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Specialization in entry-level products: a strategy for industrial development in Africa

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This paper proposes an interdisciplinary approach combining economics, marketing, and econometrics to study ways to industrialize Africa. Based on the observation that domestic demand is mainly oriented towards entry-level products, we explore the merits of an industrialization strategy targeting the manufacture of low-cost products.

From a marketing perspective, industrial development in Africa must not be simply export-oriented but must also take into account the needs of local consumers. Given the nature of domestic demand, it seems appropriate for African countries to adopt a strategy of specialization that targets sectors with high potential demand for entry-level products, in order to better supply the poor and the emerging middle class in most African countries. Our interdisciplinary approach makes use of marketing research on the "bottom of the pyramid" (BoP) to justify the relevance of such targeting. As explained by Prahalad and Hart (2002), targeting the BoP can allow companies to remain profitable while giving people with low and medium incomes better access to consumer goods (Karnani, 2007).

Finally, to highlight the key factors that influence the development of entry-level products, we conduct an econometric analysis linking the comparative advantage indicators and several variables that represent the level of development, the structure and quality of the labor force, natural resource endowment, external policies, and foreign capital inflows. This analysis assesses the specific features of entry-level products compared to goods at other price levels. We hypothesize that potential determinants of specialization may have differentiated impacts by price level, making it possible to define strategic specialization.