Intermediaries in International Trade

A Case Study of a Gothenburg Based Trading House,
Exporting Paper Products to Nigeria

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ABSTRACT

An intermediary is found in between the manufacturer and customer and connects the parties in situations where it may be too difficult, time consuming and simply not profitable for them to engage in direct export. The intermediary functions as a bridge between the manufacturer and the customer, and is employed on markets where they have a better ability to handle the export process than manufacturers.

There is a cluster of so-called trading houses\(^1\) in Gothenburg, Sweden, consisting of intermediaries specializing in export of forestry products to distant markets. This study aims to provide an understanding of why these intermediaries handle export of paper products and will furthermore focus specifically on Nigeria as export market. A case study of one of these trading houses has been carried out, based on interviews with the Managing Director and three employees. An important explanation of the existence of trading houses is their role as financers of high-risk transactions and thus their relations with the bank. An interview with a trade finance expert at Svenska Handelsbanken was therefore included to give insights into the financial aspects of intermediaries’ role.

The following three aspects can explain the result of this thesis; intermediaries can enjoy economies of scale and scope when exporting paper to Nigeria, they have a better capacity of handling barriers to trade and they can lower transaction cost. The case company’s competitive advantage are embedded in six factors; economies of scale and scope, experience and network, good reputation, financing, risk taking and handling of the institutional framework. The result implies that certain characteristics of the Nigerian market give rise to a need for intermediaries. As long as the market is distant, relatively small and barriers to trade prevail, the role of the intermediary is likely to remain viable.

Key Words: Intermediaries, Nigeria, Paper Industry, International Trade, Barriers to Trade

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\(^1\) Translation from Swedish: Handelshus.
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1. Introduction

This chapter provides a background to and discusses the area of research. The research question on which the study will be based is introduced. Furthermore, the purpose of the study, and how the study will be limited in scope is explained. Finally, the thesis structure is presented in order to provide an overview of the study.

1.1 Background

Exporting intermediaries have long been important facilitators of international trade. They have helped producing firms to reach out to distant markets that they would never alone have reached and they have been able to coordinate product offerings from many different suppliers and provided a broad range of products that many customers would not have been able to purchase. In Gothenburg, Sweden, a unique cluster of trading houses can be found, exporting to markets all around the world. Most of them operate in the forestry sector. Buyers and sellers from all around the world have been successfully matched thanks to the existence of intermediaries. Particularly in the case of emerging markets, located far away from the producing company, and that are purchasers of small quantities, the intermediary has played an important role in organizing trade (Kuuse 1999). The manufacturer neither has time, adequate resources or sufficient knowledge to establish a profitable sales function to reach distant markets. The existence of intermediaries is thereby connected to that certain trade characteristics persist in relation to these distant markets. It can be argued that the intermediary’s role still is viable as long as markets continue to be distant and small, otherwise the producing firm may decide to handle the export on their own. To assess the role of intermediaries it therefore becomes important to monitor developments in these distant markets.

Most of the world’s paper producers are located outside the African continent and Africa is thus, per definition, a distant market. Nigeria is a nation in Sub Saharan Africa that has been experiencing rapid economic growth and is therefore an interesting export market to study. Nigeria is Africa’s largest economy, recently surpassing South Africa as a result of a rebasing (The Economist 2014). Furthermore, Nigeria’s population amounted to over 160 million people in 2012, which makes the country the most populated on the continent (Dahl 2013). In 2050, the Nigerian population is estimated to reach 440 million, which will outnumber even the population of United States, which by then is estimated at 400 million (The Economist 2014). The growth of the middle class leads to changing consumption patterns, which in turn affect the kind of products and the quantities demanded. Financial and technological improvements change the way Nigerian customers trade on the global market and how accessible they are for foreign firms. Improved and cheaper freight possibilities reduce cost and time in exporting to distant countries. Krugman et al. (2012) point out that the improvements of transportation infrastructure and communication has made geographical distances less important. There are however considerable trade barriers complicating export to Nigeria. Despite
the inconveniences, more and more companies in the paper industry that are operating on an international level are discovering the possibilities that Nigeria offers. Increasing competition for the Nigerian customers is changing the playing field and the intermediary’s role as facilitators of trade.

The Gothenburg based trading houses have a long tradition of handling export of forestry products, consisting mainly of pulp and paper. A common perception is that the paper industry only incorporates white printing paper and newspaper. Few are aware of that paper has many more applications such as tissue used for hygiene purposes or packaging materials used to for example store and transport products. The evolution of digitalization is an example of a phenomenon that has affected the consumption patterns of paper products in the developed world as well as in the developing world (Forsgren & Kinch 1970). Emerging market’s improved standards of living have lead to higher consumption levels and paper products tend to be among the products that are increasingly demanded with higher standards of living. Trends that can be observed globally are increasing demand of hygiene products and packaging materials whereas demand for printing paper and newsprint is falling (Järvinen et al. 2012). Pulp and paper products are often discussed together. This study will focus solely on the paper industry and its dynamics. Paper is a commodity and hence delivered in large, standardized units, either to domestic customers or exported abroad. Depending on the destination market, the supply chain may involve many steps before reaching the end consumer. Traditionally, intermediaries of various forms handle parts of the sales process to certain export markets.

1.2 Problem Discussion

The role of exporting intermediaries has traditionally been to help producing companies facilitate export to distant foreign markets (Ellis 2003). The spread of globalization, the internationalization of firms and the gradual liberalization of international trade have made markets global and have also lead to that distances in trade have decreased in importance. The location of the producing company as well as the location of the customer matters less and less. Other global trends such as the revolution of information and communication technologies and the development of transportation infrastructure have greatly enhanced international trade and opened up export markets for producers. This may involve both challenges and opportunities for exporting intermediaries. These developments make it interesting to investigate how the traditional value chain has evolved in relation to changing trade patterns and to understand the competitive environment for exporting intermediaries.

Most of the world’s paper producers are found outside the African continent. For these firms, Sub Saharan Africa is a distant market both in geographical and cultural terms where various barriers to trade prevail. Sub Saharan Africa is a region, which has been lingering in the periphery mainly because of its small size, limited demand and general intricacy as trading partner. Intermediaries have been an important part of trade with Sub Saharan Africa since they can specialize in trade facilitation in certain regions and thereby gain valuable know-how and establish business relations. Intermediaries may for instance enjoy coordination effects and benefit from economies of scale in the sales process.
which producing firms cannot. They have an ability to match suppliers with customers (Bakos 1998), and offer a wide range of products from different producers also to small and complex markets, which the producers themselves could never reach. Sub Saharan Africa is still largely marginalized on the global arena but there are examples of nations, which have experienced significant growth and development lately. Nigeria is one of the most interesting examples thanks to its size, rapid economic growth and relatively bright future outlook (Dahl 2013), and will therefore be the focus of this study.

There are vast amounts of literature treating intermediaries and their role in international trade but the connection to the paper industry and to Nigeria as export market has not been sufficiently examined. This study aims to contribute to the existing literature with a deeper understanding of the challenges and opportunities related to Nigeria as export market and which role intermediaries play in facilitating this export. When demand for paper products is slowing in Western Europe (Mata 2014), manufacturers may increasingly shift focus towards more dynamic nations with growing demand. Understanding the Nigerian market and how intermediaries are important in facilitating the export process to Nigeria is therefore a field of research in need of more attention. This study is focused on the paper industry and tries to identify relevant industry characteristics in order to illustrate the competitive environment in which intermediaries operate. A dynamic perspective of intermediaries’ role in relation to changing patterns of international trade and Nigeria’s development will be provided. Three different contexts will therefore permeate this thesis; the role of intermediaries in facilitating international trade, characteristics of Nigeria as export market and the dynamics of the paper industry.

1.3 Research Question

The following research question is the foundation of this study:

- Why do intermediaries handle export of paper products to Nigeria?

In order to answer the main research question, the following sub questions also need to be answered:

- To what extent are intermediaries better equipped to export paper products to Nigeria than manufacturers?
- In what way does the Nigerian paper market give rise to the need for intermediaries?

1.4 Purpose of the Study

The purpose of this study is to provide an understanding of why exporting intermediaries handle the export process of paper products to Nigeria. In order to fulfill this purpose, an illustration of challenges and opportunities with Nigeria as export market and characteristics of the paper industry will be provided, which also gives a contextual depiction. The objective is to provide a comprehensive understanding of the value that intermediaries contribute with in exports to Nigeria.
1.5 Limitations of the Study

Intermediaries exist in many different forms in a range of industries. This study is limited to exporting intermediaries in the paper industry who purchases paper from paper producers and resells the products to the Nigerian market. The study has its geographical focal point in Gothenburg, Sweden, since there is a strong tradition of so-called trading houses, specializing in the pulp and paper industry. The rigid history of international trade in Gothenburg and the long-lived tradition of these trading houses make them interesting objects to study. A case study of one trading company located in Gothenburg, operating in the paper industry and with Nigeria as one of its main export markets is the foundation of this study. The company of research is hereby referred to as the case company. Additionally, the Senior Relationship Manager, Stefan Kristensson, working for Financial Institutions at Svenska Handelsbanken with South Asia and Sub Saharan Africa as geographical responsibilities, provides an external perspective. The primary data was collected solely during face-to-face interviews.

1.6 Thesis Structure

The thesis begins with an introductory chapter explaining the background of the thesis and the problem discussion. It further presents the research question, explains the purpose of the study, and defines how the thesis will be limited in scope. In the second chapter, the methods for conducting the thesis are presented as well a review of appropriate methodology literature. The third chapter presents relevant theories and concepts developed by previous research. The fourth chapter gives a contextual understanding of the environment surrounding the company of research and is necessary in order to fulfill the purpose of the study. Chapter five contains the empirical data collected during the interviews. Chapter six analyses the empirical data in relation to the theoretical framework. In order to summarize the research found and to describe how this thesis has contributed to the existing studies a concluding chapter will follow. Chapter eight explains how this study has contributed to previous research in the field and presents suggestions for future research. Furthermore, chapter nine contains the reference list. Finally, interview questions are collected under Appendix.
2. Method

This chapter presents the methods used for conducting the research as well as a review of appropriate concepts and methodology literature. The type of study conducted is explained and the methods for collecting both primary and secondary data are described. Furthermore, our role as researchers in the study is discussed and followed by a critical evaluation of the method.

2.1 Qualitative Method

The purpose of formulating a suitable research method is according to Eneroth (1979 p. 15) to:

“Summarize, categorize and group a number of observations that would otherwise make a chaotic impression.”

Eneroth (ibid) continues by stating that a researcher, trying to gather information about reality, will encounter numerous observations during the research process and in order to make sense of these observations and to extract knowledge from them, the researcher must bring order to them. To approach the observations with a form of rule is vital in order to provide a comprehensible summary of the observations. A fundamental distinction between qualitative and quantitative research is often made in methodology literature. Creswell (2009 pp. 3-4) argues that research methods can be divided into three different types; qualitative research, quantitative research and mixed methods research. This thesis will be build upon qualitative research, which can be described as a method that studies individuals or groups and their opinions about a special social or human problem. Halvorsen (1992 p. 78) drawing on (Grønmo 1982, Eneroth 1984) defines qualitative data as data that says something about the qualitative, non-measurable, properties of the research units, for instance what seems to be typical. Teorell and Svensson (2007 p. 11) mean that qualitative research seeks to understand reality through the perspective of the research object, and that the aim is to describe reality as the individual or company itself describes it. To shortly define qualitative analysis, Svenning (1999 p. 83) states that it exemplifies rather than generalizes. The research object of this study is an organization operating in a highly specific market context, which the aim is to provide an understanding for. What becomes interesting to examine is what kind of trends can be observed, which forces determine the environment in which the object interacts and how surrounding developments have affected the object. Empirical information and observations that could help such an understanding can only be collected by means of qualitative tools such as in-depth interviews.

Creswell (2009 p. 175) states that in qualitative research, the researchers are central for the outcome because they personally collect the data necessary for the study. The data collected include information from interviews, observed behavior and documents that are examined by the researcher. This approach is suitable for this thesis since we as researchers to a large extent determine the outcome of the research by performing all the interviews, collecting all documents, and summarizing the data.
observed. We thereby color the empirical evidence by our previous understanding of the research object and by our evaluation of the material collected.

Eneroth (1979 p. 19) argues that a method can have either a descriptive or explanatory purpose. With a descriptive purpose, the aim is to describe certain properties of the research phenomenon. The purpose of this study is largely descriptive since we aim to provide insights into certain characteristics and properties of exporting intermediaries and describe their function in international trade. We wish to illustrate typical traits within the paper industry and specifically the sales process to Nigeria through intermediaries. This requires, but is limited to, a description of the dynamics of the elements that form the playing rules on this market.

Teorell and Svensson (2007) state that the existing theoretical framework is to be confronted with the empirical evidence that the study produces in order to test and maybe even to develop the theories. The encounter between theory and empirical evidence usually takes on one of two forms, deduction or induction. Deductive research has its starting point in the existing theory and applies it to an empirical study whereas inductive research starts with a set of empirical observations and out of these tries to formulate a generally applicable theory. Holmberg (1987) refers to deduction as ‘the path of evidence’ and induction as ‘the path of discovery’. Andersen (1998 drawing on Holmberg (1987), states that a deductive conclusion should start with existing theories, and continue with drawing conclusions about a specific case, based on the theories studied. Bryman (2008 p. 28) states that the two concepts are intertwined and that each concept embodies features of the other. This study is deductive with its origin in existing theory. We use the case study as empirical evidence and confront the observations we found with the theoretical framework in order to assess the theories relevance in the specific area of research. Theories relating to the role of intermediaries in international trade, what determines the competitive structure of industries and how an organization’s value and advantages can be assessed will be applied and evaluated in relation to the empirical evidence.

2.2 The Case Study

Halvorsen (1992 p. 38) makes a distinction between the macro and the micro perspective in research methods. The macro perspective usually studies phenomena on a structural level whereas individual companies may be the focus of the micro perspective. The purpose of this study is to provide understanding of phenomena that takes place on a macro level but in order to achieve this, a case study of an individual company will be used, and hence a micro perspective will permeate this study. Andersen (1998 pp. 128-129) points out that case studies are commonly used when studying social systems such as institutions and organizations. This case study aims to describe and understand one specific organization and its surroundings, but through this it also tries to explain a wider phenomenon. It is helpful to study a specific company and how it operates in the context of a broader research area when the aim is to give an empirical contribution to the existing literature. Bryman
(2008 p. 77) distinguishes between different types of case studies that serve different types of research questions. This case can be described as a representative or typical case with the aim to exemplify. The empirical reach and coverage of this study is limited to a single firm but also provides an external perspective through the interview with Stefan Kristensson. With the ability to study several or even all of the firms operating within the industry of research, naturally a more comprehensive coverage could be provided. Nigeria is and has long been the firm’s most important export market and the interviewees have valuable in-depth knowledge about Nigeria, about the role of intermediaries in the paper business and about the competitive environment in which the company operates.

2.3 Collection of Primary Data

2.3.1 Qualitative Interviews

This thesis focuses on primary data in the form of qualitative interviews, which can be constructed in several ways. According to Creswell (2009 pp. 178-183) interviews can take the form of personal meetings with the respondents, it can be carried out by telephone calls, or held in focus groups. For the collection of primary data in this thesis we concentrate solely on personal interviews, face-to-face with the respondents.

When conducting interviews, it is important to determine what type of method to use. Interviews can according to Svenning (1999 pp. 110-111) be performed in many different ways, such as how questions are asked, how the answers are noted or recorded, the nature of the interviews, and the number of participants. An interview can be conducted formally, informally or in a semi-formal way depending on which type of structure is most suitable. According to Hellevik (1977) the questions can be either unsystematically or systematically structured and the same holds for answers. If both questions and answers are unsystematically structured, the interview is informal. In this thesis, we started our interviews with a few questions about the interviewees’ positions and background in order for them to feel comfortable. Afterwards, we continued with more comprehensive questions. The broader questions offered ability for longer, more descriptive answers. In cases when the interviewee did not know how to answer, we had prepared sub-questions in order to make it easier for the participant to develop his or her opinion. Our interviews are therefore based on open questions, asked in a systematic order, with the possibility for the interviewee to steer the direction of the answers. We also allowed ourselves to ask supplementary questions that arose during the interview but stayed within areas relevant for the research question.

We conducted four out of five interviews at the interviewees’ workplace. This was a natural location and probably where the respondents felt most comfortable answering our questions concerning areas related to their work. One of the five interviews was conducted at a café since the interviewee was on parental leave. The interview with Stefan Kristensson was conducted at the Trade Finance department of Svenska Handelsbanken in Gothenburg to where we were invited. Svenning (1999 pp. 110-111) further explains that it is common to contact the interviewees in advance, in order
to explain the reasons for the interview, the subject, structure, and to ensure that the interviewees’ answers will be handled confidentially and with anonymity. We visited the Managing Director at the case company’s office a few weeks before the interviews to discuss which kind of collaboration the company was willing to be part of. The persons that were interviewed at the company office received an email a few days in advance with the prepared questions. Stefan Kristensson received an email from us before the interview, in which we shortly explained the purpose of our study.

We made sure that the respondents at the case company were informed that we would not mention their individual names, nor the name of the company and let them know that they naturally only responded to the questions they felt comfortable with. The industry is highly competitive and there are several firms performing similar services as the case company. Stefan Kristensson on the other hand accepted to be mentioned by name throughout the thesis.

2.3.2 Selection and Information about the Respondents

Eneroth (1979 p. 85) claims that a qualitative selection process is theoretical rather than statistical, meaning that the selected units will not be found randomly or by statistical rules but rather by the theoretical and background knowledge of the researcher. Our selection process was highly theoretical and based on our understanding of the research area. We decided together with the Managing Director which employees it would be viable to interview. Since Nigeria is not the only market to which the case company exports, we specifically picked out the employees with in-depth knowledge of the Nigerian market. In order to include opinions from outside the case company and to get a broader understanding of the trading process, we chose to interview Senior Relationship Manager Stefan Kristensson, working for Financial Institutions at Svenska Handelsbanken with South Asia and Sub Saharan Africa as geographical responsibilities. He was selected thanks to recommendations from the Managing Director of the case company.

When the purpose of a study is to obtain information with as high quality as possible and especially when the sample selected is small in size, then a strategic selection may be favorable according to Halvorsen (1992 p. 102). Halvorsen (ibid) continues by arguing, drawing on (Smith 1981), that the goal is to interview the people within the organization who are most knowledgeable or, drawing on (Holme & Solvang 1989), that the persons who can express themselves best should be interviewed. In this study we chose to interview the Managing Director of the case company, with wide knowledge and experience from the field of study. We further interviewed two Sales Managers with specific knowledge about the Nigerian market, and one Sales Assistant mainly handling the administration related to the export process to Nigeria. We chose the respondents with most knowledge and experience since we believed they would be best equipped to answer our questions. We chose interviewees from different departments in order to open up for different aspects of the sales process and to gain a comprehensive understanding of the activities performed by the case company. We wished to obtain insights into how an exporting intermediary works and what experienced members of
the organization believe are the strengths and weaknesses of the organization. Stefan Kristensson at Svenska Handelsbanken was selected thanks to his in-depth knowledge about Sub Saharan Africa and experience from the financial side of the trading process with Nigeria.

2.3.3 Execution of the Interviews

The joint interview with the Managing Director and the Sales Manager was conducted April 25, 2014. This interview lasted 30 minutes, and was conducted at the case company’s office in Gothenburg. The interview with the Sales Assistant was conducted later the same day at the office, and lasted 35 minutes. The third interview with the second Sales Manager was conducted April 28, 2014 and lasted 45 minutes. It was conducted at a café in the interviewee’s neighborhood. The interview with Stefan Kristensson was conducted May 8, 2014. This interview lasted one hour and 15 minutes and was held at the Trade Finance office at Svenska Handelsbanken in Gothenburg. All interviews were recorded using a voice-recording program.

2.4 Collection of Secondary Data

According to Bernard (1988), there are three basic approaches for collecting information about the research object. The first way is to ask people who possess information about the area, for example supervisors and experts. The second way is to read summaries, introductions, and conclusions of journal articles related to the subject. The last method is to search for information in databases, and ask for search support from a library. We used all of these methods. We started by discussing ideas and possible information sources with our supervisor, and continued by doing so during the entire process. Furthermore, we searched for information from databases such as Business Source Premier, Science Direct and Google Scholar to mention a few. Statistics was mainly collected from the database UN Comtrade. We also met with a librarian at the Economics Library in Gothenburg to receive guidance during the research phase.

Chapter four in this thesis aims to provide a contextual understanding of the environment around the company of research. We believe that including this understanding is vital to be able to fulfill the purpose of the study. The material presented relates to the three contexts presented earlier; the intermediary’s role in paper export to Nigeria, Nigeria as export market and the paper industry, and is necessarily less scientific than the theories presented in chapter three. The purpose of this chapter is however not to present a highly scientific framework but rather to paint an illustrative picture of the surroundings which encircle the research question.

2.5 The Researcher as Part of the Study

The researcher exerts great influence over the format and direction of the study and therefore also over the outcome. The researcher not only decides the appropriate theoretical framework as basis for the study but also through the researcher’s own understanding of this framework, together with
previous knowledge and influences, designs the interviews and questions to be answered. The researcher should strive towards awareness of how and to what extent the study process is colored by him or herself. Svenning (1999 p. 21) claims that the researcher should actively participate in the choice of whether he or she wants to influence the study or not, and if so to what extent. In other words, the researcher decides if he or she wants to take the role as an observer or a participant. Halvorsen (1992 pp. 16-17) argues that social science research cannot be completely neutral but will to some extent be affected by the researcher’s values. Especially the definition of the research area and the decision of which empirical questions to ask are heavily influenced by the researcher’s own values. Other parts of the research process can however remain more neutral, for instance the data selection, collection and analysis of the data. Bryman (2008 p. 43) also claims that the researcher’s values and prejudices can influence the process and that it is common in qualitative research that the researcher develops a personal connection to the interviewees. Halvorsen (1992 pp. 16-17) claims that social science researchers communicate with the research object by the use of language and when the aim is to provide a meaningful analysis of behavior patterns, rather than to describe laws of nature, neutrality is difficult to achieve.

In this study, we as researchers function more as participants than observers. During the interviews we asked questions based on our understanding of the research area and the follow-up questions that were sometimes asked in order to help the interviewee develop a certain thought or reasoning were reflections of our own interest and our assessment of which answers were relevant. We tried throughout the process to remain as objective and open minded as possible. We believe that our participation rather deepened the respondents’ reasoning and helped them to make their point more easily rather than distorting their answers.

2.6 Analysis of the Material

Andersen (1998 p. 179) states that analysis of empirical material consists of two elements:

1. To distinguish the individual parts out of the whole.²

2. To examine the relations between the individual parts and possibly to the whole.

Andersen (1998 p. 180-181) thereby claims that the process of analysis is all about categorizing the collected empirical material in order to describe the findings. Interpretation of the data is vital to provide a fruitful analysis and when the data is of qualitative nature, a researcher should strive towards a discussion of alternative interpretation possibilities before deciding on which one is the most meaningful. Halvorsen (1992 p. 131) claims that the analysis of qualitative data is not as detached from the data collection phase as when it comes to the analysis of quantitative data. Neither is the analysis as formal as for quantitative data, but rather stems from intuition with a starting point in the empirical data collected.

² Translation from Swedish: Att urskilja de enskilda delarna i en helhet.
This thesis can be said to contain three different contexts; the function of intermediaries in paper export to Nigeria, Nigeria as export market and the paper industry. We categorized the collected data according to which of these contexts the data belonged to and discussed thoroughly, throughout the research process, how to detect the most fruitful interpretation of the data. All data collected, secondary and primary, has been evaluated based on its relevance for the research question. The analysis begun therefore already with the start of the data collection phase.

2.7 Choice of Theoretical Framework

The theories presented, that together form our theoretical approach, have been carefully selected based on their relevance and trustworthiness. The theories’ relevance and trustworthiness have been assessed according to the amount of citations they have and according to our own evaluation of their reliability. Books that are used have been selected based on their appropriateness and we have aimed to include authorities in the area of research. A more comprehensive summary of the theories will be provided in the end of chapter three. Key words that guided the literary search were Intermediaries, Trade Barriers, Nigeria, Paper Industry and International Trade.

2.8 Validity and Reliability

According to Svenning (1999 pp. 62-66) reliability and validity are two concepts that can help to measure how well a study is performed. These two concepts should be applied differently to qualitative and quantitative studies. The validity of a study incorporates its capacity to measure exactly what it sets out to measure, in other words the relevance of the research. Therefore, it was important for us to formulate the interview questions, perform the interviews, and observe what the study aims to observe in a consistent way. Furthermore, we evaluated the collected material based on its relevance for the research question. Bryman and Bell (2011 pp. 394-395), drawing on LeCompte and Goetz (1982), explain that validity can be divided into internal- and external validity. Internal validity measures how well the researcher’s observations are consistent with the theoretical framework. We believe that there is a relatively good match between existing literature and our observations. Internal reliability also involves to what extent the researchers interpret what they observe in a similar way. In order to maximize reliability, interpretation of our results was discussed in detail between us researchers. External validity on the other hand, describes how well the results of the research can be applied to the general social environment, in other words, the trustworthiness of the research. This is often a tricky criterion to meet in qualitative research because it deals with social environments, which constantly change. In the context of trading houses, operating in the paper business, we estimate that the observations gathered are to some extent applicable to other organizations operating in the same environment. We set out to identify characteristics of an industry with the help of a case study of an individual firm, and on the basis of our understanding of the industry, we believe that our findings can be applied, at least to some extent, to similar trading houses located in Gothenburg.
2.9 Ethical Standpoint

We contacted the Managing Director of the case company in order to ask if the company would be interested in some form of collaboration with regards to this thesis. Potential research questions were discussed and we were inspired by thoughts from the Managing Director about what type of perspective could be relevant, even though we decided not to follow the idea of the Managing Director entirely. As per request of the case company, we have treated the respondents and their answers anonymously and with the highest degree of confidentiality possible. All respondents were informed about that we recorded the interviews, that their participation was optional and that their answers would be anonymous. Due to the competitiveness of the industry, we tried to respect the request throughout the research process and found no direct obstacles to this.

2.10 Critique of the Method

Bryman (2008 p. 46) states that social science research is created in the span between the ideal and the manageable. There are usually practical aspects to consider that may influence the research process in a number of ways. One of our interviews was conducted with the Managing Director and one of the Sales Managers together, as per their request. With hindsight, it might have been preferable to interview one respondent at a time in order for the respondents to answer our questions independently from each other. Respecting the company’s request was however prioritized.
3. Theory

In this chapter, relevant theories for the area of research will be presented. The chapter is divided into three main parts, which are followed by a summary of the theories presented. The first part introduces intermediaries, describes their function and why they exist. The second part explains trade barriers and how they may complicate trade with Nigeria. The third part introduces the concept of competitive advantage and how it adds value within a certain industry.

3.1 Intermediaries

3.1.1 Explanation of the Concept

An Intermediary is an economic agent who purchases from suppliers for resale to buyers or to help buyers and sellers meet and interact (Spulber 1999 p. 3)

Recent literature by Bernard et al. (2010), Ahn et al. (2011) and Antràs and Cosinot (2011) has investigated how trading firms differ from each other. The research found that exporting firms can be either manufacturers handling the production as well as the distribution of their commodities to foreign markets, or intermediaries focusing on the distribution process to markets outside their own country. It is important to distinguish between different types of intermediaries. Welch et al. (2007 p. 255) describes the two most important forms; agents and distributors. An agent is normally operating on behalf of the exporter on commission basis in the foreign market but without purchasing the goods. A distributor on the other hand purchases the goods from the exporter and acts independently in the foreign market. This distinction implies legal differences and that a distributor takes on more responsibility and greater financial risk than the agent. The type of intermediary that will be examined in this study is the distributing intermediary.

Ellis (2003) states that since the beginning of the 17th century, when the maritime power of Europe established the first certified trading companies, international intermediaries have played a significant role in international business. He further claims that exporting intermediaries are used by producing companies when they want to sell to ‘new’, distant markets and when they lack international experience. Welch et al. (2007 p. 239-240) state that exporting is one of the most common modes in the early phases of a firm’s internationalization process. A firm may decide to export on its own initiative or as a result of being approached by an intermediary. Exporting can be a relatively simple extension of the firms current business if the practical exporting demands such as shipping and documentation are outsourced to an external party. According to Spulber (1999 p. 3), the tasks performed by intermediaries range between matching buyers and sellers on the market, price setting, ensuring availability of goods and services, definition of transaction terms and facilitation of payments and financing. Spulber (ibid) continues by stating that most markets typically lack perfect information about prices, product availability and product specifics and the nature of the existing information imperfections form the activities of the intermediary. There may be various forms of uncertainty
between the buyer and seller, which complicates the transaction. If supply and demand of a product is unstable or random, the intermediary can balance these forces by buying and selling when necessary and hence contributing of a more stable flow of goods. Information about potential trading partners may be hard to come by or it may be non-transparent and in such cases the intermediary makes the necessary information available and matches buyers with sellers on the market. In addition, Abel-Koch (2013) claims that intermediaries’ role consist of filling informational gaps, searching for new potential customers in the foreign country, and controlling product quality for their customers.

According to Bakos (1998), markets in general have three different functions in today’s economy. The first two functions are handled by intermediaries, and consist of matching buyers and sellers, and simplifying the exchange of information, goods, services and payments that are connected to market transactions. The third function is to provide an institutional infrastructure, meaning a legal and regulatory framework. The first function, to match buyers and sellers, can be divided into three components. The first one is to decide the product offerings. The second one is to search for information about price, the products, and to match sellers’ offerings with buyers’ preferences. The last one involves price setting. The second main function handled by intermediaries, participating in processes associated with transactions, can in turn be divided into three parts. They consist of logistics (to provide buyers with information, goods, or services), arrangement of the payment to sellers, and trust associated with the credit system and reputation.

According to Welch et al. (2007 p. 246) it is important for manufacturer, exporting through intermediaries, to select an appropriate partner. It may be tricky to negotiate acceptable terms and to define the parties’ different roles in the agreement. They continue by saying that the exporting company’s success on the foreign market is largely decided by the nature of the relationship that evolves with the intermediary. It is after all the intermediary that builds relationships with the customers and customers may in some cases prove more loyal towards the intermediary than towards the manufacturer.

### 3.1.2 Why Intermediaries Exist

#### 3.1.2.1 Economies of Scale and Scope

Black et al. (2009) separate the two concepts economies of scope and economies of scale, which both describes how cost saving arise but through different perspectives. Economies of scope occur as firms perform many related activities, whereas economies of scale occur when companies perform more of the same activity. Bernard et al. (2011), claim that exporting intermediaries have an advantage over manufacturing firms exporting on their own because exporting intermediaries can benefit from economies of scope. Economies of scope occur when the intermediary purchases quantities from many different suppliers and thereby is able to offer a larger variety of products to each customer. Peng and York (2001) join this argument and state that intermediaries have, in contrast to manufacturers, the ability to leverage their knowledge and experience across many customers and a variety of products.
Henceforth, intermediaries can benefit from economies of scale and scope that a producing firms never could. Ellis (2003) states that it is not only large trade intermediaries that can benefit from economies of scale, even small trading companies are able to export in a more cost effective way than single producers exporting on their own by coordinating many different product lines from different producers.

Akerman (2010) presents an assumption of economies of scope, based on data from Swedish wholesalers, claiming that they export a larger variety of products than manufacturers. To understand his findings, it is of great importance to know that all exporting firms must pay a fixed cost when they export to a foreign country in order to set up a distribution network there. Akerman found out, by using evidence from Swedish exporting firms, that wholesalers are important in export to countries, which have high fixed costs of entry. In these countries, wholesalers have an advantage over manufacturers, by being able to spread the fixed costs over a larger number of goods. For wholesalers, this fixed cost increases monotonically as the number of goods they export increases. In order to stay profitable, wholesalers need to charge a markup between the price they pay for the good and the price they sell at. This implies that as long as the manufacturing firms have a high productivity that covers the fixed cost, it is profitable for them to export themselves, but for firms with lower productivity it might be financially more viable to export their goods through wholesalers.

Ahn et al. (2011) observe a number of features relating to the use of intermediaries in international trade when examining data about patterns of trading firms in China. The existence of intermediaries in international trade gives manufacturing firms a chance to reach export markets that they would not have been able to reach, given their own distribution network. The mechanism provided by intermediation tends to be employed to a larger extent by smaller and less productive firms than firms that are large and more productive. The larger, more productive firms tend to handle the exporting service on their own rather than going through a middleman. When exporting costs and barriers to trade are high, more firms tend to use intermediaries. Intermediation increases the number of steps in the supply chain and thereby also the marginal cost of foreign distribution, which results in higher prices for consumers. The producing firm can avoid setting up its own export and distribution department and the intermediaries are also able to offer a broader product segment to the foreign market. The size of the export market is another factor influencing the decision whether to use an intermediary or not. They further observed that when exporting to larger markets, a larger number of producers handle the export themselves and with smaller markets, a larger proportion is traded through an intermediary. They conclude that intermediaries in international trade emerge to overcome certain market-specific costs that may arise due to extensive import documentation restrictions or the nation’s Most Favored Nation tariffs on imports.

Bernard et al. (2011) found that intermediaries are only involved in the process of the products cross-border distribution; they add and drop products to a larger extent than manufacturers, which means that they can offer a more flexible product segment to the customer. Moreover, intermediaries
are affected by lower sunk costs when exporting, which help them to adapt their margins more easily than the manufacturer.

3.1.2.2 Intermediaries and Barriers to Trade

According to Bernard et al. (2011) intermediaries exist because they can handle barriers to international trade at a lower cost than manufacturers. When looking at recent empirical studies, clear evidence of the important role of wholesalers and intermediaries in international trade can be observed. For example, Blum et al. (2009) found that out of Chile’s total import, around 35 per cent passed through intermediaries.

Abel-Koch (2013) states that the size of the target market, risks, cultural distances between the domestic market and the foreign market, and characteristics of the company and their products decides whether a manufacturer chooses to export directly or go through trade intermediaries. If manufacturers would export on their own, this would require them to establish a distribution network and the creation and maintenance of customer relations in the target country. She claims that this would only be profitable for large manufacturers with the ability to cope with such fixed costs. According to Heide and John (1992) small and medium sized enterprises find it difficult to control all steps in the vertical integration themselves because of high costs involved. Instead they use independent intermediaries when exporting. Additionally, Crozet et al. (2013) claim that intermediate exporters posses an important capability to reach distant markets. These companies can also help firms, which have a low degree of efficiency to supply foreign markets.

3.1.2.3 Intermediaries and Transaction Costs

When suppliers and buyers interact, certain transaction costs arise. Spulber (1999 p. 9) explains transaction costs as direct costs incurred in carrying out purchases and sales, as well as the time and inconvenience of searching. An important reason explaining the existence of intermediaries is that they can facilitate and carry out a transaction at a lower cost than the supplier and buyer can on their own. By using an intermediary channel, buyers and sellers minimize the risk of failing to find a suitable partner to trade with.

Peng and York (2001) state that exporting intermediaries have the ability to help producers to lower three different costs relating to exports; search costs, negotiation costs and monitoring costs. They argue that intermediaries’ knowledge of foreign markets, experience from exporting processes and understanding of marketing in an international perspective are the major reasons of their existence. The authors argue that the competitive advantage of intermediaries lie in that the skills and resources they possess are difficult to imitate. The typical skills of intermediaries are suggested to be connected to market knowledge, ability to negotiate and their financial strength. The skills that differentiate a company are in other words often intangible, embedded and knowledge-based.
Dyer (1997) identifies four main types of transaction costs, differing slightly from the ones formulated by Peng and York (2001) that occur when buyers and sellers interact. These consist of:

1. **Search costs**, which involve the cost of collecting information about potential trading partners.
2. **Contracting costs** involving costs related to the establishment of an agreement.
3. **Monitoring costs** relating to the costs that occur when the involved parties want to make sure that the agreement and its related obligations are fulfilled.
4. **Enforcement costs** occur when there is a need to sanction a trading partner that does not fulfill its obligations.

Dyer (1997) argue that transaction costs may arise as a result of the parties’ need to trust in each other’s ability and willingness to perform according to the established agreement. When trading partners are new to each other and lack experience of each other’s commitment, they are generally more concerned with monitoring each other to make sure that the other partner fulfills its obligations. As the parties continue to do business together and become more experienced with each other, they tend to relax this need for monitoring. Dyer (ibid) states that a number of features reduce the transaction costs of doing business. Some of these features are listed below and are especially valid when examining the role of intermediaries since they may specialize in and benefit from such features.

1. Repeated transactions with few suppliers enable the parties to gain trust and to reduce opportunistic behavior. Repeated transactions open up for long term collaboration between the parties and helps reduce transaction costs. It further allows for corrections of mistakes from previous transactions and hence has a smoothing effect. If some part of the agreement was not properly fulfilled then this mistake can easily be corrected during a future transaction.
2. **Economies of scale and scope** as a result of extensive trading with few suppliers.
3. **Bargaining cost** may further be reduced thanks to that extensive transacting provides opportunities for correcting errors.
4. **Interfirm information sharing** enables for more symmetric information sharing. Information tends to be costly and therefore transaction costs arise since certain information must be shared in order for a transaction to take place. Information to be shared between supplier and buyer may consist of cost, quality and production information. If information is shared rather than concealed, the parties’ incentive to act opportunistically is curbed.
5. **Trust between the parties**, which open up for long-term relationships. The implementation of contracts is one way to control that agreements are lived up to but relational trust between the transactors may serve just as well in keeping them from acting opportunistically. Contracts usually have a time limit whereas relational trust is indefinite.

### 3.2 Barriers to International Trade

Trade barriers that prevent products and services to move freely across borders can be put into two different categories: physical barriers and political barriers. Physical conditions affecting the
transportation of the product involve for instance land and sea borders. Political boundaries on the other hand, consist of tariffs, lengthy customs clearance procedures, duties and administration. Since economic activity has become more globalized, these barriers now affect international trade to a greater extent than before (Dicken 2011 pp. 400-401). Political barriers further exist in two forms, tariff barriers and non-tariff barriers. Tariff barriers consist of taxes or duties charged on products as they cross national borders, whereas non-tariff barriers consist of other restrictions on imports and exports such as quotas, licenses and subsidies etc. (Stutz & Warf 2012 pp. 330-331).

Peng and York (2001) argue that small firms may be deterred from exporting since the challenges involved are viewed as being too overwhelming. Larger companies may lack volition to establish export facilities to new markets that are not integral to the organization. Rauch and Watson (2004) argue that classical barriers to trade, involving for example tariffs and transportation costs, have fallen over time and that informal barriers instead are receiving more attention from researchers. There are many different forms of informal barriers to trade. One example is the lack of information about trading partners (Portes & Rey 1999). Bauerschmidt et al. (1985) identify the following five barriers that inhibit exports:

1. **National export policy**: involving the role of the government in the exporting process, whether exports are promoted or prevented.
2. **Comparative market distance**: involving elements addressing marketing constraints, both physical constraints such as transportation costs and inadequate distribution channels as well as psychological dimensions relating to cultural differences between importing and exporting nations.
3. **Lack of export commitment**: implying that only opportunistic firms engage in export, which is considered as diverting valuable managerial time and financial resources away from the vital domestic market.
4. **Exogenous economic constraints**: involving high foreign tariffs on imported products and possible exchange rate effects.
5. **Competitive rivalry**: involving competition in foreign markets and the inability to sustain foreign markets.

Lambsdorff (2013) describes the role of the intermediary in international trade with regards to corruption. Corruption is a problem in many developing nations and internationally operating firms have become more aware of the risks involved with being associated with corruption. Lambsdorff mean that corruption may involve costs for investors and that these can be both uncertain and unpredictable. Habib and Zurawicki (2002) argue that companies in countries where corruption is limited are especially intimidated by corruption in business practices and refrain from investing in countries where corruption is widespread. Companies wanting to trade with countries where corruption is widespread must however decide how to handle this; one way can be to employ the service of intermediaries to help facilitate the complexity of the business climate.
3.3 Competitive Advantage

Assessing a firm’s competitiveness and value creation within an industry is essentially the same thing as assessing a firm’s competitive advantage. Porter (1985 pp. 3-4) explains the concept of competitive advantage by saying that it basically stems from that the value a firm creates for its buyers exceeds the cost of creating it. He means that a competitive strategy must grow out of a well-founded understanding of the competitive environment in an industry, which in turn decides the attractiveness of the industry. The structure of an industry is normally stable over time but can also change as the industry itself changes. The competitive environment of the industry is also not constant over time but subject to both internal and external influences. Industry structure also decides where in the value chain the value creation of a product will remain. In certain industries it may be difficult for firms to retain the value created through profits, even though the value created is high, whereas in other industries this is much easier (ibid pp. 7-9). But also in an unprofitable industry, a company can experience good returns by strategic positioning (ibid p. 11). Porter further claims that competitive scope of different kinds play a vital role in forming the competitive advantage of a firm. Geographical scope for instance, enables a company to benefit from sharing or coordinating value activities in different geographical regions. The coordination effects that arise thanks to geographical scope may lower cost or improve differentiation and can thereby enforce a firm’s competitive advantage (ibid p. 56).

3.4 Summary of the Theoretical Framework

Bernard et al. (2011) argue that exporting intermediaries have an advantage over manufacturers since they can benefit from economies of scope. Intermediaries can offer customers a wider range of products since they purchase from many different suppliers and thus enjoy coordination effects (Ellis 2003). Peng and York (2001) argue that intermediaries can leverage their knowledge across a variety of products and customers. Thanks to economies of scope, intermediaries can carry out profitable transactions with markets where manufacturers would not sustain profitability.

Additional reasons for the existence of intermediaries are that they can handle barriers to international trade at a lower cost than manufacturers (Bernard et al. 2011) and they possess an important capability to reach distant markets (Crozet et al. 2013). Furthermore, Ahn et al. (2011) state that intermediaries predominantly exist on markets where exporting costs and barriers to trade are high. They enable manufacturers to reach markets that would otherwise not be profitable to trade with. Abel-Koch (2013) states that the size of the target market, risks, cultural distances between the domestic market and the foreign market decide whether a manufacturer chooses to export directly or go through trade intermediaries. Bauerschmidt et al. (1985) identify five barriers inhibiting exports; National export policy, Comparative market distance, Lack of export commitment, Exogenous economic constraints and Competitive rivalry. These barriers are highly relevant when examining intermediaries’ ability to handle export procedures.
Dyer (1997) identifies four types of transaction cost that arise as suppliers and buyers interact and which the intermediary can help to reduce; *Search costs, Contracting costs, Monitoring costs* and *Enforcement costs*. Factors that may help to reduce transactions costs, and that are especially valid for intermediaries, are that repeated transactions with suppliers reduce opportunistic behavior and bargaining costs. Long-term collaboration also allows for trust to be established between the parties, which greatly reduce transaction costs. Finally, economies of scale and scope may be enjoyed as a result of extensive trading with few suppliers.

Porter (1985) explains a firm’s competitive advantage, which is a useful tool to illustrate the competitive environment of a specific industry, and how a firm, with regards to its strengths and weaknesses, can best position itself in that industry. The structure and dynamics of industries change over time, which in turn affects firm’s positioning.

To summarize, the three major theoretical explanations for the existence of intermediaries are that they can enjoy economies of scale and scope, they are better equipped at handling barriers to trade and they can take care of the export procedure at lower transactions costs than manufacturers. These three aspects are the theoretical foundation of this study and will help to provide an understanding of the competitive advantage of intermediaries. The model below illustrates the theoretical approach of this study and will be applied to the Nigerian paper market in order to guide the understanding of why intermediaries handle export of paper to Nigeria.

*Model 1. Framework for Understanding Intermediaries’ Competitive Advantage*

*Source: Own Model*
4. Empirical Study – Background to the Three Contexts

In order to provide an understanding of the context in which this study is carried out, this chapter starts by introducing the history and development of trading houses in Gothenburg. Furthermore, developments in Sub Saharan Africa and Nigeria are presented to illustrate opportunities and challenges involved in exporting to Nigeria. Finally, characteristics and developments of the paper industry are described.

4.1 The History and Development of Trading Houses in Gothenburg

Kuuse (1999 p. 11) argues that trading houses in Gothenburg can be considered as opening up new and undiscovered markets for the Swedish industrial sector and hence helping to deepen industrialization in Sweden. Gothenburg has been a breeding ground for this type of traders mainly thanks to its advantageous position. With its big and well-developed port, facing a rapidly growing Western Europe, Gothenburg became a more important hub for trade than for example Stockholm.

Kuuse (ibid p. 13-18, 43) further claims that trading houses were historically involved in trade of all sorts of products but in the late 19th century, the focus turned more and more towards the forest industry where trade in pulp and paper dominated. This was a rapidly expanding industry in Sweden in the late 19th century and early 20th century and provided vast opportunities since the demand for paper-related products rose quickly. The importance of the services provided by these companies declined over the years as institutional and structural changes in society took place. Transportation and especially new forms of sea freight simplified the logistics of the goods sold. Cheaper transportation and the decreasing importance of physical location of customers or producers further enabled international specialization and integration of markets.

An illustration of how external factors have influenced the importance of trading houses over time is presented by Kuuse (ibid p. 150, 208). The process of internationalization and globalization together with improved modes of communication have resulted in that barriers to trade with distant markets have decreased. Barriers in the form of risk taking, handling of red tape and the deep market knowledge and experience are the trading houses’ raison d’être and these services have through the increasing internationalization become more manageable for the producing firms to handle themselves. Liberalization of trade laws, lowering of custom fees and the aim to simplify trade procedures can in many ways be considered as threats to the trading houses’ existence. But today’s growth in knowledge-intensive and service-based industries where deep market knowledge and experience is highly valued allows these intermediaries to survive despite the threats they are facing. The distant markets, which are the trading houses specialty, still require an understanding of the market context and business relations. The intermediaries can, in contrast to a producing company, specialize in understanding the market specifics, the cultural norms and the political systems. They continue to function as risk takers and complement the role of the banks in financing the sales.
procedures. They can also offer a much broader product segment than one single producer can. The ability to coordinate product offerings has made them internationally competitive and also the coordination of logistics and marketing has served as a comparative advantage. Without the service of a trading house, some producers could never reach certain distant markets. In recent years, the Gothenburg based trading houses have further diversified by developing and refining their service offerings in order to stay competitive, including for instance financing, logistics solutions and insurances.

4.2 Nigeria as Export Market

4.2.1 Facts and Figures

Adeyemo and Bankole (2003) describe the development of trade in Nigeria over time. They point out that between the early 1960s and mid 1980s, the Nigerian trade policy was inward looking, focusing mainly on development of the industrial sector. To succeed in developing an industrial base, protectionism characterized the nation’s trade policy. After the economic depression in the early 1980s and cultural changes during the same period, Nigeria changed trade policy towards becoming more outward oriented. The new policy aimed to diversify the Nigerian productive base in order to reduce the country’s strong dependence on its oil sector and on imports.

According to a co-publication by The World Bank and the International Financial Corporation (2010), Nigeria is known for its oil wealth and rapidly growing economy but a life in poverty is still the reality for over half the population. In order to sustain the economic growth, diversification of the economy is vital. Nigeria’s 2020 strategy is directed towards economic growth, the goal is to become one of the largest 20 economies in the world. Structural and institutional reform will help the country to reach this goal. Nigeria has also in recent years taken measures to facilitate trade across borders. Examples of implemented reforms are computerization of custom clearance to speed up the process, implementation of a post clearance audit system to minimize delay and congestion in the Nigerian ports and privatization of container terminals.

According to numbers from The World Bank (2014), Nigeria’s GDP level was about 459.6 billion U.S. dollars in 2012 and has since 2010 annually been growing at about seven per cent, which could be seen in table one. Additionally, table one shows The World Bank’s annual forecasts of GDP growth in Nigeria for 2014, 2015 and 2016. The growth rate is estimated to remain at approximately the same level, slightly below seven per cent. The Nigerian population has been growing at about three per cent in recent years (National Bureau of Statistics 2012) and reached 168.8 million in 2012 (The World Bank 2014), which could be seen in table two. This makes Nigeria the most populous country in Africa. According to Standard & Poor’s credit rating, Nigeria is rated as BB- (Standard and Poor’s Rating Services 2014). Nigeria is furthermore Africa’s largest economy, recently surpassing South Africa as a result of a rebasing (The Economist 2014). In 2050, the Nigerian population is estimated to
reach 440 million, which will outnumber even the population of United States, which by then is estimated at 400 million (The Economist 2014).

Table 1. Nigeria Annual GDP Growth

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<td>Annual GDP Growth</td>
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Table 2. Population of Nigeria

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4.2.2 Trade Barriers

4.2.2.1 Formal and Informal Barriers

According to Mwaba (2000), African countries have long resisted and been suspicious of trade liberalization since they have feared that their local industries would be outcompeted by foreign firms if they opened up their economies. Sub Saharan Africa is left as the only region in the world where substantial tariff and non-tariff barriers still exist since the value of opening up the economy has been believed to be uncertain. Despite the many and powerful voices proclaiming the benefits of free trade and open markets, different forms of trade restrictions prevail in African countries. The study further argues that tariffs and quantitative restrictions have been the largest barriers to trade. Such formal trade barriers may take on the form of tariffs, prohibitions, quotas, import bans or licensing mechanisms. The World Economic Forum (2013) estimates that the most problematic factor for importing in Sub Saharan Africa is burdensome import procedures followed by tariff and nontariff barriers and high cost or delays caused by international transportation.

The Federal Ministry of Commerce, in collaboration with other ministries, government agencies, and the private sector, is responsible for the formulation of trade policy in Nigeria. Nigeria's trade policy aims to enhance the competitiveness of its domestic industries, encouraging local value-added production, and promoting and diversifying exports. In 1995, Nigeria joined the World Trade Organization. The nation's trade regime has become more protectionist despite its membership in various trade agreements. Nigeria saw an almost ten-fold increase in the number of items subject to import restrictions, the HS four-digit level (WTO 2005).

Oyejide et al. (2005) state that Nigeria’s policy of import prohibitions as a mean of protecting domestic industries has been a source of conflict with its trading partners since it stands in contradiction with GATT and WTO rules. Nigeria has employed a lengthy import policy structure
which has its origins in the objectives to promote domestic industry, employment and balance-of-payments. Important features of this structure involve protecting existing domestic industries and reducing the country’s perceived dependence on imports, while at the same time ensuring the availability of raw materials and capital goods, which cannot be obtained from domestic sources. The case study argues that the rhetoric around liberalization of restriction on imports and what has actually been implemented in practice differs. The Nigerian government has on several occasions stated that import-prohibiting measures will be removed but until the year of 2004, shortly before the case study was published, the extent of import bans actually increased.

According to a report by The United States Trade Representative (2013), Nigeria has as members of ECOWAS (Economic Community of West African States), partially implemented the ECOWAS CET (Common External Tariff) since 2005. The 2008-2012 CET has five tariff bands: zero duty on capital goods, machinery, and essential drugs not produced locally; 5 percent duty on imported raw materials; 10 percent duty on intermediate goods; 20 percent duty on finished goods; and 35 percent duty on goods in certain sectors that the government seeks to protect. The CET is based on the classification according to the Harmonized System where relevant paper products are classified under code 48. There is a tendency for more refined products to be subject to higher import duties and less refined products to lower import duties. Envelopes for instance, are charged with a 35 percent import duty whereas Kraft Paper is charged with a five per cent duty (Nigeria Customs Service 2014). The report by The United States Trade Representative (2013) further shows that companies exporting to Nigeria experience that high tariffs, non-transparent valuation procedures, frequent policy changes, and unclear interpretations by the custom hampers importing activities. Nigeria is relatively dependent on imports of various products and raw materials and the complex importing procedures tend to further complicate the situation.

4.2.2.2 Nigeria’s Trade Policy

Yusuf et al. (2013) argue that in a country such as Nigeria, which is lacking basic infrastructure and a productivity base and where the labor force is relatively unskilled, trade liberalizing schemes may hurt rather than benefit the economy. Nigeria has a high marginal propensity to import and is highly dependent on export of its oil resources. With dependency on imports and a non-diverse export base, Nigeria’s benefits from trade liberalizing policies may be limited.

Umaru et al. (2013) draw parallels between globalization in Nigeria and the macroeconomic environment and argue that globalization in Nigeria can be traced back to the implementation of the Structural Adjustment Programme (SAP) in 1986. The authors provide some examples of elements connected to globalization, improved communication possibilities between remote locations being one and growing freedom of exchange of goods and capital on the global market place being another. Globalization has according to the authors proved beneficial for the overall economic performance of Nigerian the economy.
4.2.2.3 Nigerian Ports

The report from United States Trade Representative (2013) states that the Nigerian port practices are another barrier to trade that complicates import procedures. Companies experience unpredictable application of customs policy, the duration of custom clearance can be very long and unloading expensive. Quarrels over interpretation of custom policy are commonplace and recurring alterations of customs guidelines have a slowing effect on trade flows. Furthermore, Nigeria requires all imported goods to be inspected upon arrival in the country. These inspections may delay custom clearance and can also be costly for importers. In order to fight the slow and complex procedures in the ports, a 48-hour cargo clearance policy was introduced in 2010. In reality however, this policy has had little effect. In 2011, further plans were introduced to help improvement of custom clearance by reducing the number of government agencies in the ports. However, the new policy has not been consistently adopted and no clear evidence of improved clearance duration exists.

Another barrier to trade relating to the Nigerian ports is the poor infrastructure in and around the ports. Proper infrastructure to transport goods in and out of the port facilities is missing which often results in extensive congestion. The World Economic Forum (2013) claims that the ports in Lagos have reached their container storage limit and that new infrastructure capacity is needed in order to ensure a steadier flow of goods in and out of the ports. According to Clark et al. (2004 p. 425) the median number of days to clear goods in the custom is 18 days in Nigeria, whereas the median number of days on average in the West African region is twelve days. In 2006, consignments waited minimum 35 days in the Nigerian ports before they were cleared (Ibeke 2014). The average number of documents necessary for import amount to 13 in Nigeria compared to the regional average of nine documents. The number of days it takes to import is on average 33 whereas the regional average is 38 days. USD 1.695 is the average import cost per container compared to USD 2.793, which is the regional average (The World Bank & IFC 2013). Exporting to Nigeria can therefore be said to require a better understanding of the documentation procedures and that the requirements are higher whereas the time and cost of transport is lower than the other West African nations.

4.2.2.4 Nigerian Documentation Requirements

One example of a non-tariff barrier that affects trade with Nigeria is the requirement of a SONCAP certificate. Standards Organization of the Federal Republic of Nigeria (SON) is the regulatory body controlling and enforcing preparation, adoption and application of technical regulation and approved standards for both imported and domestically produced goods. The SONCAP certificate, part of SON Conformity Assessment Program, is a way to monitor and control imports to Nigeria, and is a mandatory part of the custom clearance process. A completely new conformity assessment structure was introduced in the beginning of 2013 with the aim to guarantee safety and decent standards of imports. The scheme involves physical inspection of the imported consignments and sometimes even sample selection for testing purposes. The document to be issued under the new scheme is called
Certificate of Conformity (CoC). Every consignment shipped to Nigeria must be accompanied by a CoC issued by an independent accredited firm, as well as a SONCAP certificate issued by SON (Standards Organization of Nigeria 2013).

4.2.2.5 Export to Nigeria

Table three below shows that the Swedish share of world export to Nigeria of goods in the category Paper and Paperboard, Articles of Pulp, Paper and Board (HS Code 48) is larger than the Swedish share of total world export to Nigeria. One must be prudent when drawing conclusions based on trade statistics but the figures presented below indicate that out of Sweden’s total export to Nigeria, the share consisting of paper products is not insignificant. Sweden’s share of total paper products has been fluctuating in recent years, 2006 and 2010 seem to have been outstanding years for the Swedish export to Nigeria. These fluctuations could however be the result of political instability and constantly changing market conditions.

Table 3. Total Nigerian Import vs. Nigerian Import of Paper Products (From Sweden and World) (USD Millions)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Nigerian Import (From Sweden vs. World)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>255</td>
<td>407</td>
<td>501</td>
<td>301</td>
<td>528</td>
<td>967</td>
<td>n.d.</td>
</tr>
<tr>
<td>World*</td>
<td>26 760</td>
<td>37 576</td>
<td>42 378</td>
<td>33 906</td>
<td>44 235</td>
<td>55 000</td>
<td>n.d.</td>
</tr>
<tr>
<td>Sweden's Share of World</td>
<td>1,0%</td>
<td>1,1%</td>
<td>1,2%</td>
<td>0,9%</td>
<td>1,2%</td>
<td>1,8%</td>
<td>n.d.</td>
</tr>
<tr>
<td>Nigerian Import of Paper Products (From Sweden vs. World)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>38</td>
<td>34</td>
<td>25</td>
<td>19</td>
<td>74</td>
<td>28</td>
<td>20</td>
</tr>
<tr>
<td>World</td>
<td>526</td>
<td>772</td>
<td>528</td>
<td>609</td>
<td>724</td>
<td>742</td>
<td>630</td>
</tr>
<tr>
<td>Sweden's Share of World</td>
<td>7,2%</td>
<td>4,4%</td>
<td>4,8%</td>
<td>3,2%</td>
<td>10,2%</td>
<td>3,8%</td>
<td>3,2%</td>
</tr>
</tbody>
</table>
export in a company affects the decision of which export channel to use. Smaller producers are more likely to employ an intermediary trading house while larger companies to a greater extent manage exports on their own. The decision for producers, whether to export directly or to employ a trading intermediary, is mainly influenced by three aspects. The competitive environment on the export market and thereby the costs involved in exporting is one important determinant. Another aspect is the degree of control of the sales process that the producer wishes to have. A third aspect is that it may be favorable for the producer to represent oneself on the market. If an intermediary is employed, then information about the market and the current conditions is always filtered before reaching the producer.

The paper industry is, like any other industry, subject to changing market conditions due to for instance shifts in demand or changes in the competitive environment. Forsgren and Kinch (1970 pp. 41-46) mean that differences in growth rate between nations affect the demand for paper products in the different markets. Other factors, such as the growing digitalization, reduced the need for newsprint paper whereas developments in the packaging sector lead to an increase in demand for Kraft papers and board qualities. The demand for tissue paper was largely affected by new applications such as hygiene and household products. The authors attempt to evaluate, with a focus on the Swedish forestry industry, how economic distance to the market affected the competitiveness of producers in an international context. They claim that geographical distance to the market seem to matter more the more refined a product is, implying that export of refined paper for instance requires more information about the needs of the market than export of pulp.

According to Ojala et al. (2012), some trends can be observed regarding consumption of paper products globally, over time. In the late 19th century until the late 20th century, newsprint was one of the most dominant products. Packaging materials and tissue paper have however become more important. Numbers from 1995 show that out of total paper consumption, about 45 per cent was used for communication (e.g. newsprint, printing, and writing papers), 40 per cent was used for packaging, and 15 per cent for miscellaneous products (e.g. tissue).

4.3.2 Current Trends and Future Forecasts

According to Mata (2014), the slowing demand for various paper product in Western Europe have affected paper producers for several years and is likely to continue to do so. The falling local demand consequently leads to that export markets become more important for European manufacturers and firms are to a greater extent forced to compete on a global scale. Demand for paper products is stronger in developing areas of the world and producers are likely to shift focus towards these markets in order to stay competitive. The increasing relevance of export markets will help balancing the effect of falling sales locally and may be a necessary feature for paper producers to take into consideration.

According to Valois et al. (2012) both the production and consumption of European paper and paperboard fell in 2011. This was mainly the result of fierce competition from digital media, which
reduced the demand for printed materials. The spread of online advertising, e-books and fewer newspaper prescriptions effectively lead to the redundancy of certain paper products. The paper industry is experiencing increasing presence of low-cost producers from emerging markets. This forces European and North American producers to move into more value-added production in order to stay competitive. One specific grade within paper products saw an increase in production in Europe in 2011 compared to the year before, namely tissue such as sanitary and household paper, where output increased 2.3 per cent.

Valois et al. (2012) further argue that environmental concerns are important external factors to consider when analyzing the market for forestry and paper related products. The growing awareness around the need to develop sustainable sources of energy is at the same time both a challenge and an opportunity for the paper industry. The industry could benefit from being able to be a part of the new bio-economy but must naturally consider implementation of new or stricter legislation and control to ensure a sustainable forestry. According to African Development Bank et al. (2003) West Africa is a major source of tropical hardwood. The future for this industry does not look very bright however since the region is lacking sustainable forest management. The deforestation in Nigeria is more severe than the regional average. One reason for this is that significant areas of forestland have been converted to agricultural land. The same study further claims that wood is still the most important source of energy in many West African countries. Nigeria has become an important consumer of forestry products and due to the country’s inability of satisfying the domestic demand; the country will be more and more reliant on imports. Most of the West African nations are highly dependent on imports of paper and paperboard. The value of imports of forestry products has increased since 1990 whereas the value of exports of paper products has decreased. Nigeria is the only country in the region with its own paper production facilities. In 2002, there were three paper mills in Nigeria but with declining production. The Nigerian production of paper products covers only about six per cent of the regions consumption. It is a major challenge for these nations to diversify into more value added production since it requires large investments. The small scale of the markets combined with trade-promoting measures does not justify such investments.

When forecasting the future world consumption of paper and paperboard, Järvinen et al. (2012) observe a few dominating trends. One being that the global demand for paperboard and hygiene products seems to be continually growing, relative to the demand for printing papers. They estimate Africa together with Asia, South America and Eastern Europe to be the regions with highest consumption growth of paper and paperboard. Furthermore, urbanization is especially apparent in Africa and Asia and this may have the effect of even stronger demand for paper and paperboard products. By this they mean that generally, people moving into urban areas are likely to become more educated and increase their income levels. Consequently, they are able to consume more products, and their demand of goods such as pre-packaged consumer goods, newspapers and books increases. Another observable trend is that firms are striving towards entering new markets in developing
regions, focusing on paperboard and hygiene products. This might lead to that these new developing markets mature faster than markets in Europe and North America. The attractiveness of the paper industry in developing regions leads to fiercer competition between suppliers wanting to serve the market.

For Africa as a whole, Järvinen et al. (2012) forecast the growth rate for demand of paper and board to be 1.9 per cent annually until 2050. In 2005 the demand of paper and board was about 7 million tons and this forecast predicts the demand to be about 15 million tons in 2050. This implies that Africa, and especially the countries with rapid economic growth, will be even more important for sellers of paper products in the future due to the continually increasing demand.

4.4 Summary of the Three Contexts

Kuuse (1999) gives a thorough description of trading houses’ raison d’être, which comprises their ability to handle risk and red tape in exports to distant markets and their understanding and experience of such markets. He states that trading houses can specialize in sales to certain countries and thereby become experts in understanding their cultural norms and political systems. The Gothenburg based trading houses function as risk takers and financers of transactions with distant customers. They can offer a broad product range as well as coordinate logistics and marketing procedures.

Nigeria is the largest economy in Africa and also has the largest population (The Economist 2014). The economy is growing rapidly which correlates with increasing demand for paper products. A major driver of the economy is the oil export on which the country is highly dependent. Policy measures have been taken towards liberalizing the economy but in practice, significant barriers to trade persist. Import procedures are troublesome, involving demanding documentation requirements, transportation delays, inspections and port congestion. Nigeria is however highly dependent on imports. Sweden’s share of total export to Nigeria, in relation to world total export, has between 2006 and 2011 been approximately one per cent (International Monetary Fund 2012). Sweden’s share of paper related exports to Nigeria, in relation to world paper export, is higher and has between 2006 and 2012 fluctuated between three and ten per cent (UN Comtrade 2014).

Forsgren and Kinch (1970) give a historical picture of the paper industry and state that pulp and paper traditionally has been sold through agents on close markets and through trading houses on transoceanic markets. Today, demand of paper products is declining in Western Europe whereas the opposite is happening in developing countries. Emerging markets are therefore becoming more important for suppliers who may shift focus towards these markets (Mata 2014). Very little paper is produced on the African continent, which leads to a high degree of reliance on imports. Global trends within the paper industry are that packaging and hygiene paper products, such as tissue, are increasingly demanded (Järvinen et al. 2012).
5. Empirical Study – The Case Company

This section presents information gathered from the face-to-face interviews. Four people from the case company in Gothenburg were interviewed; the Managing Director (referred to as MD), two Sales Managers responsible for the Nigerian market (referred to as S1 and S2), and one Sales Assistant (referred to as SA). Furthermore, Stefan Kristensson, Senior Relationship Manager working at the Financial Institutions of South Asia and Sub Saharan Africa at Svenska Handelsbanken was also interviewed. First, an introduction to the case company is provided, which consists of company background, bank relation, customers, competitors and products sold. Moreover, the case company’s role in the trading process with Nigeria as well as the bank’s role in this process is explained. This is followed by empirical evidence from the case company, which describes the company’s competitive advantage and their changing role. Characteristics of the Gothenburg based trading houses are presented afterwards. Finally, the chapter is summarized.

5.1 Introducing the Case Company

5.1.1 Company Background

The case company has during the years been an important player on the market for paper products in many emerging markets. Sub Saharan Africa has been one of the important regions for many years, but the company also possesses extensive experience from exporting to Asia and the Middle East. Today, Nigeria is their largest export market in terms of paper products, mainly due to the size of the Nigerian market. They have a sizeable market share of Nigerian import of paper products.

5.1.2 Bank Relation

For the case company and for all trading houses located in Gothenburg, bank relations are vital. Banks help trading houses with risk taking and provide tailored instruments for securing payment from unsecure markets. A perspective from the bank is therefore valuable since the bank both has knowledge about the dynamics of the Nigerian market as well as a comprehensive understanding of the function of intermediaries. The interviewee Stefan Kristensson has been working for Financial Institutions at Svenska Handelsbanken with South Asia and Sub Saharan Africa as geographical responsibilities since 2011. The Financial Institutions department is the part of a bank that is responsible for relations with banks in other countries. Kristensson provides a wide perspective of the Gothenburg based trading houses of out which many are customers of the bank. He cannot comment on specific companies due to the secrecy policy of the bank. His statements therefore relate to the concept of trading houses in general and their role on the Nigerian market.
5.1.3 Customers

The Nigerian customers of the case company can be producers of more refined paper products; they may for instance purchase a certain packaging material from the intermediary in order to produce a finished package. They can also be wholesalers who purchase for reselling. It is in other words not the end user that purchases paper from the intermediary but actors found higher up in the supply chain. S2 explains that a larger share of the company’s customers are themselves traders or wholesalers in Nigeria as compared to the other markets the company operates in. There may for instance be another three steps in the supply chain before the paper reaches the end consumer. S2 states that Nigerians are traditionally skilled in trading and there are vast numbers of intermediaries on the market. S2 also explains that the company does not usually establish contracts with the customers, instead most orders are of spot character. MD states that the company's main customers in Nigeria are corrugated board manufacturers, newsprint producers, school material producers, packaging producers, and paper wholesalers that mostly purchase copy paper.

5.1.4 Competition

S1 explains the competition on the Nigerian market and states that there are about ten large actors as well as ten small actors, all of them having a similar role as the case company. The majority of the competitors have their origins in Gothenburg but there are also competitors from Austria and Asian countries such as China, Singapore and India. S2 claims that the Nigerian market lately is prone to more interest from foreigners and thereby fiercer competition. S2 contrasts Nigeria with another West African country, Ghana, which S2 describes as being a smaller market with less competition and furthermore as being more stable. Nigeria on the other hand, S2 describes as being riskier but also offering more opportunities and that a larger number of actors are present on the market. Developments happen faster and an important customer can during the course of a couple of years become insignificant and the other way around.

When exporting to Nigeria, MD describes that they sometimes have to consider supplier conditions, stipulating which products the trading company can sell to which customers. In some cases, they have agreements with the suppliers stipulating that they only are allowed to sell some specified products to a specified customer. In other cases, supplier conditions are much more relaxed and they have more freedom in selling what and to whom they want. According to S2, these conditions can be organized such that one intermediary handles one specific market or that several intermediaries compete on the same market but have responsibility for different customers on that market.
5.1.5 Products Sold

The case company purchases different types of paper products from all over the world, which they resell to customers in Nigeria among other countries. The products sold are typically various types of copy paper, newsprint grades, tissue paper, packaging material and different board qualities. According to S1, white printing paper is mostly purchased from Indonesia and China, whereas brown paper for corrugated board production mainly comes from Europe.

5.2 The Case Company’s Role in the Trading Process with Nigeria

MD describes the supply chain for the paper products sold to Nigeria in the following way. It starts with a manufacturing company that produces the products. The case company then buys products from the manufacturing company. Lastly, they sell the products to a customer located in Nigeria. They are usually responsible for the transportation of the products from the manufacturer to the customer in Nigeria, although the manufacturer occasionally handles the transport. Furthermore, the case company is financing the accounts receivable. The cargo is usually delivered, predominantly by sea freight, according to the Incoterm Free On Board, implying that the company arranges for the freight. An order is placed, either with a shipping broker or directly with the shipping line. Due to the complicated port procedures in Lagos, it is preferable for the case company to retain control over the shipment rather than to let the producer handle this. The order is financed either through a Letter of Credit or through Documents against Acceptance. S2 continues by saying that the supply chain sounds straightforward but that each step may involve trouble, delays or unexpected events. In terms of financing, banks play an important role as well as insurance companies. A part of the risk involved in selling to Africa can be sold off to an insurance company but far from all the risk.

5.3 The Bank’s Role in the Trading Process with Nigeria

Kristensson states that the Nordic banking sector is quite special compared to other countries due to its few, relatively big banks. In Nigeria, on the other hand, banks are much smaller. Kristensson further states that the Swedish banks are highly influenced by the fact that the industrial sector is large relative to the population and that Sweden is a country focusing on export. Due to this, the Swedish banks have been forced to handle export relationship and all kinds of risks involved in this area. Kristensson further states that the Swedish banks compared to the Nigerian are like ‘pensioners’. He points out however, that even though the Nigerian banks make a lot of mistakes, they are of much better standard compared to other banks in Sub Saharan Africa. Many of the other Sub Saharan countries are dependent on banks from South Africa, France or England.

Kristensson claims that the banks are involved in the trading process with Nigeria because the trading houses themselves do not want to handle all the risks involved. Therefore, the bank’s role is to handle risk and act as security for payments. After negotiations between the buyer and the case
company, the bank steps in. The buyer contacts its bank in Nigeria in order to open a LC (Letter of Credit), which is a form of payment tools in which the bank ensures payment provided that certain documents are presented to the bank. The Nigerian bank then send the LC to the Swedish bank who informs the trading company. Due to the irregular and unpredictable payment behavior of many Nigerian firms, banks play an important role because they overtake a part of the risk involved in trading with Nigerian firms. For their services, banks charge a fee. Discounting is another service provided by the bank, whereby the trading house receives the payment immediately by the bank. This ensures liquidity and the money can thereby be spend in new transactions.

5.4 Empirical Evidence - The Case Company

5.4.1 The Case Company's Competitive Advantage

5.4.1.1 Economies of Scale and Scope

According to MD, the case company exists first of all because of economies of scale and scope. In their context, this involves the ability to purchase many different products in a large scale from different suppliers. They can therefore export in a more cost efficient way compared to if the manufacturing company would export directly to Nigeria. MD claims that it would be hard for manufacturing companies to export on their own directly to Nigeria because they do not produce as many different products as a trading company is able to offer. Certain paper products are season related and are only demanded during one part of the year. One such example is paper material for production of schoolbooks where the demand is dependent on the school semesters. Due to this fact, the manufacturing companies can not achieve the same flow of exports during the year and it would therefore be hard for them to keep their sales department busy all around the year. S1 adds:

“Thanks to our wide range of paper products there are always some products that can be sold and that are requested all the time. That is what keeps us busy. There is no manufacturer that produces that many different products on their own. Our advantage is that we are able to purchase products from virtually the whole world because it does not exist one single firm that produces such a wide product range.”

5.4.1.2 Experience and Network

For the manufacturing company to be able to export directly, they would have to obtain large amounts of knowledge about the exporting process to Nigeria. The necessary knowledge would take time and be expensive for them to obtain. MD states that it would be possible for the manufacturing companies to export directly but the process would be too expensive and time consuming in order for it to be profitable. SA states that they possess knowledge about the exporting process to Nigeria and that the benefits for a manufacturing company to use intermediary services, is that they have local knowledge about the Nigerian market, as well as a wide network in Nigeria. They also have good and long relations with Swedish banks, knowledge about which shipping lines that are to be preferred, and
knowledge about document requirements. SA believes that the paper mills find it too complicated to export on their own directly to Nigeria.

5.4.1.3 Good Reputation

Another competitive advantage for the company, according to SA, is their good reputation involving high service quality, effectiveness and reliability. SA believes that the service quality is becoming increasingly important, and that people today tend to see time as money to a larger extent than before.

5.4.1.4 Financing

S2 states that the African market has traditionally been too small in a global context to be taken seriously. It has not been profitable for producers to establish their own distribution channels to African countries. Geopolitical risk and political turbulence is another reason for that producers have decided to use intermediaries. S2 continues by stating that intermediaries’ ability to finance orders is very important and have in fact become much more important in recent years. The credits given to customers have become longer; today it may be as long as 180 days. S2 believes that intermediaries are important facilitators of the financing and import procedures in Nigeria since there are many small actors not having the ability, nor the knowledge of how to handle this themselves. MD continues with the following comment about the payment flow:

“The challenge is to be able to handle the formalities regarding that (the payment flow) and to understand what the different things mean and to be able to understand which documents that are required in order to receive payment and also for the customers to be able to receive the goods through the harbor, to let them pass the customs etc. I would say that the greatest challenge is to keep track of all the documents, flows of documents, inspections, and everything else that is required.”

5.4.1.5 Risk Taking

S2 believes that the case company is taking a greater financial risk than manufacturers. Their payment terms towards the supplier is often much stricter than the payment term they are offering the customers. S2 further believes that if a paper mill would have to deal with such irregular payment behavior, they would not handle it very well. The trading company has long experience and knows the customer’s payment behavior. Thereby another type of trust prevails. S2 means that the payment terms and the credit given play a much bigger role now. They are often forced to chase payments and to be prepared for late payments from several customers at the same time.

5.4.1.6 Handling of the Institutional Framework

Kristensson was asked a question of what he believes characterizes Nigeria as an export market. He gives the following explanation:
“Problems. But when comparing Nigeria with the rest of the African countries, it is the hunger of doing business there. Close the deal and think afterwards, something like that. So there is always something that is problematic and yes, the Nigerian banks are like newborns, they make many mistakes. They have just learned to walk and talk.”

When Kristensson rates the document requirements in Nigeria from grade one to five, with number one as very easy (e.g. Northern or Western Europe) and number five as very hard (e.g. Saudi Arabia or Syria), he gives Nigeria a number just below three. According to SA, a major challenge for them is the political instability in Nigeria, which strangles demand when conflicts flare up. Additionally, SA claims that the institutional framework changes frequently, and corruption is widespread in the country. This affects the company because they need to stay updated about changes. MD claims that all these documents that are required affect the company in a good way because their role is to solve problems and to fulfill restrictions that are required. They are specialists in the handling of documentation requirements so that the manufacturing companies do not need to consider this part of the sales process at all.

A long-term perspective on planning is not viable in Nigeria according to S2, since most things are impermanent and perishable. Most of the company’s orders are still spot volumes, virtually no contracts are written. Market conditions change fast and because of the lack of predictability, the company must be highly flexible in order to match supply and demand. S2 makes the following statement about the Nigerian market:

“There is more of everything in Nigeria.” ... “One has to be even more alert there.”

In order to stay updated about changes in documentation requirements, MD explains that there are shipping guides that they read. Furthermore, the clients often explain what sort of documents that are necessary. S1 continues by stating that the rules for documentation change frequently as well as the inspection companies enforcing these rules. S2 agrees but does not see custom procedures and bureaucracy as a great obstacle for the company. S2 states that it is time consuming and complicated but manageable. The company possesses great experience in this field and is used to work in bureaucratic environments making them flexible enough to handle the documentation requirements. S2 believes that paper mills find exporting procedures to Africa complicated and troublesome and this benefits the company since mills consequently are more likely to demand the service of intermediaries.

5.4.2 The Case Company’s Changing Role

5.4.2.1 ‘Not That Much of a Change’

MD believes that the company’s role has not changed very much during the years. It is rather the techniques used in the exporting process that have changed but the task itself has not. MD believes that the trading companies’ role today is almost the same as it was about 130 years ago. On the other hand, they have been forced to change markets they export to. MD further explains that during the
1980s they sold large amounts of paper products to for example Thailand, but then Thailand gradually started to build up their own paper industry. This lead to that the country did not need to import paper products in the same amount as before and the trading company needed to change focus towards more undeveloped markets. Therefore, the African market became increasingly interesting. When MD considers the future outlook for them as a trading company operating on the Nigerian market, it will depend on how the market continues to grow. MD continues by comparing Nigeria with Thailand and claims that when looking at the percentage of children surviving their second birthday, Nigeria is now at the same stage as Thailand was during the 1970s. This would mean that they still have about 40 years left of trade with Nigeria.

5.4.2.2 Changing Sales over Time

S1 explains how their sales to Nigeria have changed over time:

“We have increased (our sales) every year except for a decline two or three years ago. But except that we have constantly increased our sales. The decline was due to all the conflicts caused by Boko Haram and other terrorist groups in Northern Nigeria that caused consumption, regional trade and re-export from Nigeria to decline. The orders then declined for everybody, but now it feels like it is going in the right direction again.”

S2 states that the volumes sold have increased over time, largely thanks to the growing population. The population growth combined with high economic growth has increased the demand for paper products, especially tissue paper that is used in the production of hygiene products. Moreover, MD states that their sales to corrugated board manufacturers have increased drastically the last years as well as their sales of large toilet paper rolls to converters. Their sales of copy paper have increased, and their sales to newsprint producers have stayed at the same level.

5.4.2.3 Technological Improvements

S1 claims that the same technology as we use in Sweden is now also widely spread in Nigeria. Therefore, the technological level is no longer an obstacle when trading with companies located in the country. S1 states that Nigeria has skipped several stages in the technological development and as a concrete example of that S1 explained that fixed telephone lines has never been widespread in Nigeria, instead they started to use cellphones directly. SA agrees, and states that the curve of technological development in Nigeria is steeper than in Europe. The technical standard is however a relatively new phenomenon. According to S1, the most important tool that has simplified the trading process is the usage of cellphones. Before cellphones were used on a large scale, much time was lost waiting for business partners who did not show up for meetings or waiting for replies that never came. With the help of cellphones, the Sales Managers can have a much better contact with their clients in Nigeria and it greatly facilitates communication. S2 states that earlier, customers had little insight into the earlier stages of the supply chain. Today, the spread and improvement of communication technology has
increased the transparency and customers are more informed. SA agrees with that the technological standard has improved significantly the last years and that the usage of cell phones has made the trading process much easier.

5.4.2.4 The Future for the Case Company

S2 states that it is more widespread today that customers purchase paper directly from certain mills. This phenomenon was hardly observable 10-15 years ago. S2 does not believe that this direct purchase will spread quickly and threat the company’s position because the importing procedures are still complex. The mills are not very keen on selling small quantities to every single customer since this is consuming and not very profitable. S2 describes an experience relating to the described phenomenon:

“One customer in Ghana started to purchase directly from an Indonesian mill but then went back to use intermediaries. He realized that no one cared about his order of 80 tons but if an intermediary purchases 1000 tons and put pressure on the mill, then something happened.”

S2 believes that it will become more important in the future to work closer to the suppliers. There are many intermediaries on the market and the producing mills may have to pick a few of them that they find it meaningful to work with. S2 predicts a more structured organization of the paper market to enhance efficiency. This may squeeze the already slim margins and S2 believes that in order to maintain the same profitability, firms must sell larger quantities. More and more intermediaries have found their way to the Nigerian market and competition therefore has become more intense.

5.4.2.5 Potential of the Nigerian Market

Kristensson predicts the future for Nigeria to be bright, but that the road there might get bumpy. The country’s oil deposits are attracting foreign direct investments, the agriculture business has a bright future in the country and Nigeria is a large trading hub. However, one challenge facing Nigeria is, according to Kristensson, the security in the country. Nigeria has weak institutions (e.g. the police force and the judiciary) and is a country highly influenced by corruption. He further states that the transformation of Nigeria into a welfare state will not happen in a foreseeable future.

S2 has noticed lately that many producers want to travel to Nigeria with the company. There is a growing interest in Africa as a continent and stakeholders see potential in the African markets. Many producing firms are today setting up budgets for sales to Africa, whereas this was never the case some years ago. Africa’s economic growth is a major attraction, bearing in mind that the growth pace of the European market is significantly lower.

MD considers the future for the Nigerian market, and observes that demand for packaging and different sorts of hygiene products are increasing. Furthermore, MD predicts that structural problems will affect for example producers of envelopes in line with declining sending of physical letters. The same change in consumption can be observed in the newspaper segment. The trends in demand are applicable to the global market with Nigeria as no exception. In Nigeria, more and more supermarkets
are being established in line with the expansion of the economy as well as the growing population. This leads to greater demand for various forms of packaging material, for example corrugated board, since food and other products at the supermarket are packaged in boxes of such materials. S2 agrees and thanks the rapid population growth for the increased demand of packaging and hygiene products. Kristensson also predicts the future demand for paper products in Nigeria to increase.

5.5 Empirical Evidence – Characteristics of the Gothenburg Based Trading Houses

Kristensson states the following about trading houses and why they exist:

“Their whole idea is to sell to unusual markets... There are not many trading houses travelling to Germany to sell their paper there. Instead they travel to Nigeria, or Sudan, or Ethiopia, or Indonesia or wherever it might be.”

In Kristensson’s opinion, the trading houses are skilled at taking care of the trade finance parts involved in their work such as making documents, forming LCs etc. When he compares the trading houses with the paper mills he points out that the trading houses are very knowledgeable, flat organizations. Therefore, they have the ability to obtain information from customers in a much faster way than paper mills. He further states that the paper mills themselves highly value the knowledge, which the trading houses possess and are grateful that they do not need to involve the trading process into their organization. It is therefore a great advantage for Svenska Handelsbanken to have trading houses as customers since knowledgeable customers are not so expensive for the bank to deal with.

Kristensson states that trading houses located in Sweden are positively affected by the favorable agreements they have with their Swedish banks. Compared to other banks outside the Nordic countries, banks in Sweden can generally offer relatively low prices on LCs, which is advantageous for the trading houses. He further states that trading houses usually have a high turnover ratio, which is favorable since it enables them to engage in a large number of business transactions. A characteristic of the trading houses in Sweden is that they want to minimize the financial risks involved when trading with Nigeria, according to Kristensson. An example of this is that they want to have all their LCs confirmed, which is a difference from trading companies located in for example China who are more likely to take larger risk. He further observes that trading houses are more price sensitive today, compared to a few years ago.

Regarding the future for the Gothenburg based trading houses; Kristensson believes that they will continue to have a function to fulfill as long as risk remains in the trading process with Nigerian firms. He continues by stating that the manufacturers will never have the desire or necessary energy required to sell directly to markets like Nigeria. Furthermore, the purchasing behavior of the Nigerian customers is irregular, which is another reason why the manufacturers do not want to sell directly to them. Moreover, he states that trading houses will remain in Sweden because of the country’s exporting tradition, which is supported by different institutions in Sweden such as
Exportkreditnämnden. However, Kristensson further claims that a threat to the trading houses is that they have increased in numbers lately and predicts a consolidation of the industry in the future.

5.6 Summary of Empirical Data

The empirical data collected during the interviews with the five respondents illustrates the competitive advantage of the case company as well as characteristics of the Gothenburg based trading houses. The interviewees from the case company discuss and explain what their role and value added consists of in the exporting process to Nigeria. A vivid picture of Nigeria as export market is given, including its various requirements in terms of exigent financing and documentation and how the case company handles them. Evidence of the case company’s competitive advantage includes their ability to benefit from economies of scale and scope, their knowledge, experience and as well as their flexibility. The company’s relation to the Swedish banks is also emphasized as a competitive advantage. One of the most prominent reasons determining the case company’s value added and explaining its existence is that the company can benefit from economies of scale and scope and enjoy considerable coordination effects. The relatively small quantities of paper products that are sold to Nigeria combined with the seasonal dependence of certain products makes it not profitable enough for manufacturers to export directly. The case company adds value by offering a wide product range to customers and removes the need for customers to search for and purchase products from each individual supplier; the only contact necessary is with the case company. In the same way, a supplier would not be interested in exporting to distant customers, purchasing small quantities. The case company’s value added is created in between the supplier and customer where they bridge their different interests and facilitates the sales process for all parties involved. Another important factor explaining the case company’s competitive advantage is their long experience of exporting to distant markets where market conditions are unpredictable. The company’s flexibility, patience and understanding of complex foreign markets make them better equipped to export to Nigeria than manufacturers lacking this understanding. The case company further handles export to markets involving financial risk that manufacturers may not be willing to engage in. The close ties with the banks and the financial strength that this give the case company enables them to offer competitive payment terms to customers that a manufacturer would not consider. Being a competitive player on the Nigerian market requires the ability to both offer flexible payment terms as well as handling the irregular payment behavior of Nigerian customers, both of which the case company possesses.

The Swedish banks have a long tradition of trade finance thanks to that Sweden is highly export oriented. This gives muscle to the Gothenburg based trading houses since they are well prepared for international business transactions involving risk, such as transactions with Nigeria. The interviewees share their experience from the past as well as predictions about the future for the paper industry in Nigeria. This future is described as bright and offering considerable opportunities along with the growing demand for paper products, but with obstacles remaining, such as the demanding import
procedures, political instability and fiercer competition. The interviewees all acknowledge the increasingly competitive environment and the consequences it may lead to but still remain relatively optimistic about the continued existence of exporting intermediaries on this market.
6. Analysis

This section analyzes the empirical data with regards to the theoretical framework. The theories presented in chapter three are confronted with the empirical evidence collected during the interviews and an analysis of their relevance will be provided. The theoretical framework will thereby guide the analysis of the empirical data.

6.1 Analytical Approach

Porter (1985) established the concept of competitive advantage illustrating the competitiveness of a company. The empirical data from the case company is confronted with the theoretical framework and categorized into areas, which in different ways contribute to the case company’s competitive advantage. Based on this study’s empirical data, the following categories are the most important reasons why the case company handles paper export to Nigeria; Economies of Scale and Scope, Experience and Network, Good Reputation, Financing, Risk Taking and Handling of the Institutional Framework. The model below illustrates the analytical approach of this study.

Model 2. Framework for Understanding the Case Company’s Competitive Advantage

6.2 The Case Company’s Competitive Advantage

6.2.1 Economies of Scale and Scope

MD emphasizes the company’s ability to benefit from economies of scale and scope and states this as the most prominent reason for their existence. They can for instance enjoy coordination effects by purchasing a large number of products from many different suppliers and offer a wide product range to the customer. Certain products sold are seasonally dependent and the case company can engage in
trade with a variety of products and thus spread out the workload over the year. S2 states that the volumes sold to the Nigerian market have traditionally been too small to be taken seriously by large manufacturers but by coordinating sales from many suppliers to many customers, the company stays busy and enjoys economies of scope. The empirical evidence of the importance of economies of scale and scope for the case company is supported by earlier findings. Bernard et al. (2011) claim that exporting intermediaries have an advantage over manufacturing firms exporting on their own because exporting intermediaries can benefit from economies of scope. Ellis (2003) emphasizes the benefits of being able to offer a wider range of products from different suppliers, which allows for coordination effects. Peng and York (2001) join this reasoning and claims that intermediaries can leverage their knowledge across a variety of products and customers. Economies of scale and scope enjoyed by the case company allow them to operate on markets where manufacturers could not sustain profitability.

6.2.2 Experience and Network

6.2.2.1 Handing of Barriers to Trade

In order to successfully export to Nigeria, extensive knowledge and experience of the market is required. The Nigerian market offers possibilities but not without difficulties. Despite that markets have become more global and outward oriented (Kuuse 1999), evidence from Nigeria show that many barriers to trade still persist (The United States Trade Representative 2013; WTO 2005). Kristensson argues that the security level is low, the nation is permeated by corruption and that institutions such as police and judiciary are weak. S2 states that the Nigerian market is unpredictable and that market conditions change fast. SA points out that the company’s business sometimes is affected by political conflicts. The import procedures are complex, requiring numerous document and are slowing down trade. All respondents emphasize the documentation requirements and how the company has become ‘experts’ in handling them. The case company is thanks to the vast experience of the challenges found on the Nigerian market better equipped at handling existing barriers to trade than manufacturers. This is supported by previous research by Bernard et al. (2011) who state that intermediaries exist because they can handle barriers to international trade at a lower cost than manufacturers. Peng and York (2001) argue that various trade barriers prevent both small and large firms from engaging in international trade. Bauerschmidt et al. (1985) identify the following five trade barriers that may inhibit exports, which below are applied to the company of research.

1. National export policy: Kristensson states that Sweden has a long history of being an exporting country and that trading houses located in Sweden are positively affected by their favorable agreements with the Swedish banks. Furthermore, he explains the advantage that Swedish exporting companies have compared with other countries due to the institutional framework supporting export, such as Exportkreditnämnen.

2. Comparative market distance: Crozet et al. (2013) claim that intermediaries possess an important capability to reach distant markets. Moreover, United States Trade Representative (2013)
claims that the Nigerian port practices are complicating import procedures and causing delays for international consignments. The trouble consists of unpredictable application of customs policy, long duration of custom clearance and unloading expenses. A psychological difference between Sweden and Nigeria is for instance the business mindset, where Nigerians according to Kristensson ‘Close the deal and think afterwards’.

(3) Lack of export commitment: Both S2 and Kristensson state that manufacturers will not have the desire or necessary energy to handle the export on their own and that as long as the export procedures to Nigeria remain relatively complex and resource consuming, the trading houses will continue to perform this service. Abel-Koch (2013) states that the size of the target market, risks, cultural distances between the domestic market and the foreign market decide whether a manufacturer chooses to export directly or go through trade intermediaries. Nigeria is a small, relatively risky market with significant cultural distances, implying that intermediaries are likely to be employed in the sales process.

(4) Exogenous economic constraints: Tariffs in Nigeria persist despite efforts to liberalize the trade policy (Oyejide et al. 2005).

(5) Competitive rivalry: S2 emphasizes that the competition has become tougher on the Nigerian market, that more intermediaries have entered the market in recent years. Kristensson states that the numbers of trading intermediaries have increased in Gothenburg and that the industry is likely to experience consolidation in the future. All of the respondents agree upon that the competitive threat from suppliers, exporting directly, is not yet significant and will neither be in the near future.

Additional barriers to trade are described by Abel-Koch (2013) who states that the size of the target market, risks, cultural distances between the domestic market and the foreign market decide whether a manufacturer chooses to export directly or go through intermediaries. Ahn et al. (2001) argues that the size of the export market influences the decision whether to use an intermediary or not. They further observe that when exporting to larger markets, a larger number of producers handle the export themselves and with smaller markets, a larger proportion is traded through an intermediary. Nigeria is as mentioned a small market in terms of quantity demanded, which leads to that it is not viable for manufacturers to establish sales departments on their own to handle such a small market. However, all respondents share the view that the Nigerian demand for paper will increase in the future in line with the growing population and improved economic conditions. More patience and understanding in required and the case company possesses vast experience of this kind. They can handle the irregular payment behavior and the unpredictable market in a better way than manufacturers. Manufacturers traditionally focus on transactions closer in distance and let agents or intermediaries handle distant export (Forsgren & Kinch 1970).
6.2.2.2 Transaction Costs

The company’s experience with the Nigerian market and its valuable relationships are important factors explaining their competitive advantage. The company can effectively reduce relevant transaction costs that arise in trade with Nigerian customers thanks to that trust prevails and that the company has an understanding of Nigerian customers behavior in business. Dyer (1997) argues that transaction costs may arise as a result of the parties’ need to trust in each other’s ability and willingness to perform according to the established agreement. When trading partners are new to each other and lack experience of each other’s commitment, they are generally more concerned with monitoring each other to make sure that the other partner fulfills its obligations. When relations and trust are established, opportunistic behavior and bargaining costs are reduced. The case company’s close collaboration with suppliers allows for long standing relations to be established. Already today, the sales process is relatively regulated by suppliers and S2 believes that close collaboration with suppliers will become even more important. This is likely to reduce transaction costs even further.

6.2.3 Good Reputation

According to Welch et al. (2007 p. 246) it is important for producers, exporting through intermediaries, to select an appropriate partner. SA states that high quality of service has increased in importance in recent years and points out that they as a company have a good reputation of high service quality, effectiveness and reliability. Kristensson further states that the Gothenburg based trading houses are very skilled at trade finance and handle the documentation requirements in a highly satisfactory way. Kristensson and S2 believe that these skills grow out of their experience and specialization.

6.2.4 Financing

Kuuse (1999) argues that the Gothenburg based exporting intermediaries function as risk takers and complement the role of the banks in financing the sales procedures. Kristensson emphasizes the long experience of the Swedish banking sector with regards to Trade Finance and that this gives the trading houses significant power. The banks can offer favorable agreements such as relatively low prices on LCs compared to banks in other countries and the discounting service allows the trading houses to engage in new business transactions. S2 further argues that the company’s role as financiers and the ability to offer favorable payment terms to customers has increased in importance in recent years. S2 further believes that intermediaries are important facilitators of the financing and import procedures in Nigeria since there are many small actors not having the ability, nor the knowledge of how to handle this themselves.

Kristensson further states that the Swedish banks are highly influenced by the fact that the industrial sector is large relative to the population and that Sweden is a country focusing on export. The banks and the Gothenburg based trading houses are highly skilled at trade finance procedures. The
relation with the bank enables trading houses to engage in transactions involving high risk and offer
more flexible payment terms to their customers. They are also better equipped at handling the irregular
payment behavior that is common on the Nigerian market.

6.2.5 Risk Taking

S2 states that the company takes a great financial risk exporting to Nigeria. The payment terms
offered to Nigerian customers can be as long as 180 days whereas the payment term towards the
supplier usually is much less flexible. The irregular payment behavior of some Nigerian firms together
with the stricter payment terms towards the supplier creates a risky situation for the company.
According to Kristensson however, the Gothenburg based trading houses wants to minimize financial
risks when trading with Nigeria. The relationship with the banks and their various risk-reducing
payment tools therefore become very important. Theoretical evidence of the importance of risk taking
is found in the reasoning of Bauerschmidt (1985) who includes the higher risk involved in exporting
as an explanation of why producers may decide not to engage in exports. An intermediary can
overtake this risk partially or completely and handle the export procedures instead of that the firm
exports directly. Kuuse (1999) states that trading houses function as financers and risk takers in
international trade.

6.2.6 Handling of the Institutional Framework

SA claims that the institutional framework changes frequently and they must stay updated about
changes. MD claims that requirements affect the company in a good way because their role is to solve
problems and to fulfill restrictions; they are specialists in the handling of documentation requirements.
Kristensson compares the Nigerian banks to newborns and that they make many mistakes but are
eager to engage in trade. The Nigerian documentation requirements are both complex and subject to
frequent change. The case company’s vast experience in this field allows them to be flexible and to
adapt to the changing framework around the export procedures to Nigeria. According to all
respondents, the case company is highly skilled at maneuvering in the tricky and unpredictable
environment that Nigeria offers. This is one of the great competitive advantages of the company; they
possess better market knowledge and ability to handle the irregularities that characterize the Nigerian
market.

SA and Kristensson state that corruption is indeed widespread in Nigeria, which may intimidate
producing firms from countries with low corruption to engage in trade with Nigerian customers.
Lambsdorff (2013) identifies corruption as an important barrier to trade and that intermediaries can
facilitate export to countries characterized by widespread corruption. Habib and Zurawicki (2002)
argue that companies in countries where corruption is limited are especially intimidated by corruption
in business practices and refrain from investing in countries where such practices are widespread.
### 6.3 Key Takeaways

The theoretical approach of this study has guided the analysis of the empirical data in such a way that three aspects of intermediaries’ existence have categorized the findings. The theoretical approach identifies the three following explanations for why intermediaries handle export of paper products to Nigeria: they can enjoy economies of scale and scope, they can handle barriers to trade better and lower transaction costs more compared to manufacturers. The empirical evidence identified six aspects of the case company, which explain their competitive advantage and which are supported by the theoretical framework. The six elements consist of; economies of scale and scope, experience and network, good reputation, financing, risk taking and handling of the institutional framework. These elements explain why the case company handles export of paper products to Nigeria.
7. Conclusion

The purpose of this study is to provide an understanding of why intermediaries handle paper export to Nigeria. In order to fulfill this purpose, a comprehensive description of the competitive environment surrounding exporting intermediaries is given, challenges and opportunities with Nigeria as export market are presented and the paper industry is described. This concluding chapter will show how the purpose has been fulfilled with regards to the research question.

This study, focusing on the Nigerian paper market, identifies a number of elements that explains why intermediaries handle the export process instead of that the manufacturer would export directly to Nigerian customers. The elements together form the competitive advantage of the case company that functions as the foundation of this study. The findings relating to the case company can help but may not be entirely translatable to the Gothenburg based trading cluster in general. The elements that explain why the case company handles paper export to Nigeria are economies of scale and scope, experience and network, good reputation, financing, risk taking and handling of the institutional framework. They are supported by the theoretical framework emphasizing economies of scale, ability to handle trade barriers and lowering of transaction costs as the main reasons for the existence of intermediaries in international trade. Intermediaries, functioning as a bridge between the supplier and customer, can offer a wider product range to customers and leverage their knowledge across a variety of products and customer, allowing them to enjoy coordination effects.

The export process to Nigeria is complex and requires the trading partner to pay attention to a variety of factors. A good relation to the bank is vital, as well as knowledge about documentation requirements. An ability to handle the frequently changing business environment in Nigeria is furthermore necessary in order for firms to successfully trade with Nigerian customers. It is, in other words, a market offering vast opportunities for those who can successfully enter and remain on the market. Intermediaries, as described in this study, are in many ways better equipped than manufacturers to deal with the export procedures thanks to their flexibility, experience in dealing with highly irregular and unpredictable markets and their patience with applicable trade barriers. The financial strength of intermediaries, largely thanks to their relation with the Swedish banks, enables them to offer competitive payment terms to customers while at the same time cope with irregular payment behavior. It would furthermore not be viable for a manufacturer to set up sales functions and distribution channels to a distant market such as Nigeria, not offering volumes interesting enough. The networks, market specific knowledge and relationships that the intermediary has developed are further reasons explaining why they are better equipped than manufacturers to handle the export process.

The paper industry in Nigeria is likely to offer growth potential in the future, which can be observed by the growing number of actors present on the market. The intermediary is well equipped for such changes thanks to their flexibility and lack of long term planning and contracts. They should
be able to adapt according to changing market situations. In most industries there is a threat of vertical integration both by the supplier and the customer. In the researched industry this threat is at the moment not significant since Nigeria remains a small, distant and tricky market to deal with and neither customer nor suppliers seem to have the desire to trade directly without the intermediary.
8. Contributions and Future Research

This thesis has contributed to existing research with an illustration of intermediaries’ role on the Nigerian market in relation to the paper industry. The cluster of trading houses in Gothenburg has been previously studied but specific nations have not before been the main focus of these studies. Nigeria is a highly interesting nation to study, offering both opportunities and challenges. Nation-specific characteristics are important determinants of how actors maneuver on markets and therefore this thesis contributes with insights into the characteristics of the Nigerian market and why intermediaries handle paper export to Nigeria.

There are naturally factors that could be further investigated within the field of intermediaries in international trade. Patterns of international trade are influenced by concepts such as globalization and liberalization of trade laws, which are likely to simplify the trading process and which consequently remove the need of intermediary services. Research about how intermediaries’ roles are affected by globalization and trade liberalization would support the understanding of their role now and in the future. Furthermore, additional research about intermediaries’ role in maturing markets would further enhance the existing literature around intermediaries. Intermediaries, as described in this study, are often found on emerging markets, which are difficult and complex to handle, but when these markets are maturing and becoming more open and easy to trade with, the service performed by the intermediary may become redundant. This study has focused on explaining the role of intermediaries in relation to the paper industry in Nigeria but there are also many other highly interesting Sub Saharan nations that are growing rapidly and that will demand more paper products in the future. A more comprehensive study of the same kind as this one could include a wider empirical base, for instance by interviewing all Gothenburg based trading houses in order to provide a complete understanding of the industry.
9. References

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**Personal Interviews**


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S2. 2014. Conducted at a Café located in central Gothenburg, Sweden. 28 April 2014 (12:00-12:45).

10. Appendix

10.1 Interview Questions to the Case Company

10.1.1 Questions Asked to MD, S1 and S2

1. Could you please describe how a typical supply chain looks for the paper products you sell. Please develop your particular role in the value chain.
2. Which, according to you, are the most important reasons for paper producers to hire you in facilitating the export of their products to Nigeria? Both generally and specifically for Nigeria.
3. Are you allowed to sell which quality and quantity you want, to which customer you want or do you need to consider specific agreements with the manufacturers?
4. Do you believe that your role as a trading company has changed over time?
5. If yes, in which way and what do you think has caused the change?
6. How do you think your role is going to look in the future?
7. How long has this company sold paper products to Nigeria?
8. How have sales to Nigeria changed over time?
9. Which do you consider as major challenges when exporting to Nigeria? Feel free to compare with other African markets!
10. After having studied the Nigerian market and how trade with Nigeria might look, it seems to us as if there are barriers to trade that complicates trading with the country. This could for example be customs duties, extensive bureaucracy and regulations that are hard to interpret. Do you feel that such barriers affect your work?
11. If yes, how do you handle this?
12. Do you think you have better ability to handle this than what a manufacturing company has?
13. What characterizes competition on the Nigerian market?
14. Is the competition fierce and how would you describe it?
15. Which products do you sell most of to Nigeria?
16. Have the products offered changed over time?
17. How does the consumption of paper products in Nigeria differ from the consumption in a developed country like Sweden?
18. How do you think the market for paper products in Nigeria will look in the future?
19. Is Nigeria a growing market and which trends do you observe?

10.1.2 Questions Asked to SA

1. How would you describe this company’s role in paper trade with Nigeria?
2. Why do you think is it advantageous for a producing company to let you facilitate the export of their paper products to Nigeria instead of exporting directly on their own?
3. Which do you consider as the major challenges with Nigeria as export market? 
   Feel free to compare with other African markets!

4. After having studied the Nigerian market and how trade with Nigeria might look, it seems to us as if there are barriers to trade that complicates trading with the country. This could for example be customs duties, extensive bureaucracy, and regulations that are hard to interpret.

5. Do you feel that such barriers affect your work?

6. If yes, how do you handle this?

7. Do you think you have better ability to handle this than what a manufacturing company has?

8. How has the way you handle export to Nigeria changed since you started working for the company?

9. If you have noticed a change, has the handling become less or more difficult?

10. In which way and why do you think this has happened?

**10.2 Interview Questions to Stefan Kristensson**

1. Can you please describe your area of responsible and what your position implies?

2. How long experience do you have working with Sub Saharan Africa?

3. When trading houses in Sweden are selling paper products to Nigeria, when in the process do you as a bank step in and what are your functions?

4. What is your opinion of how the role for trading houses as financiers have changed over time?

5. Have your role as a bank changed in line with the trading houses changed role?

6. What are, according to you, the strengths and weaknesses for trading houses trading with Nigeria?

7. How does the competition among trading houses in Sweden trading with Nigeria look like?

8. What characterizes Nigeria as an export market?

9. Is Nigeria different compared with other Sub Saharan countries?

10. How do you consider future trade with Nigeria?

11. Do you believe that trading houses will fulfill the same functions in the future as today?

12. What is your experience dealing with Nigerian banks?

13. Has it become more or less difficult to deal with Nigerian banks?

14. Do you have any direct contact with the Nigerian paper products customers?

15. Can you please describe the requirements for documents when trading with Nigeria compared with those in other Sub Saharan countries?

16. How do you consider the future development for Nigeria when taking into consideration the growing population, the economic development, political instability, business environment and corruption?

17. How do you think the country’s development will affect the consumption patterns for paper products in the country?