

---

# MARKET ENTRY TO MOROCCO

Case Company: Construcción de Invernaderos El Parador S.L.




Bachelor's thesis

Degree Programme in International Business

Valkeakoski Spring 2013

*Elsa Ruiz Ibañez*



Valkeakoski  
Degree Programme in International Business  
International Management

---

<b>Author</b>	Elsa Ruiz Ibañez	<b>Year</b> 2013
<b>Subject of Bachelor's thesis</b>	Market Entry to Morocco	

---

ABSTRACT

This thesis was written to research the Moroccan market in order to determine the actions so as to set up a successful strategy to enter this market by the commissioning company Construcción de Invernaderos El Parador S.L.

The thesis objectives were to describe the concept of market entry and market entry modes; to explore internal and external factors affecting the entry mode decision and to get familiar with promotional activities as trade exhibitions; and to analyze the Moroccan market as a target market.

The research methods used for this thesis were a combination of secondary data such as books, e-books, websites, press articles and industry publications; and primary data through an interview conducted with the director of the commissioning company in order to analyze the current situation of the company.

The recommendations are based on the findings gained from the research of the Moroccan market, the interview conducted with the director of the commissioning company and the experience and comments of some Spanish agricultural companies doing business with Morocco currently.

**Keywords** market entry, agriculture, Morocco


**Pages** 41 p. + appendices 1 p.

---

## CONTENTS

1	INTRODUCTION .....	1
1.1	Background .....	1
1.2	Commissioning company .....	1
1.2.1	Products and services .....	2
1.3	Research question and objectives.....	3
1.4	Research methods.....	3
2	THEORETICAL FRAMEWORK .....	4
2.1	Market entry .....	4
2.2	Market entry modes.....	5
2.2.1	Travelling salesperson .....	5
2.2.2	Agents.....	6
2.2.3	Joint ventures.....	8
2.2.4	Turnkey projects.....	8
2.2.5	Strategic alliances .....	9
2.3	Factors affecting the entry mode decision.....	9
2.3.1	Internal factors.....	10
2.3.2	External factors.....	11
2.4	Trade fairs and exhibitions.....	14
3	MARKET RESEARCH: MOROCCO .....	16
3.1	Country introduction .....	16
3.1.1	Geographic location and climate .....	16
3.1.2	Language and religion .....	18
3.2	Doing Business in Morocco .....	19
3.2.1	Business Culture .....	22
3.2.2	Setting up a business in Morocco .....	25
3.3	Agricultural trade fairs and exhibitions.....	29
3.3.1	Agro-tourism .....	31
4	ANALYSIS .....	33
4.1	SWOT analysis.....	33
4.2	Interview.....	35
5	RECOMMENDATIONS .....	38
	SOURCES .....	39

Appendix 1 Entrevista



---

## LIST OF FIGURES

Figure 1	Market entry modes.....	5
Figure 2	Map of North coastline of Morocco.....	17
Figure 3	Map of Morocco.....	17
Figure 4	Average wage.....	19
Figure 5	Cost to export.....	20
Figure 6	Total tax rate.....	20

## LIST OF TABLES

Table 1	Market entry.....	4
Table 2	Contracts with intermediaries.....	7
Table 3	Factors affecting the foreign market entry mode decision.....	10
Table 4	Starting a Business.....	26

## 1 INTRODUCTION

### 1.1 Background

Investing and exporting products and services to new foreign markets is becoming more and more popular since the economical crisis hits and devastates the Spanish economical structure.

Companies look for new markets, especially emergent markets which offer new opportunities for investing and marketing their products and services with low costs.

The commissioning company, Construcción de Invernaderos El Parador S.L, found a good opportunity to enter the Moroccan market due to the strategic position, the proximity to their actual location and the high demand of agri-business products and services.

The purpose of this thesis is to find the right actions to develop a strategy in order to access the Moroccan market, solving cultural differences and other challenges.

Collecting information about the target market is a key ingredient to identifying challenging external factors such as language, culture, amount of competitors and market environment in general. On the other hand, the commissioning company must identify its internal factors, strengths and weaknesses, regarding to the company experience, size and product portfolio in order to develop a successful market entry strategy which will fit the Moroccan market. Lack of knowledge or familiarity with the target market environment, customer needs, business culture and competitors might mislead the company in this process of Moroccan entry.

### 1.2 Commissioning company

The commissioning company is Construcción de Invernaderos El Parador S.L. This company was founded in 1995 by Antonio Rodríguez Martínez. He started to run this business in the 60s, making him the oldest and experienced entrepreneur in Almería, Spain (Construcción de Invernaderos El Parador S.L 2013.)

The company has a wide work experience in the Public Administration (Construcción de Invernaderos El Parador S.L 2013.)

Construcciones de Invernaderos El Parador S.L has been distinguished by being an innovative company applying the latest technologies in the field of greenhouse construction, building, fencing and roofing of ponds and reservoirs, farm buildings and all types of fencing. They also specialize in shipbuilding, for industrial and agricultural use (Construcción de Invernaderos El Parador S.L 2013.)

Currently, a second generation of Rodríguez-Murillo has joined the company, combining over 40 years of experience using the latest techniques, becoming leaders concerning the sector (Construcción de Invernaderos El Parador S.L 2013.)

Construcciones de Invernaderos El Parador S.L is the only company developing Turnkey Projects, without the need to subcontract to third parties, which gives them flexibility, speed and quality of finishes without rival. This is possible due to a combination of experience, own machinery and team working within the company (Construcción de Invernaderos El Parador S.L 2013.)

### 1.2.1 Products and services

Construcción de Invernaderos El Parador S.A is focused on the agricultural and industrial building sector. Their main products and services are greenhouses, industrial and agricultural warehouses, earth movements, ventilation, rafts and reservoirs, fences, truss and metallic structures and machinery (Construcción de Invernaderos El Parador S.L 2013.)

#### Greenhouses

The construction and repair of greenhouses is the main and most important activity for the commissioning company. A greenhouse is a enclosed structure covered with transparent material, usually plastic, within which it is possible to get artificial microclimate conditions, and thus grow plants out of season in peak and optimal conditions improving the quality and performance (Construcción de Invernaderos El Parador S.L 2013.)

The company build and repair all types of greenhouses, modernizing them, repairing and upgrading old structures, its ventilation systems and shading screens (Construcción de Invernaderos El Parador S.L 2013.)

According to the structural conformation, greenhouses are classified into the following types:

- Greenhouse flat or vine type
- Greenhouse “raspa y amagado” (scratch and feint)
- Asymmetric greenhouse or “Inacral”
- Tunnel and Multi-tunnel greenhouse

There are some factors to consider when choosing the type of greenhouse structure as the climatic characteristics of the area where the greenhouse will be built, topography, wind and soil type (Construcción de Invernaderos El Parador S.L 2013.)

### 1.3 Research question and objectives

The research question for this thesis is the following: “What are the actions to set a successful strategy to enter the Moroccan market?”

The main objectives of this thesis are:

1. To describe the concept of market entry and market entry modes.
2. To explore internal and external factors affecting the entry mode decision and to get familiar with promotional activities, trade exhibitions.
3. To research the Moroccan market as a target market.
4. To analyze the current situation of the commissioning company conducting an interview to the director.
5. To recommend a development plan that would help the company to enter the Moroccan market

### 1.4 Research methods

The research methods used for this thesis are a combination of primary and secondary data.

Primary data are collected directly from first hand for a particular study. The research method included in this thesis based on primary data, that will be conducted is an interview to the director of the commissioning company.

Secondary data is gathered through desk research using information from books, e-books, websites and database, press articles, competitor’s literature from presentations and websites, and industry publications.

## 2 THEORETICAL FRAMEWORK

The theoretical framework of this thesis is built up by the concept of market entry, the different market entry modes depending company's involvement to risk, level of control and resource commitments, and the internal and external factors affecting the entry mode decision.

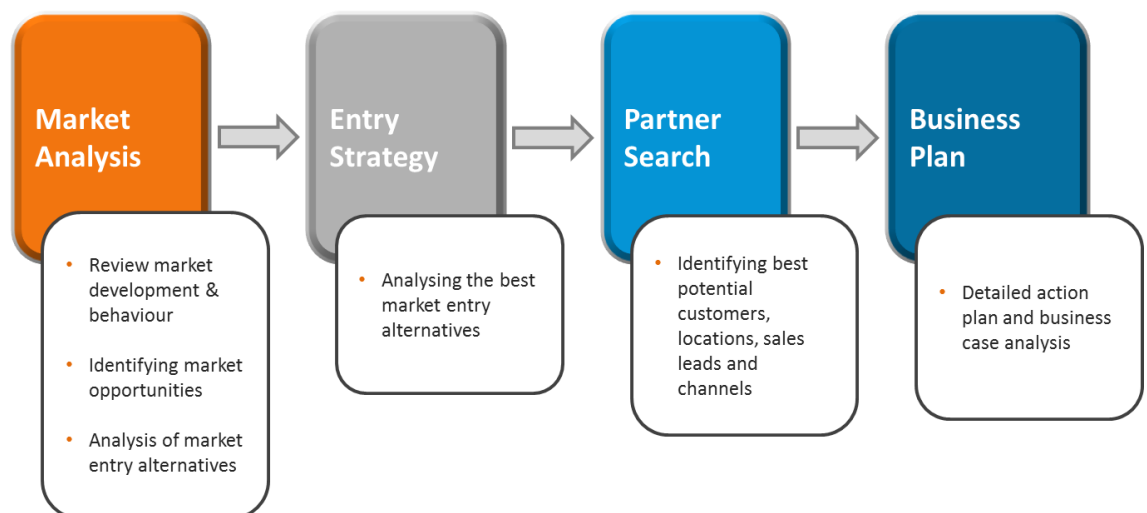
### 2.1 Market entry

Market Entry is defined as the starting of actions and efforts to sell a product or service to different groups of consumers not previously targeted by a company or organisation.

Market entry is based on a group of activities and strategies related to bring products and services to a targeted market. During the planning phase, the company will consider possible barriers to entry, main competitors, sales and transportation, and the expected outcome of entering the market.

Market entry looks at the study and the analyse of the market situation, size, growth, structure, main products and services, competitors in terms of strengths and weaknesses and the potential opportunities and risks associated with entering a new market.

Table 1 Market entry (NL HUB 2013)



The main goal and objective of an entry strategy is to get into profitable trades in order to achieve increased sales and brand awareness by entering a new market.



As Albaum, Duerr & Strandskov (2008, 275) described a market entry plan requires decisions on the following:

- The goals and objectives to enter the target market
- Required policies and resource allocations
- The choice of entry mode to penetrate the market
- The control system to observe performance in the market
- A time schedule

## 2.2 Market entry modes

The market entry modes are various, i.e. travelling salesperson, agents, joint ventures, turnkey projects, strategic alliances, and they differ from each other depending on degree of risk that they present the control and commitment resources.

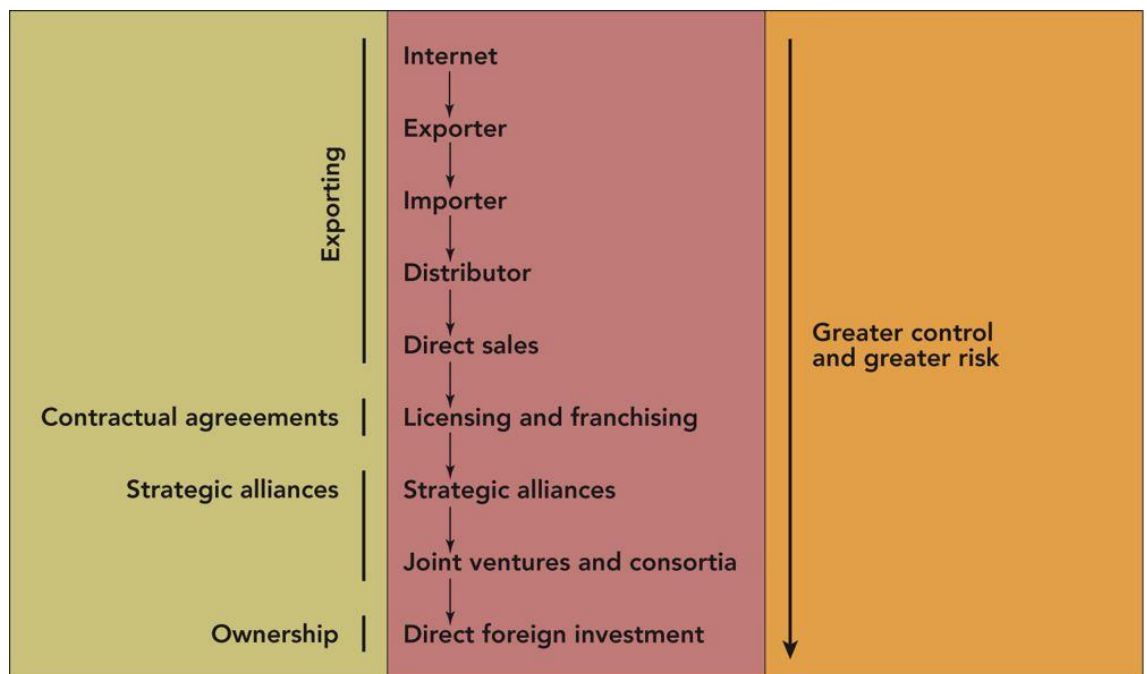


Figure 1 Market entry modes (Be convdocs 2013)

### 2.2.1 Travelling salesperson

A travelling salesperson is a member of the staff who resides often in the home country of the employer and the company, and travels to a foreign country to carry out the sales duties. This salesperson goes for a business trip regularly arranging in advance the meetings with customers or companies via email or phone (Albaum, Duerr & Strandskov 2008, 327.)

There is a second type of salesperson defined as a resident. The resident salesperson is sent out of his home country to work and live in a foreign country. Basically the resident salesperson is a branch of the company in a

foreign country defined as a sales representative (Albaum, Duerr & Strandskov 2008, 327.)

Normally, companies set up a formal branch office in the entered country where a resident salesperson is assigned to work into. Also, companies often employ national staff to join the sales office in order to minimize cultural differences and to establish mutual trust from both contracting parties (Albaum, Duerr & Strandskov 2008, 327.)

The functions that salesperson in foreign countries must perform will be different depending on the product or service to be offered and the market environment. The salesperson is responsible for getting involved in customer relations, communicating product information, obtaining orders from customers and providing useful information about advertising and trade promotions programs to the company regularly. In general, the salesperson is in charge of selling activity (Albaum, Duerr & Strandskov 2008, 327.)

Customer relations are a key point for the company that is why many organisations decide to employ local national staff in the concrete entered market (Albaum, Duerr & Strandskov 2008, 327).

The salesperson shall provide information of competitors' activities, customers' needs and suggestions for product improved performance (Albaum, Duerr & Strandskov 2008, 327).

The importance and necessity of a travelling salesperson is defined by general evaluation criteria, conditions and nature of the product. For example, technological products need detailed information and demonstration. In this case, companies contract expert staff in determined foreign markets. The sales volume in a foreign country shall be analyzed in order to measure the profitability of business trips. Travelling agents are often selected for doing business in industrial sectors where a few large customers can be found. In this case, the size of orders justifies the amount of expenses of foreign travel (Albaum, Duerr & Strandskov 2008, 328.)

### 2.2.2 Agents

An agent is an independent company that sells products and services to customers on behalf of a manufacturer or exporting company. Select agents are widely used for entering foreign markets, especially for rare geographic areas where they usually have subagents assisting them. Agents and subagents share a profit margin or commissions on a pre-arranged basis paid by the exporting company. These commissions vary considerably depending on market's size, services provided and the competition and importance between agents and exporting companies. There are some agents that provide market and financial information and also guarantee the payment of clients' account (Hollensen 2011, 342.)

The main advantages of agents are that they are familiar with local markets and customs, and also they have business contacts and hire foreign nationals (Hollensen 2011, 342.)

Table 2 Contracts with intermediaries (Hollensen 2011, 346)

<b>Contracts with intermediaries</b>	
<b>1. General provisions</b>	
Identification of parties to the contract	Definition of territory or territories
Duration of the contract	Sole and exclusive rights
Definition of covered goods	Arbitration of disputes
<b>2. Rights and obligations of manufacturer</b>	
Conditions of termination	Inspection of distributor's books
Protection of sole and exclusive rights	Trademarks/patents
Sales and technical support	Information to be supplied to the distributor
Tax liabilities	Advertising/promotion
Conditions of sale	Responsibility for claims/warranties
Delivery of goods	Inventory requirements
Prices	Termination and cancellation
Order refusal	
<b>3. Rights and obligations of distributor</b>	
Safeguarding manufacturer's interests	Customs clearance
Payment arrangements	Observance of conditions of sale
Contract assignment	After-sales service
Competitive lines	Information to be supplied to the manufacturer

The selection of an appropriate agent can be conducted through the following sources (Hollensen 2011, 342):

- advertising in suitable commercial papers;
- asking potential customers to recommend an adequate agent;
- getting recommendations from institutions, i.e. chambers of commerce, trade associations and government trade departments;
- using commercial agencies;
- locating a competitor's agent;

There are some desired characteristics when selecting a particular agent that are as follows (Hollensen 2011, 343):

- Size of the company
- Overall experience in the market
- Physical facilities
- Market areas covered
- Knowledge of business methods in the target market
- Record of sales performance
- Knowledge and use of promotion techniques

- Reputation with banks, customers and suppliers
- Relations with local government
- Knowledge of local language and English or other relevant languages

### 2.2.3 Joint ventures

A joint venture is a union of two or more companies. They pool their resources as raw materials, capital, personnel, distribution channels, technology and knowledge about the market. And also they share responsibility and risk bringing mutual efforts.

Companies involved in joint venture contracts do not lose their own corporate identity. Each company will keep developing their own core business independently. They will just work together in their common business agreement.

It is often that companies contracting joint ventures are from different nationalities where one of them wants to enter the market. Local companies help a second company to overcome trade barriers, to yield high investment and to share knowledge (know-how) about the market.

Also joint venture contracts may be sign by companies operating in the same country.

A joint venture has advantages and disadvantages. Some of the advantages are that companies easily get information and they cooperate with another company that gives support to develop a common business project. Disadvantages are in terms of potential conflicts and disputes between partners due to they may disagree in business decisions and lack of personal asset protection. A written contract or agreement may contribute to minimize conflicts.

### 2.2.4 Turnkey projects

A Turnkey project is one of the alternative market modes of performing international business. It is a contract under which an external company agrees to fully design, build and set up a product or service facilities and deliver it to the contracting company when it is fully tested and ready to use. The contracted company ends the project and “turns the key” over to the buyer.

From customer’s point of view, turnkey project saves time and resources, and eliminates the need to manage the project desired by the customer. The primary contractor is in charge of project process and coordinates subcontractors designing and building up a product or service. A turnkey contract gives longer time to customers to seek financing before they are required for the full payment. And also it is a good solution for those inexperienced customers due to their lack of knowledge about building decisions and process.

Turnkey project is often terminated in a short period of time, facilitating a quick return on investment and a minimum delay.

This project is normally used for construction companies. Both parties are able to make decisions and changes. But the contracting company is normally the one in charge of conducting the building process and making most of the decisions and also dealing with problems related to the process.

### 2.2.5 Strategic alliances

Strategic alliances are based on agreements between two or more companies that join together to share resources, core competencies, capabilities and for a concrete period of time in order to achieve mutual interest.

A strategic alliance agreement allows companies to keep their own autonomy and independence. The aim of the contract is to elaborate an effective process, to develop a product or service and to penetrate into a new market, national or international.

Companies under strategic alliances usually are not in direct competition with each other. They may have similar products or services that are oriented toward the same target customers. Companies may establish strategic alliances with different parties as competitors, suppliers and customers.

Strategic alliances improve competitive position minimizing the risk and the total cost of projects.

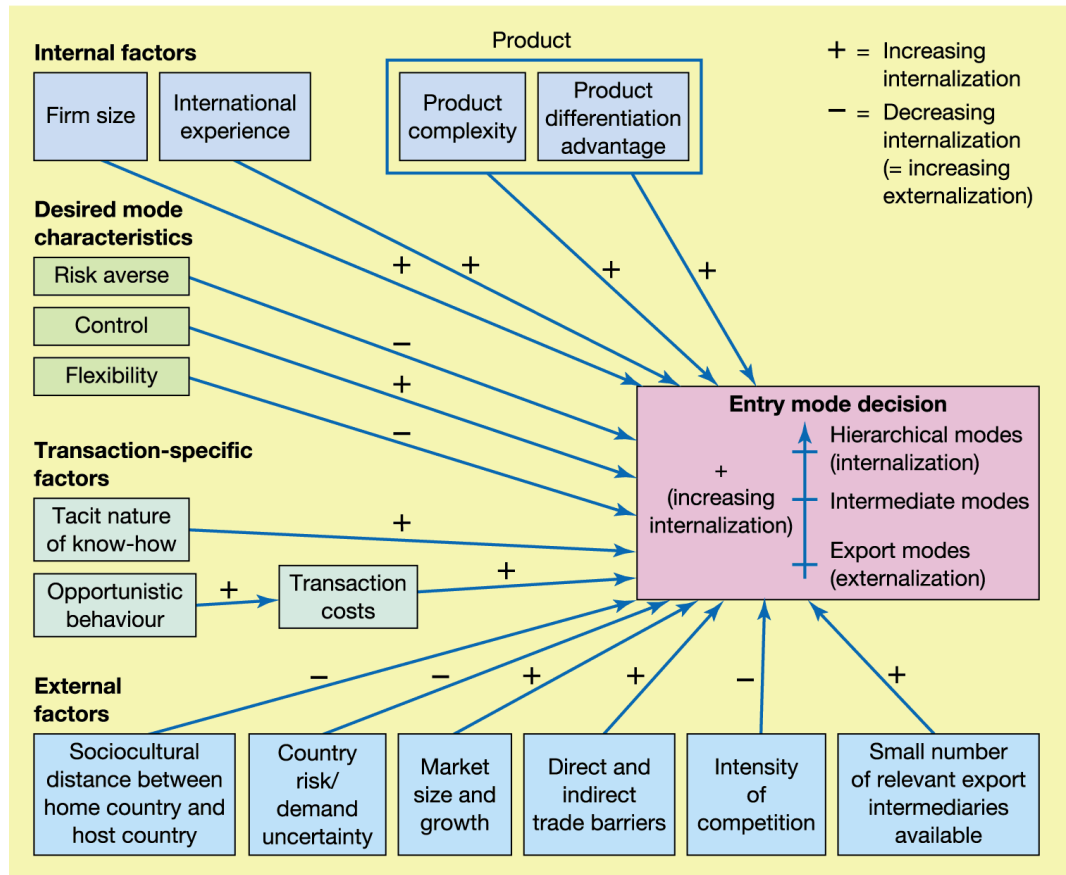
The differences between joint ventures and strategic alliances are that the second one is fewer involved and less permanent than the first. Strategic alliances have an informal character. Some of these informal activities are to exchange customer register, to cooperate in promotional activities and some more.

In contrast to joint ventures, strategic alliances are based on a contract between two or more companies to establish a legally independent company. The parties involved create a new company to develop the project agreement. They sign legal documentation to set common objectives in a written contract where it is shown on details the contribution of technical support, capital and services by each party or company.

## 2.3 Factors affecting the entry mode decision

The factors affecting the entry mode decision are classified as internal and external factors depending on whether they are influenced by the company itself or the environment.

Table 3 Factors affecting the foreign market entry mode decision (Hollensen 2011, 322)



### 2.3.1 Internal factors

#### International experience

Companies learn from previous experiences how to perform in a foreign environment and how to look for solutions. Organisations accumulate experience and that is how it becomes easier to avoid many of the problems involved in managing foreign companies. (Hollensen 2008, 253.)

The experience may be gained from operating in a concrete country or in an international environment. International experience minimizes costs and uncertainties in a particular market and increases the profitability of organisations committing resources to foreign countries. (Hollensen 2007, 299.)

#### Size of the company

Company size indicates the resource availability of the company. Maximizing resource availability gives a basis for increased foreign involvement after some time. Small and medium enterprises may want an elevated stage of control over international transactions and desire to get

weighty resource commitments to international markets. They prefer to penetrate foreign markets using export modes as they do not own the needed resources to reach a high level of control. Export entry modes require lower resource commitment that may be more suitable for small and medium enterprises. If a company grows, it will require the hierarchical model. A company size may be weighted in terms of number of employees and sales volume previous foreign market entry. (Hollensen 2008, 206.)

### Products and services

The physical characteristics of a product or service, such as weight, composition or value, are significant in determining where production is located. The nature of a product or service affects channel choice due to products and services change widely in their use and characteristics (Hollensen 2011, 323.)

Products and services are distinguished by some variations, such as after-sales service, warranties, replacement policies and repair. These variations promote preferences between a products or service compared with another. For example, a technical product may need service before and after sale. Product differentiation allow companies to serve customers needs better and to minimize competition due to entry barriers, which are a key point in the competitive strategy of the organisation. (Hollensen 2007, 299.)

## 2.3.2 External factors

### Trade Barriers

Quotas or tariffs on the import of foreign products and services require the establishment of local production and assembly operations based on hierarchical modes. (Hollensen 2008, 209.)

Trade regulations, products, preferences for local suppliers and standards have an important impact on entry mode decision. Local suppliers and tendencies to buy national products or services are often preferred. That is the reason why companies may consider a joint venture or other market entry modes based on intermediate modes. Normally, local partners help in achieve more local contacts to negotiate sales, to promote the foreign image or brand, and to establish several distribution channels. (Hollensen 2008, 209.)

Products and services, customer formalities and trade regulations promote modes to involve local enterprises, which may give some information about local contacts in the market. (Hollensen 2008, 209.)

“The net impact of both direct and indirect trade barriers is thus likely to be a shift towards performing various functions such as sourcing, produc-

tion and developing marketing tactics in the local market” (Hollensen 2011, 325).

### Social and Cultural Environment

“Socioculturally similar countries are those that have similar business and industrial practices, a common or similar language, and comparable educational levels and cultural characteristic.”(Hollensen 2007, 300.)

“Sociocultural differences between a firm’s home country and its host country can create internal uncertainty for the firm, which influences the mode of entry desired by that firm.” (Hollensen 2007, 300.)

Generally, companies avoid direct investment in foreign countries when the perceived distance between domestic and foreign markets is high in terms of economic systems, culture and business practices. Instead of that, enterprises will select joint venture agreements or even lower risk entry modes as importers or agents. In brief, when the perceived distance is high between domestic and foreign countries, companies will choose low resource commitments and high flexibility regarding entry modes selection (Hollensen 2011, 324.)

Language is considered as the mirror of the culture. There are many implications about language for international enterprises doing business in foreign markets, i.e. advertising must be translated. Due to these implications, it is very important to be able to speak fluently the language of the target market in order to conduct business negotiations. A foreign language could entail different customer motivations and diverse patterns of thought. The knowledge of the language will facilitate the communication and it will bring a deeper insight into the relevant culture as well (Hollensen 2011, 265.)

Religion is extremely important in many countries. In some of them, religion may be the very foundation of the government and a dominating factor in political, educational and business decisions. Religious customs are considered as a major factor in marketing. It becomes most obvious the impact of religion on marketing in the case of Islam due to the Islamic law is based on the Koran, providing guidance for many human activities, including economic activity (Hollensen 2011, 244-266.)

### Market potential, size and growth

Market potential is defined as the total receptiveness of a market, for example, the maximum amount of marketable units of products or services for all the providers during a concrete period of time. The more the market potential exceeds the present market volume, the better are the opportunities for the growth benefiting the exporter (Grafers, Schlich & Söderström 2006, 53.)



Market size and rate of country growth are key parameters to determine the mode of entry. The total market volume for a concrete market or country per year is calculated as follows (Hollensen 2011, 269):

Production (of a product in a certain country)  
+ import  
- export  
= theoretical market size  
+/- changes in stock size  
= effective market size

Many forces are influenced by the market size and growth, but the availability or non-availability of telephone systems, electricity, modern roads and some other types of infrastructure and the total purchasing power will affect the direction of that spending (Hollensen 2011, 213).

Economic growth comes from one of three types of economic activity that are as follows (Hollensen 2011, 213):

- Primary. It concerns with extractive processes and agriculture.
- Secondary. These activities are related to manufacturing industries. Generally countries will manufacture at the same time as processing the output of primary products and goods.
- Tertiary. It is based upon services such as tourism, health care and insurance, transport, education and leisure.

### Country risks and uncertainties

Foreign markets are generally riskier than the domestic market. The amount of risk that the company faces comes from the market itself and from its method of involvement there. Companies should do a risk analysis of the market and the method of entry when planning their method of entry. Exchange rate risk is also another variable to consider. Besides economic risks, there are political risks as well. Companies would do well to limit its exposure to risks by restricting their resource commitments in a particular foreign market when the risk is considered high in the target market. Enterprises will select entry modes that involve low resource commitments as the export modes when country risk is high (Hollensen 2011, 324.)

### Intensity of competition

Companies should avoid internalization when the intensity of competition in a foreign market is high due to markets generally tend to be less profitable. Entry modes that implicate low resource commitments regarding to export modes, are more suitable for foreign countries with a high intensity of competition (Hollensen 2011, 325.)

The number of existing competitors it is not the only matter of interest when evaluating the intensity of competition. Market shares and positioning are also taken into consideration (Grafers, Schlich & Söderström 2006, 65.)

#### 2.4 Trade fairs and exhibitions

A trade fair, also called a trade exhibition, trade show or expo is an event organized so that companies in a particular industry present and offer their products and services. At the same time, companies analyze activities from their competitors and they explore recent market trends and opportunities as well as the latest products and technologies. A large number of companies, organized in different stands, show their product capabilities to wholesalers, distributors, retailers, end-users, other business associates, press and to any other visitor. These events have a defined time frame that it oscillates from couple of days till one or two weeks time. Trade fairs are produced periodically.

The participation in a trade fair depends on the type of sector or business that they want to develop with a concrete country. There are many different forms of trade fairs depending on the origin of participants, amplitude of supply, type of goods, direction of trade flow, main intention of participants and type of visitors. The forms of trade shows are as follows (Export n.d.):

- Regional, national or international trade fairs
- General trade fairs, industry trade fairs and special trade fairs
- For consumer goods and for capital goods
- Export fair and import fair
- Information show and order show
- Consumer exhibition and professional trade fair
- Special event trade fairs and permanent exhibitions

Trade fairs are classified as “Open to Public” and “Trade Only”. Trade Only fairs can only be attended by company representatives, professionals and staff from the press. In contrast, Open to Public fairs can be attended by interested on them. There are some hybrid forms commonly found in developing markets. Also, many Trades Only shows open for one or two days to the public.

The number of trade exhibitions is continuously increasing worldwide and some of these trade fairs attract many visitors and participants from all over the world as well as they provide international widespread interaction and exposition. Trade fairs are a popular sales promotion for companies facilitating direct contact between many manufacturers, end users and distribution channel members as retailers, wholesalers and value added resellers.

Trade fairs are multi-purpose events involving many interests and interactions between exhibitors and many parties. Expos allow companies to ac-

comply with a concentrated group of interested parties that might take some time to contact them (Hollensen 2011, 606.)

Trade exhibitions have been considered as a personal selling tool, but as Sharland and Balogh (1996) concluded, trade fairs are a perfect environment for non-selling business such as relationship building, channel partner assessment and information exchange. These events offer the opportunity to international companies to gather vital information, i.e. competitive environment quickly, cheaply and easily (Hollensen 2011, 606.)

### 3 MARKET RESEARCH: MOROCCO

The market research of this thesis is based on the concept of market entry to Morocco. This chapter contains an introduction of the country, i.e. geographic location, language, and some additional information about doing business and the business culture in Morocco.

#### 3.1 Country introduction

Morocco is a kingdom situated in North Africa. It is a parliamentary constitutional monarchy where the Prime Minister is also the head of government and of a multi-party system. Executive power is vested by the government and legislative power is set by the government and the two chambers of parliament, the Assembly of Representatives of Morocco and the Assembly of Councillors. The current Moroccan government is headed by Abdelilah Benkirane.

The Dirham is the currency in Morocco and its ISO 4217 code is “MAD” (The Money Converter, 2013) and the monetary equivalence between dirham (MAD) and euro (EUR) is the following (The Money converter 2013):

- 1 MAD = 0.08999 EUR
- 1 EUR = 11.11 MAD

Morocco is one of the only African countries together with Madagascar, Guinea-Bissau and Central African Republic that it is not a member of the African Union, due to its unilateral withdrawal in 1984 over the admission of the Sahrawi Arab Democratic Republic (SADR) two years earlier by the African Union as a member without the establishment of a referendum about the disputed territory of Western Sahara.

##### 3.1.1 Geographic location and climate

Morocco is strategically located between Europe and Africa. It is exactly situated in the northwest side of the African continent and it has an area of 710,850 km<sup>2</sup> (Morocco More Business 2012). Morocco is bounded on the north by the Strait of Gibraltar (UK territory in Spain) where international shipping takes place between the Mediterranean Sea and the Atlantic Ocean, south by Mauritania, west by the Atlantic Ocean and the Canary Islands (Spanish territory), and on the east by Algeria. The Atlas Mountains run down the country from the north-west to the south-east. Most of the south-east side of Morocco is in the Sahara Desert where it is generally sparsely populated and non-productive economically (Doing business in Morocco n.d).

Morocco has strong commercial agreements with Spain and they share sea and land border. Spain has four locations in the North African coastline, Peñón de Vélez de la Gomera, Peñón de Alhucemas, Ceuta and Melilla.

These last two exclaves are very important Spanish cities located in Morocco seaside. Also Spain has the following islands: Perejil, Alborán, Isla de las Nubes (Doing business in Morocco n.d.)



Figure 2 Map of North coastline of Morocco (BBC News 2013)

The total population of Morocco is estimated up to 32,9 million by July 2013 (The World Factbook 2013). The majority of the population lives on the west and north of the Atlas Mountains. Tangier city has the major port and it is where many people go to if they want to travel to Spain. Casablanca city is the largest city and it has also a leading port in Morocco.



Figure 3 Map of Morocco (Destination 360 2013)

Casablanca is the center of industry and commerce in the country. Marrakech city is the tourist center of this country. Rabat city is where the seat of government is and also it is the capital of Morocco. The religious and cultural center is located in the city of Fez (Doing business in Morocco n.d.)

The climate in Morocco is Mediterranean in the North and it becomes more extreme towards the interior areas. The temperature during winter oscillates from 12°C to 13°C in the seaside and 10°C in the interior territories. On the other hand, the temperature during summer oscillates from 25°C on the seaside and the interior areas. In the highlands the rainfall is more abundant and temperature is lower. In the Sahara area the climate is extremely desert and arid. The coastal plains are the main and most important areas where agricultural activities take place in Morocco. The main rivers are Sebú, Muluya, Oum Er-Rbia, Tensift, Sus y Draa.

### 3.1.2 Language and religion

The official languages in Morocco are classic Arabic and Berber. On the other hand, the non-official languages are Moroccan Arabic, Berber languages, French and Spanish.

Classic Arabic is the language used in the written law but the law is also translated into French and sometimes into Spanish.

The most spoken language by the majority of the population is the Moroccan Arabic that it is gradually influenced by the cultural language.

French is also widely used since it is taught as an obligatory language at every school in Morocco. French is used in governmental institutions, high education system, large and medium size companies and organisations, international commerce with some French speaking countries and it is used very often in international diplomacy. English is after French, in terms of number of speakers, the first foreign language of choice for Moroccans, since French is an obligatory language. Also Spanish is spoken by a small number of the population situated in the north side of the country, most commonly around the Spanish territories Ceuta and Melilla. Some of the cities with a higher level of Spanish language are Tetuán, Nador, the old Spanish Sahara, Tangier, Alhucemas, Larache and Sidi Ifni. There are some groups of Spanish speakers in cities as Rabat, Agadir, Casablanca, Fez and Marrakech. Nowadays, Cervantes Institute has six language centers, being one of the only countries with more centers or units into it. Cervantes Institute is a Spanish non-profit organization in charge of spread worldwide the Spanish language.

Berber is one of the official languages that it has three different dialects, tarifit, Tamazight and tachelhit. Berber is spoken in some areas where it is used on a daily basis.

Islam is practised by the majority of the population in Morocco being Muslims 98.7%, 1.1% Christians and 0.2% Jewish. Islam governs their political, legal, economic and personal lives (Kwintessential 2013.)

### 3.2 Doing Business in Morocco

Morocco is an emerging market full of opportunities for companies ready to invest and enlarge their business. The main arguments for investing in Morocco are the proximity to Europe, the institutional support of rigor and the legal incentive, policy of structural reforms and liberalization of the companies, educated population with technical training and a major political and institutional stability which it is in a continuous process of democratization (Starting a Business in Morocco 2013).

The main reasons and benefits for doing business in Morocco are the following (Invest in Morocco 2013):

#### Cost competitiveness

Morocco is a competitive country for export: low wages, competitive costs to export and low tax rates (Invest in Morocco 2013).

- Average salary: 255 Euros per month (Invest in Morocco 2013).
- Minimum salary: 168 Euros per month (Invest in Morocco 2013).
- Wage of a skilled worker: 1 Euros per hour (Escribano & Jaidi 2008, 66).
- Minimum agricultural wage: 5 Euros per day (Escribano & Jaidi 2008, 66).

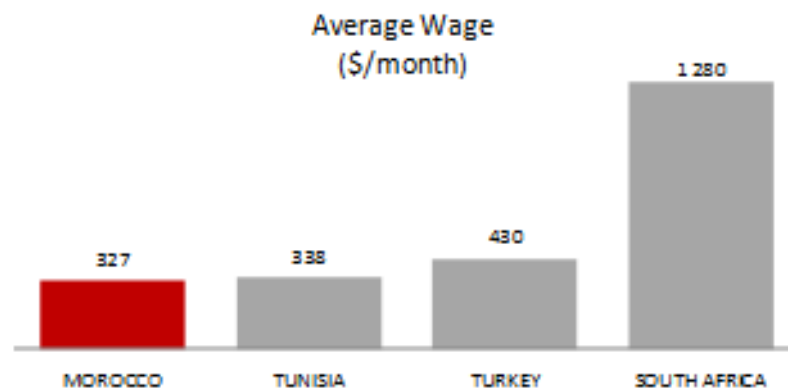


Figure 4 Average wage (Invest in Morocco 2013)

Competitive costs to export, i.e. 545 Euros per container (Invest in Morocco 2013).

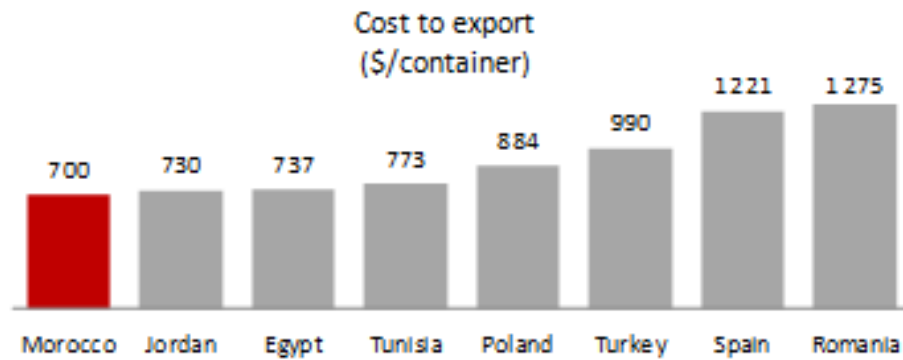


Figure 5 Cost to export (Invest in Morocco 2013)

Low tax rates, i.e. taxes paid by companies represent around 42% of their profit (Invest in Morocco 2013).

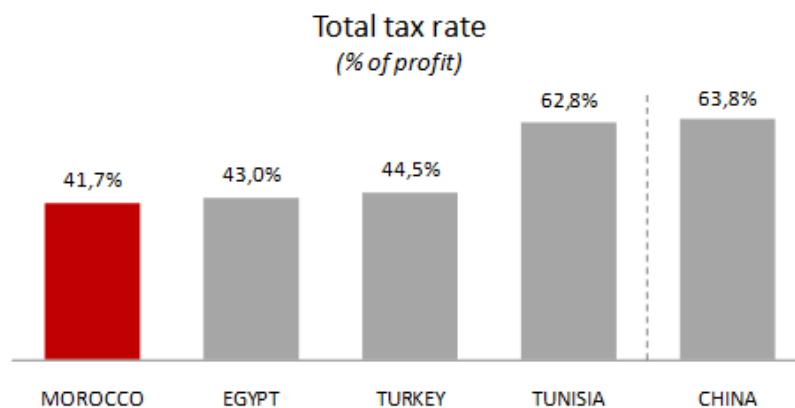


Figure 6 Total tax rate (Invest in Morocco 2013)

### Strong and stable Macroeconomic performances

For Moroccan governments preserving macroeconomic stability is a major concern. Several structural reforms and actions have been taken to place the country on the way of sustainable growth. The economy has been growing continuously with an average growth of 5.1% over the period of 2001-2011. It has registered an increase of 3.3 points compared to the previous years. Morocco's economy has shown to be resilient, despite the international economic and financial crisis. The inflation has been controlled around 2% despite the increase in oil and raw material prices (Invest in Morocco 2013).



### Free trade access to one billion consumers

Morocco has several free-trade agreements all over the world as (Invest in Morocco 2013):

- Agreement with the US in 2005
- Agadir Agreement in 2004
- Arab League Agreement in 1998
- Agreement with the European Union in 1996
- Agreement in progress with the West African Economic and Monetary Union

Morocco takes advantage of being the first country in the southern side of the Mediterranean as it benefits from the advanced status in its relations with the European Union. Due to these diverse free-trade agreements, Morocco offers investors free duty access to a wide market of 55 countries representing more than one billion consumers (Invest in Morocco 2013.)

### World class infrastructure

Morocco undertook large-scale projects in order to elevate its infrastructure to international standards for more than a decade. The Tanger-Med Port opened with a total capacity of over 3 million containers in 2007 and it is estimated that it will rise to 8 million in 2016. The overall port infrastructure consist of 11 ports meeting international standards. There are 15 international airports in Morocco connecting major cities and economic platforms of world affairs used by a multitude of international companies. Also Morocco has a wide network of Economic Activities Zones, i.e. Integrated Industrial Platforms, clusters and free zones (Invest in Morocco 2013.)

### Qualified labour force

In Morocco, human resources are considered as a competitive investment and a value creator regarding commitment to entrepreneurship, competitive labour costs, new technologies, adaptation capacity to change, education level, cultural openness and language skills. The population is young and active, i.e. 64% of population are aged under 34 and 12 million are considered as active population. Morocco has qualified labour force, i.e. 40,000 higher education graduates per year including 10,000 engineers from 16 different universities all over Morocco. Moroccans have advanced linguistics capacities, i.e. the most usual languages spoken by Moroccans are French, and Spanish. Also there is a large penetration of English among management staff and young people. Furthermore, Morocco offers training institutes for each sectorial strategy and vocation training adapted to market needs, i.e. 220,000 students trained per year in 300 vocational training institutions (Invest in Morocco 2013.)

### Sectorial Plans

Morocco undertook several strategic sectorial plans to ensure a strong and sustainable economic growth. These reforming plans are marked by an innovative contracting approach and some public private partnership upholding greater and coordinated participation from the private sector in the development of several sectorial policies and strategies along with the financing of projects empowering to refocus the State's role on its regulatory powers. All these strategies are included in a process to accelerate the development of some strategic sectors like agriculture, renewable energies, logistics, fishery, mining and other rising sectors as aerospace, automotive and services with high added value (Invest in Morocco 2013.)

### Constantly improving business climate

In order to promote the investment act, Morocco is developing a set of mechanisms for improving the business climate, increasing competition and transparency. Some of these mechanisms are as follows (Invest in Morocco 2013):

- Simplification of business administrative procedures
- Strengthening business law framework, i.e. law on industrial and intellectual property, law on competition and pricing and law on economic interest groups
- Enhancing regulatory transparency
- Developing and modernizing financial markets
- Creation of the Business Environment National Committee
- Foundation of the Central Authority on the Prevention of Corruption
- Creation of the Moroccan Office for Intellectual and Commercial Property
- Promoting the Charter on Corporate Social Responsibility

#### 3.2.1 Business Culture

Morocco is an emerging market where many international companies are interested on doing business. Companies want to be active to find a place in the market to introduce their products and services among competitors. But not only is getting their products and services to market the key to success, it is also very important how companies present their selves to the Moroccan market. Getting to know and understanding Moroccan business

culture and proceeding according to the etiquette facilitate to create mutual trust. These tips are the key for achieving cooperation and success.

Some important tips on Moroccan business culture and relationships are as follows (Kwintessential 2013):

- Making a decision takes time, especially due to the bureaucratic nature of Moroccan enterprises. Business issues are taken with patience. Moroccans do not like to rush.
- During the first meeting or contact, generally it is better to be represented by a trusted person. The business meetings should be set beforehand for a long term, and it must be confirmed one or two days in advance. It must be avoided to select a date during the month of Ramadan.
- The language used for business is French, although it is advised to obtain preliminary information about the language used in the company concerned.
- The handshake is the traditional greeting practice. Between male friendships they can kiss each other. On the other hand, in the case of a meeting at which there are women, they are the ones extending the hand at first to greet.
- Presentations have to be formal and special reference is made in the case of important or relevant people. The hierarchy is very important for Moroccan culture.
- Moroccans prefer long term relationships and familiarity between their contact people. It is a matter of trust. In addition, networks are very important in Morocco. It could be very useful to have references or a trusted person to get into a business or job.
- According to the tradition, guests usually bring sweet pastries or flowers to the hostess when they are invited to a Moroccan's home. Alcohol should be avoided due to bribery is totally forbidden in Islam. Gifts should not be open at the moment.
- During business communication, it is not common to show a disapproving expression. For Moroccans, facial expressions are an important indication. Moroccans believe that prices can always be negotiated.
- According to dress code, it is defined as formal, being dark suit for men and tailored suit for women.
- Business cards are not mandatory, but they are taken into consideration. Business cards are designed so that one side of the card is written in French and the other side in Arabic.

- Foreign visitors are expected to be punctual for meetings although Moroccans may arrive thirty minutes to an hour late due to they dislike being rushed.
- Practising Muslims will take breaks during meetings to perform their prescribed five daily prayers. A prayer break will be taken no matter how important the issue being discussed during a meeting or the stage of the discussions. They are very strict about the exact prescribed time for these prayers at dawn, noon, afternoon, sunset and early night (Alserhan n.d., 19.)

### Business relationships and Communication

Moroccans prefer doing business with people that they know and trust, therefore they expect spending time together for cultivate a personal relationship before getting into business. Since bureaucracy is a serpentine and time consuming process, it is very important cultivating and networking a high number of contacts who may then help and assist through it. Moroccan business practises are highly influenced by French culture, emphasizing courtesy and formality. Dressing and presenting yourself well is significant for Moroccans, because they judge people on appearances (Kwintessential 2013.)

### Business Meeting Etiquette

Appointments are mandatory and should be made as far as possible in advance and then confirmed a day or couple of days before the meeting. Scheduling meeting during Ramadan is best to avoid since Muslims are not allowed to drink or eat during the daytime. Also a meeting should never been scheduled on Friday between 11:15 a.m. and 3:00 p.m. due to most companies close for Muslims prayers (Kwintessential 2013.)

Punctuality is another cultural issue. Since it is a relationship-driven culture, although Moroccans strive to arrive on time it is often difficult for them to do so. Foreign companies should arrive on time and be ready to be kept waiting (Kwintessential 2013.)

Generally, Moroccans perform an open-door policy. This means that the attendants may experience several interruptions by some others wandering into the room and starting a different discussion, even during meetings. The assistants are allowed to join the new topic but never to bring the topic back to the previous discussion until the person leaves. French is usually the language of business, although English is also used by some companies (Kwintessential 2013.)

### Business Negotiations

Companies are considered as hierarchical structures. After a group consensus, the highest ranking person makes decisions. Decisions usually require the time and approval of many managers because of the bureaucratic nature of most Moroccan companies. If the government is involved, dis-

cussions might take even longer since ministers in different departments must usually give approval (Kwintessential 2013.)

Business relationships are based on long-terms agreements. Moroccans do not criticize anyone in public. It is important to do not cause Moroccan business partners to lose face since they are non-confrontational. Moroccans may agree during meetings rather than cause anyone to lose face (Kwintessential 2013.)

In general, Moroccans are more fairly and reserved around their superiors and they will not be direct with the ones above them. However, they may have animated debates and even speak over each other when around people of the same status (Doing Business in Morocco 2009.)

While doing business with Moroccans expect a fair amount of haggling due to they seldom see an offer as final. They can be deliberate and forceful negotiators (Kwintessential 2013.)

Moroccans use to make decisions slowly. Business partners should avoid rushing the process or use high-pressure tactics due to it would be interpreted as an insult and it might work against the business success. The Moroccan society is extremely bureaucratic because of most decisions require several layers of approval. It usually takes several meetings to accomplish tasks (Kwintessential 2013.)

#### Dress Etiquette

Overall business dress is formal and conservative. For the initial meeting, men should wear dark coloured business suits. Women should wear business suits, conservative dresses or pantsuits. Women must pay attention to cover themselves appropriately. Sleeves should cover most of the arm and dresses and skirts should cover the knee. Also women should avoid wearing expensive accessories.

### 3.2.2 Setting up a business in Morocco

Setting up a business requires performing official procedures and doing some paper work with official departments and public agencies in Morocco. Entrepreneurs must complete all the procedures to start up and operate a commercial or industrial business formally, as well as the cost and time to complete them and the paid-in minimum capital requirement. All these procedures cover obtaining necessary licenses, permits and carrying out any required notification or inscription for the company with relevant authorities (Doing Business 2013.)

Table 4 Starting a Business (Doing Business 2013)

	Starting a Business rank	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-in Min. Capital (% of income per capita)
SPAIN	136	10	28	4,7	13,2
MOROCCO	56	6	12	15,5	0
ALGERIA	156	14	25	12,1	27,2
MAURITANIA	160	9	19	47,6	327,9

There are some steps for foreigners and nationals setting up a business in Morocco. These steps to create a company or organisation are as follows (Invest in Morocco 2013):

#### Step 1: Reservation of Name

The reservation name concerns all the companies. The relevant administration in charge of arranging the reservation is the Moroccan Office of Industrial and Commercial Property represented in the Regional Investment Center (CRI). The required documents for the reservation name are as follows:

- ID or passport
- Application form available at the Regional Investment Center
- A copy of the ID or passport if the investor is represented by another person.

The required fees of this first step for the search, negative certificate and the receipt stamp are in total MAD 170 (EUR 16 approximately) payable. The negative certificates are no longer valid after one month of being issued and after a period of one year, negative certificates withdrawn and not registered in the trade register are not be valid (Invest in Morocco 2013.)

#### Step 2: Articles of Incorporation

The Articles of Incorporation concern all the companies. The relevant administration where it must be requested from is the judicial chamber, i.e. judicial advisers, lawyers, notaries, fiduciaries and accountants. The supporting documents are usually defined by the judicial chamber assigned to the each case. The required fees are a stamp fee per sheet for the legalization (MAD 20, EUR 2 approximately), fees of the judicial chamber and a registration fee that it costs 1.5% of the capital or MAD 1,000 minimum (EUR 91 approximately) (Invest in Morocco 2013.)

### Step 3: Application Form

The Application Form is compulsory for the following type of corporations:

- Corporations
- Joint Stock Company
- Simplified Joint Stock Company
- Partnership Limited by Shares

The pertinent administrations in charge of application form are the judicial chambers, i.e. judicial advisers, lawyers, notaries, expert accountants and fiduciaries. The supporting documents are the subscription forms signed by subscribers. The required fees regarding the application form are the law firm fees (Invest in Morocco 2013.)

### Step 4: Blocking of Capital

Blocking capital is concerned by the next commercial companies:

- Public Limited Company (PLC)
- Limited Company (Ltd)
- Simplified Joint Stock Company (SJSC)

The relevant administrations liable for blocking capital are banks. The requirements concerning this step are about the submission that it shall be made within 8 days from the receipt of funds by the company. A certificate blocking the amount of the released capital will be issued by the bank. The supporting documents for blocking capital are as follows (Invest in Morocco 2013):

For Public Limited Company (PLC):

- Statutes
- Negative Certificate
- Identity papers
- Subscription bulletins

For Limited Company (Ltd):

- All documentary evidence, except the subscription

For Simplified Joint Stock Company (SJSC):

- Total blocking of the amount of the released capital

For PLC and Ltd:

- Blocking of  $\frac{1}{4}$  of the amount of the released capital

### Step 5: Declarations Subscription and Payment

Declarations subscription and payments concern the following types of companies:

- Public Limited company (PLC)
- Simplified Joint Stock Company (SJSC)
- Limited Partnerships with a share Capital (LPSC)

The relevant administration in charge of Declarations Subscription and Payment are Law Offices, i.e. legal advisers, lawyers, notaries, trust companies and accountants. The legal form of the subscription and payment declaration is followed to dead under private seal made by the law firm and filed to the Registry of the court at the place of the head office. The supporting documents are the bulletins sent by the notary and the certification blocking the released capital from the bank. The fees charged for the paperwork in this step are the fees of the notary or trust company (Invest in Morocco 2013.)

### Step 6: Constituent Acts Deposit

Constituent Acts include the creation date of the company, the name of the partners, the sector they will operate in. The Constituent Act Deposit refers to the capital made by each shareholder, the distribution of dividends and profits for legal purposes with the Public Treasury (Invest in Morocco 2013.)

### Step 7: Trading Tax and Fiscal ID Subscriptions

This step concerns individual companies and corporations except for the General Partnership that it is optional, for the payment of License tax, Income tax and VAT. The relevant administration liable for trading tax and fiscal ID subscriptions is the Regional Directorate of Taxes represented in the Regional Investment Center. There are no fees required for this step. The supporting documents for License tax are as follows (Invest in Morocco 2013):

- Diploma or accreditation for regulated activities
- Agreement in principle for the classified establishments
- The acquisition contract, contract or address certificate by a legal entity and the lease contract

### Step 8: Register of Commerce Registration

Registration concerns all the companies except for Joint-ventures. The relevant administration in charge of the registration is the Commercial Court represented in the Regional Investment Center (CRI). The required fees concerning this step are for moral entities and for physical persons. These fees amount to MAD 350 or EUR 32 approximately (Invest in Morocco 2013.)



### Step 9: Social Security Affiliation

Social Security Affiliation concerns all commercial companies. The relevant administration liable for is the Caisse Nationale pour la Sécurité Sociale (CNSS). The only requirement for the affiliation is the submission that it shall be made within eight days from the receipt of funds by the company. There are no applied fees in this step (Invest in Morocco 2013.)

### Step 10: Official Gazette Publications

The Official Gazette Publications concern all the companies. The relevant administration in charge of is the Official Gazette and the official ads newspapers. The required documents for Joint Stock companies, Simplified Joint Stock companies and Economic Interest Groups are the publication in an official ads newspaper before the registration in the trade register, and then a second publication in an official ads newspaper and in the Official Gazette after the registration. The required documents for other forms of corporations are the publication in an official ads newspaper and the Official Gazette after the registration in the Trade Register. The required fees are variable (Invest in Morocco 2013.)

## 3.3 Agricultural Trade Fairs and exhibitions

Agricultural trade exhibitions are specific events specialized on agricultural products, equipment and services. Some of the trade exhibitions that take place in Morocco are as follows:

### SIAM, Meknes

The most relevant trade fair happening in Morocco is called “Salon International de l’ Agriculture au Maroc (SIAM). The sectors represented in SIAM are machinery, agricultural implements, drip irrigation, sprinkler, packing systems and a wide variety of vegetables and fruits, among others. It is considered the main international agricultural show in North Africa, due to SIAM 2013 received 630,000 visitors and 920 exhibitors from 51 countries, including Belgium as guest of honour. SIAM has been organized annually since 2006 in Meknes, Morocco. The main theme of 2011 show was “Research and Innovation”, SIAM 2012 show was “agriculture solidarity” and SIAM 2013 expo is focused on “Agribusiness and Food Security: Better Utilization of Agricultural Potential”. SIAM is inspired by an increased sensibility to environmental issues and a need for an ongoing search of sustainability agricultural practices and competitiveness in accordance with current climate matters generalized present (SIAM 2013.)

The agricultural sector, which is essential for development in a constantly changing environment, contributes considerably to the environmental trends and the land use. SIAM’s aim is to bring opportunities, promote and develop Moroccan secular farming to fully enter tomorrow’s agricultural world. SIAM exhibition is an opportunity to set partnerships between Moroccan and foreign professionals of the agricultural sector. SIAM offers an innovative space, supporting a new definition of agricultural practices. Its

potential aims to create positive effects based on strategic partnerships and an efficient international cooperation. Morocco is considered as one of the most relevant markets concerned development and internationalization for the Andalusian agricultural companies (SIAM 2013.)

SIAM 2013 welcomed a delegation of eight Andalusian companies specialized on the auxiliary agricultural industry. The Andalusian entrepreneurs were able to assess the situation of Moroccan agriculture and get in touch with domestic and foreign agents operating in different regions of Morocco. The Andalusian participation was organized by the Andalusian Agency of External Promotion called Extenda. The main objective of this action was to spread and promote internationally the Andalusian industrial supply. It is co-financed with funds from the European Union associated to FEDER, Operative Program of Andalusia 2007-2013, for increasing the growth, competitiveness and employment of the Andalusian region (Europa Press, Lainformacion.com 26.4.2013.)

#### AgriMaroc

AgriMaroc is an international trade expo based on agriculture and forestry. It is celebrated annually in Casablanca where it meets many exhibitors and visitors.

#### Sistep Midest, Casablanca

Sistep Midest is an annual international trade show for industrial partnership and for subcontracting industry. It is organized by Bourse National de sous-traitance et de partenariat du Maroc (BNSTP), the Federation of Industries Mechanical, Metallurgical and Electromechanical (FIMME) Maroc Export and Business to Fairs. BNSTP is a non-profit organisation that has undertaken the task of promoting industrial partnerships between Morocco and foreign countries, and to empower Moroccan subcontractors' attendance on international trade exhibitions. This expo is supported by the European Commission (TradeFairDates 2013.)

The aim of this show is to facilitate and further strengthen development and trade among the subcontracting community. The main objectives are to cultivate strategic partnership connections between companies in the European Union, the Maghreb region and Africa, and to promote and support economical trade between all these regions (B2fair 2013.)

Sistep Midest is formed by 191 exhibitors from 15 countries and 60% of them are foreign companies as Algeria, Tunisia, United Arab Emirates, Turkey, Spain, Portugal, Italy, France, Germany, Belgium, Hungary, Poland, Luxembourg and China. This expo between national and international companies empowered to exchange and facilitates new partnerships (Sistep Midest 2013.)

### Mima, Casablanca

Mima is an annual international trade fair of machinery, equipment and services located in Casablanca. The exhibitors are from Europe, the Middle East, Asia, Africa and Morocco. Mima is a communication platform about latest developments, trends, services and products from different industries that offers exhibitors the chance to present themselves to other exhibitors and an audience of experts (TradeFairDates 2013.)

### Sifel, Agadir

Sifel is an international exhibition of fruit and vegetables celebrated annually in Agadir. The expo is formed by 400 exhibitors and 65,000 visitors from Morocco and many other countries. The first edition of this trade fair was in 2003. The expo is organized by the Ministry of Agriculture and Maritime Fishing, the Association of Producers and Exporters of Fruits and Vegetables Producers from Morocco (APEFEL) and the Support Staff of the Regional Council Souss Massa Draa (Sifel Agadir 2013.)

Sifel is an ideal venue combining exhibition and conferences where producers, agri-suppliers, machinists, researchers, trainers and institutions promote and implement future strategies about investment and marketing. Sifel aims to support the strategy developed for fruit and vegetables, which is the main subject for intensive development programs in the Green Morocco Plan, for both fresh and processed products. Sifel offers to the exhibitors the opportunity to direct sales, to attract new customers and to learn from the latest innovations in the field (Sifel Agadir 2013.)

### Plast expo, Casablanca

Plast expo is an international plastics, rubber, composites, packaging and conditioning trade fair in Casablanca. This expo offers place to 146 exhibitors from 19 countries and over 2,800 visitors. Plast expo is the most important meeting point for the packaging and plastic industries. The market leaders that participate in this expo are from Morocco, Tunisia, Qatar, Spain, Portugal, India, China, France, Germany, Austria, Belgium, Canada, Italy, Kuwait, Switzerland, Taiwan, Turkey and the USA. All of them present their innovations in this trade show. The Moroccan Plastics Association (FMP) in cooperation with Forum 7 and fair-trade organise Plast expo in order to support the backdrop of massive investments into the North-African plastics and packaging industries and the huge increase in demand for chemicals and plastics products (Plast expo 2013.)

## 3.3.1 Agro-tourism

Agro-tourism is a form of tourism that provides direct contact for visitors to agricultural areas with traditional and modernized activities associated to agri-business. There are many companies specialized in agro-tourism. They organize agricultural activities and guided tours in their own regions. These agricultural tours are directed to nationals and international cus-

tomers, offering the opportunity to combine pleasure with business for agribusiness professionals, researchers, technicians, experts and academics.

The agro-tourism contributes and promotes culture and custom learning of a specific region. It aims to combine three pillars of society such as agriculture, tourism and the environment, transforming them into a cultural and professional activity. It promotes regional development and contributes to improve the income of the regional population.

## 4 ANALYSIS

### 4.1 SWOT analysis

SWOT analysis for Construcción de Invernaderos El Parador is a method used to evaluate internal factors of the company and its current situation regarding its strengths and weaknesses, and the external factors in accordance to the environmental opportunities and threats in Morocco.

#### **STRENGTHS:**

- 30 years of experience in the agricultural sector
- Well-respected employer
- Well-known and trustable image in Almeria, Granada and Murcia
- Qualified and experienced employees
- Well-equipped → machinery
- Familiar company → strong relationship and unity
- Based on “Turnkey projects” → no outsourcing services
- Flexible, efficient and finishing projects punctually
- Competitive prices
- Experienced on government projects

#### **WEAKNESSES:**

- No international experience
- Lack of language skills
- Lack of cultural knowledge about Morocco
- Lack of enough labour force to assist the project abroad

## **OPPORTUNITIES:**

- Low labour costs
- Large domestic market
- Emerging market and growing economy
- High profits margin
- Existing distribution networks
- Increasing growth rate in sales /Growing demand
- Low cost of shipping freight
- Well connected transportation Almeria-Morocco
- Many Spanish companies in the sector → possible partnership
- Large labour force
- Low cost of production

## **THREATS:**

- Corruption
- Increased competition
- Price changes
- Rising cost of raw materials
- Technological problems
- Too many taxes
- External business risks
- Increased competition
- Lack of resources
- Weak marketing and promotion activities
- Industrial base still small
- Lack of expertise in international trade
- Lack of qualified workforce
- Old farming techniques (75% ) ←→
- Institutional deficiencies and obstacles, i.e. justice
- High cost → energy, industrial land, transportation

## 4.2 Interview

### **Q1. When and why does Construcción de Invernaderos El Parador come up with the idea of expanding the business to a new country?**

After thirty years working on the agricultural and industrial building sector as a leading company, the executive team of the company decided that it was time for growing and expanding the business in order to internationalize and diversify their business activities.

### **Q2. What are the reasons for considering Morocco as a target market?**

Morocco is the most common market for a company from Almeria that it is ready to enter a foreign country. The reason for considering Morocco is not just due to the geographical location and its proximity, but because it is possible to export many of their products that they fit with the needs demanded from the Moroccan entrepreneurs and customers. In addition, Spain and Morocco share/has a long business relationship between companies. This fact may support Construcción de Invernaderos El Parador to start doing business in the target market.

### **Q3. What are the benefits that the company could achieve by entering the Moroccan market?**

The main reasons for the company are to increase the range of potential customers, increase the sales, save costs and it may be also a learning experience for future opportunities developing projects on third countries.

### **Q4. What are the challenges that the company could face by entering the Moroccan market?**

Generally, exporting products and services to foreign countries is a risky and challenging activity. In the case of this building company, they offer products and services that require high specialization. They demand qualified workforce with the knowledge of usage of specific heavy machinery.

### **Q5. What are the company expectations and objectives regarding to enter the Moroccan market?**

The company expects a positive growth, since few companies in their industry, have the capacity to cope when entering a foreign market. Their short term goals are to generate 10% of their turnover in the Moroccan territory. For the long term, their goals are more ambitious due to they are expecting it to rise up to 25% their turnover. They think that it would be a feasible challenge although they are aware that they is still a long way to go.

**Q6. What are the future plans if the company succeed or fail in the Moroccan market?**

Each new project is a challenge. In this case, starting business activities in a new market must be developed cautiously and being aware that failure is always possible. Therefore, they will start approaching the Moroccan market in a conservative and cautious way. The company will try to find a Moroccan partner in order to provide them the knowledge of the local market and the idiosyncrasies of the local entrepreneurs. On the other hand, the company brings the experience of over 30 years in the sector, a trustable image of the company and a well-known and respected employer.

**Q7. What are the key success factors, strengths and values in order to achieve the company objectives in the Moroccan market?**

The factors that could make them succeed and achieve the objectives in the Moroccan market are the same ones that they have applied in their region that every year make their results to grow in Spain. The company is experienced and expert. They are the only company in their region able to provide turnkey projects with no need of outsourcing. This fact makes them very flexible and effective.

**Q8. How does the company plan to meet the demand for required workforce? Is the company going to train the employees by itself or is it going to be outsourced? Is it the company planning to hire Spanish or Moroccan staff?**

Their initial idea is to send a technical manager to Morocco and a few skilled workers. This would help to train local workers in order to learn and suit the needs of the company. The company is planning to divide the Spanish skilled workers individually in different groups of local employees.

**Q9. How is the company going to cope with the differences regarding to culture and language?**

The company will seek Moroccan workers who are able to speak Spanish. At least a few of Spanish speaker Moroccans will be useful to be distributed in each team work in order to serve as interpreters for the Spanish crew leaders.

**Q10. What could Construcción de Invernaderos El Parador offer other than their potential competitors do?**

The company offers over 30 years of experience in the agricultural sector, building mainly greenhouses but also experienced in construction of agricultural and industrial warehouses and rafts. Despite of their broad experience (two generations coexist in the company), they are the latest on new construction techniques and all kind of machinery.



**Q11. Do you think that the company will need to adjust its product portfolio?**

It might be necessary to adjust some of the products, such as using fabric instead of plastic for building greenhouses (requested by some customers). These adjustments are not a problem for the company. Construcción de Invernaderos El Parador is characterized by its flexibility approaching projects. They adapt to the customer needs, the climate and the land where the project is going to be execute.

**Q12. How risky is it for the company to enter the Moroccan market? From 1 (low risk) to 5 (high risk).**

The company will enter the Moroccan market cautiously. First, they will work on small projects and after getting some experience on the new market and understand the idiosyncrasies of the potential customers, they will get involve into bigger projects.

The company grades the risk with 3 points.

**Q13. Would the company consider expanding the business to neighbouring countries if it succeed in the Moroccan market?**

Construcción de Invernaderos El Parador will consider the possibility of doing business with neighbouring countries in the long term due to the proximity to Morocco and the growing demand of agricultural products and services especially in Algeria.

## 5 RECOMMENDATIONS

The thesis writer recommends to Construcción de Invernaderos El Parador S.L. to enter the Moroccan market cautiously through activities that imply low risk and costs from the starting point.

The company should be promoted and disclosed in the Moroccan market in order to find potential partners and customers. The attendance to the most relevant international trade exhibitions celebrated in Morocco, such as Sifel in Agadir and Siam in Casablanca, is very important for this agricultural company. They may meet many companies from Spain and Morocco willing to cooperate together or establishing some partner relationships. These trade fairs will help the company to analyze the situation of the market, to learn and understand how agricultural business works in this country and the opportunities that it could bring up. On the other hand, trade fairs are celebrated just once a year and during few days many visitors, companies, investors interact with each other. This could affect negatively due to they might need to wait long for a reply from the companies that they got interested. Also during trade fairs to go far on discussions might be difficult because of the lack of time.

The commissioning company should search for Spanish and Moroccan companies operating in the last one, in order to contact them to arrange some meetings to show their products and services to them. For this, they should be ready to travel to Morocco and spend some days visiting different companies for establishing business relations and potential relevant contacts. During this first stage, a travelling salesperson from the company might need to go often to this country in case of further discussions about possible partnerships or potential customers interested in their products and services.

For the long term, it will be necessary that a representative of the company will move to Morocco permanently in order to have a higher control and a more direct and solid customer relationship.

The lack of language skills does not represent a big issue in this market entry project. They could contract for a very low price a translator in Morocco that at least will assist them during the first months. But for long term business relationships, they should consider to learn French or hire a new employee that will be qualified.

## SOURCES

Albaum, G., Duerr, E. & Strandskov, J. 2008. International Marketing and Export Management. 6<sup>th</sup> edition. Essex: Pearson Education Limited

Alserhan B.A. n.d. "The Principles of Islamic Marketing". United Arab Emirates University, UAE. Accessed 18<sup>th</sup> March 2013.  
<http://www.gowerpublishing.com/isbn/9780566089220>

B2fair 2013. Accessed 24<sup>th</sup> May 2013.  
<http://www.b2faironline.com/sistep-midest2012/>

BBC News 2013. Accessed 14<sup>th</sup> May 2013.  
<http://news.bbc.co.uk/2/hi/europe/2141640.stm>

Be convdocs 2013. Accessed 15<sup>th</sup> May 2013.  
<http://be.convdocs.org/docs/index-38930.html?page=3>

Destination 360. Accessed 14<sup>th</sup> May 2013.  
<http://www.destination360.com/africa/morocco/map>

Doing Business 2013. Accessed 14<sup>th</sup> May 2013.  
<http://www.doingbusiness.org/methodology/starting-a-business>

Doing Business in Morocco 2009. Accessed 10<sup>th</sup> May 2013.  
<http://www.communicaid.com/access/pdf/library/culture/doing-business-in/Doing%20Business%20in%20Morocco.pdf>

Doing business in Morocco. n.d. Chartered Accountants & Business Advisers.

Escribano, G. & Jaidi, L. 2009. La Internacionalización de la Empresa Española. Estudio monográfico sobre el entorno económico y las oportunidades de inversión en Marruecos. Madrid: Fundación Real Instituto Elcano

Europa Press 2013. Un total de 8 empresas andaluzas de la industria auxiliar agrícola muestran su oferta en la feria marroquí SIAM 2013. Lainformacion.com 26.4.2013. Accessed 24<sup>th</sup> May 2013.  
[http://noticias.lainformacion.com/economia-negocios-y-finanzas/comercio-internacional-extranjero/un-total-de-8-empresas-andaluzas-de-la-industria-auxiliar-agricola-muestran-su-oferta-en-la-feria-marroqui-siam-2013\\_pcvP1RYgXC81pnBcXO5jO4/](http://noticias.lainformacion.com/economia-negocios-y-finanzas/comercio-internacional-extranjero/un-total-de-8-empresas-andaluzas-de-la-industria-auxiliar-agricola-muestran-su-oferta-en-la-feria-marroqui-siam-2013_pcvP1RYgXC81pnBcXO5jO4/)

Expo-port n.d. Forms of Trade Shows. Accessed 20<sup>th</sup> May 2013.  
<http://www.expo-port.com/Articles/view/9>

Grafers, H. W., Schlich, A. W. & Söderström, W. 2006, Strategic Export Management. 1<sup>st</sup> edition. Helsinki: WSOY Educational Corporation

Hollensen S. 2011. Global Marketing: A Decision-Oriented Approach. 5<sup>th</sup> edition. Essex: Pearson Education Limited

Hollensen, S. 2007. Global Marketing: A Decision-Oriented Approach. 4<sup>th</sup> edition. Essex: Pearson Education Limited

Hollensen, S. 2008. Essentials of Global Marketing. Essex: Pearson Education Limited

Invernaderos El Parador n.d. Site Editor Futura Design. Accessed 12<sup>th</sup> March 2013.  
[www.invernaderoselparador.com](http://www.invernaderoselparador.com)

Invest in Morocco 2013. Accessed 15<sup>th</sup> May 2013.  
<http://www.invest.gov.ma/?lang=en&Id=3>

Kwintessential 2013. Accessed 7<sup>th</sup> May 2013.  
<http://www.kwintessential.co.uk/resources/global-etiquette/morocco-country-profile.html>

Morocco More Business 2012. Accessed 10<sup>th</sup> May 2013.  
[http://www.invest.gov.ma/upload/documents/es\\_Doc\\_189.pdf](http://www.invest.gov.ma/upload/documents/es_Doc_189.pdf)

NL HUB 2013. Accessed 18<sup>th</sup> February 2013.  
<http://www.nlhub.nl/our-approach/>

Plast expo 2013. Accessed 25<sup>th</sup> May 2013.  
[http://www.plast-expo.com/exhibitors\\_1150.html](http://www.plast-expo.com/exhibitors_1150.html)

SIAM 2013. Accessed 23<sup>rd</sup> May 2013.  
<http://www.salon-agriculture.ma/pages-an.php?IncPage=WORD%20OF%20THE%20COMMISSIONNER>

Sifel Agadir 2013. Accessed 24<sup>th</sup> May 2013.  
<http://www.sifelmorocco.com/fr/salon-sifel/presentation.html>

Sistep Midest 2013. Accessed 24<sup>th</sup> May 2013.  
<http://www.sistep-midest.com/index.php?/en/EXHIBIT/THE-SHOW>

Starting a Business in Morocco 2013. Accessed 14<sup>th</sup> May 2013.  
[http://www.startingbusinessinmorocco.com/index.php?option=com\\_content&task=view&id=13&Itemid=120](http://www.startingbusinessinmorocco.com/index.php?option=com_content&task=view&id=13&Itemid=120)

The Money converter 2013. Accessed 27<sup>th</sup> May 2013.  
<http://themoneyconverter.com/ES/MAD/EUR.aspx>

The World Factbook 2013-14. Washington, DC: Central Intelligence Agency, 2013. Accessed 29<sup>th</sup> April 2013.  
<https://www.cia.gov/library/publications/the-world-factbook/geos/mo.html>

TradeFairDates 2013. Accessed 24<sup>th</sup> May 2013.

<http://www.tradefairdates.com/Sistep-Midest-M1982/Casablanca.html>

TradeFairDates 2013. Accessed 24<sup>th</sup> May 2013.

<http://www.tradefairdates.com/Mima-M7342/Casablanca.html>

## ENTREVISTA

1. ¿Cuándo y por qué surge la idea de ampliar Construcción de Invernaderos El Parador hacia otro país?
2. ¿Cuál o cuáles han sido las razones que han llevado a la empresa a elegir Marruecos para su propósito de expansión?
3. ¿En cree usted que beneficiaría a la empresa la entrada al mercado marroquí?
4. ¿Cuáles cree usted que son los desafíos a los que la empresa podría enfrentarse a su entrada al mercado marroquí?
5. ¿Cuáles son las expectativas y objetivos a alcanzar por la empresa con respecto a a su entrada a Marruecos?
6. ¿Cuáles son los planes futuros de la empresa tanto si triunfa como si fracasa en el mercado marroquí?
7. ¿Cuáles son los factores claves de éxito, valores y puntos fuertes de Construcción de Invernaderos El Parador para conseguir sus objetivos en el mercado marroquí?
8. ¿Cómo planea Construcción de Invernaderos El Parador organizar la contratación y preparación del personal requerido para la entrada al nuevo mercado? ¿Formaría y prepararía la empresa a los trabajadores o contrataría el servicio de una segunda empresa para este propósito? ¿Contrataría personal español o marroquí?
9. ¿Cómo planea su empresa hacer frente a las diferencias culturales y del idioma?
10. ¿Qué podría ofrecer Construcción de Invernaderos El Parador diferente a lo que otras empresas de la competencia ofrecen en Marruecos?
11. ¿Cree usted que la empresa debería hacer algunas modificaciones o ajustes en su cartera de productos y servicios para poder adaptarse y ofrecer una mayor satisfacción al mercado marroquí?
12. En una escala de 1 (bajo riesgo) a 5 (alto riesgo), ¿qué valor le daría al riesgo que conlleva para Construcción de Invernaderos El Parador la entrada al mercado marroquí? ¿Hasta que punto o límite está dispuesta la empresa a arriesgar por entrar en el mercado marroquí?
13. ¿Consideraría Construcción de Invernaderos El Parador la posibilidad de expandir con el tiempo el negocio hacia los países vecinos de Marruecos como Argelia, Mauritania, Túnez o Libia?