



**CATÓLICA  
LISBON**  
SCHOOL OF BUSINESS & ECONOMICS

# **MILLENNIUM BCP IN THE AFRICAN MARKETS**

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Taking a decision in Angola

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## Abstract

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This master thesis is presented in the form of a case study and portrays the internationalization of a Portuguese company, Millennium bcp, to the emerging African markets (Mozambique and Angola), highlighting the main challenges and the strategic options applied in each of them.

Millennium bcp is the biggest private bank in Portugal that has soon decided to expand its operations to Angola and Mozambique. It first moved to Mozambique with the brand *Millennium Bim* and only some years later to the Angolan market with Millennium Angola. While Bim soon got positive results, achieving a leadership position in the Mozambique market and now tries at all costs to preserve it; *Millennium Angola* has a more reduced presence in the Angolan market and couldn't achieve the strong desired positioning yet, taking its CEO to a dilemma situation.

The present case study should be used as a teaching tool, since it allows the analysis and further discussion, using strategic frameworks that are taught in class, of a real life situation.

## Resumo

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A presente tese de mestrado é apresentada na forma de estudo de caso e ilustra a internacionalização de uma empresa Portuguesa, Millennium bcp, para os mercados emergentes africanos (Angola e Moçambique), destacando os principais desafios e as opções estratégicas aplicadas a cada um dos mercados.

O Millennium bcp é o maior banco privado português que cedo decidiu expandir as suas operações para Angola e Moçambique. Posicionou-se primeiro em Moçambique com a marca *Millennium Bim* e só alguns anos depois entrou em Angola com o *Banco Millennium Angola*. Enquanto o Bim cedo obteve resultados positivos, atingindo assim uma posição de liderança no mercado Moçambicano, e tenta a todos os custos preservá-la; o Millennium Angola tem uma presença mais reduzida no mercado Angolano, não conseguindo atingir ainda o forte posicionamento desejado, levando o seu CEO a um dilema situacional.

O presente estudo de caso deve ser usado como ferramenta de ensino, uma vez que permite a análise e discussão, utilizando ferramentas estratégicas dadas em aula, de uma situação real.

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# Introduction

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Millennium bcp is a Portuguese bank that sooner achieved leadership in Portugal, being one of the top five banks in the country. The bank always had perspectives to extend its operations abroad and so it is now present in several markets, with its brand Millennium.

This case study regards the internationalization of Millennium bcp to the African markets, particularly Mozambique and Angola. Millennium bcp achieved its earlier presence in Mozambique in the year of 1995 and, although the country presented some challenges, over the years the bank could achieve positive results, especially through its positioning based in innovation, which made possible to reach the top 5 banks in the country, being the leader among them. By now, the main challenge to Millennium bcp in Mozambique is to continue with such positive results and maintain the leadership position, standing out from its main competitors.

Millennium bcp moved to Angola later, only in 2006, where it faced some more serious challenges and so the positive results didn't start as soon as in Mozambique. The bank found some fierce competition in the market and some governmental issues, which are some of many reasons that made Millennium Angola evolution being slower.

Observing both emerging African markets, the bank wanted to achieve the same leadership position that it could achieve in Mozambique, in Angola. The present case study will introduce what went wrong and why couldn't *Millennium Angola* have such positive results, why there was such a big discrepancy in both emerging African Markets, and if it was due to bank positioning or due to market characteristics, by report the facts since the beginning until the present situation.

This case study has the intent to make students discuss environmental factors and strategic moves in order to argue what can be done to reverse the situation, helping the CEO taking an important strategic decision.

# I. Case Study

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With the new coming year of 2014, *Gaioso Henriques*, CEO of *Banco Millennium Angola*, comes to Lisbon to gather in a meeting with *Conceição Lucas* (bank portfolio manager) and *Sofia Raposo* (director of international strategic studies), in order to settle new objectives and outline the bank's next steps in the Angolan market. Millennium bcp made its presence in the African markets – Angola and Mozambique, but while in Mozambique it achieved a Leadership position and now its challenge is mainly to maintain its position as a leader, in Angola the bank didn't achieve the goal yet and it still has a small presence. What were the main challenges that influenced this situation and why did it happen? *“Being emerging African markets with Portuguese affinity doesn't mean that they are the same or work in the same way.”*

## 1. Introducing Millennium bcp

### Company Background

*Banco Comercial Português S.A.* (Millennium bcp) is a Portuguese private bank in the financial market in Portugal, being the second largest bank with 797 branches in the country and with 2.3 million customers, and being the first private bank institution in terms of market share, both concerning loans to customers and customer deposits. BCP's<sup>1</sup> current CEO is Nuno Manuel da Silva Amado and the bank is based in Oporto, but its operations are headquartered in Oeiras, Lisbon. The bank operates under a branch brand restyled in 2004 as *“Millennium bcp”*. Currently the bank has operations in Poland, **Mozambique**, **Angola**, Romania and Switzerland (see exhibit 1).

The vision settled by BCP is “To be a reference bank serving the client through innovative distribution platforms and with more than 2/3 of the capital allocated to retail and companies”. BCP's activity in Portugal is made by many vehicles: the universal bank *“Millennium bcp”*, *“Millennium bcp actives management”* that represents the Investment Fund Management Company, *“Active bank”* that is a specialized dimension of the bank focused on intensive

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<sup>1</sup> Banco Comercial Português (*Portuguese Commercial Bank*)

technologies of communication users, “*Real State Investment Bank*” related to mortgage loans, “*Millenniumbcp Ageas*” that comprehends insurances, and “*Interfunds*” that is related to management of Real Estate investment funds S.A.

## History and Acquisitions

BCP was founded in June (1985) by Jardim Gonçalves with the support of more than a 200 founder’s shareholders group and a professional banking expert team. The initial phase was characterized by organic growth that made possible for the bank to increase its market share in a context of deregulation.

After 1994, competition in the domestic banking market in Portugal was intensified due to the modernization of existent financial institutions, entrance of new banks and financial foreign institutions. Therefore the bank have decided to acquire a domestic bank with business complementarity in order to gain market share in the banking market, in insurance and other financial services. The bank acquired the control of *Banco Português do Atlântico, S.A* (1995). This acquisition arose following a public tender offer for the entire share capital of BPA<sup>2</sup>, launched in conjunction with *Companhia de Seguros Império*, a Portuguese insurance company. In June 2000, BPA was incorporated into BCP. The joint tender offer for the entire share capital of BPA led to a deeper cooperation between BCP and *José de Mello Group*, the largest shareholder of *Império*, resulting in the merger of the financial services of both. Still in 2000, BCP entered in agreement with the bank *Caixa Geral de Depósitos* to acquire their control participation in the bank *Pinto & SottoMayor*.

Until 2000 the Portuguese economy was presenting economic growth compared to the European Union average, but from this year the tendency was interrupted. The introduction of the single currency<sup>3</sup> had also impact on financial trends as the homogenization of financial products and services, economic globalization, technological innovation and industry deregulation have contributed to increase competition, to the introduction of new financial

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<sup>2</sup> Banco Português do Atlântico

<sup>3</sup> The introduction of EURO (€) in 2001



products and services, and the proliferation of mergers and cross-border alliances.

From 2005 there was a big process of restructure within BCP in order to have more focus in the bank core activities. The process was made throughout operations of alienation and by reducing exposure to non-core assets. Examples of these were reduction of the participation in *EDP – Energias de Portugal S.A.*, sell of bank businesses and insurances in Macau and divestment in the insurance activity, and alienation to *CGD*<sup>4</sup> of 100% of the social capital of *Império Bonanza* companies.

In the recent years the bank has been investing in an international approach and reallocating its strategy accordingly to the financial situation of Portugal and the geographies where it is located (see *exhibit 2*).

## 2. Millennium bcp Internationalization

### Process of internationalization

After consolidating its position in the Portuguese market, Millennium bcp have decided that it needed to move to foreign markets, especially the ones that had a historical connection with Portugal or big communities of Portuguese decedents, including Macau, Mozambique, Angola, Luxembourg, France, U.S.A and Canada (see *exhibit 3*), as well as where there were strong commercial rational for the establishment of banking operations with a similar business model and technological platforms to those used by the bank and with recognized success in the Portuguese market, adapting them to local customers needs.

Millennium bcp have made its presence with focus on the retail distribution of financial products and services, particularly in European markets – in Poland with *Bank Millennium* and Romania with *Banca Millennium*, and also African markets – in Angola with *Banco Millennium Angola* and Mozambique with *Millennium Bim*.

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<sup>4</sup> Banco Caixa Geral de Depósitos

## African Markets

### ▪ Mozambique

Mozambique, an ex Portuguese colony that reached its independency in 1975, is located in Africa and is composed by 11 provinces with a total area of 799.380 Km. The country's capital is Maputo with a population of 1.2 million citizens and the monetary unit is Metical (MZN). The official language is Portuguese, but there are some native dialects that are also spoken in the country.

Mozambique's territory is approximately nine times bigger than Portugal. Its economy is small and its income is low, with a GDP<sup>5</sup> per capita of 500 USD<sup>6</sup> and more than 40% of the population living below the level of poverty. But in the last 15 years the Mozambique economy has been growing 6% to 8% a year, mostly in the center and north of the country. This growth settled in 4 pillars: coal, natural gas, electricity and basic infrastructures (see exhibit 4). In 2008, although the increase of oil international prices and food products, and also the impact of the international crisis, the growth of GDP reached 6.8%, due to Mozambique small and relatively closed economy. From 2010 to 2012, GDP have grown at an average of 7.1% because of the implementation of several projects<sup>7</sup> and of the growth of agricultural sector and construction of basic infrastructures<sup>8</sup>.

Mozambique benefits from a favourable strategic position, since it is considered a platform to enter in the market of SADC<sup>9</sup>, which aggregates around 250 millions of consumers.

FDI<sup>10</sup> has played an increasingly important role in Mozambican economy. According to the World Investment Report published by UNCTAD<sup>11</sup> (2012), Mozambique has received increasingly more significant amounts of foreign

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<sup>5</sup> Gross Domestic Product

<sup>6</sup> United States Dollar

<sup>7</sup> Examples: the Mozal aluminum smelter, the natural gas Sazol, Moma heavy sands, coal from Moatize and Benga, and Hydroelectric of Cahora Bassa

<sup>8</sup> In order to reduce imports and be less dependent on the outside

<sup>9</sup> *Southern African Development community* – regional economic community comprising 15 member states, committed to Regional Integration and poverty eradication through economic development and ensuring peace and security.

<sup>10</sup> Foreign direct investment

<sup>11</sup> *United Nations Conference on Trade and Development* - United Nations body responsible for dealing with development issues, particularly international trade.

direct investment, particularly in the recent years, placing the country in the 66<sup>th</sup> place in the world rankings, as receiver of FDI (see exhibit 5).

Portugal was the largest investor in Mozambique between 2005 and 2010, but in 2011, China was the largest source of foreign direct investment, followed by South Africa and Portugal, where Mozambique stood in 10th place of table of destinations for Portuguese investment abroad (see exhibit 6).

Portuguese companies have a long tradition in Mozambique, with presence in various sectors of the economy, but the construction and financial activity sectors are the main target of FDI. The importance of the Portuguese presence can be measured by the fact that 28 of the 100 largest Mozambican companies have Portuguese capital.

The attraction of foreign investors in Mozambique was mainly due to: the existing richness of natural resources (energy and minerals); to the investment incentives policy, with a more attractive setting and enabler of various benefits in the areas that present the greatest potential for performing business; important legislative reforms in order to facilitate procedures<sup>12</sup> and to promote and stimulate the private sector; and the existence of numerous opportunities arising from political stability and sustainable growth present in the country.

Mozambique, although the big growth rates, is still an emerging market with a small economy and a high percentage of population is still living below the level of poverty. Also, the informal economy and low law enforcement allows that many economic agents don't comply with the basic rules of running a business.

- **Angola**

Angola is an African country with a total area of 1.246.700 Km<sup>2</sup>. The country's capital is Luanda with 4.5 millions of citizens. The official language is also Portuguese but there are also some local dialects. The monetary unit is Kwanza (AOA).

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<sup>12</sup> Mozambique is a free currency market

Angola got out in 2002 of the Civil War that has devastated the country during 27 years. The country has been assumed a regional potency in the Sub-Saharan Africa context with a fast growth mainly based on oil production and exportation, converging to a market economy with an annual income per capita of about 6,000 USD.

Between 2003 and 2008, due to oil dependency, economic growth average rate was 14,8% per year, making Angola in the top of the countries with a higher growth at a global level. Fiscal and monetary policies were expansionists due to the post-war reconstruction effort and the exchange of kwanza was overvalued. With the impact of global crises, when global oil prices have felt, Angola suffered a sharp contraction of its revenues, a decline of foreign reserves and a large macro economic instability.

The intervention of IMF<sup>13</sup> with a stabilization program (2009-2012) and the increase in the Angolan oil production had contributed to the boost of the economic situation and inflation reduction, as well as to the strong development of the non-oil sector. Despite growth in non-oil sector over the past years, economy still kept too dependent on oil, the main engine of growth, which represented 39% of GDP. The oil sector captured much of the investment abroad and was responsible for about 98% of exports and nearly 80% of tax revenues.

Economic Prospects in Africa 2012 Report noted that Angola needed to improve exchange rate system and public financial management, and meet the heavy challenges of reducing poverty and unemployment. Most of unemployment affected unqualified workers, but then it was also verified a growing number of unemployed youth, with qualifications, but who didn't fit the actual needs of the country.

Angola became an increasingly important partner in economic relations between Portugal and abroad, and is among the main destinations of Portuguese investment, staying in 4th place (2012) in the table of FDI (see *exhibit 7*). Although the Portuguese presence in Angola extended to a diverse set of industries, the main Portuguese investment applications have been directed to wholesale and retail, financial activities and construction. In the

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<sup>13</sup> International Monetary Fund

recent years, these sectors represented together between 96% and 98% of the overall figures of Portuguese investment in Angola.

Although the country had already created the basic conditions for the normalization of economic activity (enabling internal mobility, fostering trade and investment activity through strong public investments in the last 10 years), economy still works in an informal way and provision of basic infrastructure is still limited. Indeed, access to water and electricity had notable deficiencies, the transport network does not ensure the correct movement of goods and people in the country, and the education and health remain at reduced levels of availability, constraining the evolution of the Angolan economy.

### **Why to go on?**

Millennium bcp have seen in these African Markets some attractiveness that made it make the move. At a first place, these are markets of Portuguese affinity: both markets are ex Portuguese colonies and there are still a significant high percentage of Portuguese people living and working in these countries, as well as Portuguese companies, which represent an opportunity for BCP to increase its business.

*“There are Portuguese companies in all activity branches, so Millennium bcp perceived these companies as its main target in order to make business with them outside their native country - Portugal.”*

*Miguel Ponte, International Strategic Studies*

Besides that, these two countries had a very high growth rate, being countries with the highest growth in the world and the tendency is to continue in the future. Mozambique has been a high potential market with its economy expected to be one of the Top 12 in the world with a GDP growth of 8% for the next five years, while Angola is a high growth market with its economy expected to have higher growth for the next years with a GDP growth of 6% between 2013 and 2017 (see exhibit 8).

Another opportunity perceived by BCP was the fact that both markets have an undeveloped banking system. Mozambique is in the 16<sup>o</sup> position with 25% credit of GDP, and besides that, in the 128 districts that comprise the 11 provinces, about 50% still do not have banking presence, and roughly 80% of the adult population remains unbanked. Angola, which is among the least developed African banking systems, is in the 19<sup>o</sup> position with 18% credit of GDP (see exhibit 9).

These and the long-term expectations of both markets made them an attractive option for Millennium bcp.

*“The tendency is that this percentage will increase over the years and so the banking system will grow at a higher pace than the GDP, achieving relevant values for the bank.”*

*Miguel Ponte, International Strategic Studies*

### 3. Moving to Mozambique

#### Entry in the Market

The creation of Bim<sup>14</sup> was made by a strategic partnership between BCP, and the Mozambique Government (1995). With the acquisition of *Banco Mello* (2000), BCP became the biggest shareholder of BCM<sup>15</sup> and in 2001 Bim merged with BCM. There were changes in the structure of both bank institutions for unification and rationalization (see exhibit 10). The merged bank maintained the designation Bim and became one of the biggest bank institutions operating in the market.

With the unification of these two banks there was the need to gather the two insurance companies detained by each of them: *Seguradora Internacional de Moçambique* by Bim and *Impar* by BCM. Due to this, *Seguradora Internacional de Moçambique* entered in the market, staying *Impar* only as a commercial brand. In 2006 BCP changed its brand image to *Millennium bcp* to

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<sup>14</sup> Banco Internacional de Moçambique (*Mozambique International bank*)

<sup>15</sup> Banco Comercial de Moçambique (*Mozambique Commercial Bank*)

all geographies where it was located, so it stayed as Millennium Bim in Mozambique, replacing BCP as commercial brand.

### **Challenges and difficulties**

Mozambique presented several challenges to the development of the banking system and the financial inclusion of the population. Given its infrastructure development, the mobility of the population was precarious, and travelling in the country was either very strenuous or extremely expensive. As a result, there was a good amount of geographical dispersion, where from the total population of roughly 24 million only about 19% inhabited the country's 20 largest cities. Besides that, the deceleration of poverty reduction in the face of robust economic growth is the defining development challenge.

*“Mozambique used to be one of the poorest economies in the world. The main challenge for the bank was to make its operations profitable in this market.”*

*Miguel Ponte, International Strategic Studies*

## **4. Moving to Angola**

### **Entry in the Market**

The first contact that the bank had with the Angolan market was in 1994, when BPA<sup>16</sup> opened a branch office in the country. As in 2000 BPA was incorporated in BCP, the branch office changed to BCP property by 2002, the year that it was recognized in Angola.

On April (2006), the branch office was transformed in an Angolan right Bank with the name of *Banco Millennium Angola*, which acquired all assets and liabilities of the old branch office. In 2007, BCP and Sonangol<sup>17</sup> have signed a memorandum of understanding, provided for the subscription of the share capital of BMA<sup>18</sup>, concluding in 2008 the strategic partnership agreements. The partnership also called for the acquisition by Sonangol and

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<sup>16</sup> Banco Português do Atlântico

<sup>17</sup> Sociedade Nacional de Combustíveis de Angola, E.P.

<sup>18</sup> *Banco Millennium Angola*

BPA of the share capital of BMA, by means of a share capital increase operation, undertaken in February (2009). Under the terms of the agreement, BMA maintained its current corporate status as a subsidiary of BCP. Under the agreement, BMA also acquired a 10% stake in the share capital of BPA.

### **Challenges and difficulties**

When the bank entered in Angola, the country was still in a slowed development phase: Angola had just got out of the war in 2002 and so political instability was a critical issue. This was one reason why BCP postponed the entrance in Angola and so there was already domestic competition well positioned in the market.

The main challenge for BCP was, as an international private bank, to be perceived as a local bank and attract Angolan population, competing with the domestic competitors, which locals already recognized and made positive associations with. In order to change its image in the market and be perceived as a local bank, Millennium bcp strategy was to be seen as a bank working with local companies and local population, enjoying the strong Portuguese presence. The bank wanted to be perceived as a bank of local support by making business in the Angolan economy.

Another challenge was the fact that BMA was having difficulties in open its branch offices, since the places to build them were scarce. Usually, the branch offices were located in the base of the buildings, but due to the high competition the demand was very high. Before the buildings were built, these departments were already sold. In order to overcome this challenge the bank started creating containers as branch offices.

*“These containers were a strategic move to overcome the infrastructure challenge, which came out to be a smart solution, achieving break even in less than one year.”*

*João Godinho Duarte, Direction of Investors Relationships*

Angolan market is very dynamic and so it can also be considered a challenge, since labour force with high qualifications is scarce and has a high



demand within the market, and so they may achieve high values that many times the bank cannot support. As a response to the high labour force value in Angola, BMA hired people that finished their studies directly from the universities and focus on training and education.

Beyond these perceived challenges and difficulties in the settlement of Millennium bcp in the Angolan market, the most significant was the exchange restrictions of the country. It is very complicated for BMA to buy foreign currency, mainly the access to Dollar is difficult and expatriation of the results is very complicated: even the results that Millennium bcp has in Angola (cash flow) is difficult to bring to Portugal. The foreign currency has to be bought in auctions with the Angolan National Bank. This makes a major constraint to BMA's clients in making international business, since buying dollars is not an easy and free process. With this, Angola tries to prevent the capital flight.

## 5. Millennium Bim and Millennium Angola Evolution

### Millennium Bim

The evolution of the bank has been stable because of the increase of the profitability levels and soundness of the financial system, due to the investment expansion, economic activity stimulation, relative stability of the Metical exchange rate and decline market in interest rates, which boosted employment increase and disposable income growth of households and businesses.

Bim invested primary in the retail net expansion program in Mozambique, being a priority the opening of more branch offices (see *exhibit 11*). The Government made the appeal for commercial banks to invest and be more present in rural localizations and so Bim penetrated in rural zones where there were no infrastructures, no financial services, and hard access. The service *Mobile Banking SMS* was launched taking in consideration the bad conditions of the roads, the scarcity of transportation, and the insufficient bank presence. It permitted to do anywhere big part of the operations that could be done on the branch offices, at a reduce cost.

The year of 2008 was the year where competition was stimulated in the national banking system for the electronic banking importance, so it was made a migration effort of transactions to alternative channels, with a continue stimulation of “Call Center” activity that integrates the bank distance channels: Line Bim (phone banking), Mbim SMS (mobile banking), Mbim.net and corporate.net (internet banking), which translated an increase of 47% of clients adhering to these channels and an increase of 23% of its effective usage. The number of ATM<sup>19</sup> have also been increasing (see exhibit 12), as well as the innovation of the transactions that could be made by these channels, which was translated in an increase of the number of transactions.

During the year of 2009 the bank signed an agreement of intend with the bank of China, which goal was promoting and encouraging the exchange and the development of the relationship between China, Macau, Hong Kong and Mozambique, allowing Bim to be a privileged contact of Bank of China in Mozambique.

The financial sector demonstrated a growing shortage of liquidity and a growing presence of competition in the banking sector and insurances (2010), since Bim was for many years the only bank that covered all provinces in the country. Bim focused in increasing the customer loyalty, launching new products and services. Also the bank continued to innovate in its channels, developing new functionalities in the *electronic Banking*. Millennium Bim launched “Crédito Universitário” directed to academic students that intended to do undergraduate and postgraduate that allow preferential terms.

Millennium Bim was spread over a total of 51 districts, of which in 14 of these it was the only commercial. This proximity with people made possible for the bank to achieve 1 million clients and receive significant awards over the years (see exhibit 13).

In “The Year of People” (2012), it was launched a monitoring program for the employees, SAID<sup>20</sup>. It promoted constant feedback between the intervenients and formal moments of evaluation. The improvement of communication between the bank and employees, by the Intranet, manifested itself with the launch of the portal “People”. Also in 2012, and because of

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<sup>19</sup> Automated Teller Machine

<sup>20</sup> System of Individual Evaluation of Performance

significant demand increase, Bim launched a new service “Millennium IZI”<sup>21</sup> in order to better respond to local needs.

The competition in the Mozambique market has been increasing, with 5 banks that have been growing over the recent years (see exhibit 14). *BCI*<sup>22</sup> is a fierce competitor to *Millennium Bim* (see exhibit 15) with the higher market share after Bim. The South African *Standard Bank* is also present in the Mozambique market, competing by reducing financing interest rate to private clients and small and medium enterprises. Also present in the market are *Barclays*<sup>23</sup>, *Moza Banco* and *Único*<sup>24</sup>, which only initiated their activity in 2011.

### Millennium Angola

The opening of BMA in April 2006 was supported by the marketing effect, with initiatives of exhibition of the new image, as well as the creation of *www.millenniumangola.a*<sup>25</sup>. BMA started developing additional channels like Internet Banking, APT<sup>26</sup> and ATM, and by the end of its first operational year, the net profit was 275 million AOA<sup>27</sup>, mainly due to the positive evolution of the bank product<sup>28</sup> (see exhibit 16).

The year of 2008 was particularly positive for BMA because of the partnership between *Millennium bcp*, *Sonangol*, and *BPA*. In this year, BMA started developing its retail strategy, increasing the number of branch offices and so there was a strong organic growth (90% comparing to 2007). The entrance of *Sonangol* and *BPA* in BMA’s capital occurs in 2009. In the sequence of this capital increase (see exhibit 17), the business plan process was accelerated and restructured in order to give a faster response to the Angolan market opportunities. BMA positioned itself with 3 defined segments: *Mass Market*, *Affluent*<sup>29</sup> and *Corporate*. The first two were served by branch

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<sup>21</sup> Mobile functionality available anywhere and anytime

<sup>22</sup> Banco Comercial e de Investimentos (*International and Commercial Bank*)

<sup>23</sup> British Group

<sup>24</sup> Managed by the ex CEO of Millennium Bim, Dr. João Figueiredo.

<sup>25</sup> Millennium Angola Official Website

<sup>26</sup> Automatic Payment Terminal

<sup>27</sup> Kwanza – Angolan Currency

<sup>28</sup> Income received by a financial institution – Examples: commissions, interest income, trading and interbank transactions.

<sup>29</sup> Represented by the brand *Prestige*

offices spread by the country, whereas the third was served by centers and autonomous networks (see *Exhibit 18*).

In 2009 Millennium Bank Angola was considered the most innovative Bank in the country by the magazine “*Emea Finance*”. The prize ceremony occurred during the solidarity dinner that join together the African banks and the funds reverted to UNICEF<sup>30</sup>. In March (2009), it was created the intranet of the BMA.

In the year of 2011, the net profit also demonstrated growth but with a slowdown comparing to the previous years (see *exhibit 16*). The expansion of the retail net, the increase of the number of employees and the strong investment in technologies and information systems, led to a slight degradation of the efficiency ratio, with operational costs being higher than the bank product. In December, the bank was covering all the 18 provinces of the country after the inauguration of Ndalatando branch office, in the Kwanza-North province. Throughout the year, the bank released many bank solutions as government employee account, academic account, pack PME, pre-paid debit card “*Cacau*”.

In 2012 the Angola National Bank developed a normative initiative where stands out a new regulation, which established a system of prevention of money laundering and the terrorism floating, and a financial stability committee. BMA net profit continued increasing with a slowdown growth but bank product has increased comparing to 2011 (see *exhibit 16*) due to the positive evolution of commissions and results of financial operations that have also increased.

In the end of the year, the bank had 76 branch offices, 6 enterprise centers and 3 prestige centers (see *exhibit 19*), but BMA still have the less developed offer in the *Affluent* segment with its Prestige brand, comparing to the other banks in the market. Regarding the catchment of new clients, it has been accelerating over the years, higher than the increase of banked population, and so BMA is gaining market share on Mass Market segment and number of

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<sup>30</sup> United Nations Children's Fund

clients. Connected with the *Angola Investe* program<sup>31</sup>, BMA signed a memorandum of agreement with Ministries of Economy and Finance to subsidized credit for micro, small and medium enterprises; and consequently stimulated the national entrepreneurship.

Regarding financial system benchmark, BMA banking product (2012) is still very dependent on exchange results because Angola is still an importing country<sup>32</sup>, where the financial health of companies is dependent on the exchange rate and the availability of dollars for buying raw materials. BMA could achieve a market share in international transfers and in the import market above its natural share, having the exchange results more weight to the bank than for the average banking system. As a consequence, the bank faces a big risk, since if, at any time, BMA has a more restricted access to foreign currency, or simply retail clients, who don't need as much foreign currency as companies (since they don't import goods), reduce the use of dollars, BMA exchange results will fall. Besides that, BMA have a lower weight of financial margin regarding the market average.

There are five major players together with BMA in this market: *BIC*, *BFA*<sup>33</sup>, *BPC*<sup>34</sup>, *BESA*<sup>35</sup> and *BAI*<sup>36</sup>. The Angolan market is much more competitive than Mozambique. Due to BMA's late market entry, the local banks gained advantage and so the bank still has to make an effort to achieve the leadership position in the Angolan banking market (see exhibit 20 and 21).

## 6. Introducing the Future

Angola is a market that is growing and gaining a higher dimension, while Mozambique is a small market. However, Millennium Bim could achieve more

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<sup>31</sup> Governmental program intended to support micro, small and medium-sized Angolan companies focused on agriculture, industry, retail, fishing and other sectors with a view to diversifying the economy and increasing business activities in the country.

<sup>32</sup> Although there are government efforts to reverse the situation

<sup>33</sup> Banco de Fomento Angola (*Angolan Development Bank*)

<sup>34</sup> Banco de Poupança e Crédito (*Savings and Credit Bank*)

<sup>35</sup> Banco Espírito Santo Angola, S.A.

<sup>36</sup> Banco Angolano de Investimentos (*Angolan Bank of Investment*)

than 60% of Mozambique market results. For Millennium bcp, comparing these two markets, “size” is one component that distinguishes them:

*“With only 3% of market share in Angola, we can have results that are half of the ones we can get with a 30% market share in Mozambique.”*

*Miguel Ponte, International strategic studies*

In Angola there is a higher market potential in mid/short term, which could make the bank more profitable. In Mozambique the long term potential is higher due to its growth margin that is higher than Angola. The challenge is that BMA still has to grow and need to increase its presence and develop its business:

*“We are still small in the Angolan market and the main challenge for us is to grow and develop, achieving the leadership position that we already have in Mozambique.”*

*João Godinho Duarte, Direction of Investors Relationships*

Regarding the present situation, there are two strategic development alternatives for BMA in Gaioso Henriques mind: *“Should the bank sustain its growth by intensifying its expansion in the retail net, specifically concentrating in the mortgage loans (as it had already been done in European geographies, and where the BCP Group has more experience), but in this case with more market risk regarding the Angolan market characteristics; or should the bank concentrate in the corporate segment in Angola, primarily in companies with greater affinity with Portugal and with which BCP has more competitive advantages - Portuguese companies in Angola and the Angolan businesses that trade with Portugal?”*

The retail net expansion strategy was used by BCP to address and grow in all markets in which it acted in the past. In Portugal, the Group leveraged on growth and customer base generated by the *Nova Base*<sup>37</sup> to grow and gain

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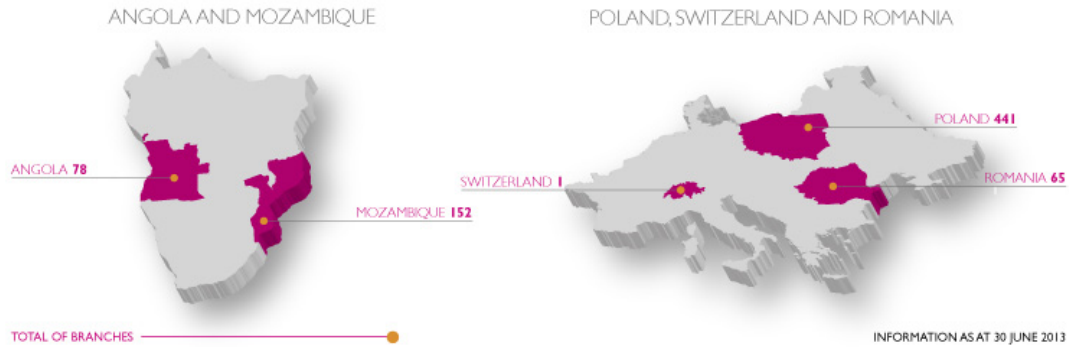
<sup>37</sup> Portuguese company in software development market

market share. After this experience, BCP approached Polish, Greek and Romanian markets with focus on mortgages, cards, personal loans, etc. Once the group has a vast experience in this segment, it is a logical approach to a new market in which the purchasing power of the population is in a strong growth phase.

The corporate based strategy is due to the strong presence of Portuguese companies in the market and to the BMA's intention to become an active player regarding local economies. On one hand, BMA could leverage relations with Portuguese companies, supporting the trade finance and financing their main projects and other operations, and on another hand by financing and participating on local businesses, BMA could participate in local economic growth. It is quite difficult to grow in Angola without the image of being a "local bank" that contributes to the local economy.

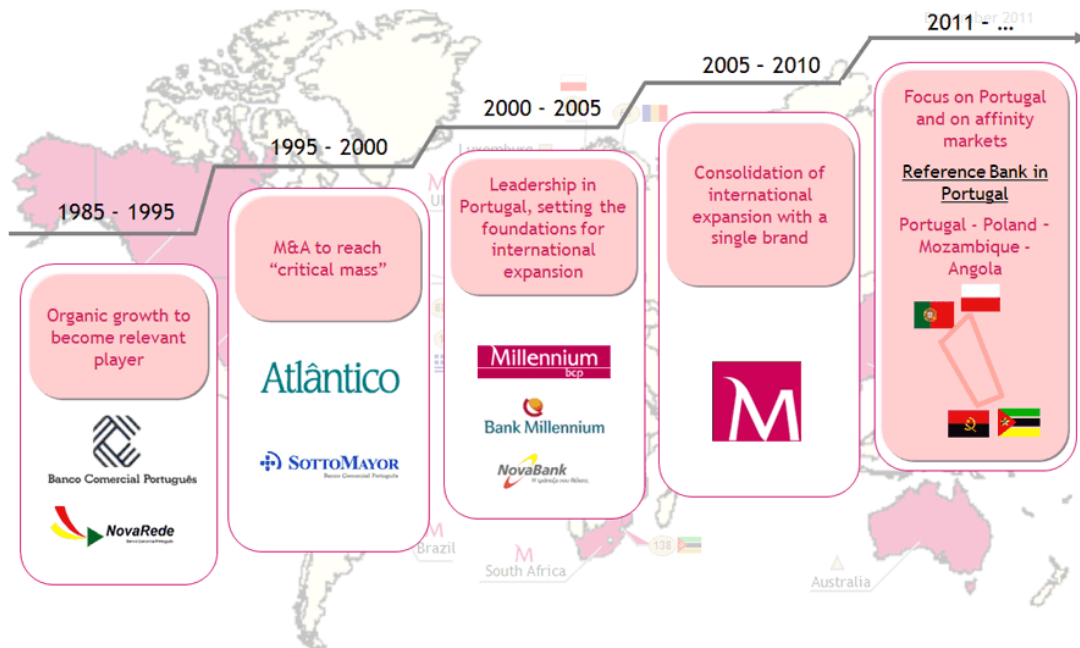
## II. Exhibits

### Exhibit 1 – Branch Offices localizations Map



Source: [www.millenniumbcp.pt](http://www.millenniumbcp.pt)

### Exhibit 2 – BCP History

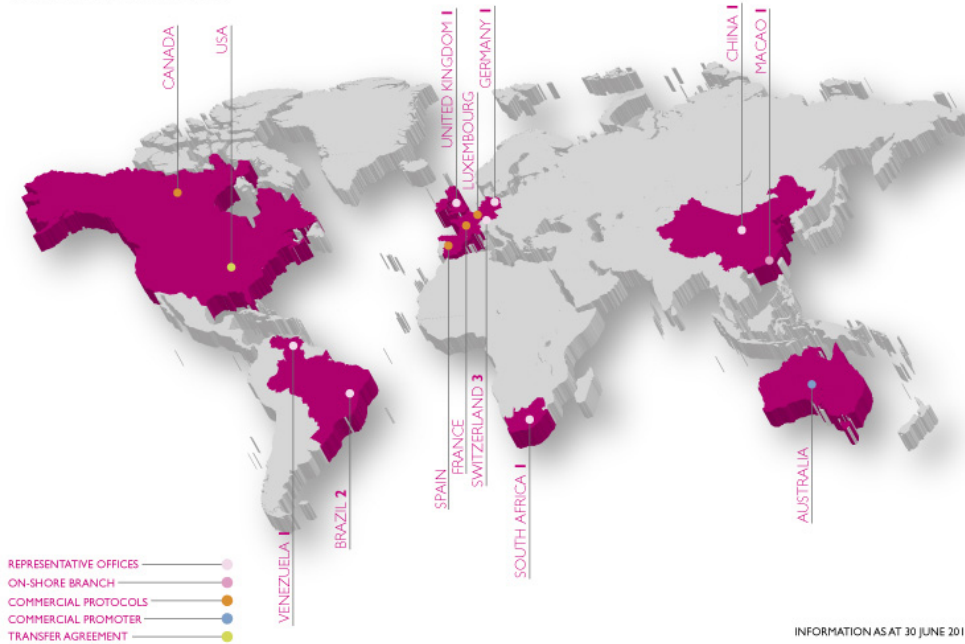


Source: [www.millenniumbcp.pt](http://www.millenniumbcp.pt)



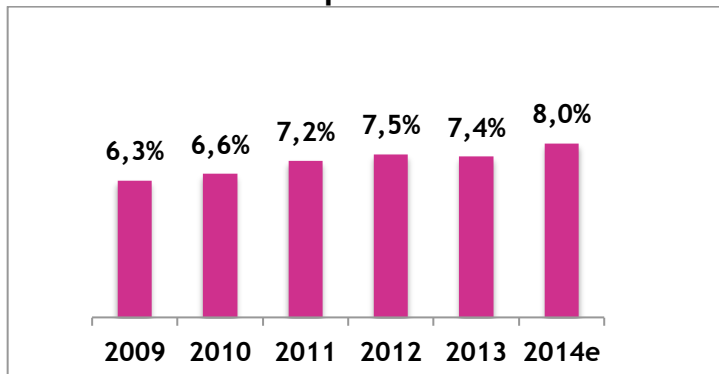
### Exhibit 3 – Map of Branch offices and representations of BCP

REPRESENTATIVE OFFICES, BRANCHES, COMMERCIAL PROTOCOLS, COMMERCIAL PROMOTER AND TRANSFER AGREEMENT



Source: [www.millenniumbcp.pt](http://www.millenniumbcp.pt)

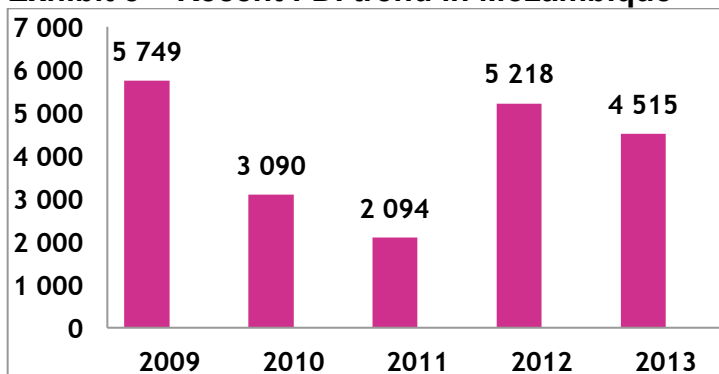
### Exhibit 4 – Mozambique GDP Growth



IMF Outlook. Growth based on (gas, coal & infrastructure development).

Source: International Monetary Fund

### Exhibit 5 – Recent FDI trend in Mozambique



Note: 2013 – refers to Q3. Amount in MZN (Millions)

Source: Moz Authorities and International Monetary Fund

### Exhibit 6 – Evolution of Portuguese FDI in Mozambique

(10 <sup>3</sup> EUR)	2007	2008	2009	2010	2011	Var. % 07/11
Investment	113.243	83.445	161.805	79.928	74.727	2,6
Divestment	32.610	38.832	116.347	17.914	160.393	232,4
Net	80.633	44.613	45.458	62.014	-85.666	-
% of total investment	0,76	0,73	2,08	0,82	0,48	-
Position	13 <sup>a</sup>	15 <sup>a</sup>	10 <sup>a</sup>	16 <sup>a</sup>	10 <sup>a</sup>	-

Source: AICEP Portugal Global

### Exhibit 7 – Angola importance in the investment flows with Portugal

(10 <sup>3</sup> EUR)		2008	2009	2010	2011	2012	Var.% 08/12	Var. % 11/12
Portugal as a receptor	Position	18°	14°	18°	52°	11°		
	%	0,14	0,36	0,08	-0,24	0,87		
Portugal as a sender	Position	3°	3°	5°	3°	4°		
	%	6,81	8,93	6,84	4,65	3,48		
	Gross Investment	775.127	693.765	669.472	909.505	312.823	-10,9	-65,6
	Divestment	1.434.059	1.062.316	512.129	532.917	430.283	-23,2	-19,3

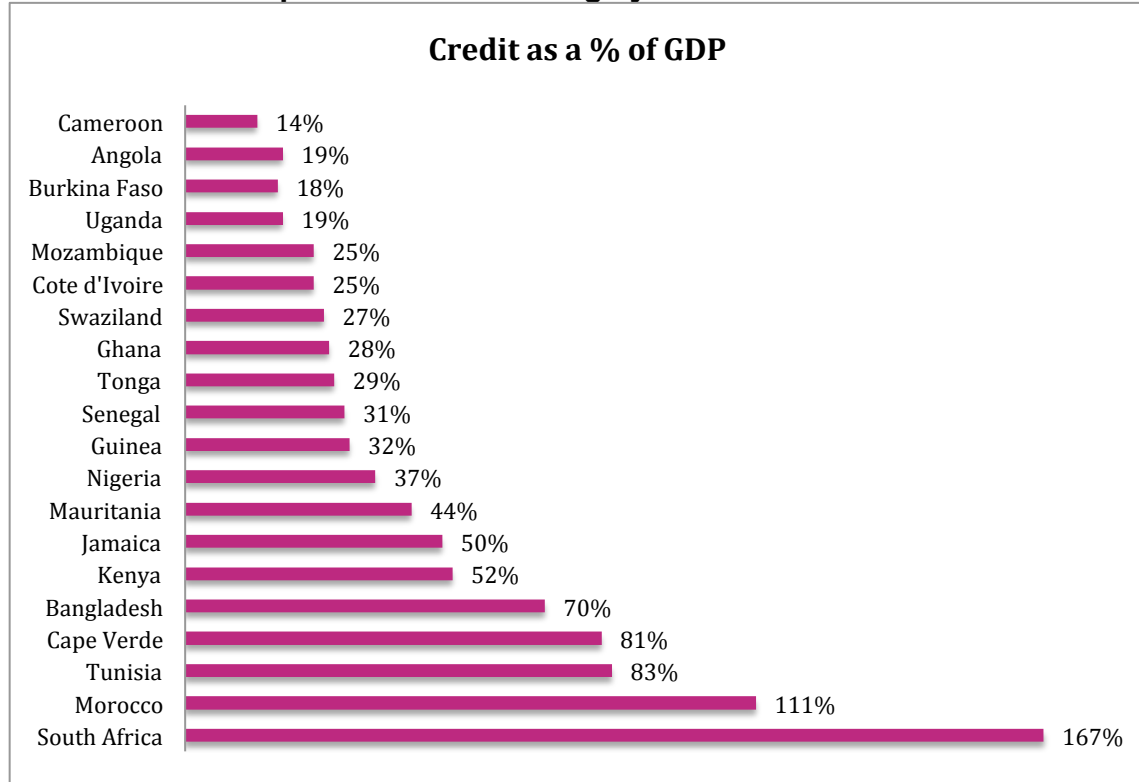
Source: AICEP Portugal Global from Portugal's Bank

### Exhibit 8 – African Economies Future Growth



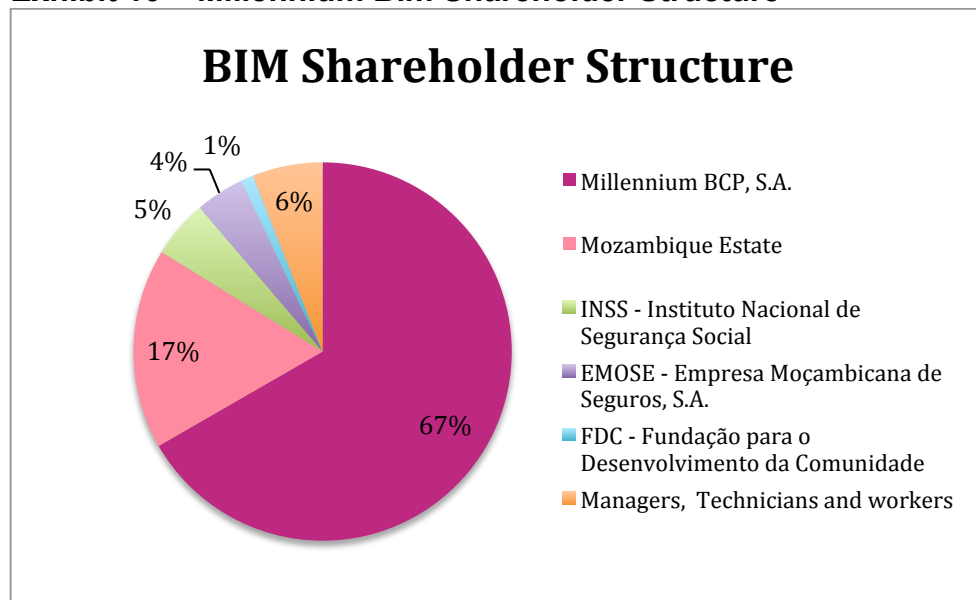
Source: International Monetary Fund

### Exhibit 9 – Development of the banking system in Africa



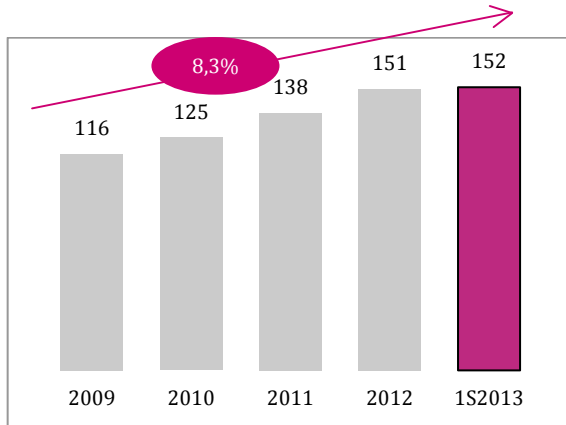
Source: World Bank

### Exhibit 10 – Millennium Bim Shareholder Structure



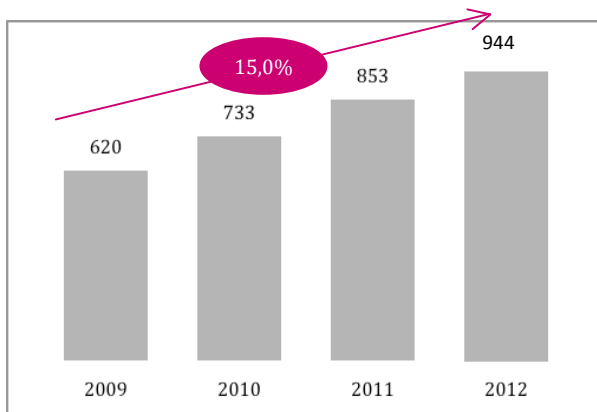
Source: Millennium bcp Annual Report

### Exhibit 11 - Millennium Bim Branch Offices



Source: Millennium Bim, International Strategic Studies data

### Exhibit 12 – Millennium Bim ATM Evolution



Source: Millennium Bim, International Strategic Studies data

### Exhibit 13 – Millennium bcp Awards

**Portugal**

- "Ethibel EXCELLENCE Investment Register" *ETHIBEL Forum*
- Best Corporate Governance and Best Investor Relations Team / Capital Finance International *Cfi.co*
- "Investment Fund/Open Pension Fund in Portuguese Stocks", "Market Member - Most Active Trading House in Certificates and Most Active Trading House in Shares Compartments B and C" and "Best Capital Market Promotion Event", thanks to Global Investment Challenge *HYSE Euronext Lisbon Awards*
- First Place in financial sector category, in the ranking of Top 10 CEOs in Portugal, *Institutional Investor*
- ActivoBank was classified as the 15th best company to work for in Portugal *Revista Exame/Accenture*
- "Brands of Excellence" in Health Insurance *Selec. Reader's Digest*
- Benefactor Member attributed to Millennium bcp Foundation *World Monuments Fund Portugal*
- "Best Consumer Internet Bank" in the scope of the "World's Best Internet Banks in Europe 2013" *Global Finance*

**Poland**

- "Best Banking Offer in "Market Pearls" *Retailers' Choice*
- "RESPECT Index" integration for the 5th time *Warsaw Stock Exchange/ Association of Listed Companies*
- "Golden Six", in growing Millennium's brand value, in the last six years *Jornal Rzeczpospolita*
- "2013 Service Quality Star" *Voting through Service Quality Stars website*
- "Best Consumer Internet Bank" in the scope of the "World's Best Internet Banks in Europe 2013" *Global Finance*

**Mozambique**

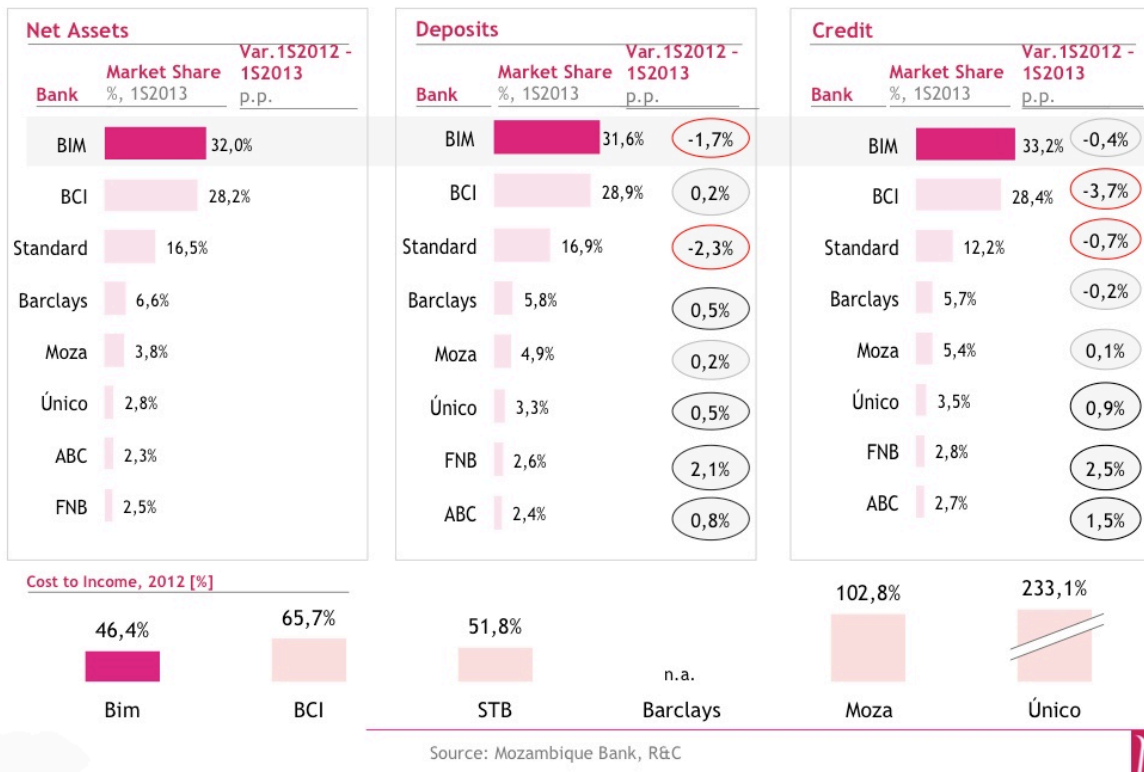
- "Best Bank" *Global Finance*

**Angola**

- "Brands of Excellence in Angola 2012/13" *Superbrands*
- "Best Foreign Bank" *EMEA Finance*

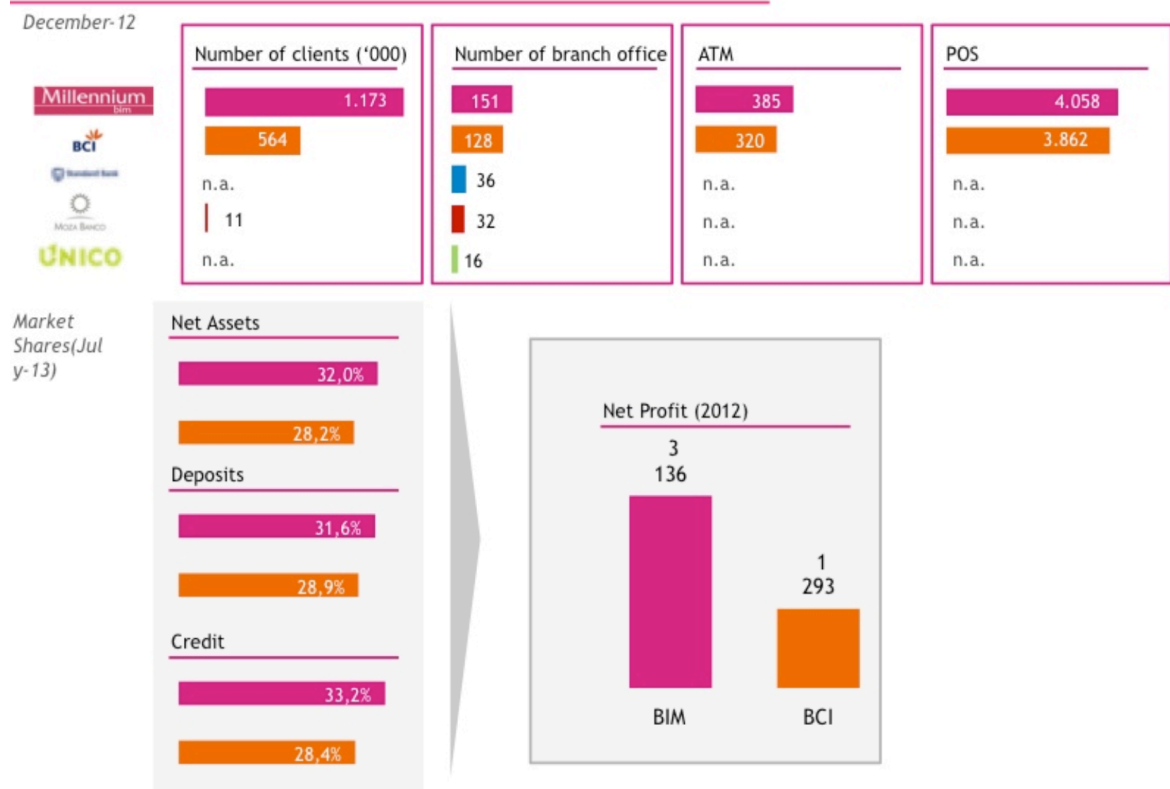
Source: www.millenniumbcp.pt

## Exhibit 14 - Millennium Bim Main Competitors



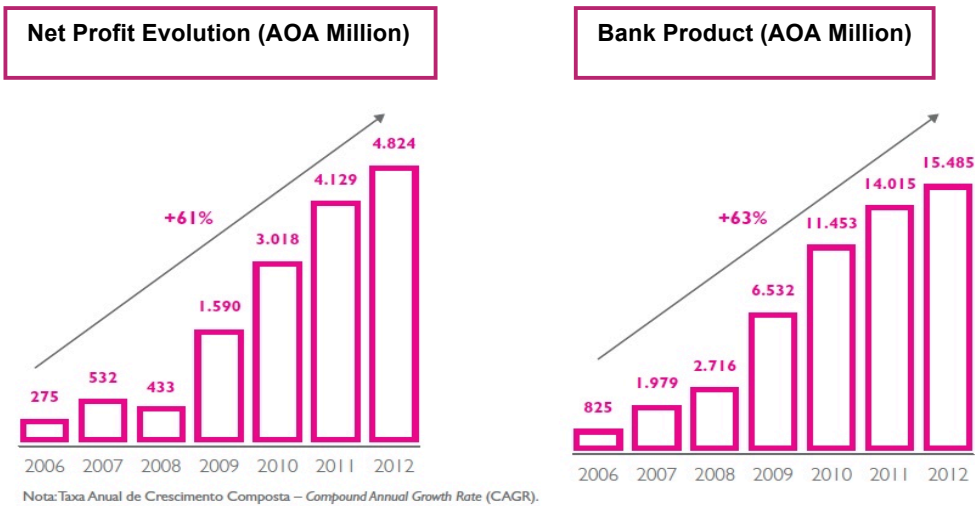
Source: Millennium Bim data, International Strategic Studies Presentation

## Exhibit 15 – Millennium Bim vs BCI



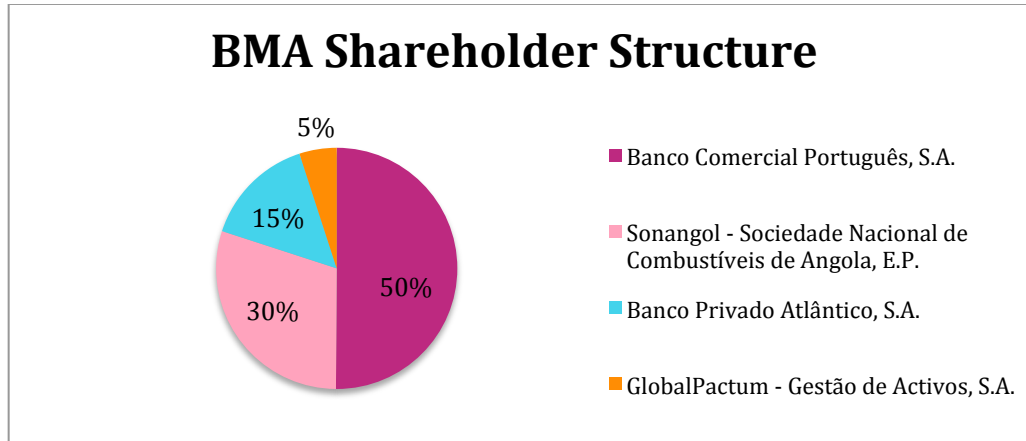
Source: Millennium Bim data, International Strategic Studies Presentation

## Exhibit 16 – BMA Net Profit and Bank Product Evolution



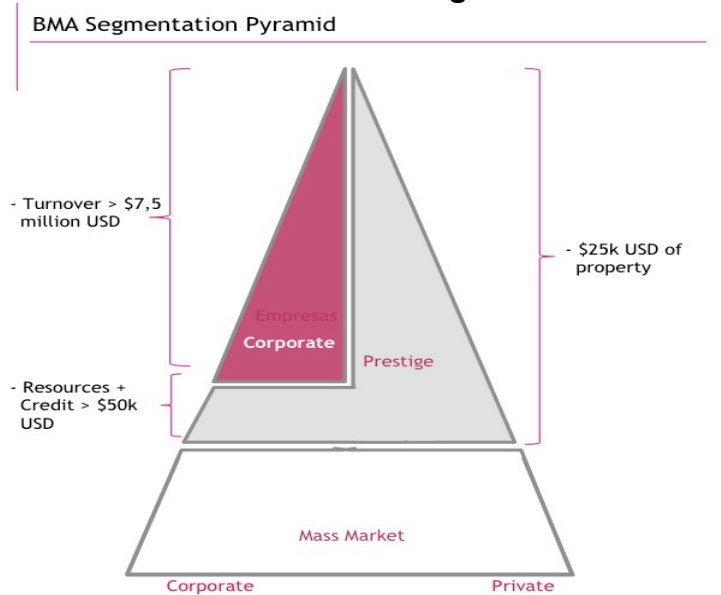
Source: BMA Financial Report 2012

## Exhibit 17 – BMA Shareholder Structure



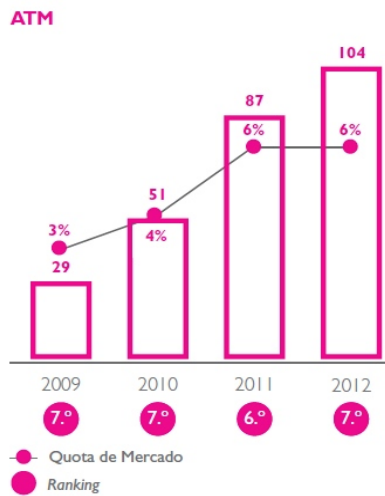
Source: Millennium Angola Official Website

## Exhibit 18 – BMA Business Segmentation

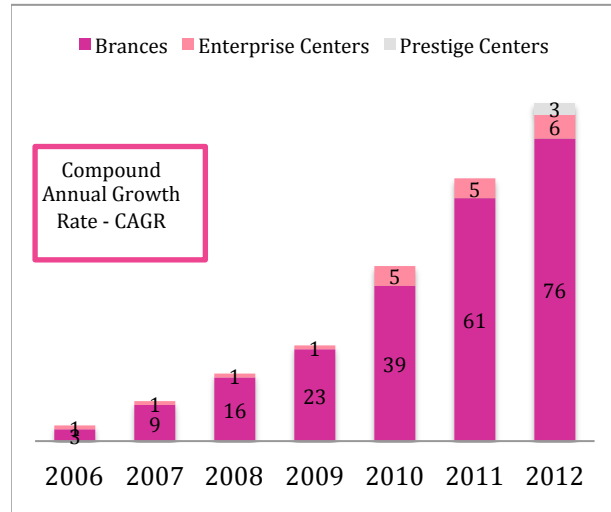


Source: Millennium Angola data, Strategic analysis of the banking sector and business segments presentation, October 2013

## Exhibit 19 – BMA ATM and Active bank Branches



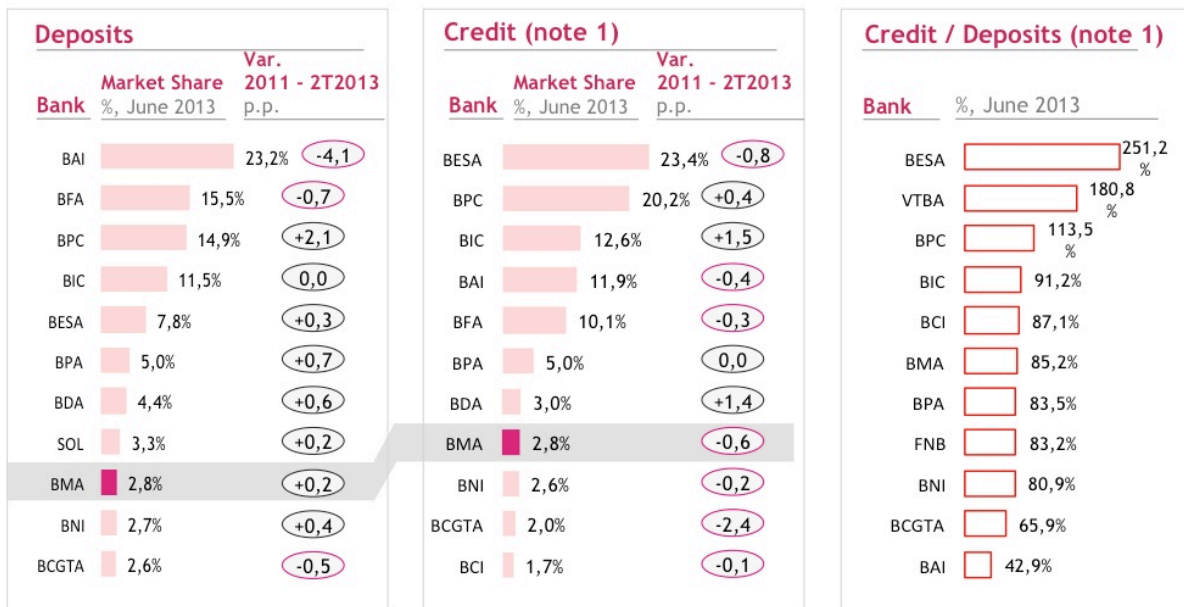
### Branches, Enterprise centers and prestige centers



Source: BMA Financial Annual Report (2012)

## Exhibit 20 – Competitive positioning of Angolan main Banks (1)

Note: (1) Banco Nacional de Angola method (considered public debt securities as credit).



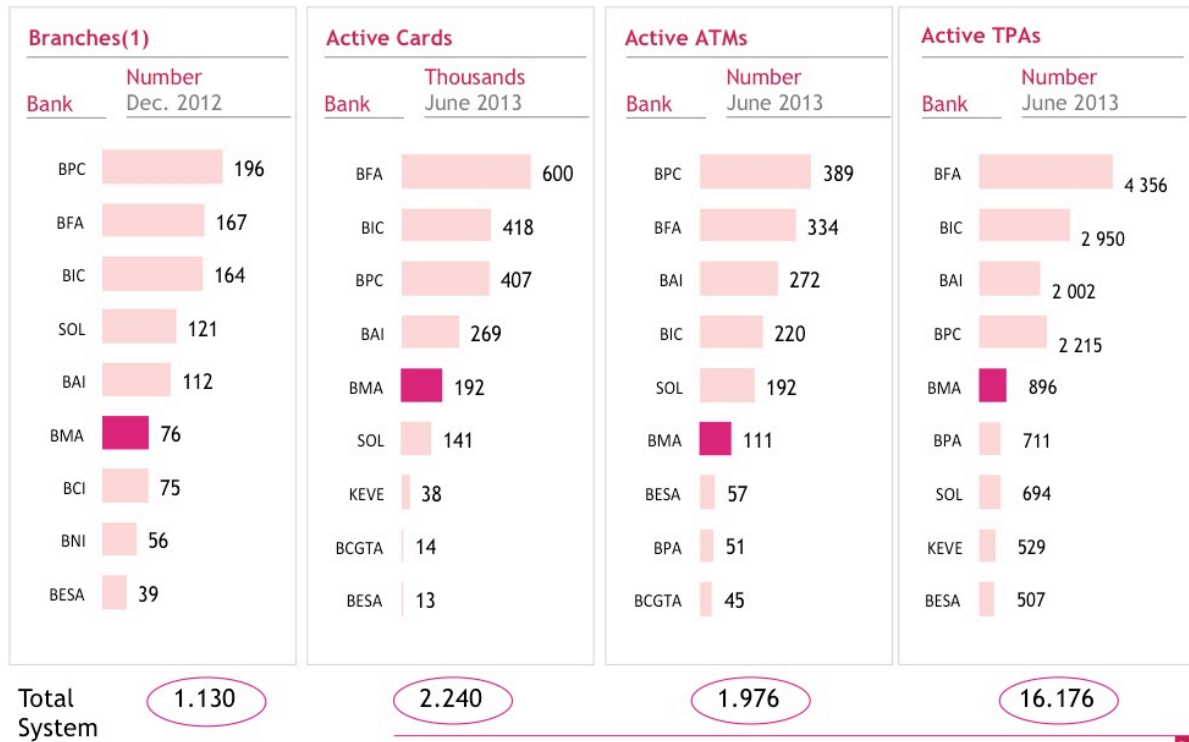
Source: Banco Nacional de Angola

Source: Angola National Bank





## Exhibit 21 – Competitive positioning of Angolan main Banks (2)



Sources: Statistic Report EMIS; KPMG "Banking Analysis 2013"

Source: Statistics Report EMIS, KPMG "Banking Analysis 2013"





# III. Relevant Theory

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The case study of Millennium bcp in the African Markets aims to introduce to business students the subject of establishing a successful international strategy in emerging foreign markets, addressing the topics of international expansion and strategic approaches. A set of theoretical frameworks and information was used to help the development of the Case and respective Teaching Notes. The following books and respective theories are recommended for a deep understanding of the different topics analysis of the case:

## ***Strategic Entry Modes***

- Root, F.R (1994), *Entry Strategies for International Markets*, Revised and Explained, Lexington Books;
- Cardeal, N. (2014), *Pensamento Estratégico: Antecipar as ondas do futuro*, Universidade Católica Editora;

## ***International strategies***

- Cardeal, N. (2014), *Pensamento Estratégico: Antecipar as ondas do futuro*, Universidade Católica Editora;

## ***PEST Analysis, Porter's 5 Forces and SWOT Analysis***

- Johnson, G. & Scholes, K., *Exploring Corporate Strategy*, 6<sup>th</sup> edition, Financial Times Prentice Hall;
- Cardeal, N. (2014), *Pensamento Estratégico: Antecipar as ondas do futuro*, Universidade Católica Editora;
- Porter, M. (2008), *The Five Forces that shape strategy*, Harvard Business Review, January;

## ***Industry Product Life***

- Cardeal, N. (2014), *Pensamento Estratégico: Antecipar as ondas do futuro*, Universidade Católica Editora.

## Theoretical Framework

**Entry Mode Strategy** – Comprehensive plan that sets goals, resources and policies that will guide company's international business operations over a future period, long enough to achieve sustainable growth in world markets. It sets how the company will enter in a certain market, regarding some factors as Govern relationships, market risk, demand characteristics, market knowledge (*Root 1994*).

**Acquisitions** – Acquisition is a form of investment entry, an alternative to investment entry through a new venture (*Root 1994*). Its success depends critically on the selection of the acquired company. A poor selection may turn any advantage into a disadvantage for the unwary firm.

According to Root R. Franklin, there are several benefits that may arise from this entry mode:

- Faster start in exploring the foreign target market;
- Shorter payback period by create immediate income for the investor;
- May provide resources that are scarce in the target country and are not available in the open market.

If acquisition is used as an entry mode in a foreign market, it is vital that the acquired company have a business and product line that is similar to, or compatible with the investor. Otherwise, the acquired company will fail to provide a vehicle for a transfer for the investor's knowledge and skills needed to exploit the target market (*Root, 1994*).

**Joint ventures** – Joint-venture entry mode takes place when an international company shares the ownership of an enterprise in a target country with local private or public interests. Depending on the equity share of the international company, joint ventures may be classified as majority, minority or 50-50 ventures. A joint venture may also frustrate a foreign partner's strategy when the local partner's interests conflict with his own.

Joint ventures are usually the main response to host government policies and bring advantages as (*Root, 1994*):

- Access to local capital;
- Knowledge of the host country environment and business practices;
- Better access to local contacts;
- Increase local prestige;
- Management, production and Marketing skills.

**PEST Analysis** - A PEST analysis, or ETPS as initially defined by Aguilar (1967), is a framework that helps to understand and analyze the macro environment in which a certain company is operating. The framework shows some macro environmental influences categorized into 4 main types: Political, Economic, Social and Technological, which might affect organizations. It is particularly important that this framework is used to look at the future impact of environmental factors.

**Porter's Five Forces** – The Porter's Five Forces framework, as initially suggested by Bain, J.S (1959) but later developed by Michael Porter (1979), helps to identify the source of competition in an industry or sector. The state of competition in an industry depends on five basic competitive forces, which determine the ultimate profit potential in the industry. The five competitive forces are Threat of Entry, Threat of Substitutes, Bargaining Power of Buyers, Bargaining Power of Suppliers, and Rivalry among current competitors. All these forces, jointly, determine the intensity of industry competition and profitability.

- Threat of Entry: Possibility of new companies to enter and start competing in the industry, the larger the potential of new entrants, lower the structural business profitability;
- Threat of Substitutes: Impact of alternative products/services which satisfy the same consumer needs of the industry, the larger the pressure of substitutes, lower the structural business profitability;
- Bargaining Power of Buyers: Clients capacity and ability to influence the terms in which products and services of the industry are acquired, the larger the bargaining power of clients, lower the structural business profitability;

- Bargaining Power of Suppliers: Suppliers capacity and ability to influence the terms in which products and services are sold in the industry, the larger the bargaining power of suppliers, lower the structural business profitability;
- Rivalry among current competitors: Competitive intensity between companies operating in the same industry, the larger the rivalry between current competitors, lower the structural business profitability.

**Industry Life Cycle** – Like products have life cycles, also industries (that represent the product/service offer side) pass through a life cycle. General rule, the Industry Life Cycle pass through 4 distinct phases (Porter, M. 1980):

- Introduction – Few companies operating in the industry and the majority of potential clients don't know the industry, products/services and its benefits yet;
- Growth – Volume of industry sales start to grow fast driven by the adherence of consumers, as well as by the entrance of new competitors. Imbalances between offer and demand are common in this phase and the industry structure starts to define itself by being more concentrated or more fragmented;
- Maturity – When the sales growth rate starts to slowdown. In this phase the rivalry tends to increase, since any try of dimension gain by any intervenient tends to be through market share leverage regarding its competitors;
- Decline – When total industry sales start to decrease, there is an excess of installed capacity and some competitors start to abandon the industry. This phase doesn't imply the death of the industry, since it may turn back to other phases by reinventing and innovating in products and services, and the way they are perceived by potential consumers.

**International Strategies** – The way companies approach the international markets differs from the way they configure their activities between the headquarters, the origin country, and the operations in each geography. The

way as companies, in the international context, approach the operational integration with the goal of becoming more efficient in terms of costs and the way they respond locally to each specific market context, allows the classification below, regarding internationalization strategy:

- International – The most important resources and capabilities are usually in the home country. They are explored with eventual little local adaptations;
- Multidomestic – Subsidiaries are seen as autonomous and independent companies. Each subsidiary worries almost exclusively with their specific market, verifying small or null activities coordination with subsidiaries in other markets. However, support activities as technologic development, financial control or brand communication may be performed centrally by the home country;
- Global – Due to the great pressure to achieve cost efficiency, the global companies need to have a high level of coordination within and between diverse activities and subsidiaries. The big focus of this strategy is to achieve high efficiency through cost reduction, resulting from economies of scale;
- Transnational – Companies search simultaneously take advantage of global efficiency, of addressing to local needs and knowledge at a global level. This type of strategy requires specialized, independent and dispersed capacities.

**SWOT Analysis** – A SWOT analysis summarizes the key issues from the business environment and the strategic capability of an organization that are most likely to have an impact on strategy development. SWOT stands for Strengths, Weaknesses, Opportunities and Threats. The aim is to identify the extent to which the current strengths and weaknesses are relevant to, and capable of dealing with the threats or capitalizing on the opportunities in the business environment. It can also be used to assess whether there are opportunities to exploit further the unique resources or core competences of the organization (*Johnson, G. and Scholes, K., 2002*).

# IV. Teaching Notes

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## 1. Introduction

Millennium bcp in the African Markets case study was prepared for class discussion purposes along with the proposed questions, and not as a source of primary data or an illustration of effective or ineffective management decisions.

The case should be made available to students and the teaching notes are for teacher's use only, working as general recommendations as the discussion might follow different paths.

As the case was developed in 2014, it is natural that, with time, some new approaches to analyze and discuss may appear, as well as additional relevant information and data.

## 2. Synopsis

*Banco Comercial Português S.A.* is a Portuguese private bank in the financial market founded in June of 1985. As one of the biggest banks in Portugal, it works in the commercial, corporate and insurances segments.

As part of the strategy of the bank, it soon started with international expansion in several geographies, especially the ones that had a historical connection with Portugal or big communities of Portuguese decedents, as Mozambique and Angola.

By the joint venture with the Mozambique Government in 1995, BCP achieved its presence in the Mozambique market and started operating as Millennium Bim. The bank has found strong opportunities, which made it achieve a leadership position in the market, being considered "The Best Bank" operating in Mozambique. Now its main challenge is to maintain this leadership and continue with its growth.

By the acquisition of BPA, BCP achieved its presence in the Angolan Market in 2002 and had the opportunity to start developing in other emerging market with a high potential growth.

Although there were many opportunities for the bank to develop, Millennium Angola started operating in 2006 and until now the bank still has limited presence in the market and couldn't achieve the so desired leadership position. What drove this situation? Why such a big discrepancy between Angola and Mozambique? Can the bank achieve the leadership position in Angola as it achieved in Mozambique?

Now Gaioso Henriques, BMA CEO, faces a big decision. What is the best way to increase Millennium Angola presence in the market and a higher growth? Should the bank sustain its growth by expanding the retail component, specifically concentrating in the mortgage loans; or should the bank concentrate in the corporate segment in Angola, primarily in companies with greater affinity with Portugal?

### **3. Teaching Objectives**

The present case study provides to instructors the opportunity to discuss several topics in class, allowing students to apply their knowledge in the resolution of a real business challenge.

And so the case study teaching objectives are the following:

- 1) To alert students to the complexity in analyzing distinct foreign markets effectively, and understand the specific needs of approaches to use in each country.
- 2) Give students the notion of how a company expands to other geographies, the challenges that it may face when moving to a new market, and the opportunities of going abroad.
- 3) Give students the recognition of an emerging market potential, resources and capabilities.
- 4) Highlight students of the importance of joint ventures and acquisitions when entering in new geographies, in order to get knowledge of the

market and company's recognition.

- 5) Highlight students on how to overcome issues that a company might deal with, in an emerging African market.

#### 4. Use of the Case

This case presents to students a real scenario that companies may deal with, when they decide to internationalize. The globalization process gave companies the opportunity to go beyond frontiers and expand their operations. Companies have to make sure to develop a carefully planned approach while entering in new markets and get informed with diverse political, social and environmental realities, or otherwise they will face failure. This case allows the analysis and revision of a company's expanding process and capacity to deal with new challenges, in the context of African emerging markets.

The topics covered by this case study make it adequate for undergraduate level degree in business administration in courses as International Industry Analysis, Managing in a Global Context and Advanced Strategic Management.

#### 5. Suggested Assignment Questions

After reading carefully the case study, the following assignment questions are presented to help students with its analysis and prepare discussion in class.

- 1) Analyze Angolan and Mozambique Markets, by performing a *PEST Analysis*. After complete the analysis, and regarding the Leadership goal, highlight the main opportunities found in Mozambique and the main challenges found in Angola by *Millennium bcp* that helped to increase the discrepancy between markets.
- 2) Explore the attractiveness of the banking industry in Angola and Mozambique that justifies the *Millennium bcp Group's* move, using the *Porter's Five Forces model*, incorporating in your answer as well the Industry Life Cycle analysis.



- 3) Describe the internationalization strategy used by Millennium bcp Group to enter in both African Markets, identifying the strategic entry mode, international strategy applied and explaining its importance for the bank.
- 4) Comparing the way Millennium bcp Group developed in both markets, do you think there might be lessons to learn with its experience in the Mozambique market that it could apply in the Angolan market? Justify your answer, identifying the respective lessons and describing how the bank could apply them in the Angolan market. **Hint:** The performance of Bim SWOT analysis may complete the answer to this question.
- 5) Regarding the problem presented in the case study and the two strategic alternatives listed in the end to increase BMA growth, make a recommendation to Gaiosio Henriques, BMA CEO, in order to invert the present situation. **Hint:** Perform a SWOT Analysis and make use of the analysis performed in the previous questions, highlighting the main issues, to help you reach a conclusion and take a decision.

## 6. Analysis and Discussion

The analysis and discussion of this case study follows the six assignment questions presented above. These questions and respective discussion were prepared to integrate a 90-minutes class, where the instructor can cover the key learning points present in the case. The suggested time distribution for these questions is the following:

Question 1 .....	20 minutes
Question 2 .....	20 minutes
Question 3 .....	10 minutes
Question 4 .....	10 minutes
Question 5 .....	30 minutes

- 1) Analyze Angolan and Mozambique Markets, by performing a *PEST Analysis*. After complete the analysis, and regarding the Leadership goal, highlight the main opportunities found in Mozambique and the main challenges found in Angola by *Millennium bcp* that helped to increase the discrepancy between markets.
- 

This question is used in order to analyze the African markets regarding the political and legal, economic, social and technological environments, and the main issues that made it appealing for Millennium bcp to move to them. It is suggested for this question the use of PEST Strategic Framework to do a more complete and driven Macro Environmental Analysis. Besides that, the student should be capable of highlight the most important impacts in both markets environment that contributed to the gap increase.

Millennium bcp, the second largest bank in Portugal, could achieve a leadership position in the country. As a result, the bank has soon decided to move to foreign markets and be presented in other geographies, especially the ones that had historical connection with Portugal, as well as a high percentage of Portuguese people living in these countries. BCP moved first to Mozambique and later to Angola.

### ***Mozambique PEST Analysis***

#### **Political and Legal**

While analyzing the political factors that influenced the Millennium bcp strategic move to Mozambique market, it is important to say that Mozambique was a Portuguese colony that have reached its independency in 1975. After the Civil War, Mozambique suffered important legislative reforms in order to facilitate procedures being a free market; it has been transformed in a market of political stability and with a very attractive investment incentives policy, with benefits in the areas that presented the greatest potential to perform business.

However, Mozambique is still a market with a low law enforcement, which has as a consequence that many agents don't comply with the basic rules of running a business.

### **Economic**

While analyzing the Mozambique economic environment, some factors have to be taken into account. Mozambique has a small economy and a low-income level, but in the last 15 years, the economy in this market has been growing at a high pace, mostly in the center and north regions of the country. Due to the Mozambique small and relatively closed economy, the 2008 crisis and the increase of international oil prices didn't have such a negative impact on the GDP growth. Since 2010, several projects have been implemented due to the high foreign investment, in order to develop the Mozambique economy. Also, industries such as agriculture and construction of basic infrastructures have been in high development, in order to create alternatives to the imports and turn the economy less dependent on the outside. Besides that, Mozambique also benefits from a strategic favorable position, since it is considered a platform to enter in the SADC market, which aggregates millions of potential customers.

FDI had also a crucial role in the development of the Mozambique economy. In the recent years, the country had received significant amounts of FDI, placing the country in the 66<sup>th</sup> place in the world rankings. Until 2010 Portugal has been the biggest investor of the country and there are Portuguese companies in several sectors of the economy.

### **Social/Cultural**

Mozambique is an ex Portuguese colony and as a consequence, Portuguese communities and companies still have a big impact in the country, with a big percentage of Portuguese people living and working in the country. In Mozambique, Portuguese presence can be measured by the fact that 28 of the 100 largest Mozambican companies have Portuguese capital. Besides that, the communication is a facilitator factor since the mother language of the country is Portuguese, although there are several dialects spoken. Mozambique used to be one of the poorest countries in the world, and

nowadays more than 40% still live below the level of poverty. Disposable income of households is low but it has been growing over the years.

Regarding population dispersion, it is high since, from the total population of roughly 24 million; only about 19% inhabit the country's 20 largest cities.

### Technological

The recent growth of Mozambique settled in 4 pillars: coal, natural gas, electricity and basic infrastructures that have been being developed over the years. This advance in the basic infrastructures has resulted in precarious mobility among population, since travelling in the country is even very strenuous or very expensive. Scarcity of infrastructures and bad conditions of roads are a present reality of the rural areas, where the majority of population lives.

In order to schematize this analysis, you can see below the graphical representation of what have been said above, as well as the main impacts that helped to increase the discrepancy between both markets, regarding Millennium bcp main goal – to become a leader of reference.

Environments	Trends	Main Impacts	
		Positive	Negative
Political and Legal	<ul style="list-style-type: none"> <li>Legislative reforms;</li> <li>Political stability;</li> <li>Free market;</li> <li>Investment incentives policy;</li> <li>Low law enforcement.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Government initiatives and support;</li> <li>✓ Benefits in areas with greatest potential to perform business.</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Many agents don't comply with the basic rules of running a business.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>Small and closed economy;</li> <li>Growing GDP;</li> <li>High FDI amounts;</li> <li>Developing of agricultural and basic infrastructures industries;</li> <li>Favourable strategic position – platform to</li> </ul>	<ul style="list-style-type: none"> <li>✓ Survival to 2008 crisis impact and to the increase of oil international prices;</li> <li>✓ Implementation of several new projects to develop the economy;</li> <li>✓ Prevent from outside</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Growth according to market size.</li> </ul>

	<ul style="list-style-type: none"> <li>enter in the SADC;</li> <li>Low inflation;</li> <li>High percentage of Portuguese companies in several sectors of the market.</li> </ul>	<ul style="list-style-type: none"> <li>✓ dependency;</li> <li>Opportunity to gain millions of potential clients.</li> </ul>	
Social and Cultural	<ul style="list-style-type: none"> <li>Ex Portuguese colony;</li> <li>Portuguese as mother language;</li> <li>Poorest country;</li> <li>High Geographical population dispersion;</li> </ul>	<ul style="list-style-type: none"> <li>✓ High percentage of Portuguese people living and working in the country;</li> <li>✓ Communication as a facilitator factor.</li> </ul>	<ul style="list-style-type: none"> <li>⊗ More than 40% of people living below the level of poverty;</li> <li>⊗ Concentration of population in the rural areas.</li> </ul>
Technological	<ul style="list-style-type: none"> <li>Development of basic infrastructures;</li> <li>Roads and rail transportation bad conditions.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Growth of the country.</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Travelling in the country is even very strenuous or very expensive;</li> <li>⊗ Lack of transportation and basic infrastructures in rural areas.</li> </ul>

## ***Angola PEST Analysis***

### **Political and Legal**

Regarding Political and legal trends of the Angolan market, it has an important particularity. The country got out recently (2002) of the civil war, which have devastated it during 27 years. As a consequence, fiscal and monetary policies were expansionists due to the post-war reconstruction effort and the exchange of kwanza was overvalued. Later the Angolan government settle exchange restrictions in order to prevent the capital flight and so the foreign currency has to be bought in auctions with the Angolan National Bank.

### **Economic**

Regarding the Angolan economic environment, the country has been assumed a regional potency in the Sub-Saharan Africa context with a fast and high growth rate, being in the top of the countries with a higher growth at a global level, mainly based on oil production and price, and exportations.

Angola suffered a sharp contraction of its revenues with the 2008 crisis and with the decrease of international oil prices, facing a large macro economic instability. The boost of the economy has been achieved later by the IMF stabilization program in 2009 and the increase of the Angolan oil production. The Angolan economy still kept too dependent on oil, since it was the main engine of market growth. Exchange rate system and public financial management had also to be improved in order to reduce unemployment and poverty that were high in the market.

In the last 10 years, due to the strong public investments, the country has been creating basic conditions for the normalization of economic activity, enabling internal mobility, fostering trade and investment activity. Angola has been creating important economic relationships abroad, in particular with Portugal, since it is among the main destinations of Portuguese investment, with a high weight in financial activities.

### **Social and Cultural**

As Mozambique, Angola is a Portugal ex-colony, and so there is a high percentage of Portuguese people living and working in the market. The mother language is also Portuguese, which facilitates the communication. After so many years of war and the strong impact of the international crisis, Angola needed to meet the heavy challenges of reducing poverty and unemployment. Most of unemployment affected unqualified workers, with no qualifications or training. Education and health remain at reduced levels of availability for the population, which continued to constrain the evolution of the Angolan economy.

### **Technological**

Although the country had already created main conditions to develop, provision of basic infrastructure is still limited. Indeed, access to water and electricity had notable deficiencies, as well as the transport network that doesn't ensure the correct movement of goods and people in the country.

In order to schematize this analysis, it is presented below the graphical representation of what have been said above, as well as the main impacts

that helped to increase the discrepancy between both markets, regarding Millennium bcp main goal – to become a leader of reference.

Environments	Trends	Main Impacts	
		Positive	Negative
Political and Legal	<ul style="list-style-type: none"> <li>• Got out recently of the Civil War;</li> <li>• Post-war Expansionist fiscal and monetary policies;</li> <li>• Protectionist Government;</li> <li>• Exchange restrictions.</li> </ul>	.	<ul style="list-style-type: none"> <li>⊗ Devastated country from the war;</li> <li>⊗ Difficulty in buying dollars;</li> <li>⊗ Foreign currency had to be bought in auctions.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>• Regional potency in the Sub-Saharan Africa context;</li> <li>• Fast and growing GDP;</li> <li>• High dependency in the oil sector;</li> <li>• 2008 crisis impact;</li> <li>• IMF stabilization program;</li> <li>• High FDI (mainly in the oil sector);</li> <li>• Economy informality.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Country has been creating basic conditions for the normalization of economic activity, enabling internal mobility, fostering trade and investment activity;</li> <li>✓ Boost of the economy;</li> <li>✓ Reduce inflation;</li> <li>✓ Strong relationships with Portugal.</li> </ul>	<ul style="list-style-type: none"> <li>⊗ High unemployment;</li> <li>⊗ Macro economy instability.</li> </ul>
Social and Cultural	<ul style="list-style-type: none"> <li>• Ex Portuguese colony;</li> <li>• Portuguese as mother language;</li> <li>• Lack of education;</li> <li>• Lack of health availability.</li> </ul>	<ul style="list-style-type: none"> <li>✓ High percentage of Portuguese people living and working in the country;</li> <li>✓ Communication as a facilitator factor.</li> </ul>	<ul style="list-style-type: none"> <li>⊗ Unqualified human resources;</li> <li>⊗ Constrain the Angolan economy evolution.</li> </ul>
Technological	<ul style="list-style-type: none"> <li>• Limited provision of basic infrastructures;</li> <li>• Deficient access to water and electricity;</li> <li>• Inefficient transport network.</li> </ul>		<ul style="list-style-type: none"> <li>⊗ Inefficient movement of people and goods within the country.</li> </ul>

- 2) Explore the attractiveness of the banking industry in Angola and Mozambique that justifies the *Millennium bcp Group's* move, using the *Porter's Five Forces model*, incorporating in your answer as well the Industry Life Cycle analysis.
- 

This question is addressed in order to make a feasible analysis and evaluation of the banking industry in both African Markets, so the student can better evaluate them and take more accurate conclusions. The professor could ask to students to build a Porter's 5 Forces Analysis for each market and also build a graph with the representation of the Industry Life Cycle of both markets, in order to instigate discussion in class.

Millennium bcp decided to internationalize to the African Markets in different times, going first to the Mozambique market and only later to the Angolan one. When we analyze both African markets (Angola and Mozambique), we can conclude that they are still in an early stage of growth. Although there already exist competition in both countries and banking services are already known by the market in general, they are now achieving a significant amount of sales and only now we can start seeing a growth in banking population that is still very low, which present great opportunities for banks in both markets.

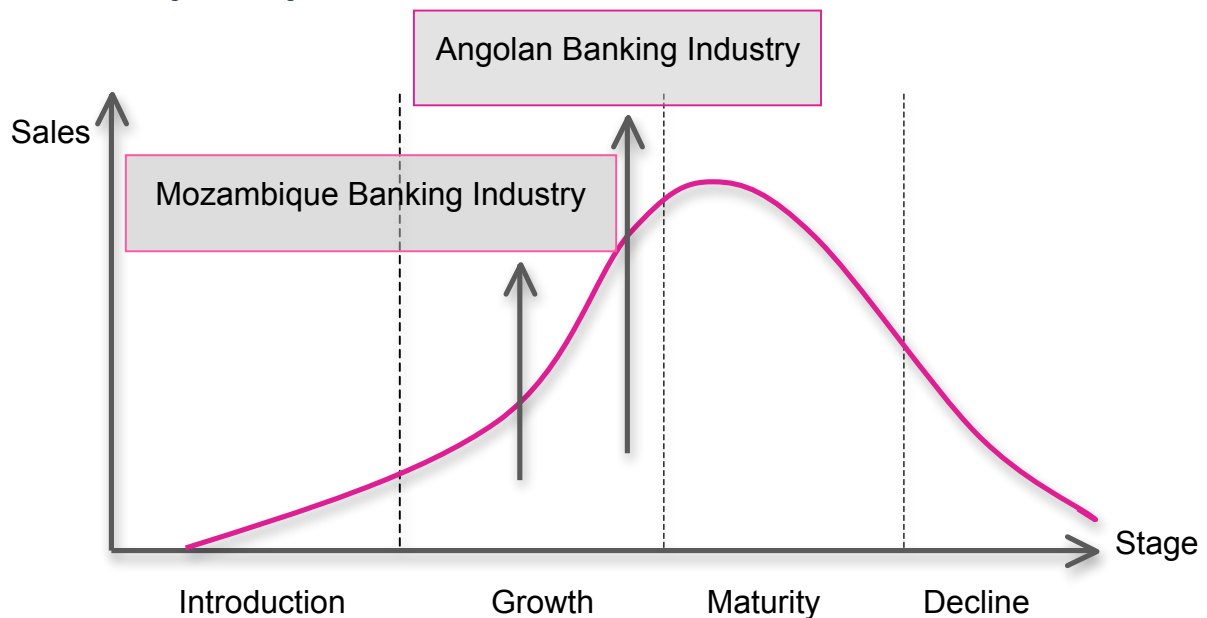
In the **Angolan** Banking Industry we can conclude that, due do the later exit of the war and damaged economy, the stage of banking industry has been postponed to start developing. There have been noticed the entrance of new players throughout the years, and so there are 5 major players in the Angolan Banking Industry, but still exists people that don't have access to the banking services, mainly due to deficiencies and high cost transportations. The macro economic instability, unqualified human resources and exchange restrictions (together with imports dependency that is tried to be reduced by the government) of the country, have highly contributed to the low development of the banking industry, which is still in a high growth stage in the Angolan Market.

In **Mozambique**, the early exit of war, political stability and attractive incentives to do business, made possible the early Bim appearance in the



market. However, due to its closed economy and to the deficient conditions of the population together with high dispersion and poverty, the banking industry couldn't develop at such a high pace, achieving only in the recent years significant volumes of profitability, resulting from disposable income increase in the country. More banks started entering in Mozambique in the recent years increasing competition in the market and so contributing to the development of the industry. Also, in the recent years we could assist to a demand increase, creating an imbalance between offer and demand, which is also a characteristic of an industry in the growth phase.

### **Industry Life Cycle**



Concluding, although profitability and consumption levels are increasing in both markets, it is still expected that they will remain on a growth phase, as there is still a low percentage of banking population, which will definitely contribute to the next year's high development of banking industry in both countries.

Continuing with the attractiveness analysis of the banking industry in both markets, a Porter's Five Forces should be performed, starting by the Mozambique Market:

## *Porter's Five Forces*

### **Threat of New Entrants**

There are several factors that influence the threat of new entrants in any industry, but the main one is connected with barriers to entry. Regarding the banking industry, clients that have long history with a bank, switching costs may be medium to high to move to another one, especially because of losing time, bureaucracies and unknown experience with the new bank. However, Mozambique is a free market with attractive investment incentives to start business in the country, as a way to help the evolution of local economy and receive more foreign investment. The profitability of the industry is high and the banking population is low, which makes a perceived opportunity for new banks to enter in the market. In conclusion we can consider the threat of new entrants in the Mozambique market as **medium to high**.

### **Threat of Substitutes**

Regarding the threat of substitutes, this is not exclusive to the Mozambique market, but is common in all markets. Some of the banking industry's largest threats of substitutes are not from rival banks but from non-financial competitors. Insurances, funds, and fixed income securities are some of the many banking services that are also offered by non-banking companies plus low interest rates. However, because there is people's money and financial information involved, more people are willing to place their trust in local and well known banks, which they consider to be trustworthy. In conclusion, the threat of substitutes in Mozambique Banking Industry can be considered **low**.

### **Bargaining Power of Suppliers**

Capital is the primary resource of any bank and so there are four major suppliers of capital in the industry (customer deposits, mortgages and loans, securities, and loans from other financial institutions). People and companies are the main suppliers of banks, as well as its main clients, besides IT and money transportation, which actions can be easily controlled by banks. The power of suppliers depends also from the market. In conclusion the bargaining power of suppliers is **low**, especially due to the Mozambique's banking industry high concentration.

## **Bargaining Power of Customers**

Regarding the Mozambique banking industry, the bargaining power of customers (individuals and companies) is still **low**. Competition is increasing, but the demand is still higher than the offer, since not everyone has access to banks and there is still a big part of the market to catch. Besides that, companies are the main source of profits of banks, since they apply major amounts of money and need bank's services to better act in the market.

Although income is still low, which could have significant impact in practiced prices by banks, increasing the bargaining power of customers, population need banks as the only option to deal with financial needs (threat of substitutes is low).

## **Industry Rivalry**

Regarding the Industry Rivalry, in Mozambique the number of competitors has been growing at a high pace. We are talking about an industry that plays with people's and companies' money, and in a market where household income and number of companies is increasing due to attractive investment incentives, the tendency for banking rivalry is also to increase. However only 5 banks have major impact in the market, with different dimensions and acting with diversified strategies, which make Mozambique banking sector highly concentrated, and where demand is higher than the offer due to the low percentage of banking population, so there is still a big part of the market to fulfil. In conclusion, the Mozambique Banking Industry Rivalry can be considered **low**, expecting to move later to medium.

A Porter's Five Forces should also be done regarding the industry, but this time in the **Angolan Market**:

### ***Porter's Five Forces***

#### **Threat of New Entrants**

There are several factors that influence the threat of new entrants in any industry. Regarding the banking industry in Angola, and although this is a very attractive market, presenting high growth rates, low percentage of banking population, and increasing of new businesses due to incentives; the market

has high barriers to entry mainly due to Angolan Government Policy, regarding the exchange restrictions. Besides that, the local population is very redundant regarding international banks, so the customer loyalty to local established brands is high. Several banks have difficulty in the market, since they are not perceived by their potential clients as local banks.

In conclusion the threat of new entrants in the Angolan market is **low to medium**, since besides all the attractiveness of the industry in this market, it is still not so easy and cheap to enter and compete.

### **Threat of Substitutes**

As in the Mozambique market, the threat of substitutes may appear from some alternative transactions, but as the industry deals with people's and business's money, they tend to choose credit and recognized institutions, banks. However, non-financial business may interfere with easiness to pay and make some transactions with more attractiveness to potential clients. As in the Angolan market infrastructures are still in an undeveloped stage and people trust in bank institutions as the main financial option, this is not feasible. In conclusion, the threat of substitutes is **low**.

### **Bargaining Power of Suppliers**

As referred above regarding the Mozambique market, Capital is the primary resource of any bank and so there are four major suppliers of capital in the industry (customer deposits, mortgages and loans, securities, and loans from other financial institutions). People and companies are the main suppliers of the banking industry as well as its main clients, together with IT and money transportation. The suppliers are not very diversified, but as we are taking into account the Angolan market, they have significant bargaining power due to more banks competing in the market. Supplier concentration is also significant. In conclusion the bargaining power of suppliers can be considered **medium**.

### **Bargaining Power of Customers**

Regarding the Angolan market, clients are diversified and are growing over the years. Individuals and institutions have more information regarding banks

business, but at the same time they still rely on them to survive. However, since we are talking about an import country, exchange results are very frequent and so rely on banks capacity to interact and support companies in their businesses. Companies are the main source of banks income, but also they rely on them for some business or even survival support.

Regarding the individual's mass market and banking population, it is still undeveloped in the Angolan market, making more difficult for customers to have impact on banks practiced prices and ability to negotiate, although they have more bank's options to choose to which they want services. In conclusion, the bargaining power of customers is **low to medium**.

### **Industry Rivalry**

Regarding the banking industry rivalry in the Angolan market, it is more competitive than in Mozambique, with more banks acting in the market. However, the Angolan banking sector is also considered concentrated with five major players, and the banking population situation is similar to Mozambique market regarding the market potential that is still available to explore. Competitors mainly offer the same kind of products and services, having different banks more power over different components (deposits, credits, number of branches), increasing the tendency to become a more fragmented market.

In conclusion, the industry rivalry in the Angolan market is **medium**.

Regarding the overall analysis, we can take some conclusions about Industry attractiveness in both markets. The banking industry in both markets is very attractive mainly regarding the low banking population opportunity, the highly concentrated market banking sector (more in Mozambique than in Angola); the low bargaining power of suppliers and customers; and no identified significant substitutes, being the threat low. However, Angola still has the challenge of Governmental issues regarding exchange restrictions and besides that, the rivalry among competitors is considered medium with more players in the market; while in Mozambique the high threat of new entrants may reduce its attractiveness together with the small size market.

- 3) Describe the internationalization strategy used by Millennium bcp Group to enter in both African Markets, identifying the strategic entry mode, international strategy applied and explaining its importance for the Bank.
- 

In a globalized world it makes strategic sense for companies to expand their operations across national boundaries. They get access to new markets and key resources such as specialized skills and mineral resources. However, the opportunities that arise by their worldwide presence need to be converted into competitive advantages. MNCs need to choose the best strategic entry mode and apply the right international strategies, build organizational capabilities and manage operations in a diverse, complex and volatile competitive international arena.

While moving to the African Markets, Millennium bcp didn't entered in the same way in both.

### **Millennium bcp Strategic Entry Mode in Mozambique**

The bank first moved to the Mozambique market in 1995, through a strategic alliance with the Mozambique Government. With the acquisition of Mello Bank in 2000, BCP became the biggest shareholder of BCM and therefore Bim merged with BCM. With this joint venture Bim became the biggest bank institution in the Mozambique banking industry.

When a company enters in a new market, the strategic entry mode that it decides to apply is of high importance. Regarding the environment lived in the new country, such variables as country risk, location unfamiliarity, demand uncertainty, and competition intensity have to be taken into account. In Millennium bcp case, this strategic partnership was of major importance. First it helped with the variable location unfamiliarity, since with this alliance Bim could get more information and knowledge of the country, and upon from that, Bim was encouraged to do business adapting to local needs with government support and incentives. Also, regarding the demand that was full of uncertainty, Bim could better understand their needs and also be perceived as a trustful and local bank, being associated to a local and reference identity, as the Mozambique Government.

### **Millennium bcp International Strategy Applied in Mozambique**

Millennium bcp has operations in more than one country. The Bank transformed itself in a major player in the international arena. The Millennium bcp international strategy applied in the Mozambique market was the Multidomestic Strategy. BCP moved to Mozambique applying the same core business model, however the subsidiary works in an almost independent way from the Millennium bcp subsidiaries located in other geographies, managing its operations locally, although it reports to the origin country. Millennium bcp felt the need to adjust to Mozambique local characteristics and cultural tastes. Prove of this was the creation of *Mbim SMS and IZI*, the country's mobile banking service, which was created taking in consideration the country's transportation deficiencies and low banking presence.

Through the Multidomestic Strategy, the bank could be perceived by Mozambique population as a local bank responding to local needs, with an appealing image, which they could trust.

### **Millennium bcp Strategic Entry Mode in the Angolan Market**

Millennium bcp entered in the Angolan Market later than in Mozambique. The acquisition of BPA allowed the entrance in the Angolan market, since BPA had already opened a branch office in the country in 1994. Later the branch office was transformed in an Angolan Right Bank with the name of *Banco Millennium Angola*, which acquired all assets and liabilities of the old branch office.

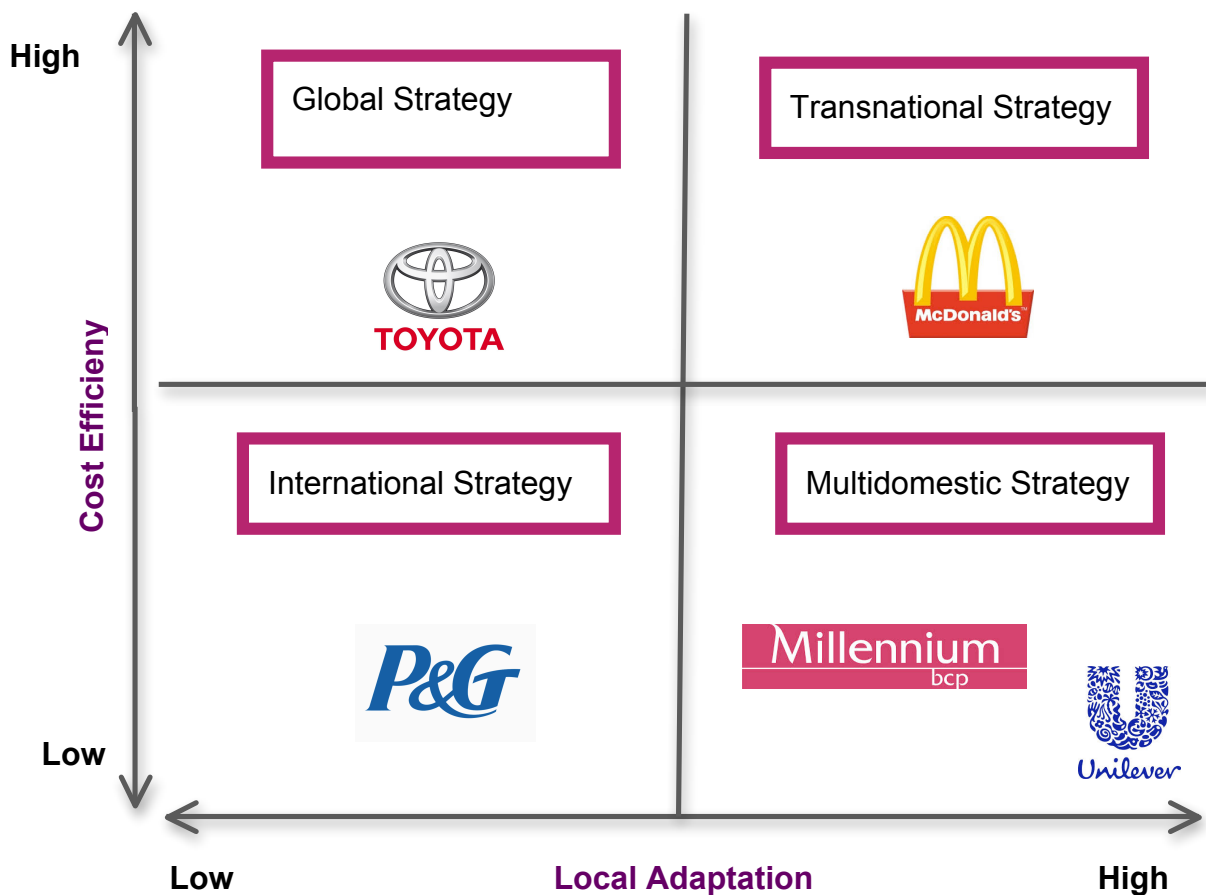
With the acquisition of BPA, that already had presence in the Angolan market, BCP could get access to a new market, achieving competitive advantages. The country risk was high, but the high growth rates were appealing for the bank settlement. This acquisition gave direct access to the Angolan Market where important partnerships were made in order to get more recognition, to face competition and to get more knowledge about the market.

### **Millennium bcp International Strategy Applied in Angola**

As in the Mozambique Market, Millennium bcp also applied the Multidomestic strategy in Angola. BCP applied its unique brand and the same business model, but BMA started acting as an almost independent subsidiary,

managing its operations and clients locally, independently from other Millennium bcp subsidiaries in other geographies. BMA had to satisfy Angolan population needs and pay major attention to their characteristics and preferences in order to localize in terms of products/services and marketing actions. The bank released many bank solutions adapting to Angolan market needs and to abandon the tendency of being perceived as an international bank, as government employee account, academic account, pack PME, pre-paid debit card “Cacau”. BMA adaptability to local characteristics and needs had great impact. The bank have signed a memorandum of agreement with Ministries of Economy and Finance to subsidized credit for micro, small and medium enterprises; and consequently to stimulate the national entrepreneurship, regarding the *Angola Investe* program.

(Companies are given just to illustrate the example).





- 4) Comparing the way Millennium bcp group developed in both markets, do you think there might be lessons to learn with its experience in the Mozambique market that it could apply in the Angolan market? Justify your answer, identifying the respective lessons and describing how the bank could apply them in the Angolan market. **Hint:** The performance of Bim SWOT analysis may complete the answer to this question.

These are both emerging African markets, ex Portuguese colonies where there are a high percentage of Portuguese people and companies living and developing in the country, an undeveloped banking system, which represent a high opportunity for banks to position in these markets, and finally both are markets where disposable income is growing, with especial focus in Mozambique, which used to be one of the poorest countries in the world.

Millennium bcp internationalized and made its presence first in the Mozambique Market in 1995, and 11 years later it had access to the Angolan market. Throughout these eleven years the bank could learn new competences and get market knowledge.

Performing **Millennium Bim SWOT Analysis:**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Important strategic alliance with the Mozambique Government;</li> <li>• High innovation services and transactions;</li> <li>• Biggest retail network throughout the country;</li> <li>• Significant awards as “Best Bank” by <i>Global Finance</i>;</li> <li>• Bim’s client proximity made possible to achieve 1 million clients;</li> <li>• High customer loyalty,</li> <li>• Leadership position regarding competitors.</li> </ul>	<ul style="list-style-type: none"> <li>• Dependence on Government decisions and will;</li> <li>• Based with small business units.</li> </ul>

Opportunities	Threats
<ul style="list-style-type: none"> <li>• Free Market;</li> <li>• High Portuguese presence;</li> <li>• Economic activity stimulation;</li> <li>• Investment expansion;</li> <li>• Stability of Metical exchange;</li> <li>• Increase of disposable income;</li> <li>• Decline of the interest rates;</li> <li>• Bim was for many years the only bank that covered all the provinces in the country;</li> <li>• Be a privileged contact of bank of China in Mozambique.</li> </ul>	<ul style="list-style-type: none"> <li>• Rural areas with deficient infrastructures;</li> <li>• Growing presence of competition in the banking sector and insurances;</li> <li>• Good amount of geographical dispersion;</li> <li>• Low law enforcement;</li> <li>• Closed and small economy.</li> </ul>

Regarding the experience in Mozambique, there is an important lesson to learn: Good partnerships and alliances are essential for a strong positioning, a high brand recognition, customer loyalty, and to get market knowledge. BCP had in Mozambique a major alliance, with Mozambique Government, which opened the doors to Bim development, and besides that, it gave to Bim a deeper market knowledge, recognizing population needs and preferences, potential customers, and country's infrastructures to increase their network, in a more accurate way. When a company enjoys Governmental support, it can easily grow. Governmental relationships are essential for businesses development, especially in emerging markets that are usually characterized by having poor law enforcement, recent exit from wars or situations of corruption. In the Angolan market, BMA should take into account this Mozambique experience as a potential action to apply, trying to increase and reinforce Governmental relationships.

Another lesson that we can learn from BCP's action in Mozambique is that focus in innovation and new channels is essential. BMA should focus more in offer innovative solutions in order to better serve all the provinces, like Millennium Bim did in Mozambique, allowing clients to do many transactions without physical presence, especially leveraging mobile banking system development. Although BMA is already able to provide these services, Bim did it in a more intensive way. This innovation based development would encourage at the same time BMA's growth, and

increase the offer for the *Affluent segment*, where BMA has the more undeveloped offer regarding its competitors. In Mozambique, Bim has now 19 Prestige branch offices and it positioned as having clear focus on segmentation, achievable by its mission based in innovation.

Lastly, another lesson to learn with the Mozambique experience that could be applied in the Angolan market is to have international connections that might increase the brand equity and empowerment in the local market. In Mozambique, Millennium Bim signed an agreement with the bank of China, which goal was to promote and encourage the exchange and the development of the relationship between China, Macau, Hong Kong and Mozambique, allowing Bim to be a privileged contact of Bank of China in Mozambique. This helped the bank to engage with other important international institutions and, at the same time, brought to the country important contacts and investment.

As a conclusion, there is one more important lesson that can be taken. When entering in new markets, there is the need to localize and focus on local characteristics and preferences, avoiding the common mistake of applying the same strategy in all markets. When Millennium bcp entered in Mozambique it applied a strategy that had positive results and maybe the bank thought that by applying exactly the same actions and operations, it would have the same results in Angola. The fact is that there are many differences between these countries. While Mozambique is a free market, with high and attractive business incentives, and lower interest rates, Angola faces the challenge of governmental and foreign exchange restrictions. Companies have to understand markets characteristics and risks, and should apply different strategies and approaches according to that. BCP while entering in Angola should have taken this in consideration.

- 5) Regarding the problem presented in the case and the two strategic alternatives presented in the end to increase BMA growth, make a recommendation to Gaioso Henriques, BMA CEO, in order to invert the present situation. **Hint:** Perform a SWOT Analysis and make use of the analysis performed in the previous questions, highlighting the main issues, to help you reach a conclusion and take a decision.
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Regarding the two strategic alternatives presented, students should analyze each strategy in detail and do a pros and cons analysis, in order to better perceive the main advantages of each to BMA. Besides that, a SWOT analysis should also be performed as well as main suggestions. The answer to this final question should also take into account the analysis made in the previous questions, highlighting the most important points, in order to better make a recommendation.

Lets start by comparing both alternatives in order to conclude which is the best strategy to put in practice, or even if there is the possibility for BMA to combine both strategies at some way.

Since BCP already has a large experience in the retail net increase strategy, which it has been using in other geographies regarding internationalization process: Greek, Romanian and Polish; it is a logical approach to put in practice, especially in the Angolan market where the purchasing power of population is increasing. Due to this population purchasing power growth, it is necessary for BMA to adapt its business to this trend. BMA *affluent segment* (individuals with higher purchasing power) is poor, so it's here where the intensification of BMA retail expansion is needed. The bank is already present in all 18 provinces but it should open more prestige centers and pay more attention to prestige clients needs, since the tendency is for their number to grow. BMA can increase its presence but not by focus only in opening branch offices at large scale, which will bring at the same time high costs with infrastructures and human resources. Also, it is necessary to keep in mind that open new branch offices in the country it's not an easy and cheap process.

Regarding the Corporate based strategy, there is a strong presence of Portuguese companies in the Angolan market, and these represent highest profitability for the bank, since while individuals contribute more with deposits and small operations, companies involve major investments and loans. Besides that, Millennium Angola wants to be perceived as a local bank, and this contact with Portuguese companies would demonstrate its participation on the local economic growth, and at the same time it would consolidate the relationship with Portuguese companies, financing their projects.

After having in mind both strategies in a detailed way, a pros and cons analysis should be performed to each of them, highlighting the main issues discussed in the analysis performed throughout the previous questions:

Retain Net Increase Strategy		Corporate based Strategy	
Pros	Cons	Pros	Cons
<ul style="list-style-type: none"> <li>• BCP previous experience;</li> <li>• Field knowledge;</li> <li>• Low banking population;</li> <li>• Containers as an effective alternative of branch offices;</li> <li>• Opportunity to leverage <i>Affluent segment</i>;</li> <li>• Increase brand recognition and presence in the market;</li> <li>• Enjoy of purchasing power increasing;</li> <li>• High percentage of Portuguese people living in the country.</li> </ul>	<ul style="list-style-type: none"> <li>• High difficulty in finding places for branch offices;</li> <li>• Unqualified human resources;</li> <li>• High costs with infrastructures and finding qualified human resources;</li> <li>• High customer loyalty for local banks;</li> <li>• Already present in the 18 provinces of Angola;</li> <li>• Bank product very dependent on exchange results.</li> </ul>	<ul style="list-style-type: none"> <li>• Companies are bank's major source of profitability;</li> <li>• Strong presence of Portuguese companies;</li> <li>• Leverage local bank image;</li> <li>• Local economic growth booster image;</li> <li>• Consolidate relationships with Portuguese companies;</li> <li>• High FDI in the Angolan Market;</li> <li>• Low threat of financial substitutes in the market.</li> </ul>	<ul style="list-style-type: none"> <li>• Exchange restrictions;</li> <li>• Low law enforcement.</li> </ul>

Now, considering the Angolan Market and BMA characteristics, a SWOT analysis should be performed together with some suggested recommendations:

Regarding the strategic position of Millennium Angola, the bank has been growing over the recent years with important strengths, which made possible to restructure the bank business plan and prepare it for the needs of the Angolan Market, the development of the bank product and strong marketing effect. But BMA still face some main difficulties and it may suffer with main threats that may arise from market characteristics. Exchange restrictions are a major concern for BMA and it prevents the satisfaction of some clients, mainly the Portuguese ones since it is very hard to expatriate results.

<b>SWOT</b>	<b>Strengths</b>	<b>Weaknesses</b>
	<ul style="list-style-type: none"> <li>• Positive evolution of bank product;</li> <li>• Strong marketing effect;</li> <li>• Partnership with Sonangol and BPA;</li> <li>• Considered the most innovative Bank in the country by the magazine “<i>Emea Finance</i>”;</li> <li>• Cover the 18 provinces of the country;</li> <li>• Develop of several banking solutions;</li> <li>• Increased number of clients.</li> </ul>	<ul style="list-style-type: none"> <li>• Less developed offer in the <i>Affluent segment</i>;</li> <li>• BMA lower weight of financial margin regarding the market average;</li> <li>• Operation costs higher than product bank (2011);</li> <li>• Not being perceived as a local bank.</li> </ul>
<b>Opportunities</b>	<p>Suggestions:</p> <ul style="list-style-type: none"> <li>✓ Leverage governmental relationships;</li> <li>✓ Empower BMA’s image in order to be perceived as a local bank;</li> <li>✓ Increase the investment in the Corporate approach;</li> <li>✓ Do not increase significantly the number of mass market branch offices, due to higher costs that it may bring to BMA;</li> <li>✓ Invest more in the affluent segment, since it is still weak in the market and since household income is increasing at a high pace.</li> </ul>	
<b>Threats</b>		
<ul style="list-style-type: none"> <li>• High Portuguese presence;</li> <li>• High growth rate;</li> <li>• Economy expected to be in the Top 12 of the world;</li> <li>• Increase of disposable income;</li> <li>• Undeveloped banking system;</li> <li>• Participation in the <i>Angola Investe</i> Program;</li> <li>• BCP previous experience and knowledge in retailing strategy.</li> </ul>		
<ul style="list-style-type: none"> <li>• Domestic competition well positioned;</li> </ul>		

<ul style="list-style-type: none"> <li>• Difficulties in find places to open branch offices;</li> <li>• High labor force value;</li> <li>• Exchange restrictions of the country;</li> <li>• Dependence on foreign exchange results;</li> <li>• Difficulty in expatriate BMA results.</li> </ul>	
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The best suggestion to give to Gaioso Henriques is to combine both strategies, but leveraging more significantly the investment on the corporate strategy, since it gives more profitability to BMA and, at the same time, the bank may assume the image as great contributor to increase local economic growth. Also, as the Angolan market has a high dimension and it is growing at high pace, with an increasing FDI flow, more companies will arise and start new businesses in the country, and so BMA has to be prepared for them.

As BCP already has more experience and acquired knowledge in the retail net expansion strategy, it could apply it more in the *affluent segment* and canalize the biggest part of the investment in the corporate strategy. In this way, BMA could save costs in the retail expansion due to BCP actual expertise and knowhow in the area, and invest more in the Corporate expansion.

With this combination, BMA would better reach prestige customers and would have a strong positioning for companies present in the market, financing their projects, and getting higher levels of profitability.

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