

# Market Discontinuities

Strategy helps us to anticipate  
and cope with issues beyond  
our control.



This report provides insight into recent company departures from Nigeria, examining 10 companies and the underlying factors related to strategy and market discontinuities.

Our opinion is that the actions taken by the companies are strategic measures to mitigate losses.

Can we identify and plan against discontinuities?

Could they have identified the changing dynamics before time and taken advantage?

Are there still winners? What are their strengths?

This is mainly for discussing strategic planning and execution.

# Market Discontinuities:

Unanticipated events that can shift the landscape in an industry or for a company, requiring immediate response to mitigate losses or capture opportunities.

## Understanding the nature and scope of market discontinuities

Market discontinuities disrupt a firm's relationship with its market environment and challenge its strategic fit.

They can affect all firms in an industry (e.g., the floating of the Naira) or only a subset of firms (e.g., the threat of new entrants impacting market share and profitability in the diaper industry).

# Market Discontinuities:

Market discontinuities have been created by a combination of factors at both the global and local levels, and companies in Nigeria have had to respond in different ways, depending on the strength of their strategic management.

The strength of strategy has enabled some companies to pivot and mitigate their losses by quickly restructuring their operations. On the other hand, some have captured opportunities, leveraging their core competencies.

This complimentary report takes a peep at how some companies in Nigeria have responded to market discontinuities.

*“ It is not the strongest or the most intelligent  
who will survive but those who can best  
manage change – Charles Darwin ”*

# Key global event that shaped the landscape

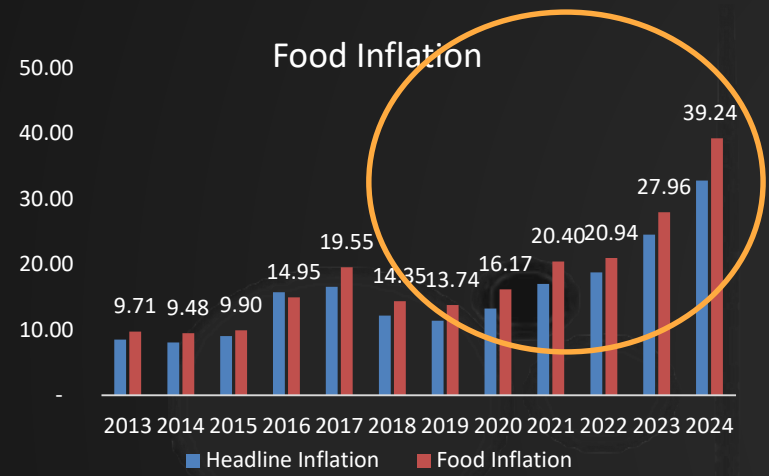


- Many multinational companies recorded lower sales volumes and thinning market share owing to post-pandemic issues of global supply chain constraints and higher raw materials costs.
- This prompted many multinational companies to re-strategise and restructure their operations.
- Many considered reducing their international exposure to specific regions, including African countries and Nigeria.
- These strategic considerations, and others, shaped the subsequent moves and operations of specific companies in Nigeria.

# The changing face of the market environment in Nigeria

## Discontinuity Effect over a decade

**Years of increasingly high inflationary pressures have affected consumer behaviour and patterns.**



- With household consumption and purchasing power reducing.
- Disposable income is thinning and consumers have become more price sensitive.
- Higher elasticity of demand for many products

### **Higher cost of operations for local firms and multinationals.**

- Exacerbated by new foreign exchange policy.
- Multinationals are more vulnerable to forex shocks.
- Higher costs of imported inputs

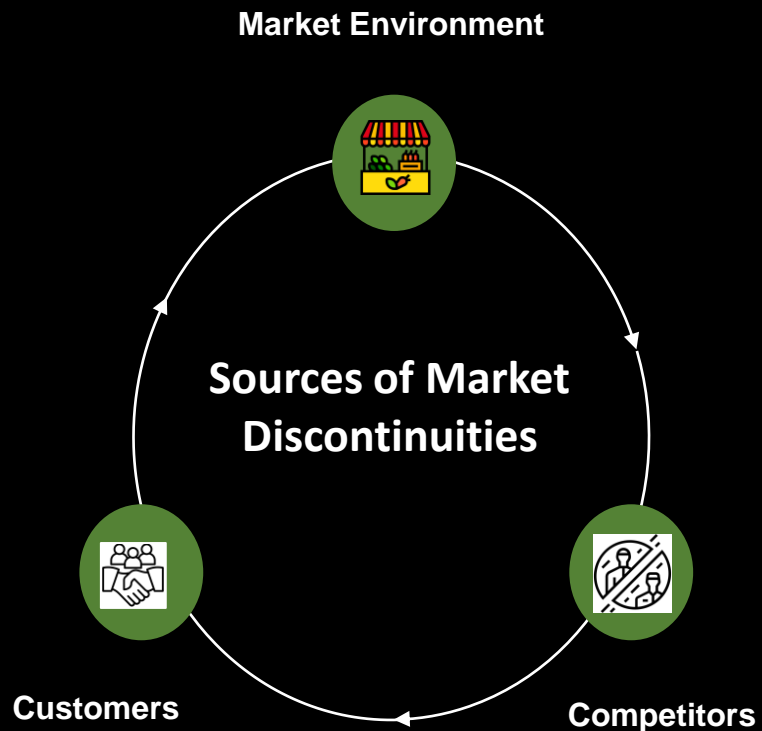
### **Supply Chain constraints:**

- Customs and regulatory bottlenecks
- Infrastructure deficiencies
- High costs of logistics
- Forex volatility
- Supply chain disruptions



# The essence of economics is strategy. To create advantage, positioning, and sustainability.

## Tracking market discontinuities



### Market Environment:

- Consistently high inflation
- Poor logistics infrastructure and supply chain management
- Relatively low productivity and weak per capita income
- Policy instability and opacity
- High operating costs

### Consumers:

Persistent inflation has reduced discretionary spending and increased the demand elasticity for some products. Changes in customer demographics, lifestyles, consumption patterns, disposable income, attitudes, and behaviours have affected sales and market share.

### Competition and threat from new entrants and substitutes:

Consumers seeking affordable alternatives with acceptable quality and features are being won by new entrants with price penetration strategies to compete and gain market share.

## Impact on companies

### Sales



### Market Share



### Profitability



**Structure and tactics:** During economic downturns large corporations continue to find ways to contain the high costs of operations, seek alternative inputs, and manage resources across divisions. If they are too stretched to adjust prices, they will lose market share. Corporations with many divisions and projects may need to reallocate resources to maximise shareholder value.

Firms and industries differ in their capacities to respond to market discontinuities

“Overall industry attractiveness does not imply that every firm in the industry will return the same profitability.”

- Micheal Porter

## The macro and industry forces against profitability and sustainability

Challenging Business and Policy Environment

Shifting Consumer Behaviour

High Operating Costs

Competition

Threats from New Entrants

Distribution and Supply Chain Constraints

JUMIA



GSK



Bolt

DIAGEO



sanofi

\* Kimberly-Clark



## Mitigating losses in response to market discontinuities.

### Old Keys Do Not Open New Doors.

Overall, multinational companies are still interested in the Nigerian market and are still playing for advantage, some are watching to see a new market structure unfold, some will enter to champion the new structure.

### The companies featured in this coverage each responded in one of three distinctive ways:

1. Restructured their operations to mitigate losses: Shut down products and divisions to focus on profitable products.
2. Divested their core operations from Nigeria but retaining their interests in the market through arrangements with third party distributors to stay in the Nigerian market.
3. Completely exited the market.



# Product / Division Shutdowns



- Product shutdown/discontinuation
- Stopped sale of home care and skin cleansing products
- Leased out factory buildings
- Restructured to focus on profitable segments.
- Now recovering following steps.



- Jumia shut down its food delivery service, Jumia Food, to cut costs and refocus on areas with stronger growth potential.
- This was part of a broader restructuring strategy across its African markets including Nigeria.
- Jumia's food delivery segment, while contributing to about 11% of its gross merchandise value (GMV), was unprofitable and struggling against tough competition.
- This decision mirrors similar challenges faced globally in the food delivery industry, where profitability remains elusive due to high operating costs and low margins.



- Bolt shut down its food delivery business as part of a broader strategy to streamline its resources and improve operational efficiency.
- The struggling economy made it difficult to maximise resources for profitability, with high production costs and lower consumer purchasing power.
- Late market entry: Bolt went late into the market, after many established players with more strategic resources and loyal customers.
- Gained only 5% of the market share.
- Stiff competition from both local and international companies, Jumia, Chowdeck, Glovo, Uber Eats, etc
- Low barriers to entry

# Third-Party Distribution Model



## Facing fierce competition, and economic challenges.

Sanofi-Aventis still sells its products in Nigeria but through CFAO Healthcare in Nigeria, in an exclusive deal for marketing and distribution of SANOFI products by CFAO, amid a challenging economy.

This solidifies a 2021 arrangement between French conglomerates - CFAO Group, and Sanofi Pharmaceutical Industry Company across African countries and Nigeria now being the 26<sup>th</sup>. This is part of the company's global strategy for Africa.

Sanofi did not have a manufacturing base in Nigeria and had relatively weak distribution and logistics capacity in the country.



## Bayer refocuses to crop science in Nigeria, and streamlines pharmaceutical operations to sales.

Bayer scaled down its operations in Nigeria in early 2024 as part of a broader strategy to streamline its pharmaceutical business in certain African markets, including Kenya, Ethiopia, and Ghana to regions where they could have a stronger market presence and better operational conditions. It refocused its business in Nigeria and Africa to healthcare and crop science.

This involved handing over the warehousing, distribution, and sales representation of its pharmaceutical products, such as those for oncology and ophthalmology, to a third-party distributor.

Bayer is currently collaborating with Fidson Healthcare Plc in Nigeria and has retained its crop science division in Nigeria, which contributes to 90% of its business in the country.



## GSK appoints third-party model amid shutting operations in Nigeria

GlaxoSmithKline (GSK) exited Nigeria after 51 years primarily due to challenges in the local business environment and the company's broader global strategy.

GSK faced significant difficulties, such as foreign exchange (FX) shortages, which impacted its ability to settle foreign-currency-denominated trade payables and maintain consistent supply to the market.

Despite the exit, GSK products, such as Panadol, Sensodyne, and other well-known consumer brands, are expected to remain available in the Nigerian market through third-party distributors.

# Third-Party Distribution Model



**P&G was impacted in Nigeria by both micro and macro issues. It needed to refocus and adopt asset-light strategies.**

P&G is a classic case of the impact of market discontinuity from the three main sources:

- Affected by a challenging economy.
- Low quality
- Poor pricing
- Shifting consumer behaviour with consumers seeking affordability and better quality
- High cost of production
- Limited distribution.
- New entrant and fierce competitor (Hayat Kimya).
- Market share declined from 76% in 2016 to 30% by 2020 as Hayat Kimya rose from 4% to 60%.
- Scaled back operations to the use of third-party distributors to manage the import, distribution, and sales of their products like Pampers, Ariel, Oral-B, and Always in Nigeria.

**DIAGEO**

**Facing fierce competition, and economic challenges Diageo scales back operations, and partners mega-distributor.**

Guinness faced intense competition as AB InBev entered the market, causing a drop to the third position in market share after Nigeria Breweries and AB InBev.

Economic challenges, including significant foreign exchange losses and rising operational costs, made it difficult for Diageo to sustain profitability.

Diageo scaled back its operations in Nigeria by selling its 58.02% stake in Guinness Nigeria to Tolaram as part of its global strategy to implement a more flexible, asset-light operating model, particularly in challenging markets like Nigeria.

However, Diageo still operates in Nigeria, retaining ownership of the Guinness Nigerian brand and continues to oversee marketing and branding strategies while Tolaram manages production and distribution. The arrangement with Tolaram also includes the distribution of Diageo's global brands in Nigeria.

# Complete Market Exit



**While local challenges contributed to Equinor's decision, it was primarily driven by the parent company's global strategy to streamline its portfolio and focus on markets with higher returns and lower operational risks.**

Equinor exited Nigeria due to a combination of strategic and economic factors. The Norwegian energy company sold its Nigerian assets, including its stake in the Agbami oil field, to Chappal Energies, a Nigerian-owned firm in late 2023. This move aligns with Equinor's broader strategy of optimizing its international oil and gas portfolio and focusing on core areas where it sees greater long-term potential exploration and production.



**Kimberly Clark recorded low sales, lost market share to Hayat Kimya, made late investments in local operations, and was further weakened by economic and policy instability.**

Despite an initial investment of \$100 million and optimism when it opened its manufacturing facility in 2021, Kimberly-Clark decided to exit Nigeria primarily due to economic challenges and strategic refocusing by the parent company.

The company faced significant difficulties, including rising production costs, foreign exchange issues, and declining consumer purchasing power.

These factors, combined with the company's reliance on imported raw materials and the weakening Nigerian Naira, made it hard for Kimberly-Clark to maintain profitability.

Persistent economic instability, including inflation and increased operational costs, led to a reduction in production and eventually, the decision to exit

In the end, flexibility allows a firm to cope with market discontinuities by offering diversified options within its value chain and across a broad range of product markets. This strategy ensures resilience during market disruptions and enhances the firm's ability to seize new opportunities as they arise.

It all comes down to strategic management.

“

Change is an opportunity to the alert, a challenge to the adventurer, a threat to the insecure.

”

## Opportunities in market discontinuities.

The companies in this coverage exhibited key strengths:

1. Large marketing and distribution network
2. Strong logistics capacity.
3. Scale from complementary businesses across the value chain



A multinational must be well-invested across its value chains. It must learn to partner for strength.

Economies of scale

Superior distribution

Extensive network

# The Winners... ?

Marketing, logistics and distribution are key competitive advantages.



**CFAO, Sanofi expands collaboration for drug distribution in Nigeria**

- Largest distribution network in Africa, across 89 locations.
- Preferred partner to leading international brands, including Sanofi.
- CFAO is a key player in a diverse and complementary range of products, including mobility, healthcare, consumer goods, infrastructure, and energy.
- The Group covers the entire value chain, with strong local knowledge.



**Hayat dominates the diaper market**

- Hayat Kimya Nigeria Limited is a subsidiary of Hayat Holding, a leading traditional Turkish enterprise.
- Hayat Kimya entered Nigeria in 2015 and achieved diaper market dominance. Its sales volume grew by 844% within a year of opening its plant in 2017. Its market share grew from 4% in 2016 to 60% by 2022, pushing out P&G and Kimberly Clark.
- The Holding company consists of 25 companies that operate in various industries including FMCG, port operations, construction, wood and energy, in more than 100 countries on 5 continents.



**Equinor sells Nigerian business to Chappal Energies**

- Chappal Energies is an energy company focusing on unlocking latent value in Nigeria and Africa's oil and gas resources,
- **Strengths: Revitalising ageing assets** with solutions that secure longevity, including enhancing operational efficiency, produced water management, **improved evacuation logistics**, gas development, capex optimisation, and infrastructure replacement.



**Tolaram acquires 58% of Guinness Nigeria**

- Tolaram has significant and extensive operations and a 50-year presence in Nigeria. Largest consumer packaged goods companies
- It boasts a track record of building long-term businesses in challenging terrains. The specialist manufacturing, marketing and distribution conglomerate; building Nigeria's first privately-owned special economic zone with a fully integrated deep-sea port.
- Award-winning logistics business. making strides in sustainable packaging through an integrated pulp and paper mill.



**What does the future hold? How is your business coping with market discontinuities?**

Our Philosophy...

It is a capital mistake to theorise before one has data.  
Insensibly, one begins to twist facts to suit theories, instead of  
theories to fit facts.

Talk to us...



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Insights and Strategic Alignment

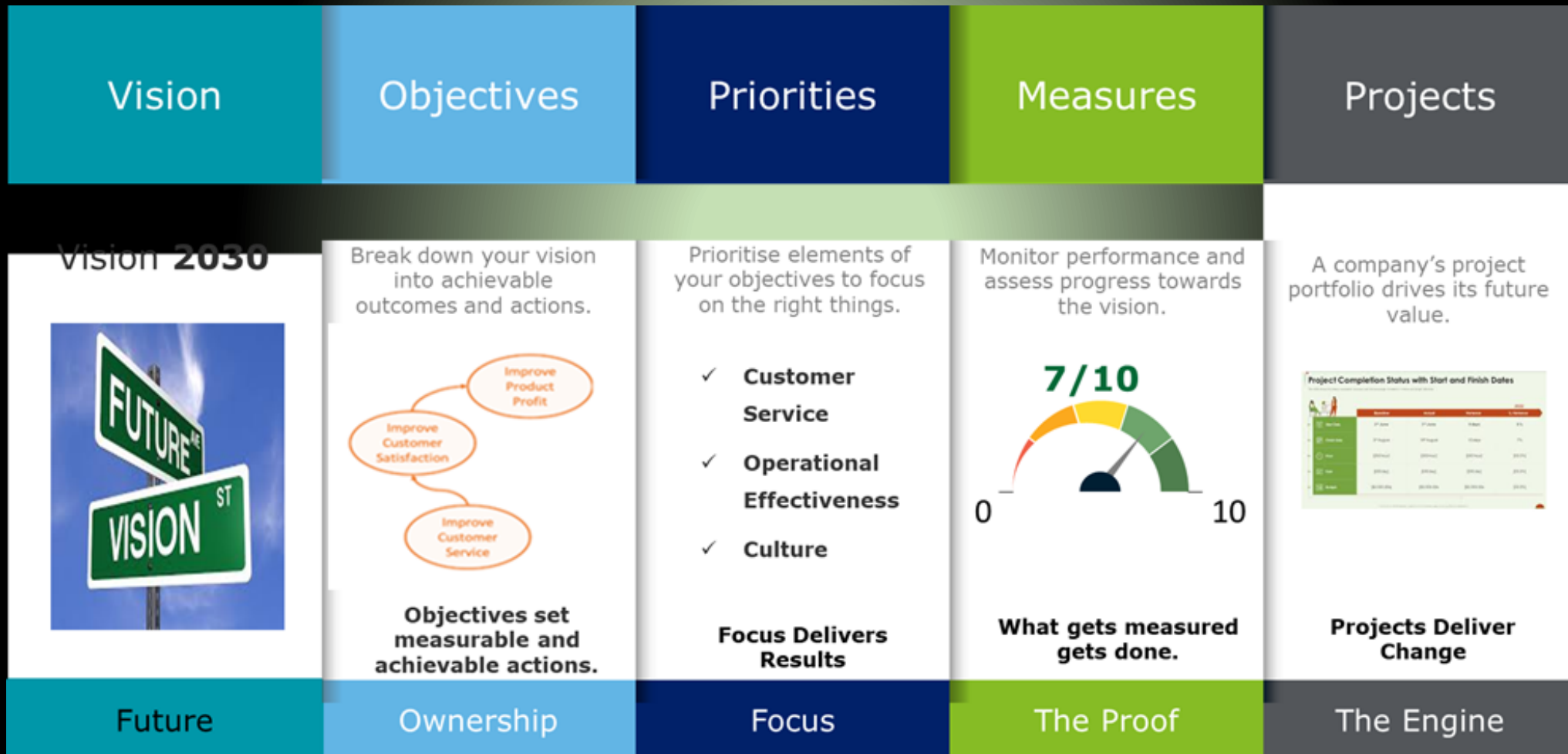
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# What we do



We help our clients attain optimal and sustainable performance by assessing the market, identifying risks and opportunities, positioning their businesses for the long term, keeping focus on key objectives, and differentiating themselves.



We organize strategy and execution workshops for organizational leaders, functional heads and strategic officers.



**1. Ideate**

**2. Create**

**3. Refine**

**Strategic Planning and Effective Execution:**

- **Environmental scanning**
- **visioning**
- **setting and prioritising objectives**
- **monitoring and measuring the performance of initiatives to**