

A Preliminary Study on the Opportunities, Challenges, and Strategies for Chinese Detergent Companies to Enter African Market-take Senegal as An Example

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Keywords: Detergent Companies; Africa; Senegal

Abstract: The detergent industry in China is increasing but with fierce competition. Africa's investment environment faces many challenges but also with good opportunities. This paper takes Senegal as an example, studies the national characteristics of Senegal, discusses the entry strategy of Chinese detergent companies, and develops the strategy adapting local conditions with complementary advantages.

Since ancient times, human life relates to clothing. Detergent products derived from the need of cleaning clothing which led to a huge detergent industry. With the rapid development of China's economy, Chinese detergent companies were growing. Nowadays, they not only tried to expand the domestic market, but also seek opportunities all over the world.

1. China's Detergent Industry

According to National Bureau of Statistics and China's detergent Industry Association, the production of synthetic washing powder, liquid detergent and soap is around 3.3, 6.7 and 0.9 million tons respectively in 2019. The total output has reached nearly 11 million tons. The production of liquid detergent doubled that of washing powder, while the production of soap gradually shrank. This phenomenon also reflected in the retail market. At present, the Chinese market has formed a strong competition between liquid detergent and washing powder market. The liquid detergent market is expanding. Since over the past 10 years, "liquid detergent products won the favor of Chinese consumers because of its advantages of convenient usage, rapid dissolution, and mildness" (Xu, Zhu, & Xu, 2020: 2). In 2019, the market share of China's liquid detergent has reached about 40%, but it is still a big gap compared with many developed countries". The penetration rate of liquid detergent in the United States, Japan and other markets has exceeded 80% in 2019. It shows that China's liquid detergent market still has considerable room for development. In addition, the new form of concentrated detergent products has also entered the market in recent years, with detergent capsules as the representative of concentrated detergent products which had explosive growth.

At present, there are many local detergent companies in China, including large well-known ones such as Blue Moon, Nice, Libai, Weilai, White Cat, and many small and medium-sized regional companies. At the same time, we must face the competition from international brands, the market competition is unprecedentedly fierce. Chinese detergent companies are not only seeking the solutions to increase domestic sales, but also eager to go out of China to be an international player, like Procter & Gamble, Unilever and other international brands to sell detergent products all over the world.

2. Opportunities for Chinese Companies to Enter African Markets

Africa's overall economic development level is relatively low, many countries are trying to transform and speed up the industrialization and modernization, but it encountered many difficulties

such as short of capital, lack of technology and so on. Chinese companies have significant advantages over African companies in terms of manufacturing level and capital availability, which can provide a lot of help to them.

African population is nearly 1.3 billion, almost the same as the total population of China, and will continue to grow in the future. Africa has abundant labor resources and huge potential consumer market. China and Africa have maintained friendly and cooperative relations, and “China has been Africa's largest trading partner for 11 consecutive years, contributing more than 20 percent to Africa's economic growth” (Liu, 2021: 95). Since China proposed the "Belt & Road" initiative, African countries and the AU Commission have responded positively to promote the strategic docking of China-Africa development. 2021 marks the official launch of Africa's Mainland Free Trade Zone. African and regional economic integration will expand more economic development between China and African free trade zone. Under the dual positive factors of the "Belt & Road" initiative and African Free Trade Zone, more Chinese companies will enter the African market.

3. Risks for Chinese Companies to Enter African Markets

3.1 The Political Risks

The political situation in Africa has generally stabilized, but some areas remain under security threats from terrorism, anti-government armed forces, and ethnic conflicts. “At the same time, some African countries are at risk of political crisis and regime change, increasing the risk of political uncertainty” (Liu, 2020: 16).

3.2 The Risk of Foreign Exchange Fluctuation

Due to the weak economies of some African countries, the low foreign exchange reserves, and the high degree of dependence on external economy, when the international economic situation changes, it may lead to greater foreign exchange fluctuation. Many countries are likely to find their currencies depreciated dramatically because of changes in European and American policies.

3.3 Social Security Risks

In recent years, the overall security level of African countries has improved, but the efficiency of police work is low, corruption is very common, theft and robbery occur from time to time, violence and organized crime occur frequently in some areas. For example, incidence of attacking on Chinese citizen occurred from time to time in South Africa, Angola, Ethiopia, and other countries.

3.4 Business Integrity Risks

Some African businessmen do not keep good faith. Nigeria, for example, has many commercial fraudsters, using the incomplete international electronic payment system to defraud product samples and deposit. If Chinese companies invest locally in Africa, they must be cautious about this issue.

4. Take Senegal as An Example to Explore How Chinese Detergent Companies Enter the Local Market

4.1 Overview of Senegal

Senegal lies in sub-Saharan Africa, on the west of Atlantic Ocean. According to World Bank data, Senegal's total GDP value in 2019 was \$26 billion, with an average annual increase of more than 5 percent; the total population was 16 million, with an average annual increase of 2.5 percent; and the proportion of the urban population was 47.6 percent. Although Senegal has a small market and its population and GDP only accounts for 1% of the total in Africa, it is one of the few African countries with rapid economic growth, increasing urbanization ratio and decreasing fertility rate.

However, the overall development level in Senegal remains relatively low worldwide and currently ranks among the least developing countries. Senegal's economic development depends on foreign aid and food is not self-sufficient. It is the major peanut and cotton producing country in

West Africa. In recent years, Senegal has given priority to the development of an export-oriented economy with high value added and labor-intensive activities, promoting the development of small and medium-sized companies, strengthening agricultural activities, improving the supply of electricity and focusing on infrastructure development, which has enabled Senegal to maintain stable economic growth.

Senegal was once a French colony. The political system followed the semi-presidential system of France. It had a stable political situation, good regional and international relations and enjoys a good reputation for its diplomacy. “It is the only French-speaking African country in West Africa that has never suffered a coup” (Meng, 2019: 138) The legal currency is the CFA franc (FCFA), pegged to the euro (fixed rate: 1 euro = 655.957 FCFA), and the exchange rate is relatively stable compared to other African countries’ currency. Domestic public order is good, violence rarely occurs. Senegal's stable politics and exchange rate and good security provide a good environment for Chinese companies to invest.

4.2 Strategy for Chinese Detergent Companies to Enter the Senegalese Market

4.2.1 Make full use of the Advantages of Local Resources, Set up Factories and Produce More Competitive Products

With low per capita income and limited consumption power, Senegal consumers tend to buy cheap products. Since there is almost no local production capacity, detergent products are all imported, and the high freight and taxes lead to high prices. Setting up local factories can dramatically reduce the cost and produce products that are more suitable to the local people. Senegal is rich in iron, natural gas, gold, phosphate, and a large amount of oil resources were recently discovered. While phosphate and oil derivatives are the necessary raw materials to produce detergent products, the abundant raw materials local resources provide a unique advantage for the detergent production. Chinese detergent companies can use its capital advantages to cooperate with related raw material production suppliers to set up factories together, provide advanced production technology and equipment, and employ local labor force to produce, which can not only provide more competitive products, but also solve local unemployment problems, increase employment rate and reduce poverty rate. This model has been successfully practiced by Chinese garment companies. At present, many Chinese garment companies built factories in African countries, making full use of the advantages of local cotton and other raw materials, hiring unemployed women to produce, teaching them to use sewing machines, encouraging them to change their lives with their own hands and providing them with competitive local salaries to improve their family life. And these African women workers are also very grateful for the opportunity and continue to introduce their friends to join, which provided a strong help for Chinese companies to increase production. We believe this win-win model can also be successfully replicated in Chinese detergent companies.

4.2.2 Pilot Innovative Marketing Model in Rural Area in Senegal

Senegal's national living standard remains low. According to the Human Development Report 2019, published by the United Nations Development Program, Senegal's human development index ranks 166 out of 189 countries and regions in the world, 46.7 per cent of the population live below the poverty line. According to World Bank, the under-5-year-old mortality rate was 45 per thousand in 2019. These problems are particularly severe in rural areas of Senegal. In those areas, transportation, electricity, and other infrastructure are very limited, and few companies are willing to enter rural areas to sell products, resulting in a shortage of local products. As the demand for detergent products are rigid, laundry becomes a big problem for many poor people in rural areas if it is difficult for detergent products to reach those areas. In this case, Chinese detergent companies can help these poor people by following innovative model.

Through fissile community marketing model, Chinese detergent companies can quickly change this deadlock. Firstly, let sales representatives reach different villages to sell detergent products at very low price or for free to let people try the products so that consumers can experience the merits and good quality of the products. Once products are well accepted with good feedback, companies

can sell detergent products regularly at a competitive price with relatively large quantity women in village, and these women are responsible for selling these detergent products to their neighbors and/or friends, etc. If they sell more, they can get lower prices in the future and win some gifts (life necessities), such as cookware, etc. Outstanding saleswomen can also be awarded as starred representative (from one to five star), receive company official training, free travel and even company option, etc. It forms a very good incentive mechanism. They receive both financial and spiritual awards which motivate more and more local unemployed women to join as part-time sales representative for the company which doesn't incur any extra company cost. By this innovative model, Chinese detergent companies not only help these poor people in the village to get good quality detergent products for personal use but also improve their incoming level so that their children no longer starve and can afford them to go to school. When they grow up, they can use their knowledge to change poverty situation for their home country.

4.2.3 Launch of Products which Adapted to Local Markets

Chinese detergent companies should study the preference and need of local consumers before launching the products. Given Senegal's low consumption capacity, Chinese detergent companies should focus on soap and washing powder which are cheaper compared to liquid detergent products. In addition, the climate in Senegal is hot, and the local people have great enthusiasm for sports such as football, so the full-bodied and fragrant detergent products will be more popular.

5. Conclusion

Africa is a land to be developed. With enormous population, the market for detergent products is huge in Africa. Although there are still many unfavorable factors hindering the investment in Africa, the "Belt and Road" initiative will drive more Chinese detergent companies to enter the market. By studying the local resources, economy, culture and other factors, Chinese detergent companies can partner with local players with raw material resources in Africa, implement innovative marketing models and introduce products suitable for the local market.

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