

DI HOW TO



See also

Unlocking the
Potential in Egypt

Succes on the
US Market

Unlocking the **Potential** in **Morocco**



Confederation of Danish Industry

Unlocking the Potential in Morocco



Confederation of Danish Industry

Foreword

During the past decade, Morocco has embarked on a set of reforms with regard to human rights and democratization. This has been accompanied by an average annual growth rate of almost 5 percent and a considerable development of infrastructure.

With the promise of expanded political freedom, the dynamic Moroccan civil society has pushed for the promulgation of a set of modern laws in such fields as women and labor rights. For example, the labor law has been improved to provide protection for workers while taking into account the wishes of investors.

Based on the experience of the gradual process of reforms already under way, Morocco was able to adjust in response to the demands of a new generation of young men and women during the Arab Spring. A new constitution came into force in July 2011.

Morocco has thus remained stable and has set up a number of governance and human rights agencies such as the National Human Rights Council, the Mediator (Ombudsman), the anti-corruption and anti-monopoly agencies (Conseil de la Concurrence). In addition, a number of sectorial plans have been launched by Morocco to ensure sustainable economic growth and create attractive business opportunities in sectors where Denmark is considered a global leader, e.g. renewable energy and energy efficiency, and the cleantech sector in general.

Morocco pursues a policy of international free trade and has a number of trade agreements with countries in the region as well as with the United States and the European Union. The Deep and Comprehensive Free Trade Agreement (DCFTA) under negotiation with the EU will help to further expand opportunities for Morocco to export goods and attract investments, and at the same time improve EU-countries' access to the Moroccan market.

The Danish government supports Morocco through a number of initiatives. One of them is the Danish-Arab Partnership Program which aims to support existing local reform processes in the Middle East and North Africa, including Morocco. Among other things, this partnership provides a basis for improved dialogue, understanding, and cooperation between Denmark and Morocco. Furthermore, the Danish Trade Council in Rabat promotes Danish-Moroccan business, trade, and investment relations by increasing Danish companies' awareness about the opportunities that the Moroccan market presents.

All in all, Morocco offers a wide range of promising business opportunities, which combined with the welcoming business climate provide the basis for successful investment journeys.

Let's unlock the potential in Morocco!



Michael Lund Jeppesen

Ambassador at the Embassy of Denmark in Morocco

Table of Contents

Doing Business in Morocco	7	The Do's and Don'ts	33
Why Morocco is a promising market	7	Distribution and partnerships	33
A regional hub	7	Marketing and sales	35
Numerous trade agreements	9	Management and employees	36
Rising consumer spending	9	Legal issues	37
A stable country	11	A Helping Hand in Morocco	38
Morocco in Numbers	13	DI	38
Business Conditions	14	CGEM	39
Security and corruption	14	Concluding Remarks	40
Parlez-vous français?	15		
Labor access	15		
Inequality of income	16		
Cumbersome tax system	16		
Cultural differences	17		
The Lessons Learned in Morocco			
– Case Studies	23		
Hempel in Morocco	24		
Recommendations from Hempel	26		
Leo Pharma in Morocco	27		
Recommendations from Leo Pharma	29		
ManpowerGroup in Morocco	30		
Recommendations	31		

Doing Business in Morocco

Why Morocco is a promising market

With its population of more than 32 million, its stable economic growth rates during the past ten years as well as the ambitious set of strategies adopted by the government, Morocco represents an attractive business proposition for many foreign companies.

A regional hub

Morocco is strategically located along the Strait of Gibraltar, and is only 15 km away from Spain. This proximity to the European Union makes it an appealing location for foreign investors. From Morocco, it is easy to reach out for both the European market, the Mediterranean market, and the African market. This means that foreign companies can benefit from Morocco's geographical location by using it as a stepping stone on their way to Sub-Saharan markets or as base for exports to other countries in the MENA (Middle East and North Africa) region.

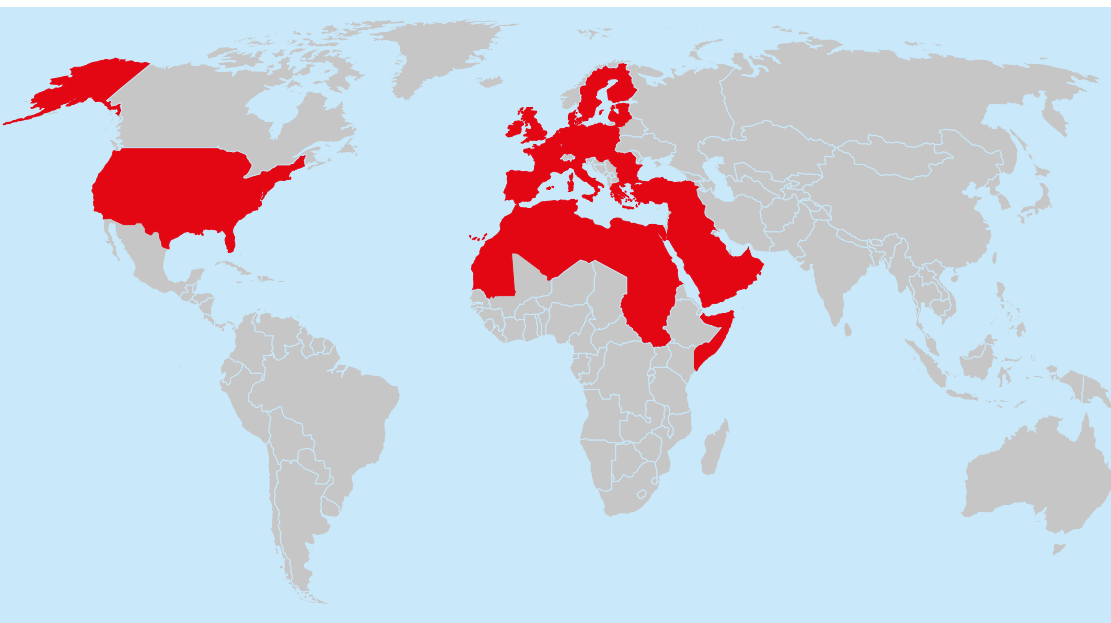
Morocco's policy makers are striving to convert the economy into such a platform for regional investment. The government is investing heavily in infrastructure and telecommunications, improving physical as well as virtual cross-border connections between Morocco and its neighbors.

The country's competitive labor costs also contribute to its status as a leading exporting platform. The average salary in Morocco is

MOROCCO AT A GLANCE

Official name	Kingdom of Morocco
Capital	Rabat
Major cities	Casablanca, Fes, Marrakesh, Salé, Agadir, Tangier
Institutional system	Democratic, parliamentary, and social constitutional monarchy
Administrative divisions	16 regions (each governed by a "Wali" nominated by the King)
Area	458,730 km ² (710,850 km ² including Western Sahara)
Time zone	GMT (GMT+1 in summer)
International memberships	Arabic and Amazigh
Currency	Moroccan Dirham (MAD)
Official languages	French, English, and Spanish
Religion	Islam (98.7 percent), Christianity (1.1 percent), Judaism (0.2 percent)
Population	32.5 million
Urban population	11.6 million
Share of population below 15 years	18.5 million

Source: Morocco's High Commission for Planning



From Morocco, businesses have duty free access to one billion consumers
Businesses can use their presence in Morocco as a base for production and export to the rest of the MENA region, gaining access to millions of consumers.
Source: Invest in Morocco – The Moroccan Investment Development Agency



328 USD/month¹, nearly four times less than the average salary in South Africa. Morocco is therefore often the country of choice for companies selling products that require both low cost production and competitive timing – the fact that products can be shipped to e.g. Europe with a very short notice enables companies to stay close to their end users.

Numerous trade agreements

Morocco has an open economy with foreign trade representing approximately three quarters of the country's GDP. Morocco has signed several free trade agreements, enabling foreign companies to do business in not only the fast-growing Moroccan market but also in other markets. In addition to the many member countries of the Arab League, Morocco has concluded free trade agreements with a number of countries, including Turkey, Egypt, Tunisia, and Jordan.

Also noteworthy is the fact that Morocco is the only African country to have a free trade agreement with the United States. Moreover, Morocco has signed several bilateral agreements with the EU and has been recognized as an advanced status, thereby increasing the level of political cooperation. The EU plans to extend its free trade agreement with Morocco, giving the country almost the same deal with Europe as member states have with each other, and giving European countries free access to the Moroccan market.

Rising consumer spending

Morocco is becoming more urbanized, and the average disposable income is rising, causing consumer spending to rise too. The consumer expenditure in Morocco has remained resilient to the global economic crisis of 2008 – 2009 and the global slowdown in 2011, and is forecast to further expand between 2012 and 2020. This offers potential for suppliers of consumer goods and ser-

¹ Source: Invest in Morocco – The Moroccan Investment Development Agency

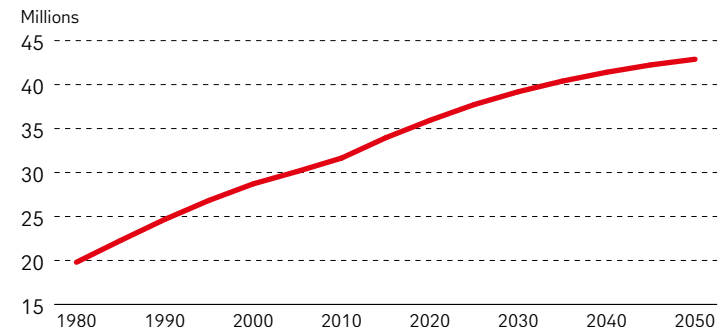


vices. Marketers can advantageously target specific population groups: young adults (aged 18–29) with items such as communications, clothing and footwear, and middle aged adults (aged 30–44) with household goods, health products, and education.

A stable country

Even though it is one of the smaller countries in the MENA region when it comes to its geographical area, Morocco is one of the most affluent countries. The country is by many considered the most stable country in the MENA region, both in terms of macroeconomic drivers and political development, and represents a more safe investment proposition than its neighbor countries.

Population of Morocco



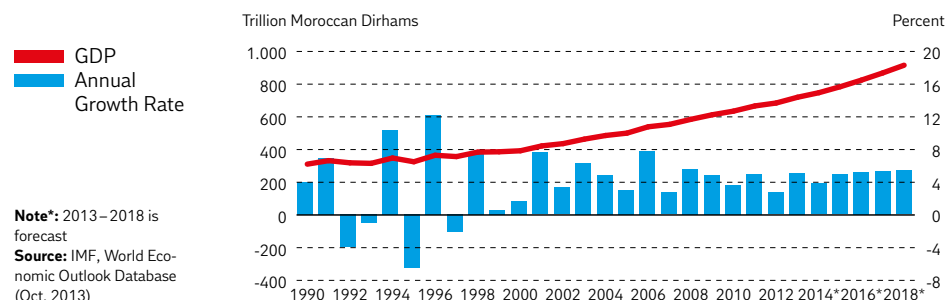
Source: United Nations, Department of Economic & Social Affairs, World Population Prospects: The 2012 Revision

Morocco has only to a little degree been affected by the unrest and political transformations that many countries in the region have experienced in recent years. That being said, Morocco is still part of an ongoing dispute with Algeria over the future of the Western Sahara, which was originally a Spanish colony. The situation has created mistrust between Morocco and Algeria, but has not created any political riots or unrest in Morocco in general.

Faced with a challenging international climate, the Moroccan economy has continued to grow, and Morocco has shown its resistance to the financial crisis, the European economic crisis, and the Arab Spring. Over the last ten years, Morocco has witnessed important reforms and policy measures to enhance the business climate in the country. From the nineties until 2012, the amount of yearly FDI has been multiplied by six.

Moroccan GDP

Constant prices, 1998



Morocco in Numbers

GDP	99.22 billion USD (2012)
Average GDP growth	4.9 percent (5 past years)
Inflation	1.3 percent (2012)
Average inflation rate	1.7 percent (10 past years)
Exports of goods and services	22.37 billion USD (2012)
Imports of goods and services	46.61 billion USD (2012)

Main importers of Moroccan goods (2011)

France	21 percent
Spain	18 percent
India	7 percent
Brazil	5 percent
USA	4 percent

Main exporters to Morocco (2011)

France	14 percent
Spain	11 percent
USA	8 percent
Saudi Arabia	7 percent
China	6 percent

Foreign Direct Investment (FDI) income 23.57 billion USD (2012)

Main FDI sectors (2001–2011)

Telecom	22.1 percent
Industry	19.8 percent
Real estate promotion	18.4 percent
Tourism	14.8 percent
Banking	8.2 percent

Main FDI investors (2001–2011)

France	48.2 percent
Spain	15.3 percent
United Arab Emirates	6.9 percent
Switzerland	3.6 percent
United Kingdom	3.5 percent

Sources: Morocco's Foreign Exchange Office, Morocco's Ministry of Economy and Finance



Business Conditions

In the World Bank's 2014 Doing Business report, Morocco is ranked number 87 out of 189 countries and has climbed 28 places since 2011.

The implementation of a number of reforms that simplify tax payments and reduce registration fees for creating businesses is one of the reasons behind the strong overall performance of Morocco. The country is also placed in the world's top 40 in terms of ease of trading across borders. When it comes to the registration of property, however, Morocco is ranked 156 out of 189 countries, which underlines the fact that it is still very difficult to access land in the country.

Compared to other MENA countries, it is evident that Morocco's business environment is competitive. That being said, there are several societal factors that businesses need to be aware of before heading for the Moroccan market.

Security and corruption

The ranking of Morocco as number 91 out of 175 countries² in the Corruption Perceptions Index testifies the fact that corruption is still a serious problem in the country – even though this is a good ranking compared to other countries in the region. Foreign companies may experience this first-hand when doing business in Morocco, as bribery and various kinds of money under the table are still present methods in some private sectors.

Some foreign companies battle with counterfeits in Morocco. Even though the Moroccan government has signed a number of anti-counterfeiting agreements, especially in connection with its free trade agreements, the system for protection of intellectual properties is not as extensive as in many western countries.

² Transparency International: The Corruption Perceptions Index 2013

Parlez-vous français?

The language is one of the biggest practical barriers for doing business in Morocco. While English is increasingly being used as business language, French and Arabic are still the dominant languages in Morocco. In the big cities, the people speak French, but just 20–30 km outside of the cities, Arabic is the only spoken language.

It is required by law that all official documents are written in French. This has created a market for translator firms, who can help foreign companies translate and certify various contracts as well as marketing material, and there are many to choose from.

Business-to-business (B2B) companies will most likely experience less language issues than business-to-consumer (B2C) companies. This is due to the fact that most businesses communicate in French, so the B2B companies will only rarely need Arabic translations.

Labor access

An inadequately skilled labor force is a constraint to job creation and business development in Morocco, especially in high-knowledge private sectors. 31 percent of firms state lack of skills among young workers as a major constraint to business development. They complain that youth lack both technical skills and soft skills such as problem solving and creative thinking gained through 'life experience'. This reflects a challenge throughout the MENA region, where the rapidly growing young population is battling with correspondingly high youth unemployment.

The access to human resources and capacities is hence a challenge in Morocco. Almost half of the adult population is illiterate, and even though the country is continuously implementing reforms to improve its educational system, the education level is still not as good as it could be. Some students choose to go to France, the United States, or Canada to study, making them more capable of combating the high unemployment rate among young Moroccans upon their return to the country.

Out of the literate adult workforce, few speak English, which can be a problem for foreign companies requiring their employees to master this skill. Companies in need of unskilled labor may experience less challenges, as there are many uneducated workers with high work ethics and competitive salary requirements.

Inequality of income

There are huge disparities between urban and rural areas, and one in seven Moroccans live below the poverty line. The top earning population group is located in and around the 4–5 biggest cities of Morocco. The middle class is relatively small, and the bottom of the pyramid represents the biggest population group. Businesses that cater to the group of wealthy people can find a very lucrative market in Morocco, whereas the last two segments are more difficult for western companies to reach.

⇒ WHY TARGET THE POPULATION LIVING IN THE CITIES?

- ⊙ *Urban spending is increasing twice as fast as rural spending*
- ⊙ *Urban per capita incomes are, on average, 80 percent higher than those of African countries as a whole*
- ⊙ *Cities are more densely populated and hence consumers are easier to reach*

Cumbersome tax system

The Moroccan government has made efforts to reduce the tax burden with cuts in both income and corporate taxes; however the tax system is still a burden for businesses operating in the country. The rate for value added tax (VAT) is 20 percent. Foreign investors are exempt from paying VAT on imported equipment, materials, and goods.

Cultural differences

Morocco is an African country, an Arab country, and a Muslim country at the same time. By virtue of the many different ethnicities in Morocco, the Moroccan people are very open and welcoming towards foreigners. Morocco is also known as one of the most liberal countries in the MENA region when it comes to the general view on topics such as gender relations, alcohol, and inter-religious tolerance.

The Moroccan people are social and relationship oriented. Building social capital is crucial for gaining legitimacy, both for individuals and organizations. This means that your reputation is your asset in Morocco, wherefore honesty and integrity is essential on a company's road to success in the country.



RENEWABLE ENERGY:

A Sector with Promising Potential

Morocco is a country with a vast renewable energy potential. With 3,000 hours of sunshine per year, an estimated wind potential of 25,000 MW, and more than 200 exploitable locations for micro-hydropower turbines, the sector offers significant business opportunities for foreign companies who possess superior technological solutions.

One of the reasons for the potential of the sector is the legislative framework surrounding it. The Renewable Energy Law offers real investment opportunities for the private sector regarding the production of electricity from renewable sources (without limits on power). The electricity produced can both be supplied to the local Moroccan market, and be exported through the highly developed energy transmission infrastructures to Spain and Algeria.

Through its energy program, Morocco plans to invest an estimated USD 18.95 billion in the renewable energy sector by 2020. It is predicted that by 2020, electric power produced by renewable energy (i.e. solar, wind, and hydraulic) will account for 42 percent of the total energy produced in Morocco. Apart from the objectives of protecting the environment and decreasing energy dependence and greenhouse gas emissions, the program will also create 50,000 jobs in the country.



➤ THE ENERGY PROGRAM IN NUMBERS

Solar:

- ⊙ USD 9 billion USD investment
- ⊙ Total electric production capacity of 2,000 MW by 2020
- ⊙ Increase of solar energy to 14 percent of total electric capacity
- ⊙ Annual electricity production estimated at 4,000 GWh

Wind:

- ⊙ 3.5 billion USD investment
- ⊙ Increased installed electric capacity, from 280 MW in 2010 to 2,000 MW by 2020
- ⊙ Annual electricity production estimated at 6,600 GWh

Part of the strategy for the sector is also a number of incentives offered. The country offers funding through its investment promotion fund as well as certain exemptions from import duties and VAT. Additionally, Morocco has implemented specific training in several schools, acknowledging the need for renewable energy skills in the labor force. The plan is to educate operators, technicians, and engineers in the installation and maintenance of solar and wind parks.



➤ SECTORIAL INCENTIVES

Three target fields:

- ⊙ **Wind:** Manufacturing of wind turbine parts (blades, towers)
- ⊙ **Solar:** Manufacturing of solar photovoltaic (layers, cells, panels) and solar thermal parts (flat mirrors, control systems, condensers)
- ⊙ **Energy efficiency:** Manufacturing of Low-Consumption Lamps, LEDs, and solar water heaters

Fiscal and customs benefits granted:

- ⊙ Free zone benefits granted to the industry of renewable energy intended for export. Possibility of achieving up to 30 percent turnover in the local market
- ⊙ General Law advantages for investments that total over MAD 200 million, create 250 jobs, or include a technology transfer
- ⊙ Investment assistance financed through the Energy Development Fund
- ⊙ Training assistance both upon recruitment and afterwards through the ANAPEC (The National Agency for Promotion of Jobs and Skills)

Sources: Ministry of Energy, Mining, Water, and Environment, Moroccan Agency for Solar Energy, Renewable Energy and Energy Efficiency Development Agency



The Lessons Learned in Morocco – Case Studies

A number of issues make foreign companies – large and small – think twice before entering the Moroccan market. Uncertainty is common when it comes to return on investment, how to reach potential customers, finding the right partner, etc. The following three case stories aim at outlining experiences made by foreign companies in Morocco with the purpose of providing both inspiration and practical advice on market entry and local operations of a business in Morocco.



Hempel:

Service and professionalism is a competitive advantage

Hempel is a global producer and seller of protective coatings and paints within a number of different market segments. The company is headquartered in Denmark and employs approximately 5,000 people in more than 80 countries.

Hempel in Morocco

Hempel started running its activities in Morocco through a licensed tool manufacturer. In 1999, the local partner was acquired by one of Hempel's competitors, who consequently ended all Hempel's agreements with the company. Hempel then decided to establish a subsidiary of its own, which was done in May 2000.


Today, Hempel in Morocco employs 14 people, all Moroccan, who are working from the office in Casablanca, constituting the sales unit. The products are being imported from Hempel's factories in France, Spain, and Portugal.

A highly prioritized element of the daily operation for Hempel is the training of its employees. All employees in key functions are regularly travelling to Denmark for technical training as well as sales, marketing, and leadership training at the company's center for training and development, Hempel Academy. In this way, the employees also get a better understanding of the company's heritage and culture.

As a B2B-company, Hempel is focusing its marketing strategy on brand awareness and relationship building. Thus, Hempel is hosting training and seminars twice a year, and is participating in relevant local expos. The company has now attained an expert role in Morocco, selling not only paint but also advice.

Currently, Hempel has projects all over the African continent through its Moroccan customers. The goal is to build the Hempel brand and to be able to supply more African countries, starting with Mauritania just south of Morocco. The biggest challenge for Hempel in this regard will be to improve its cash flow and treasury – an area representing ongoing concerns for most companies in Morocco, since payment terms are generally not respected by anyone. Hempel is working on many government-owned projects, and especially government payments can take several months or even up to a year, influencing the whole payment chain down the system.

On the Moroccan market, Hempel is active within its Marine and Protective segments, with market shares of 30–35 percent respectively. In the long term, the company wishes to expand its North African strategy to also include the decorative segment.

 **The people have a relaxed approach to punctuality. I call it 'The Moroccan Appointment'. If you are told that the good will be delivered on Friday, you will probably not receive it before Monday. In Hempel Morocco, we try to be different by doing whatever it takes to always keep our word"**

Mr. Saad Tajeddine, Sales Manager in Hempel Morocco

Recommendations from Hempel

- ⊙ **Get close to transit agents.** Allow time to get up and running. This goes for many different local activities, but especially for importing your products. It takes time to get to know the procedures, the custom duties, and the way to do transits. It is recommended to consult professional transit agents and transporter companies in order to get help for the right setup for your company.
- ⊙ **Build a 5-year strategy.** The market is growing fast, and is continuously changing. Study the market well, and be careful not to be greedy and unrealistic. Build short-term 5-year strategies in order to grow surely and in the right way.
- ⊙ **Find a way to be unique.** Both as regards the product, the technical knowledge behind it, and the after-sales service. You have a good chance to make superb service your competitive edge, since especially the B2B service level could be better in Morocco.
- ⊙ **Prepare for cash flow challenges.** Late payments have become part of the Moroccan business culture. When "everybody" does it, there is not much one company can do about it.

Leo Pharma: Access to the market requires local adaptation

LEO Pharma is a global pharma company specializing in dermatology and critical care. Headquartered in Denmark, the company has employees in 54 countries, and its products are sold in more than 100 countries. With a vision of becoming the world's leading specialty pharma company, it is expanding into new regions and markets where it can reach patients in need.

Leo Pharma in Morocco

Leo Pharma started out exporting its products somewhat randomly through various local partners in different countries. The high demand for its products soon became evident, and in 2001 Leo Pharma decided to establish a local legal entity under the name Leo Pharma Maroc. Today, 30 employees are working at Leo Pharma's office in Casablanca, including 18 people handling marketing and sales in Morocco, and 12 people driving the Maghreb countries as well as a large number of countries in French-West Africa.

Leo Pharma has partnered with a local company, who imports its products and supplies the market on its behalf. Through this partner, Leo Pharma also carries out local manufacturing of its products.

By virtue of its vision to help people around the world achieve healthy skin, Leo Pharma is aiming at a very broad consumer segment in Morocco, catering to all patients regardless of their income.

A big challenge for the company in this regard is the limited access to the patients in the country. Apart from the upper class in the big cities, the income level of the Moroccan people is very low, and thus few can afford medical drugs. At the same time, financial support from the government for drugs and medicine is limited. Leo Pharma tries to address this issue by decreasing the pack sizes of the drugs and by increasing its local production, thereby making the products more affordable for patients.

Another ongoing challenge is the counterfeit medicine offered by local competitors. These copies of Leo Pharma's products can be sold at cheaper prices. For obvious compliance reasons, Leo Pharma cannot compete with these companies under the same conditions. Instead, the company tries to combat the challenge by building brand awareness and promoting the benefits of using high-quality products instead of the cheaper counterfeits.

As for marketing, Leo Pharma does not have direct access to the end users of its products. However, the company's educational programs offered at local hospitals in Morocco enable communication with the patients through the doctors.

Leo Pharma's overall target for Morocco is to ease the patients' access to its products. The legislative framework has a great say in this matter, among other things because of the reimbursement system of patient's drug expenses. In order to influence the government's decisions, Leo Pharma has teamed up with other international pharma companies, including some of its competitors, in a locally respected industry organization. Through this organization, Leo Pharma can underline the importance of innovation over low cost in the Moroccan pharma industry, and participate in discussions of industry regulations.

Recommendations from Leo Pharma

- ⊙ **Familiarize yourself with local conditions.** Understanding the local conditions of production and manufacturing is the key to success in Morocco.
- ⊙ **Use external consultants.** It is a good idea for foreign companies to make sure they are well supported when entering the Moroccan market. Do not be afraid to seek advice from external consultants who know the market well, and make sure to use them in every step of the setup. Use external lawyers and accountants too.
- ⊙ **Spell out your procedures to local employees.** The working culture in Morocco is different from that of the European in a number of ways. Moroccan employees depend more on their manager's supervision, and it can be necessary for managers to spell out tasks in details and to follow up before the deadline. Additionally, foreign companies will experience cross-cultural differences in perception of time, as punctuality is taken very lightly in Morocco. Therefore, when hiring new local employees, start by explaining the rules. The Moroccan people are generally very cooperative and pleasant to work with due to their positive attitude.
- ⊙ **Local adaptation can get you far.** The same business model used on other markets may not apply in Morocco. You need to be prepared to adapt to the local market, e.g. by modifying your product and price in order to accommodate the unique features of the Moroccan consumers.

ManpowerGroup:

Human capital is crucial to success

ManpowerGroup is headquartered in Milwaukee in the U.S. and employs approximately 30,000 people in more than 82 countries. It operates in the field of employment and aims to matchmake individuals and businesses. The company has developed an expertise in areas such as recruitment, skills assessment, and vocational training, as well as outsourcing, outplacement, and consulting.

ManpowerGroup in Morocco

In 1997, ManpowerGroup opened its first office in Morocco. At that time, not as many foreign companies had discovered the opportunities in Morocco, which meant that the procedures for getting a business up and running were more complicated compared to today. However, this also meant that ManpowerGroup were able to take advantage of a relatively untapped market, and the company consequently committed itself to cater to all kinds of businesses (SMEs and large corporations) in all sectors.

Today, ManpowerGroup in Morocco employs almost a hundred permanent employees and has offices in Casablanca, Rabat, Marrakesh, Agadir, and Tangiers. In 2012, ManpowerGroup dispatched more than 7000 temporary workers all over Morocco.

ManpowerGroup has quickly realized that in order to succeed in the Moroccan market, it must also invest in its own human resources. In this matter the company has learned that it is important to promote its employees' personal development by setting

procedures as well as providing assistance and training. Further, the company makes sure to recognize everyone's contribution and to offer rewards based on performance.

The human resources sector in Morocco is no longer unexploited, but ManpowerGroup is in a good position to face its local competitors. The fact that ManpowerGroup is a leading company in its field internationally has equipped the company with the right experience and understanding of the labor environment.

Recommendations

- ⦿ **Start by conducting a comprehensive market study.** Before taking your business to Morocco, it is important that you have familiarized yourself with factors such as the local business culture and your competitors on the market.
- ⦿ **Use the official channels to access the market.** Morocco has numerous official offices dedicated to helping foreign investors. Depending on its needs, foreign companies can save both time and money by contacting the employers' organization, the different chambers of commerce, the regional investment centers, the national investment agency, or other relevant public organizations.
- ⦿ **Beware of corruption.** Bribery is still present in Morocco, and you may experience this first-hand, even when giving a business partner everything he asks for.

 **Morocco offers a great market opportunity for companies that understand the cultural contours and are willing to sustainably invest in human capital"**

*Mr. Jamal Belahrach, President of ManpowerGroup
in the Maghreb countries*



The Do's and Don'ts

In order to give practical and hands-on advice on how to do business in Morocco, interviews have been conducted with a number of international organizations who through their years of experience have gained extensive knowledge about the Moroccan market. These include the Danish Embassy in Morocco, DI International Business Development, the General Confederation of Moroccan Industries, as well as a number of foreign private companies operating on the market. The advice provided by the participating organizations can be summarized to the below key points.

Distribution and partnerships

- ⊙ Although it is legal for a foreign company to be an independent distributor, it is strongly recommended to partner up with a local agent or distributor.
- ⊙ Work with a locally based agent or distributor to gain insight into the Moroccan business practicalities. The right partner will be able to provide your company with essential knowledge of key contacts, local customs rules and regulations, and niche opportunities.
- ⊙ You can also choose to supply the Moroccan market through a regional distribution center in Europe. This is advantageous due to e.g. fewer language barriers; however, competitive pricing may be difficult because of the number of distribution levels.

- ⊙ Is it unlikely that your company will need more than 1-2 distributors. Thanks to the very well developed infrastructure in Morocco, one or a few distributors should be able to serve the entire market.
- ⊙ Moroccans appreciate close working relationships. Try to ensure efficient and frequent communication and knowledge sharing with your agent or distributor. This is especially important in the start-up phase, where the partner still has to get used to the product and gain more knowledge on how to sell it.
- ⊙ A structured and systematic approach to selecting your Moroccan partner will not surprisingly increase the probability of your company becoming successful on the Moroccan market.
- ⊙ If you conduct your partner search yourself, be aware that the vast majority of relevant internet pages will be in French or Arabic. Also, many private companies' internet pages may seem less sophisticated compared to the standard in your home country.
- ⊙ If you decide to hire external consultants for the preparatory partner search, remember that travelling to Morocco yourself will be a necessity later in the partner selection process.

Marketing and sales

- ⊙ The marketing practices in Morocco reflect the fact that many of the leaders of successful companies in Morocco are educated in France, Canada, or the United States, and therefore have a somewhat international attitude to marketing.
- ⊙ Direct marketing is common in Morocco. The channels used are door-to-door sales, direct mail, public billboards, newspapers, and TV, where TV advertising is the most prevalent. Internet and mobile phone sales are methods slowly getting more used, and with the growth in the number of young people in Morocco, these channels could become major in the near future. When preparing your marketing material, be aware of the fact that very few Moroccan people speak French. In order to reach a broad market, all advertising must be Arabic. However, since the French-speaking population group represents the top consumer segment income-wise, companies aiming to reach this segment can prepare marketing materials in French. Furthermore, B2B-companies will rarely have to worry about Arabic.
- ⊙ If you wish to target the illiterate part of the population, remember to use creative and visual marketing methods.
- ⊙ Word of mouth is enormously important. According to a recent investigation conducted by McKinsey & Company, 81 percent of North Africans gather their information from friends and family. Thus, try to ensure a good purchasing experience, as positive product recommendations from consumer to consumer will help you penetrate the market.
- ⊙ Brands play an important role in Moroccans' purchase decisions, as popular brands are generally equated with quality. Consequently, the consumers are often willing to pay a premium price for well-known brands when it comes to consumer goods such as clothing, groceries, and electronics. Of course this is most true for high-income consumers.

Management and employees

- ⦿ Due to the high illiteracy rate and the developing education system, you must be prepared to spend time on finding pre-qualified labor.
- ⦿ Do not underestimate the unskilled Moroccan workers. Moroccans generally have a strong work ethic and are diligent employees. A company can thus create a talented employee pool by investing in training of its workers. For companies with local production, this requires having a product that is relatively easy taught how to make, without having to count on strong basic-skills such as literacy.
- ⦿ While organization and administration are broadly speaking not their core competencies, Moroccans are extremely strong and competent when it comes to commercial areas such as sales, marketing, and networking. Therefore, it is recommended to hire local workforce for all kinds of outreach.
- ⦿ Try to adapt to the Moroccan working culture. The level of professionalism may seem lower than what you are used to, but Moroccans are more relaxed by nature. For example, Moroccans have a tendency to take agreements somewhat lightly, wherefore it can be necessary to follow up before deadlines.

Legal issues

- ⦿ You need to count on spending more resources in Morocco than in Europe. Even though Morocco has a good and expanding relationship with Europe, the legislative environment is very different from that of the European Union's, and it can be hard to find your way around the legislative system. It is strongly recommended to use local lawyers, and often it is a good idea to use more than one at a time in order to cross-check the advice given.
- ⦿ It is required by law that all official documents are completed in French. To ensure internal clarity in your international organization, consider completing all papers in English first, before translating the external official documents into French.



A Helping Hand in Morocco



Confederation of Danish Industry

DI

Confederation of Danish Industry (DI) is the premier lobbying organization for Danish businesses on national and international issues.

DI provides its 11,000 member companies with access to 750,000 companies in MENA through its networks at local business organizations and chambers of commerce in the region. Its work focuses on industrial advocacy, removing trade policy barriers, proposing facilitative amendments to regulations, B2B facilitation as well as minimizing the entry-level challenges that often face small and large companies when entering new markets.

DI International Business Development (DIBD) is DI's international consulting unit, helping Danish companies navigate on the growth markets of the world. Danish SMEs are somewhat risk averse and face cultural and language barriers. DIBD assists them on how to enter new markets, providing guidance on the initial set up process and go-to-market strategy. DIBD has facilitated more than 600 international projects in 40 countries over the last 15 years, including approximately 60 projects in the MENA region.

The MENA region certainly has a high potential, and a DI member survey on how important emerging markets are for Danish companies ranks MENA fourth after China, Brazil, and India.

Contact information

Niels Tanderup Kristensen, Deputy Director

Tel.: +45 3377 3539, E-mail: nikt@di.dk

Website: di.dk

DI's work in the MENA region: di.dk/aenetwork

CGEM

Confédération Générale des Entreprises du Maroc – in English The General Confederation of Moroccan Industries (CGEM) – is an association representing the private sector, acting in the interest of its 32,000 members and affiliates to energize and modernize the business environment in Morocco.



CGEM develops strategic relationships with national institutional partners in order to promote investment and provide technical and financial support to businesses. It also builds strong relationships with international partners to establish contacts between Moroccan entrepreneurs and their foreign counterparts and promote their international expansion through its network worldwide.

The missions of CGEM are:

- To implement a general business development policy based on entrepreneurial freedom
- To enhance the image of companies by strengthening the ethics of the entrepreneurial activity and its citizen-oriented dimension
- To develop the role of companies as the main factor of economic and social development
- To contribute to the establishment of the conditions required for the fight against practices that undermine trade stability

CGEM is organized around 22 thematic committees. By taking advantage of their expertise, the committees function as permanent sources of ideas and reflection to strengthen the competitiveness of businesses. CGEM is the first network of entrepreneurs in Morocco with 30 professional federations encompassing companies from the same industries.

Contact information

Sophia El Idrissi, Responsible for International Relations

Tel.: +212 5 22 99 70 26, E-mail: elidrissi@cgem.ma

Concluding Remarks

This booklet has provided a brief overview of Morocco as a promising growth market offering great business opportunities for foreign companies.

While emphasizing the potential of the Moroccan market, the intention behind this publication has also been to underline the barriers and complications that foreign companies will meet on their business' journey into Morocco.

Furthermore, this booklet has tried to disseminate some of the lessons learned by well-established foreign companies in Morocco. It has become evident that thorough planning, a good portion of patience, sufficient resources as well as willingness to adapt to the local market and culture are some of the essential ingredients of the formula for success in Morocco.

We trust that applying the recommendations provided will optimize the efforts on the Moroccan market.

Good luck with unlocking the potential!

This publication has been prepared by Confederation of Danish Industry (DI). DI is devoted to supporting its members in achieving success on the growth markets of the world.

As Western markets are saturating, growth is often found in difficult and very different markets than the traditional markets within the EU. This publication will function as a handbook to understanding one such market, namely the Moroccan. The handbook takes on the ambitious task of providing inspiration and concrete advice for foreign companies with interest in the Moroccan market.

The recommendations given in the handbook build on both the practical lessons learned by three case companies as well as on general information about doing business in Morocco, collected from interviews and market reports. Combined, this information offers market insight for foreign companies looking to enter the Moroccan market or strengthen current sales and operations.



Confederation of Danish Industry