has created bottlenecks in the ports, as well as for the hinterland (Kremer, 2013; Leach, 2014). The offloading-cranes do not operate faster or more efficient, because more containers arrives at the same time. However, there is suddenly a lack of space in the port for the containers, and thereby a higher demand for storage facilities in the ports, something that has challenged the port of Mombasa for a long time (Mulunda, 2012).

Once the containers is off the offloading area, and are ready to move in-land, the next problem occur, as it creates congestion on the infrastructure, that being railways or roads. When several thousand TEUs arrive at the same time, and are expected to move inland shortly after, it will create congestion. Though some ports are better at handling this than others, it do create problems as well as increased cost for the ports, because of the increased demand they have for labor and machinery to deal with all the containers.

The LAPSSET-project seems to be ahead with its planning, by having such a large focus on the hinterland. Furthermore, it is promising that the project are not overreaching by wanting to build it all at once, but instead is building it in stages and when needs be. Once the LAPSSET is complete, it will be bigger than the port of Mombasa, maybe even up to five times as big (constructafrica.com, 2015; trademarkea.com, 2016).

6.2.1 Mombasa

As the building of the port in Lamu is progressing, the pressure in Mombasa should ease up, even though the port is still expecting a its volume to reach 2 million TEUs by 2020 and 2.6 million TEUs by 2025 (Japan International Cooperation Agency, 2015; Wanjala, 2016).

In order to help easing the pressure, Mombasa has recently undergone some improvements. Phase I of the project was to add a new terminal, which was completed in 2016. That have increased the number of yearly handling of TEUs by 550.000 (Mooney, 2016b, 2016c), and phase II is slated to start early this year (2017), and will further increase the yearly capacity by 470.000 TEUs (constructionreviewonline.com, 2015). Besides the new terminal, the port have improved the clearance system, in hope of reducing the time the container is in the port, and though it started out bad, as the clearance time was increased by 1.6 days, it has now improved (HOPE MAGAZINE, 2016; Odhiambo, 2015; tralac.org, 2014). Just to clarify the level of the bureaucratic process, there are 24 governmental agencies in the port of Mombasa, handling the clearance of containers (tralac.org, 2014).

In addition to the port-improvements, Kenya is building a Special Economic Zone (a free trade area) in Mombasa. It is the first free trade area in the East African region (portdevelopmentafrica.com, 2014; Wahome, 2014). The free trade area is expected to be ready by 2018 (Karuhanga, 2016). It is expected that with the establishment of the free trade area will increase trading and attract more business to the port, which the improvements should prepare it for.

6.2.2 Dar es Salaam

As I briefly covered in the country profile, there are serious problems in the port of Dar es Salaam. There are a lack of space for clearing cargo, which is further limited by the nearby real estate, which prevents the port from easily and cheaply acquiring new areas (The Citizen, 2015; Wiggill, 2016). A reason for the cargo clearing problems, is that there are seven landlocked countries, who are using Dar es Salaam to do so (The Citizen, 2015). Additionally, the port is very small as it lacks berths (Wiggill, 2016). Furthermore, the hinterland is in general in a poor state, and it must be resolved, before Dar es Salaam can be an efficient port (Ihucha, 2014; Notteboom, 2011).

Despite all the problems, the port is operating well when it comes to crane efficiency, and other offloading-related areas (Wiggill, 2016), but it is hindered by the lack of berths as well as lack of space for cargo clearing. The price for port calls in Dar es Salaam is among the highest in the world, which is important to reduce, as the aim to be more competitive (Wiggill, 2016).

Due to the developments in Mombasa and Lamu, which are both north of Dar es Salaam, the focus should be do develop the infrastructure to the south, and thereby increasing the business there (The Citizen, 2015). However, the size and overall inefficiency might result into Dar es Salaam becoming a transshipment hub for the East African region, and not develop into the hub that the Tanzanian government hope it will (Wiggill, 2016).

Lastly, it is important to state, that the Tanzanian government are very well aware that there are problems with the port in Dar es Salaam, and that they were going to address them both by developing the port and hinterland, but especially by building a new port in Bagamoyo. The port in Bagamoyo would be between 20 to 25 times larger than the one in Dar es Salaam (BBC, 2016e; worldmaritimenews.com, 2016). However, those plans were suspended in January 2016 and it was decided to improve the port in Dar es Salaam instead (Mirondo, 2016). There might be several reasons for that, one speculation might be that the Tanzanian government did not believe that they could compete with the port of Lamu, meaning that the investment in Bagamoyo would be wasted. Furthermore, it is a fair question to ask, whether the demand is high enough in the area for four ports of those sizes in just Kenya and Tanzania.

4.3.3 Airports

Another option is to import the goods by air. Of course, there are some limitations to that, as size and weight of the goods and then of course the price of it. Transport of goods by air is the most expensive of the lot, meaning that you need light, small and expensive products before this is a viable option. A product like that could be a smartphone, a tablet etc. High priced commodities that does not weigh much. In the EAC there are 36 airports with paved runways (CIA, 2016).

4.3.4 Beira, Mozambique

Besides the ports within the EAC and the airports, there is a relatively well-functioning port in Beira, Mozambique, which is another way in, though with the distance to the EAC, it is not desirable, as the price would increase greatly due to the additional road transport.

4.3.5 Transport corridors

The different trade organizations in sub-Sahara are aware that they need to improve the transport corridors, in order to increase trade. The trade between sub-Saharan nations is extremely low, and only contribute to global trade with 2-3 % (Aurecon Group, 2016).

The low level of infrastructure is one of the reasons for the low level of intra-region trade, and it increases the cost of transportation of goods. Transport cost in the African continent is the highest in the world, and is accounting for more than 20 % of the total price on imported goods to landlocked countries (Aurecon Group, 2016).

5. Carlsberg

This chapter is a business profile of Carlsberg A/S.

5.1 History

Carlsberg was founded by JC Jacobsen in 1847, and is now the world's fourth largest brewery (Carlsberg, 2016; Reuters, 2010) (Carlsberg is actually the third largest now, after the merger of AB InBev and SABMiller). The Carlsberg brewery was from the early stages a very innovative company in all matters, which benefited both the brewery, but also the society around it – from introducing an eight-hour work day, to development of yeast in order to increase the quality of the beer, to the invention of the pH-scale (Carlsberg, 2016). Furthermore, the brewery founded "Carlsbergfondet" (Carlsberg Foundation) in 1887 (Carlsbergfondet, 2016), a foundation to support the development in science, and his son founded "Ny Carlsbergfondet" in 1902 (Ny Carlsbergfondet, 2016), a foundation to support art in Denmark, both organizations have contributed greatly in their respective fields. Being innovative was important to the Carlsberg brewery, and they still value innovation today and thrive to be so. Carlsberg is very aware of the environment, and try to help it through their innovative mentally, e.g. Carlsberg is working on a bottle made from green fibers, making it biodegradable (Carlsberg Group, 2016p; CSR.dk, 2015). The project is done in conjunction with a Danish packaging company called EcoXpac.

Today Carlsberg is a limited company, in which Carlsbergfondet has 30 % of the shares. Carlsbergfondet must at all times have a dominant share of the stocks, and must hold at least 51 % of the votes in Carlsberg A/S (Carlsbergfondet, 2016; Carlsberg A/S, 2016). Furthermore, the Chairman of the board in Carlsbergfondet is also the Chairman of the board in Carlsberg A/S. The shares are split into A and B shares

Carlsberg has a set of what they call "golden words", which is their corporate vision statement. It was written in the will of JC Carlsberg, and are words that the brewery are still valuing highly and respect in their business. The statement is:

"VED BRYGGERIETS DRIFT
SKAL DET VÆRE DET STADIGE FORMAAL
UDEN HENSYN TIL DEN ØJEBLIKKELIGE
FORDEL AT UDVIKLE FABRIKATIONEN TIL
DEN STØRST MULIGE FULDKOMMENHED
SAALEDES AT DETTE BRYGGERI OG DETS
PRODUKTER ALTID KUNNE STAA SOM ET
MØNSTER OG VED DERES EXEMPEL VIRKE TIL
AT ØLBRYGGERIET HER I LANDET
HOLDES PAA ET HØJT OG
HÆDERLIGT STANDPUNKT"

In short, it states that Carlsberg must put the quality of the beer above short-term profit (Carlsberg Group, 2016l).

5.2 Organization

Carlsberg have split their markets into four categories: Western Europe, Eastern Europe (including Russia), Asia & Africa, and Export and Licence markets (Carlsberg Group, 2016k). In Western Europe, Carlsberg is in 18 markets, which they characterize as mature markets, they have established retail structures and the market has a strong tradition for beer consumption (Carlsberg Group, 2016q; Carlsberg A/S, 2016). Carlsberg is the second largest brewer in the market.

In Eastern Europe, Carlsberg have had great success, though the market share is declining due to the situation between Russia and the West, as well as increased regulation on the market. Even so, Carlsberg is still number one in the Russian market, in all price segments (Carlsberg Group, 2016h).

The Asia & Africa region is focused on Asia, at least for now. Though Africa is listed in the name, Carlsberg is not present with their own production in any African nation, though it does provide an indication of what is to come. Carlsberg is present in 10 different Asian countries, both matured markets such as Hong Kong and Singapore, as well as growth markets such as China and Vietnam (Carlsberg Group, 2016s). Carlsberg have grown in the market through organic growth as well as acquisitions, and they see a great potential in the market (Carlsberg Group, 2016s).

Lastly, there is the Export & Licence market. It is called ELUD, which is formed by Export, Licence and Urban Development. Through Export and Licence, Carlsberg reaches 100 markets worldwide. Their aim is build strong market positions through partnerships and market insights (Carlsberg Group, 2016j). Through their Urban Development, their aim is to develop new business by license or partnerships, and gain a foothold in urban areas with little to no presence (Carlsberg Group, 2016j). In ELUD Carlsberg has currently listed its African markets, and put them into regional boxes – north, south, east, west and central. Though Carlsberg is doing well in some of the markets, it clearly shows that they are not a priority, and Carlsberg is by no means committed to any of them as of now.

Carlsberg is very well aware of the growth opportunities worldwide, and aim to growth. The aim to use their brand and their market position to create it, and wish to growth both geographically and within consumer segments, in long-term markets (Carlsberg Group, 2016d). Two of their main targets for growth is big cities and Asia (Carlsberg Group, 2016t).

5.3 Products

Carlsberg have a wide variety of products, with a total of 447 different brands (Carlsberg Group, 2016i). Obviously, not all 447 brands is available in all markets, but it is including their local products, cider, etc. The variety range from the earliest products such as the Lager from 1846 (before Carlsberg was founded), to newer products such as the Somersby cider, which is from 2008 (Carlsberg Group, 2016i).

Carlsberg's premium beers make up for 25 % of their total beer volumes (Carlsberg A/S, 2016). The premium brands are Carlsberg, Tuborg, 1664 (Kronenbourg), and Grimbergen. The premium brands are very important for Carlsberg, as they are often used as a way to test market, to see whether or not it is ready for a larger entry, especially due to the resonate it has with consumers worldwide (Carlsberg A/S, 2016). Especially Tuborg is growing in the Chinese and Indian markets.

The last 75 % of the beer volume comes from local brands such as Russian Baltika and Chongging in China. Many of these brands have entered Carlsberg portfolio through acquisitions, a reason why the brands have a long history in their respective markets, as well as enjoy a high degree of consumer loyalty.

In the important Russian market, Carlsberg is present with 75 different brands, many of which are from Carlsberg subsidiary Baltika, which is the best selling beer in Europe (Carlsberg Group, 2016b). Baltika has a Russian market share of 34.7 %, as of 2015 (Carlsberg Group, 2016n), though they previously have held a market share around 39 %.

The Somersby cider shows the great capacity within Carlsberg operate. It was introduced in 2008, and by 2015 it was the fastest growing international cider brand in the world, and one to the 10 largest international cider brands worldwide (Carlsberg A/S, 2016).

5.4 Internalization

As mentioned in the organization-chapter, Carlsberg has divided their markets into four categories, Western Europe, Eastern Europe, Asia & Africa, and Export and Licence. The flagship beer, the Carlsberg Pilsner, is available in 140 countries worldwide (Carlsberg Group, 2016e).

As the following cases shows, Carlsberg have had a different entry strategy, depending on the market they wished to enter. Earlier on, Carlsberg focused on exporting or licensing, and thereby made a name for themselves, before they entered with an equity investment, as it was in Croatia. In doing so, Carlsberg gained knowledge and experience in the market, before increasing their involvement and commit through an equity based investment, which the most often did through an acquisition, though Carlsberg also used joint ventures with success.

Since the 1990's, Carlsberg focused more on equity based investments right away. By doing so, Carlsberg gained access to the distribution network, to the production facilities, and maybe most important, they acquired a local brand, a brand that the consumers knew and, in most cases when Carlsberg acquired a company, was loyal to.

In China, Carlsberg started exporting into China through their brewery in Hong Kong (a market they entered with a joint venture in 1978). In 1995, Carlsberg acquired a parts of the Guangdong brewery in the Chinese mainland. In 1998, Carlsberg made a greenfield investment, as they constructed a brewery near Shanghai, though following losses, it was sold off in two stages, the last in 2005 (Tian, 2016). Since then, Carlsberg have continued expanding its Chinese business by acquisitions, as well as introductions of new products, and now hold a leading position in the market, and are number one in Western China (Carlsberg Group, 2016f). China is the world largest beer market in terms of volume and Carlsberg is investing heavily in order to secure a large market share.

In Croatia, Carlsberg entered the market with their Tuborg brand, and licensed the production to a local company, Panonska Brewery, in 1972. In 1994, Carlsberg increased their involvement in the market, as they acquire a shareholding in Panonska Brewery. Eight years later, in 2002, Carlsberg acquires the majority and do now own 100 % of the company, which has been renamed Carlsberg Croatia (Carlsberg Group, 2016g).

In Poland, Carlsberg entered with a partly acquisition of the Polish brand Okocim, in 1996, and in 1997 the brewery was licensed to produce Carlsberg-beer. Just as in Russia, the Polish beer market was privatized in

1992, making it a fairly new market for investors. In 2001, Carlsberg increased its involvement in the Polish market, as Carlsberg, through Okocim, acquired two local brands, Bosman and Kasztelan, a move that made Carlsberg the third largest in the Polish market (Carlsberg Group, 2001). Carlsberg took full ownership of Okocim in 2004, and changed the name to Carlsberg Polska. Carlsberg is still the third largest beer company in the Polish market (Carlsberg Group, 2016m).

Carlsberg entered the Russian market in 1992 with a joint venture with the British company Scottish & Newcastle (Carlsberg Group, 2016o; Milne, 2012). This was right after the beer market was privatized from the Russian government (Baltika Brewery, 2016). In 2008 they bought Scottish & Newcastle's 50 % (as part of the Carlsberg/Heineken takeover of the company (Carlsberg Group, 2008; Jones, 2008)), and gained a total ownership percentage of 88.86, in Baltika Breweries (Carlsberg Group, 2016o). This way, Carlsberg slowly increased their engagement in the Russian market, as they increased their knowledge of the market. However, shortly after the acquisition, the Russian government increased regulation on the beer market, which endangered the investment (Milne, 2012). In 2012, Carlsberg acquired the remaining shares, and gained 100 % ownership of Baltika Breweries (Baltika Brewery, 2016).

There are major markets, both in Europe and abroad where Carlsberg are only represented by ELUD. An example of this is in Belgium, where Carlsberg is doing well in the premier segment, though are only present through Carlsberg Importers, a sales distribution company, of which Carlsberg owns 10 %. Despite that Carlsberg do not have any production in Belgium, they are the leader in the international premium segment (Carlsberg Group, 2016c).

5.5 Global Strategy

As the cases in the above chapter shows, Carlsberg strategy has a long time been to grow by acquisitions. Previously, Carlsberg had licensed and exported in order to gain a foothold in the different markets, and with the acquisitions, they had become a more aggressive company. With the newly acquired companies, Carlsberg would sell their premium brands (Carlsberg, Tuborg, etc.) to the high-end customers, and the local brand to the mass market. The focus on the local brands was a shift from the previous strategy, and allowed Carlsberg to enter markets focusing on all customers through a multi-tier strategy.

In 2015, Cees 't Hart was appointed the new CEO of Carlsberg. Poor financial statements and declining results led to the dismissal of the previous, Jørgen Buhl. The poor results was among other reasons due to problems in the Russian market, mainly caused by the political situation and thereby macroeconomic problems, as well as the increasing restrictions. In Marts 2016, Hart and Carlsberg launched a new strategy called SAIL 22. The strategy introduces a shift in the previous grow-by-acquisitions strategy, into an asset light approach, focusing on current markets as well as increasing sales in big cities worldwide (Carlsberg Group, 2016t). With an expected global urbanization of 70 % by 2050, as well as the beer consumption is 30 % larger in big cities, compared to the rest of the market (Carlsberg Group, 2016t), big cities is an attractive market. A big part of the new strategy is to save cost. Carlsberg is planning to do so by optimizing their entire operation, improve their return on invested capital and reduce their investments, as Carlsberg aims to improve their current markets, instead of making equity-based entries in new ones. In all, Carlsberg expects to reduce cost by DKK 1.5-2.0 billion by 2018 (Carlsberg Group, 2016t), with half of that reinvested in brands and sales activities (Carlsberg Group, 2016t; Jensen, 2016).

This is a radical change from the previous aggressive acquisition-strategy, and could partly be a result of the many acquisitions Carlsberg have had over the last decade. Carlsberg have invested heavily in that period, and their investments have not had time to settle, stabilize and truly focus on improving the current business, as the focus has been growth and capturing new market shares. Additionally, Carlsberg have invested heavily in markets that have not gone the way they hoped, such as Russia and China, which have declined recent years (Ritzau, 2016b). As they say in their 2015 annual report "Consequently, our main focus in the region is on stabilizing our Russian business and supporting the long-term profitability of the business" (Carlsberg A/S, 2016), which suits well with a period of organic growth, and focus internally.

Additionally, with so much capital invested in uncertain markets, such as the Russian, an asset light approach might be preferable, as it frees up funds, allowing Carlsberg to react to changes in their current markets.

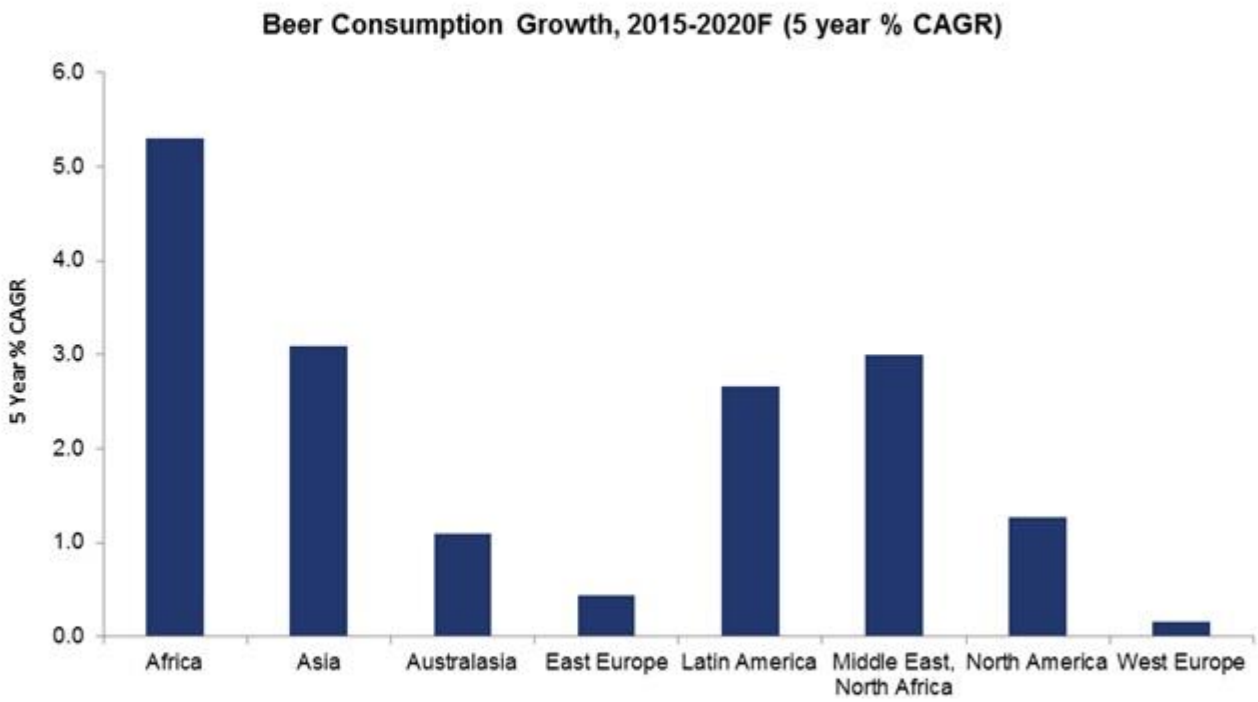
6. East African beer market

The sub-Saharan markets suits well with the new strategy, as it experience the fastest rates of urbanization, as well as the fastest GDP growth in the world (Doo, 2015), and as the country profiles show, the EAC-countries are no exception.

6.1 Demand

In regards of current consumption, Africa is still on a low level with an average of nine liters annually per capita, compared to 44 liters worldwide (Doo, 2015; Morton, 2013). However, it is increasing rapidly, and beer consumption is expected to grow faster in Africa over the next five years than in any other region due to rising population, increased urbanization and increased GDPs (Arthur, 2016), as show in the chart. 5 % annual growth is the expectation, which is very promising for the market.

There are a few different reports in regards to the beer consumption in the EAC, though most of them agree that Uganda has a yearly consumption of 6 liter per capita, Tanzania 8, and Kenya between 12 and 14 liters per capita (Akkoc, 2014; ChartsBin, 2015; The East African, 2010). These numbers are a few years old, meaning that an increase is very likely, given the continuing economic progress in the region. Another indication that Kenya, and the EAC, is on the rise, is that all the major brands have entered Kenya lately, and are looking to gain market shares from East African Breweries Limited (Okoth, 2015).



(Arthur, 2016)

6.2 Regional competition

The competition in the East African market is tough, as local breweries, especially East African Breweries Limited (EBAL), owns a large market share, and are present in Kenya, Tanzania, and Uganda. EBAL do not operate in Rwanda nor Burundi. Major international players such as SABMiller and Heineken are also present in the market. The world's largest brewery, Belgian AB InBev, did not previously have a large presence in Africa, but did complete a takeover of SABMiller as of October 2016 (Nurin, 2016), giving them a large share of the African market, besides making them a fiercer competitor worldwide.

In Kenya, the market leader is EBAL, a subsidiary to DIAGEO (Media7Group Kenya, 2016). They have a very large market share, and with their portfolio ranging from premium products to the local brands, they have a multi-tier consumer strategy, and they are in a great position to compete with foreign companies.

Illegal home brew is another competitor, as locals are producing their own alcohol, as a substitute for e.g. beer (Media7Group Kenya, 2016). A reason for its popularity is the low cost. There is however, a great health risk attached to these beverages, and the government is trying to battle it, which is positive for legitimate breweries, along with the increased income of the East African consumer, which is a huge factor in the increased demand for beer. EBAL is competing with the illegal home brew, by selling a local brand at a very low cost (Media7Group Kenya, 2016), and with that targeting the mass market.

Heineken and DIAGEO are present with breweries in Ethiopia which has opened up in regards to beverages (Reuters, 2015), though it is still very restricted in other areas (Bertelsen, 2016). The market in Ethiopia is smaller than the Kenyan market (Media7Group Kenya, 2016), though the population is roughly twice the size.

6.3 Other factors

Distribution in the EAC is difficult, due to the lack of infrastructure, and the quality of the supermarkets. Supermarkets in the EAC are in general unorganized, and though Nakumatt is the market leader, none of the chain operate at a high level (Bertelsen, 2016). The problems are even bigger in the rural areas, as locals often shop at nearby kiosks or independently owned stores (Doo, 2015). That increases the difficulty for distribution, as additional agreements have to be made, in order to enter the different supermarkets/stores. Kenya is by far the most developed market in terms of supermarkets and market accessibility, especially after the entry of French supermarket-giant Carrefour, which has increased the market-professionalism, and would be the preferred market to enter (Bertelsen, 2016).

A positive for anyone considering opening a brewery in Kenya, is that all the resources needed for producing can be accessed locally (Doo, 2015). Even though the road logistics in EAC are at a low level, a manufacturer would benefit from not having to import the beer as well as reduce the transaction in the inefficient ports of Dar es Salaam and Mombasa.

Entering the East African beer market is certainly not without risks. The economies are still very fragile, and vulnerable to outside risk. An example of that is in Nigeria (though the country is in West Africa), where SABMiller had to reduce their growth forecast from 8 % to 3 %, due to a declining oil price (Doo, 2015). East Africa is similar in that regard, as Peter Bertelsen said in my interview with him, whenever there are some sort of problems in Kenya, their consumptions drops. This was seen with the latest elections, and is expected to happen again in the 2017 presidential election (Bertelsen, 2016). Additionally, with the markets being as new as they are, the politicians tend to over-regulate, which leads to an increased tax on e.g. alcohol. Additionally, in Uganda some has raised concerns about a declining production in food-crops, as some farmers have changed their focus towards the beer-industry, as it is a more reliable source of income (Doo, 2015). Should the governments introduce regulation on this, it would hurt the production, and possibly force the manufacturer to import the ingredients, making the business much less competitive. Furthermore, governments are talking about increasing taxes on alcohol in order to battle alcoholism (Doo, 2015), though they are also aware that increased prices on "proper" alcohol, will increase the demand for illegal, and unhealthy, home brew.

6.4 Carlsberg in EAC

Carlsberg has entered the Kenyan market, through a franchising agreement with Centrum Investment Company Limited (Centrum). Centrum has the exclusive rights to sell Carlsberg in Kenya. The deal operates through Centrum's subsidiary King Beverage Limited, who imports and distributes Carlsberg beer (Centum Investment, 2017; Herbling, 2015). King Beverage's goal is to become a fully pledged brewer, i.e. acquiring a license agreement with Carlsberg (Centum Investment, 2017). Centrum is targeting the middle class customers with the Carlsberg brand. The deal was signed in 2014, with the first beers being imported 09/2014. King Beverage Ltd. is saying that the brand is doing very well (Herbling, 2015), though no figures have been released.

The Carlsberg brand is also available in Uganda, though they are not present in the remaining EAC-countries (Carlsberg Group, 2016r).

Carlsberg opened a brewery in Malawi in 1968, which was the first brewery outside of Denmark to produce the Carlsberg Pilsner (Carlsberg Group, 2016a). However, the plant was sold in 2016, as part of the new asset light strategy. As a part of the agreement, Carlsberg is licensing Castle Group to produce and sell Carlsberg in Malawi (Ritzau, 2016a). The Malawi brewer was Carlsberg sole production site in Africa.

7. Entry strategy

In this chapter, I will develop an entry strategy for Carlsberg in the EAC. I will not limit myself to Carlsberg's SAIL 22 strategy, as I will provide what I believe is the best entry to the East African market. I will however discuss my recommendation in regard to the SAIL 22 strategy at the end of the chapter.

7.1 Market choice

The EAC consist of five nation and 150 million people. The EAC is an attractive market to enter due to the economic growth the region experiences these years, which means an increasing middle class. Additionally, because the region's population is very young, there is a large amount of people entering the drinking-age. There are political stability in four of the five countries, at least for now, and the discretional income is increasing rapidly these years. Being a landlocked country in Africa is a very bad thing for the consumers, as road transportation is very expensive, and the price of it limits the number of products potentially being imported, and increases the price of those products, which are being imported.

Even though the EAC is trying to introduce a single market, it does not yet work in a satisfactory manner, meaning that it is too early to view and approach the EAC as one single market. In order to know where to prioritize the resources as well as where the highest chances are for both short- and long-term success, I will rank the five nations.

Number 5, Burundi. Burundi has the bleakest future due to the political situation. If things continue as they are now, there is an imminent risk that a civil war breaks out. That will of course mean that the market is of little to no interest for Carlsberg. Burundi is a small market, with only 11 million inhabitant, meaning that should Carlsberg succeed in an entry, and there will be no civil war, the market gains are still relatively small. Furthermore, being a landlocked country with poor infrastructure both within and to the country, it is not a desirable market. Even though they have an impressive economic growth, the situation is too unstable to focus on Burundi for now.

Number 4, Rwanda. Rwanda is far more attractive than Burundi. It has political stability as well as a low level of corruption, compared to the rest of the continent. However, it is a small country with only 13 million inhabitants, as well as it is landlocked, and surrounded by poor infrastructure.

Number 3, Uganda. Though Uganda has a lower GDP growth than Rwanda, and is a landlocked country, just like Rwanda, I rank them higher. I do that because their PPP is a bit higher, but mostly important because the market is three times as big. With 38 million inhabitant, Uganda is a huge market, and they do have the third highest PPP of the five countries. Expect for the troubles in the north with Joseph Kony, a rebel leader, Uganda has political stability, though President Museveni has been in office since 1986, and the elections are not fair for all candidates.

Number 2, Tanzania. Tanzania is the second best market to enter in the EAC, mainly due to the high PPP and the access through their port in Dar es Salaam, which greatly limits the logistical cost of the process, though the port in small and inefficient. Tanzania's PPP is the second largest in the EAC and has increased steadily the last three year, which is promising for the consumption. Tanzania has over 52 million inhabitants making it the largest market of the five countries, in terms of number of consumers.

Number 1, Kenya. Kenya is without the doubt the most attractive and promising market of them all. Despite Kenya having a several policies in place to protect its domestic market, Kenya has the highest PPP of the five nations, the local Nakumatt supermarket chain is present with 44 stores, and the general supermarket industry is becoming more professional due to the entrance of Carrefour. Furthermore, Kenya has the port of Mombasa. Though the port is inefficient, it does work better than the one in Dar es Salaam. With 47 million inhabitant, Kenya is the second largest market in the EAC, in terms of potential consumers.

As the ranking indicates, Kenya should be the preferred market, where other business may emanate from.

Lack of decent infrastructure is a problem throughout the region, making the larger cities even more appealing, as they are connected by proper roads and some of them are connected by rails. Furthermore, with the increased urbanization alongside a higher beer consumption in the urban areas compared to the rest of the market, a large part of the future consumers will be in the cities. A downside by focusing on the cities though, is that even though EAC is having very high urbanization rates, the majority of the population will still live in the rural areas for the next decade at least, and if you neglect the rural consumers now, they might have become loyal towards a competing brand, before they reach your consumer segments.

7.2 OLI advantages

To start out with ownership-specific advantages, Carlsberg have some fantastic brands and name recognition, which gives them an advantage towards the local brands. However, with the large presence of foreign premium brands present in the market, Carlsberg will have to compete with them about the advantages. Furthermore, Carlsberg brings along a quality product, but it is the same story with that, as it is with the brand and name recognition. Should Carlsberg enter with full force, they would have a higher degree of funds available for success than many of the other competitors, which could help them outcompete some rivals. Furthermore, Carlsberg have a worldwide network of which it could benefit from, a luxury that many of the local competitors do not have.

In location-specific advantages, Carlsberg could benefit from an attractive tax-agreement with the local government, should they invest and create jobs in the country. That would be a great advantage towards other brands importing their products to the market, as it would increase Carlsberg's competitiveness. Furthermore, by producing the beer in the market, Carlsberg would gain access to cheap labor as well as create goodwill with the local government.

In order to seize the ownership advantages, Carlsberg need to enter the market through a JV, or a more equity-based entry.

7.3 Market entry

The institutions are in general very weak in EAC. The judicial systems, the protection of intellectual property, the official authorities, both in terms of the organizations as well as in terms of the employees. As a result, corruption permeates the entire region and is a great threat to all aspects of business in the region. Additionally, it contributes to the low level of efficiency experienced in the institutions throughout the region.

The weak institutions calls for an increased involvement of a local partner, as the local company will have knowledge in how to operate with the institutions, and make a business viable. Because of this, a greenfield investment is not a viable option for an entry strategy. Entering the EAC without local participation, in a market with such weak institutions and so many risks, would not be an advisable entry strategy. As would it be, entering the EAC market purely for the mass market consumer segment, as Carlsberg would lose its main ownership-specific advantage, its brand and its name recognition among the consumer, due to the fact that the East African mass market cannot afford Carlsberg's premium brands.

Acquisitions are also an uncertain area, as Carlsberg still do not have much if any knowledge on how to operate within the market, as the only African company they owned was the production site in Malawi they sold off, and which was not operating at a high level. Entering through an acquisition would demand too much control for Carlsberg compared to their knowledge on the market. It would however allow them to pursue the multi-tier consumer segment.

This means that a joint venture with a local company or a non-equity based entry would be the preferred entry, as Carlsberg would engage with a local partner, a partner with a distribution network, who know the consumers and their habits, and know how to operate locally, something that Carlsberg do not know as of now.

There are two options for structuring the JV.

1) Enter through a JV with a distribution company and license the JV to produce Carlsberg's premium products. This would give Carlsberg a foothold in the market, and it would allow them to gather knowledge on operating within the market. The consumer segment would be the middle class and up.

2) Enter through a JV with a company having at least a distribution network. The key to this model, is to also gain access to a local brand, either by the JV-partner owning it, and Carlsberg acquires a part of it, or by the JV-partners (including Carlsberg) acquires a local brand and operate it as a subsidiary to the JV. At the same time, Carlsberg shall license the JV to produce Carlsberg's premium products. This would allow Carlsberg to target the multi-tier consumer market, while having a partnership with a local company with knowledge of the market. As Carlsberg would already own a part of the both companies, it should be easier for them to acquire both companies, should they desire that in the future.

The last option is a non-equity based entry. This would either be by exporting through a distribution company or by licensing a local company to produce Carlsberg's premium brands. The consumer segment this model would target would be the middle class and up. A non-equity entry would mean that the Carlsberg brand would enter the market without Carlsberg doing much if any work. Carlsberg would thereby increase brand recognition, along with their revenue, while having an asset light approach, allowing them to leave the market should some unexpected happen. Considering what has happened in Russia, an asset light approach is appealing to Carlsberg. Furthermore, it allows Carlsberg to focus on its main markets, while it is expanding and increasing its revenue without doing anything.

7.4 Recommendation

Kenya is the main market within the EAC, and must be treated as such. That means that Carlsberg should have their focus on that market, and prioritize it. The Kenyan marked is expected to mature the quickest, meaning that the middle class will increase more quick in Kenya, than in the other EAC countries. Because of that, it is important to have brand awareness throughout the entire market, and not be limited to just a part of it. Once the presence in Kenya is established, it becomes easier to succeed in the other countries, as they are similar, and Carlsberg now have the experience in the market. That is the basis of the following recommendation.

In order to gain as big a market share as possible, in put themselves in a position to succeed in East Africa, Carlsberg should enter the Kenyan market with a joint venture, along with a local company with a well-established distribution network. Alongside the distribution network, must be a local beer brand, in order for Carlsberg to target the Kenyan multi-tier consumer segment. The partnering company can either own the local brand already, or it may be a company that the JV must acquire together, i.e. Carlsberg have shares in both the JV and the local brand.

As the Kenyan market matures the middle class in going to increase as well, and with that Carlsberg's premium brand customers. However, there are still a long way to go, both in terms of the Kenyan economy maturing as well as the urbanization rate reaching the high numbers, which is the reason behind the multi-tier focus.

Besides operating in Kenya, the distribution company must distribute Carlsberg's premium brands in Tanzania and Uganda, in that order. The focus should be larger cities for the premium brands, while the local brand should be sold throughout all markets. Both Tanzania and Uganda are huge markets, with impressive growth percentages, and with the duty drawback system in the EAC, Carlsberg does not risk paying duties twice, though it may time them some time, to get their money back due to the inefficiency of the system. Distributing the premium brands in Tanzania and Uganda is the first step for a rollout of the local brand in both countries, provided that the local brand has an appeal to the market. If not, then another local brand must be acquired, in order to compete for the multi-tier consumer segments in both Tanzania and Uganda. The strategy is inspired by the Uppsala model, which has an incremental approach to internalization. Due to the similarities in the EAC-markets, I believe this is a great way of entering the market, before it is settled with all the major breweries and before it becomes too expensive for Carlsberg to enter with other brands than their premiums. However, it is not advised to follow the Uppsala model to the letter, as Carlsberg should be open to seize an opportunity, should one present itself. Besides the premium beers, Carlsberg should also introduce their Somersby cider to the markets, as flavored alcoholic drinks are becoming popular in Africa.

An optimistic, though exciting JV-partner could be East African Breweries Limited, owned by DIAGEO. That would be great for Carlsberg, as EABL is the leading company in the East African beer market, and would therefore be a great distribution company for Carlsberg's premium brands, not just in the EAC, but in time also in the rest of the African continent. Furthermore, EABL have several localized products, suited for the market, which suits the desire to serve the multi-tier market. For EABL/DIAGEO, it would be interesting, as Carlsberg is the world's third largest brewery (after the merger of AB InBev and SABMiller, previously fourth), and with Ab InBev's purchase and thereby entry to the African market, it would be a strong strategic alliance to keep their large market shares in the EAC and the continent.

The proposed entry strategy does not comply with Carlsberg's SAIL 22 strategy, as it is an equity-based investment, and it does not allow Carlsberg to operate asset light. It does operate in the larger cities, though it is not limited to them. However, it does allow Carlsberg to seize their ownership and location advantages, as they now enter the market with an FDI.

7.5 Alternative recommendation

An alternative recommended strategy would be to enter Kenya, Tanzania and Uganda either by exporting through a distribution company or by license, and thereby enter the markets with a non-equity investment. The focus should be larger cities, as the consumption is larger there than in the rest of the market, and urbanization will eventually have increased the cities to large markets. The consumer segment targeted would be the middle class and up in all of them.

This would introduce the Carlsberg premium brands to the EAC-consumers, though it would be unavailable for most of the market, due to the price of the products. This strategy would increase Carlsberg's revenue with little to no effort from their side, and thereby allow Carlsberg to focus on its other key markets. Besides the premium beers, Carlsberg should also introduce their Somersby cider to the markets, as flavored alcoholic drinks are becoming popular in Africa.

This strategy is more aligned towards Carlsberg's SAIL 22 strategy, as it allows them to operate asset light, and have their focus elsewhere, while increasing their global market share. Additionally, it is very closed to the run currently operated by Carlsberg, in conjunction with Centrum, though Carlsberg is not currently present in Tanzania.

Whichever solution is the preferred one, it is important to give it time to develop, as everything takes time in Africa, and with the highly volatile markets, long-term plans and patience are crucial in order to be successful.

8. Conclusion

The paper aimed to provide Carlsberg with an entry for both short- as well as long-term success, and have provided Carlsberg with such. The paper analyzed the East African market, starting with the member countries of the EAC. The area is dominated by very high growth rates, though the PPP of the members are all at a low level. It is the same for the countries around the EAC, as they all experience high growth rates as well. There are some underlying vulnerabilities, mostly due to political issues. This do create some risks for any company entering the market. Corruption is still a major issue in the area, as it severely limits the efficiency of the already weak institutions. The judicial system is questionable, and not many have confidence in it. The population of the countries are very young, so there will be a large increase in consumers old enough to consume alcoholic beverages. The mass market in the area is poor, meaning that Carlsberg cannot access the market with their premium brands, as the mass market consumer simply cannot afford them. The middle class is increasing, as well as the urbanization, creating an attractive market in the cities long-term. Due to the lack of infrastructure, the rural areas are not as desirable markets as the cities. Furthermore, the average beer consumption in 30 % larger in the cities than in the rest of the market, once again making them more interesting. The two hubs into the region, the ports of Mombasa and Dar es Salaam are both inefficient, though especially the Mombasa port is trying to improve. They are however, both heavily congested.

The recommendation to Carlsberg is to first of all focus on Kenya. Kenya is the most advanced market in terms of distribution as well as having the highest PPP. Furthermore, Kenya is operating as a hub into the EAC, a position that should benefit them financially. In order to have success in the Kenyan market, it was further recommended that Carlsberg enter through a joint venture. The JV-partner must have access to a large distribution network in order to help Carlsberg sell its premium brand in the country. Additionally, the JV-partner is preferred to own a local brand, in order for Carlsberg to access the mass market. If the JV-partner owns a local brand, Carlsberg is recommended to acquire a part of it, and transfer it into the JV. If the JV-partner do not own a local brand, it is recommended that the JV acquires one, allowing Carlsberg to enter the Kenyan market targeting the multi-tier consumer segment. By targeting it, Carlsberg’s premium brands would be in a great position once the market matures and the middle class increases. Besides targeting the Kenyan market with a multi-tier strategy, Carlsberg should also distribute its premium brands to Tanzania's and Uganda's major cities, in order to gain a foothold in those markets, until the local brand is ready for a further rollout. The JV-partner should be responsible for the distribution. This strategy would allow Carlsberg to fully utilize its ownership-specific advantages.

A potential JV-partner could be East African Breweries Limited, as it would benefit both companies forming such a strategic alliance in Africa.

However, after some rough years in e.g. Russia, I am aware that Carlsberg might want to take a more careful approach to risky markets, though I do believe that an equity-based entry in Kenya is the way to be successful in the market. However, I did also give an alternative recommendation, which is to enter Kenya, Tanzania and Uganda (in that preferred order) with their premium brands, through either a licensing agreement or exporting through another company, and targeting the middle class with their global brands. That is very much alike Carlsberg's current strategy in Kenya.

Carlsberg could very well be successful using their current approach, though it is my belief that the turnover will not be as good.

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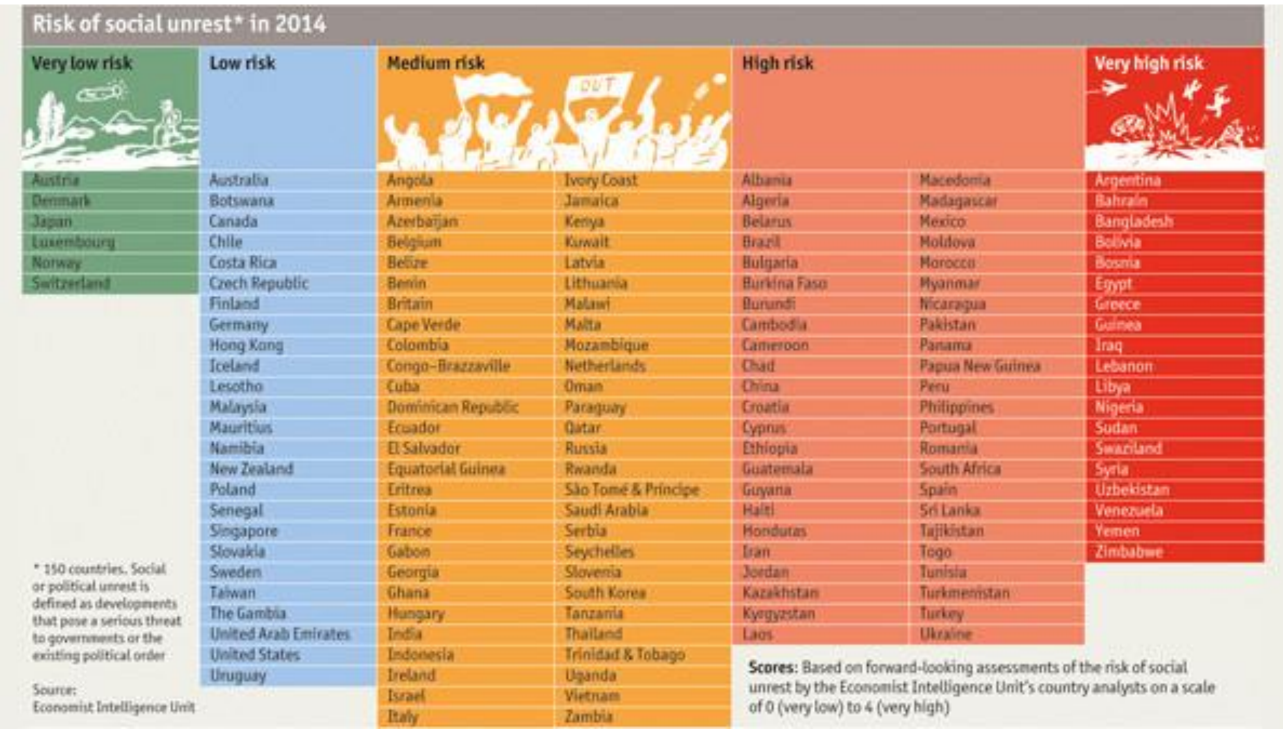
Appendix

Appendix 1, Social unrest



Risk of social unrest* in 2014

Very low risk	Low risk	Medium risk		High risk		Very high risk
Austria	Australia	Angola	Ivory Coast	Albania	Macedonia	Argentina
Denmark	Botswana	Armenia	Jamaica	Algeria	Madagascar	Bahrain
Japan	Canada	Azerbaijan	Kenya	Belarus	Mexico	Bangladesh
Luxembourg	Chile	Belgium	Kuwait	Brazil	Moldova	Bolivia
Norway	Costa Rica	Belize	Latvia	Bulgaria	Morocco	Bosnia
Switzerland	Czech Republic	Benin	Lithuania	Burkina Faso	Myanmar	Egypt
	Finland	Britain	Malawi	Burundi	Nicaragua	Greece
	Germany	Cape Verde	Malta	Cambodia	Pakistan	Guinea
	Hong Kong	Colombia	Mozambique	Cameroon	Panama	Iraq
	Iceland	Congo-Brazzaville	Netherlands	Chad	Papua New Guinea	Lebanon
	Lesotho	Cuba	Oman	China	Peru	Libya
	Malaysia	Dominican Republic	Paraguay	Croatia	Philippines	Nigeria
	Mauritius	Ecuador	Qatar	Cyprus	Portugal	Sudan
	Namibia	El Salvador	Russia	Ethiopia	Romania	Swaziland
	New Zealand	Equatorial Guinea	Rwanda	Guatemala	South Africa	Syria
	Poland	Eritrea	São Tomé & Príncipe	Guyana	Spain	Uzbekistan
	Senegal	Estonia	Saudi Arabia	Haiti	Sri Lanka	Venezuela
	Singapore	France	Serbia	Honduras	Tajikistan	Yemen
	Slovakia	Gabon	Seychelles	Iran	Togo	Zimbabwe
	Sweden	Georgia	Slovenia	Jordan	Tunisia	
	Taiwan	Ghana	South Korea	Kazakhstan	Turkmenistan	
	The Gambia	Hungary	Tanzania	Kyrgyzstan	Turkey	
	United Arab Emirates	India	Thailand	Laos	Ukraine	
	United States	Indonesia	Trinidad & Tobago			
	Uruguay	Ireland	Uganda			
		Israel	Vietnam			
		Italy	Zambia			

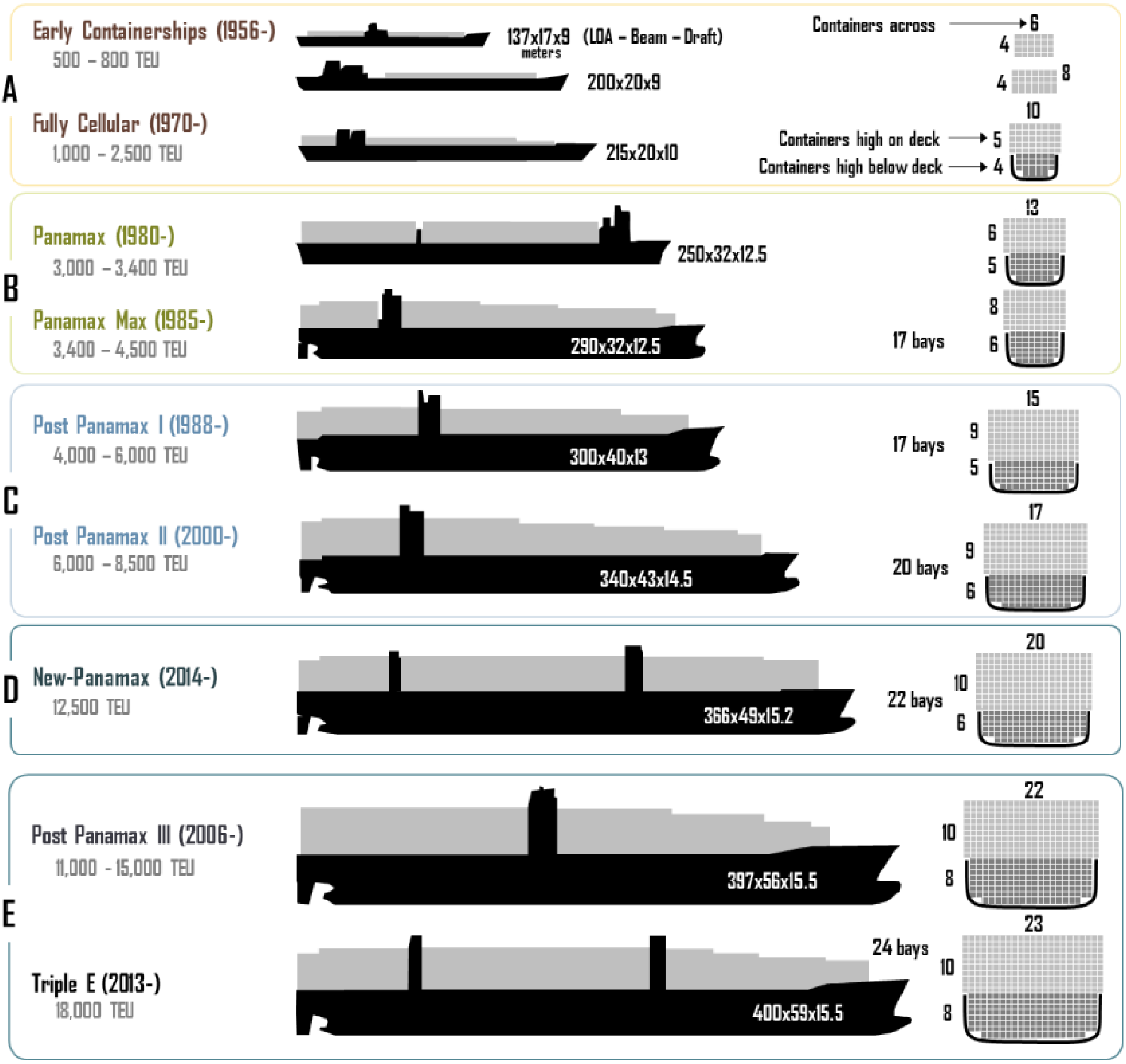
* 150 countries. Social or political unrest is defined as developments that pose a serious threat to governments or the existing political order

Source: Economist Intelligence Unit

Scores: Based on forward-looking assessments of the risk of social unrest by the Economist Intelligence Unit's country analysts on a scale of 0 (very low) to 4 (very high)

(The Economist, 2013a)

Appendix 2, Development in container ships



(Rodrique, 2012)