The Dynamic African Consumer Market: Exploring Growth Opportunities in Sub-Saharan Africa

Grant Hatch, Pieter Becker and Michelle van Zyl

- Consulting - Technology - Outsourcing
Contents

Introduction 4
Why is the African consumer an attractive proposition? 7
Where should companies focus? 15
1 Basic Survivors 19
2 Working Families 21
3 Rising Strivers 23
4 Cosmopolitan Professionals 25
5 The Affluent 27
How can companies unlock the potential in Sub-Saharan Africa? 31
Conclusion 41
Appendix 42
Africa is a diverse continent, with an estimated 1,500 languages grouped into six linguistic families.

In 2010, sub-Saharan Africa (SSA) was populated by more than 856 million consumers. The region will have more than 1.3 billion consumers by 2030.

The most populous country in SSA is Nigeria, with a population of 151 million, while the smallest, Seychelles, has just 100,000 people.

While the global economy is predicted to grow by two percent to three percent between 2011 and 2020, SSA is poised to grow by five percent to six percent, making it one of the world’s fastest-growing regions.

African countries received $72 billion in foreign direct investment in 2008, which is five times the amount received in 2000. While lower than China’s investments ($92.4 billion), this amount exceeds that received by other emerging markets such as Brazil ($45.1 billion).

Consumer expenditure in SSA equaled nearly $600 billion in 2010, accounting for almost eight percent of all emerging-market spending, and is expected to reach nearly $1 trillion by 2020.

Consumer spending in South Africa and Nigeria accounts for 51 percent of SSA’s total expenditure.

Poverty in SSA is decreasing rapidly—from 40 percent in 1980 to less than 30 percent in 2008—and is expected to fall to 20 percent by 2020.

By 2050, almost 60 percent of people in SSA will live in cities, compared with 40 percent in 2010. This means 800 million more people will live in urban environments.

By 2012, over 50 percent of all Africans—or more than 500 million people—will own a mobile phone. By 2014, this portion is expected to increase to 56 percent (more than 600 million people), giving Africa one of the world’s highest mobile usage rates.
For companies looking for growth via emerging markets, Sub-Saharan Africa looms large. The continent’s sheer size merits attention: Since 2000, Sub-Saharan Africa has experienced rapid growth in consumer spending of four percent Compound Annual Growth Rate (CAGR), reaching nearly $600 billion in 2010. Consumer spending is expected to rise to nearly $1 trillion by 2020. Accompanying the growth are rapid improvements in income levels, infrastructure and the business environment that promise continued growth as a consumer market.

Companies will have to adjust their strategies and expectations when entering Africa. Logistics can be unreliable and infrastructure lags much of the developed world. Furthermore, understanding the diverse nature of opportunities in Africa can be challenging. As a result, many executives planning on entering Africa want to know why Africa’s consumers are an attractive proposition, which segments they should focus on, and how they can capture the market’s potential most effectively.

In the pages that follow, Accenture presents an in-depth analysis and segmentation of the Sub-Saharan African consumer market that can help guide companies as they consider how and where to enter the market. We also provide concrete steps and recommendations on how companies can tailor their strategies to the challenges and opportunities in Africa.
Figure 1: Sub-Saharan Africa: A Large and Compelling Opportunity
Why is the African consumer an attractive proposition?

The new African consumer is a force to contend with and represents an opportunity no company can afford to ignore.

Since 2000, consumer spending in Sub-Saharan Africa has grown at a steady four percent per year, reaching nearly $600 billion in 2010. The market is expected to be worth $1 trillion by 2020.\(^1\)

While mineral resources will undoubtedly continue to be important, the most significant contributors to growth are changing, with less reliance on exports and more reliance on domestic demand (consumer spending and imports). Despite current low per capita incomes in Africa, average income is growing, giving rise to an emerging middle class that will become more demanding as income levels and spending increase.

---

Figure 2: Sub-Saharan Africa Consumer Expenditure* (\$ Billions)

*Historic / Forecast - US$ mn - Constant 2010 Prices - Fixed 2010 Exchange Rates*

Source: Euromonitor 2011
Figure 3: Structure of Demand (% of GDP)

Source: EIU 2010 (An average of % GDP figures were taken for the following countries: Algeria, Angola, Egypt, Kenya, Libya, Morocco, Nigeria, South Africa and Tunisia)
“At JD Group, we look for two predominant characteristics before considering entry into any market, inclusive of the African market.

Firstly, we look at current and projected potential in terms of demand forecast in the short, medium and long term, assessing the sustainability of the underpinning drivers for demand carefully.

Secondly, we closely evaluate the capacity and capability of the market to enable core business processes such as logistics, infrastructure, regulatory and legal policies, financial systems and political stability to ensure effective service delivery to the envisaged client base.”

Dr. Henk Greeff, Director: Strategy and Human Resources, JD Group
Figure 4: Africa Population Size (Millions)

![Population Size Graph](image)

Source: UN Population Division, 2010

<table>
<thead>
<tr>
<th>Age</th>
<th>2010</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>416m</td>
<td>546m</td>
</tr>
<tr>
<td>15-65</td>
<td>582m</td>
<td>1,320m</td>
</tr>
<tr>
<td>65+</td>
<td>35m</td>
<td>142m</td>
</tr>
<tr>
<td>Total</td>
<td>1,033m</td>
<td>1,999m</td>
</tr>
</tbody>
</table>

Source: UN Population Division, 2010

Figure 5: Sub-Saharan Africa (SSA) Poverty 1980 – 2009

![Poverty Graph](image)

Source: Maxim Pinkovskiy, Massachusetts Institute of Technology Xavier Sala-i-Martin, Columbia University and NBER, 2010
The rapid and sustained rise in consumer spending is being fueled by three key forces:

- **A population forecast to reach almost 2 billion by 2050.** In 2005, Africa had an estimated population of more than 920 million, which increased to an estimated 1 billion in 2010. By 2050 the population is expected to increase to almost 2 billion. Furthermore, between 2010 and 2050, Africa’s economically active population will grow from 56 percent of the continent to 66 percent—a striking contrast to more mature continents whose populations are aging and moving into the dependent category (i.e., 65 years or older). Expansion of the economically active population will lead to increased demand for goods and services.

- **Significant decrease in poverty.** By 2020, Accenture estimates that poverty levels in Africa will fall to 20 percent from nearly 45 percent in the 1980s. Poverty fell for both landlocked as well as coastal countries; for mineral-rich as well as mineral-poor countries; for countries with favourable or with unfavourable agricultural resources; for countries regardless of colonial origin. GDP in Africa is growing even faster than the continent’s meteoric rise in population.

- **Rapid urbanization.** Africa’s growing, increasingly wealthy population is becoming more urbanised. By 2050 almost two-thirds of the population will live in cities, compared with 40 percent in 2010. Urbanisation, in turn, will lead African consumers to purchase more goods and services, and will make it easier for companies to reach consumers with products, services, and communications. Rapid growth in population and urbanization will place additional constraints on the infrastructure requirements of Africa. This will require greater planning and urban investment which will require both public and private sector participation.
Three key trends will further enable consumer to buy more and allow companies to reach these consumers:

- **Improving access to consumers via mobile technologies.** Consumers in Africa are getting easier to reach due to a remarkable uptake of mobile services. By 2012 almost 50 percent of Africans (more than 500 million people) will own a mobile phone, compared with 30 percent in 2008. This significant mobile adoption by consumers has made it easier for companies to reach consumers through mobile marketing, competitions and promotions (for example, M-Pesa for mobile money). Consumers are more savvy because they are now linked to the rest of the world through their cell phones and no longer isolated. In addition to improving access to consumers, the mobile revolution has created a booming industry that employs and provides income for large numbers of people. Witness the significant drive in Kenya to open new business call centres.

- **A healthier and more stable business environment.** Fewer conflicts, more democratic elections, higher economic growth rates and improved business regulation make Africa more business-friendly every year. This fact has been recognized by the World Bank’s 2009 Ease of Doing Business report, which highlighted Africa as a continent that is making strides toward becoming a business-friendly regulatory environment.

- **A loosening of trade restrictions.** Trade among African countries in the past has been slowed by the hefty tariff barriers that countries imposed on imports. However, the global drive for rapid opening of borders to regional and international trade is forcing African countries to open up their borders for imports. Africa has fostered a number of formalized trade blocs that have been the catalyst for loosening trade restrictions between member states and the global economy in general.

As African consumers accumulate wealth and steadily gain access to global products and services, they will form lasting allegiances with companies offering these products and services. For companies that want to benefit from the size and growth inherent in the African opportunity, the time to act is now.
Where should companies focus?

The key to success in Sub-Saharan Africa is the ability to focus on specific opportunity areas and develop differentiated, relevant offers that address substantial, unmet needs.

The size and diversity of the continent’s population makes it difficult for companies to use the strategies they have successfully applied in other parts of the world.

The first step is determining where in Sub-Saharan Africa the greatest opportunities lie. Our analysis shows that nine countries will account for nearly three-quarters of total consumer spending in Sub-Saharan Africa by 2020. These countries are Kenya, Ethiopia and Uganda in the eastern part of the continent; Angola, Zambia, and South Africa in the south; and Senegal, Ghana, and Nigeria in the west.

Within these attractive consumer markets there are a wide range of consumers for which companies must tailor attractive, differentiated offers.

Figure 8: SSA Estimated Consumer Spend 2020 ($ Billions)

Source: Euromonitor Africa Consumer Spending 2010
Focus Countries | Population 2009 | 2010 Spend | 2020 Estimated Spend
--- | --- | --- | ---
**EAC & COMESA**
Kenya | 40m | $23bn | $37bn
Ethiopia | 83m | $20bn | $43bn
Uganda | 33m | $15bn | $30bn

**ECOWAS**
Nigeria | 151m | $115bn | $167bn
Ghana | 24m | $15bn | $29bn
Senegal | 13m | $10bn | $16bn

**SADC**
South Africa | 49m | $215bn | $315bn
Angola | 19m | $14bn | $18bn
Zambia | 13m | $10bn | $23bn

*Eastern Hub includes COMESA countries that are not covered in the Southern Hub
Source: Euromonitor Africa Consumer Spending 2010
We have constructed a broad segmentation of Sub-Saharan African consumers to understand the consumer segments and demand in greater detail. While this segmentation is focused on high-level groupings rather than granular, detailed analysis of consumer types, our analysis reveals the specific challenges, preferences, behaviors and needs of the largest consumer groups on the continent (Figure 10).

While the majority of Sub-Saharan African consumers are currently in lower-income, more price-sensitive groups, many will move up into more affluent segments as they urbanize and their incomes increase. Such movement will create a large, growing, and increasingly profitable opportunity for companies. We detail the needs, preferences, and behaviors of each of these segments below.

Figure 10: Five Key Sub-Saharan African Consumer Segments

1. Basic Survivors
   - Basic Survivors are the largest consumer group in Africa and are characteristically low income consumers. They tend to live in urban slum areas or rural areas and make day-to-day decisions based on basic needs.

2. Working Families
   - Working families are the second largest consumer group. They focus their spending on their children’s needs and they value stability and routine in their lives.

3. Rising Strivers
   - Rising Strivers are emerging from the first two segments, having built their purchasing power through access to credit or other resources. They value upward mobility and buy based on convenience, quality, or even more “expressive” factors.

4. Cosmopolitan Professionals
   - Cosmopolitan Professionals are typically located in urban areas. They are busy with work but often have active social lives. As a result, these consumers value pragmatic products but are also brand conscious and influenced by the media.

5. The Affluent
   - The affluent of Africa have disproportionately high purchasing power, and are considered wealthy regardless of where they travel across the globe. This group is extremely small and very fickle.

Source: Accenture Analysis
Whilst Sub-Saharan African consumers’ upward mobility is what attracts attention, at present Africa’s largest segment is also its poorest. Basic Survivors, which we estimate to comprise 50% to 60% of Sub-Saharan Africa’s population, earn less than $100 each month on average and buy basic goods with cash from open-air markets and street stalls. Living in rural areas and urban settlements, Basic Survivors pay cash for essentials: food, shelter, and clothing. Basic Survivors also spend money on alcohol and tobacco, telecom products and services, and public transportation.

Basic Survivors’ cash flow are unpredictable; they might visit markets several times each week when they have enough cash on hand to purchase the essentials. Basic Survivors generally avoid formal retail stores and believe they get better deals from local, well-known, informal vendors even where formal retail is available. Local vendors are also more convenient to Basic Survivors, who typically lack reliable access to public or private transportation.

While the challenges of reaching these Basic Survivors and profitably doing business with them are many, the size of the opportunity makes this segment worth the effort. In addition, as the African economy continues to grow, some Basic Survivors will become more affluent and their purchasing power will increase, by which time their brand allegiances will have been formed.

To exploit the opportunity at the bottom of the pyramid, numerous companies have managed to adapt their products to Basic Survivors’ low incomes by reducing pack sizes, for example, selling smaller tubes of toothpaste or packets of washing powder. In addition, foodstuffs such as milk and sugar often are sold to Basic Survivors in single-use packs that can be bought when needed.

Basic Survivor Profile

Luis is a single, 32-year-old man living in the Angolan slum of Cambamba outside Luanda, where he splits a one-room shack with his two brothers. Luis is a street vendor who sells trinkets to tourists. When he does well, he might frequent the local pub and have Cuca beer with his friends. On slow days he will buy a cup of rice as his only meal. Luis’ most prized possession is his knock-off Barcelona FC jersey, which took him almost two months to save for.
Slightly wealthier than Basic Survivors, Working Families make up between 20% and 30% of the continent’s population. They generally earn between $100 and $250 per month.

What do Working Families spend their money on? Compared with Basic Survivors, Working Families are also driven by basic needs, but they are focused on the needs of the family rather than the individual, and are strongly driven by African cultural values involving the nuclear family. The majority of families have three or more children and may have elders living with them.

Living in urban outskirts, Working Families save their salaries until month end and then visit nearby open-air markets and street stalls. They pay cash for groceries, clothing and footwear, toys and games, and educational products. Because Working Families generally consist of more than one salaried individual their income is more stable than that of Basic Survivors. However, the demands of family and work make time precious and increase the value of processed and conveniently packaged food for themselves and their children.

Overall, the family orientation of this segment drives its purchasing decisions, boosting the importance of values such as security, convenience, consistency, personal trust and, of course, the survival and upward mobility of the family.

Working Family Profile

The Biya family resides in a small city called Mbouda in Cameroon and has four children ages seven to 13. Francis (the father) works as a mechanic servicing local farmers’ trucks, while Calixthe (the mother) works as a housekeeping lady in a hotel. Due to both parents’ late working hours, they often make quick prepared noodle dishes for dinner and give their children small biscuit packets for snacks. They spend extra on laundry detergent for school uniforms.
Some Basic Survivors and Working Families manage to build purchasing power through access to credit and/or by developing in-demand skills and become Rising Strivers. With survival assured, Rising Strivers now value upward mobility as well as intangible brand qualities. Comprising an estimated 10% to 16% percent of Sub-Saharan Africa’s population, Rising Strivers can earn more than double what Working Families earn ($250 to $750 each month), which often leaves them with a surplus to spend on consumer goods such as cigarettes, clothing, and even the occasional bottle of perfume or cologne.

Typically either successful migrants to urban areas or rural workers who have benefited from booming commodities industries (for example, mining), Rising Strivers represent Africa’s emergence from low-income to middle-income economies and are the primary drivers behind Sub-Saharan Africa’s consumer growth. Rising Strivers also represent a dichotomy between Africa’s past and future as a consumer market. For example, while many Rising Strivers have bank accounts and use mobile phones, they primarily transact using cash and visit informal open-air markets preferred by less-affluent segments. They also occasionally visit supermarkets.

Most Rising Strivers have recent direct experience with a lower-income existence and, as such, value durable products and transactions based on personal trust. Members of this segment strive to continue their upward mobility, and will invest in their children’s education as a means to do so.

Rising Striver Profile

Udofia is a 27-year-old father of two living in Lagos, Nigeria. Though he comes from a household of fishermen, he now works for a thriving taxi business. Udofia moved to the city center in his early 20s, purchasing a used car through family support and microcredit. He started out living in a slum with no running water, but with hard work, connections, and his good English skills, he found a job with a dispatch service. And while Udofia’s family spends most of its income on household needs, he also has some personal money left over for a new smartphone and a Guinness beer after work.
Working and living in the city, Cosmopolitan Professionals earn between $700 and $1000 per month, which they spend (using cash, credit cards and, increasingly, mobile services) at supermarkets and shopping malls. They also still frequent traditional, informal stalls and markets for small, low value items such as bread. Cosmopolitan Professionals often reach these retail locations using their own cars and motorcycles.

Representing between two and three percent of Sub-Saharan Africans, Cosmopolitan Professionals often have worked or studied abroad and have a high awareness of global brands. They access content and entertainment via a wide variety of media, including print, radio, satellite TV, and the Internet (including social media). Growing broadband penetration and falling access costs are fueling this trend.

Driven by the need for convenient, fashionable, high-quality products that complement their busy, work-driven lives, Cosmopolitan Professionals spend money on things that reinforce their professional image: business-casual clothes (often purchased abroad), hair care products and footwear. Cosmopolitan Professionals, often doing well in their careers, support poorer family members through cash remittances and occasional purchases.

**Cosmopolitan Professional Profile**

Abuya is a 35-year-old married woman in Kenya with a degree in economics from the University of Nairobi. She works as a financial controller for a multi-national corporation. Abuya and her husband recently moved into a new apartment and have bought several new household goods, including a vacuum cleaner, a refrigerator and a television. When dining out for business or leisure, she might have an Amarula (a liqueur) over ice and check Facebook on her mobile phone while she waits for her colleagues or friends.
The Affluent have much in common with Cosmopolitan Professionals: They mainly live in cities, have studied or worked abroad, prefer malls and upscale retail stores, access a wide variety of global media, and use credit cards to a greater extent than other Africans. Their income is substantially higher than the Cosmopolitan Professionals segment, typically more than $1,200 per month. They have a pronounced preference for luxury brands such as BMW, Mercedes & Gucci. This group represents just one to two percent of Sub-Saharan Africa’s population.

The Affluent travel often for both work and pleasure, and may even own homes on other continents. Vacations, hotels and flights absorb a large proportion of their spending. The Affluent also spend money on clothing, cosmetics, cars, and household goods, seeking items that are fashionable and prestigious.

**Affluent Profile**

Osagi is a 45-year-old father of two living in Lagos with his wife. His two children attend universities abroad. Osagi is a director of a multinational oil company and oversees the company’s operations in Nigeria. He often travels abroad on business trips as well as within Africa, and spends time in hotels and dining out for business meetings. Osagi owns a lavish five-bedroom house in Banana Island, an upmarket area of Lagos, and employs several servants, including a driver for his daily commute.
Figure 11: Segment Income Market Value (2000 to 2015 in $ Billions)

* Market values equal total segment income and not disposable income
Source: Canback 2010, Accenture Analysis
What are the opportunities by segment?

How do the opportunities within these segments compare with each other?

While the spending power of Basic Survivors will grow slightly, the potential for doing business with Rising Strivers and Working Families will increase substantially as the segments grow and continue their upward trajectory.

Accenture estimates that Working Families will represent 33% of the total Sub-Saharan African market opportunity by 2015. The largest group will remain Basic Survivors at 45%, followed by Rising Strivers (16%), Cosmopolitan Professionals (3.1%), and the Affluent (2.8%). Even though Cosmopolitan Professionals and the Affluent still will constitute a relatively small portion of the market, their spending power translates into a significant opportunity for luxury products and services. As the African economy continues to mature, these segments are likely to grow more rapidly.

![Figure 12: Consumer Segment Size Evolution](image)

Source: Accenture analysis based on segment market value
How can companies unlock the potential in Sub-Saharan Africa?

Our consumer segmentation clearly illustrates the potential Africa holds for a variety of businesses looking to gain a foothold on the continent.

A company’s market entry plan must be explicit about the role Africa will play in its broader corporate strategy, on which African countries it makes sense to enter, and in what sequence and with what timing they should be entered. The market entry plan also should illuminate the company’s specific goals for market entry and the ways in which progress against those goals will be measured.

Regardless of the markets or segments on which a company chooses to focus, companies need to consider a simple framework that can help most effectively execute an entry strategy. As shown in Figure 13, our framework encompasses the full lifecycle of doing business in Sub-Saharan Africa, from gaining insights on the biggest opportunities to deploying effective marketing campaigns that support the company’s offers.

**Figure 13: Seven key steps to build a business in Sub-Saharan Africa**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Execution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market Research</td>
<td>4. Sourcing</td>
</tr>
<tr>
<td>2. Value Proposition</td>
<td>5. Manufacturing</td>
</tr>
<tr>
<td></td>
<td>7. Marketing and Promotion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Do we understand our target market?</th>
<th>Do we have the right product/service to offer?</th>
<th>How do we enter the market with minimal risk?</th>
<th>Do we source locally or import?</th>
<th>Do we use local manufactures or do we do it alone?</th>
<th>How do we reach our customers?</th>
<th>How do we ensure that there is demand for our product/service?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop a deep understanding of the market, competitors and consumer by using creative, cutting-edge methods to tap into local networks and local knowledge</td>
<td>Deliver a holistic innovative offering which responds to the needs of their target consumers -encompassing product/service, price, promotion and place</td>
<td>A robust market entry strategy is essential for successful operations in Africa, based on your level of risk appetite and reward select whether to go it alone, acquire or partner</td>
<td>Partner and build trusting relationships with local producers who can provide intelligence into tastes and preferences of local communities and provide a stable, less costly supply chain</td>
<td>Develop close partnerships with local producers or build own manufacturing capacity close to your markets vertically integrating when necessary to reinforce your supply chain</td>
<td>Last Mile distribution is extremely costly. Look for existing innovative mechanisms in the market to leverage (e.g. Using local women and men to distribute to rural areas)</td>
<td>Traditional routes to market do not work, direct personal selling and visibility in the informal sector are key</td>
</tr>
</tbody>
</table>
“MXit (Free online mobile chat service) has applied three key strategies in accessing lower income African consumers. Firstly, MXit has kept its product simple, minimizing customization. Secondly, MXit has improved reach through accessing early adopters in communities and ensuring that users are constantly educated about new services. And lastly, MXit ensures that it understands and appeals to its target consumers’ most basic needs, which can often be misunderstood if there is not sufficient research.”

Herman Heunis (Founder and MD MXit)
Understand the target market

The first step to entering the African market is to develop a deep understanding of the market, competitors and consumers. Due to a large informal economy and the prevalence of cash transactions, accurate and representative data on consumer spending is sparse.

How can companies bridge this gap? They must get creative, tapping into local networks to gather insights, partnering with academia and companies that possess usable customer data – for example, banks and telcos – and designing market-facing pilot “experiments” with risk mitigation mechanisms such as “seed loans” to test methods for accelerating future expansion. Company managers need to be prepared to walk the markets and gain insights from talking to street vendors, watching consumers and building a qualitative model of how the market operates. This approach is very different from that used to understand a developed market with large volumes of quantifiable data. Together, such an approach can help companies gain the market insights they need to craft differentiated, relevant offers for the African market.

CfC Stanbic, a division of Johannesburg-based Standard Bank Group, provides an example of how this is done. One of the key aspects of doing business in Africa is the predominance of individual, self-employed vendors, for instance, Nairobi alone has approximately 100,000 such businesses. For banks such as CfC Stanbic, the challenge is loaning money to the most promising of these entrepreneurs, many of whom have little or no credit history. To tap into this opportunity while reducing its loan default risk, CfC Stanbic used a tool that enabled portable psychometric testing of potential loan recipients, rapidly assessing their risk tolerance, ethics and honesty, intelligence, and business skills. CfC Stanbic also deployed a mobile workforce to complement its local banking branches, and further mitigated risk by using “seed loans” with “graduation plans,” which allowed the bank’s business with a given customer to grow as the customer’s credibility was established.

Understanding the Target Market: CfC Stanbic

• CfC Stanbic sought to build its business with African entrepreneurs, but little data was available on their creditworthiness.
• The bank conducted psychometric testing of potential loan recipients in the field, thereby reducing its risk of loan default.
• CfC Stanbic created a mobile workforce to address this market and reduced its risk through “seed loans” to small businesses.
Develop the right value proposition

With a solid understanding of the opportunity, companies seeking to do business in Africa must deliver a relevant, differentiated offering tailored to their target consumers, as they must do in any geography.

African consumers have unique requirements that companies must take into account. For example, price remains the key consideration for the majority of African consumers, and all offerings should take this into consideration. In addition, community and family are strong elements of African culture, so companies need to ensure that branding and promotional efforts resonate with these values—for example, through corporate social responsibility and sustainable development programs. As we showed in the previous section, distinct segments of African consumers have unique needs and preferences that companies must incorporate into their value propositions.

Consumer goods giants such as Unilever and Procter & Gamble have excelled in understanding and meeting the unique needs of African consumers. Unilever, which aims to serve all African consumers (including the Basic Survivors, those living on less than $1 each day), had to find a profitable way to make its products available and affordable for the poorest of Africans. To achieve this goal, Unilever created the “small unit packs/low unit price” concept: for example, selling small sachets of detergent or salt. This strategy has allowed Unilever to deliver the volumes required to support expansion whilst capturing the loyalty of lower-income customers. This strategy has also prevented the margin-eroding resale of its bulk products in smaller portions.

Unilever collaborates closely with local wholesalers who not only assist Unilever to supply Africa’s informal market but also provide the company with market insights and customer feedback. Unilever has embedded corporate social responsibility in its strategy to further boost the brand’s relevance with Africans.9

Develop the Value Proposition: Unilever

- Unilever sought to reach Africa’s poorest consumers profitably.
- To do so it developed small packets of product at low prices, worked closely with local wholesalers, and worked to become relevant to Africans.
- The company has had double-digit growth in the region during the past decade.
Enter the market with minimal risk

Although Sub-Saharan Africa has shown tremendous improvement as a consumer market in recent years, many barriers to entry, ranging from corruption, to a lack of infrastructure and local talent, to bureaucracy remain. To choose the right strategy for overcoming these hurdles, companies must assess risk and then decide whether to establish a stand-alone business, enter via an acquisition, seek partnerships or joint ventures, or licence its products and services to another company.

Each approach has its pros and cons: Entering via a Greenfield (i.e. going it alone) investment can result in the biggest payoff if entry is successful, but also is the riskiest choice for companies that lack local market knowledge, access to distribution channels or political connections.

Conversely, entering Africa via an acquisition can be expensive and time consuming, but can provide immediate access to existing networks and distribution channels and the opportunity to gain deep market insights that can be scaled. Partnering provides a faster way of gaining access to local market knowledge and distribution channels, but selecting the right partner requires careful appraisal of ownership, control, pricing and local partner capabilities. Licensing offers the least risky and lowest cost option to expand market reach, but carries a high brand risk and limits the potential to exploit potential market opportunities.

Ultimately, the right strategy must reflect the company’s goals and priorities, the state of local market development and regulation, and the specific nature of the entry barriers to be overcome.

Overcome the challenges of sourcing and procurement

Another key to success in Africa is developing a stable, cost-effective supply chain that enables a company to meet local needs and overcome local challenges whilst maintaining profitability. This is no small feat: Importing raw materials as well as finished goods into Africa is hampered by many of the same challenges that make market entry difficult, including corruption, complex regulations, high taxes and substantial import fees.

Companies must choose sourcing partners that have strong links with the community and a high level of intelligence on local preferences and challenges. Companies must invest in the capacity and capabilities of these partners, establishing training and incentive programs that enable them to fulfill the company’s brand promise.
One company that has been able to overcome the challenges of sourcing in Africa is SABMiller, which has set up cooperatives with local farmers to supply barley and cassava to suit the tastes of Basic Survivors and Rising Strivers. SABMiller has signed long-term contracts to buy crates from a local producer, as well as locally produced cans. By 2012, the company hopes to source from and work with up to 45,000 African farmers.10

Overcoming Sourcing Challenges: SABMiller

- To address the challenges of sourcing in Africa, SABMiller set out on an aggressive strategy to build key relationships with local suppliers.
- The company is now working directly with local farmers and producers to source key inputs.

Develop the right manufacturing strategy

In addition to solving sourcing challenges, a company must develop a robust and relevant manufacturing strategy which should feature strong partnerships with local producers or the development of in-house manufacturing capacity close to a company’s targeted markets.

While the right manufacturing strategy must be specific to each company’s context, capabilities, and goals, a few general guidelines can be useful. For instance, companies doing business in Africa should be sure to improve the stability of key resources via term contracts, upstream acquisitions, and investment in diversified geographical sources to minimize supply disruptions and improve the quality and availability of materials. Trusting relationships with local producers are important as well, as is the provision of technical support and training to local manufacturers to ensure high standards for locally sourced raw materials.

DUFIL, the largest manufacturer of instant noodles in Nigeria, provides an example of how foreign brands can be manufactured successfully in Africa. Indomie, originally an Indonesian brand of instant noodles, has been a runaway hit in Africa, and in Nigeria in particular. In 2008, the company introduced a new flavor tailored to local tastes, which was very popular among Nigerian consumers. However, challenges related to importing key ingredients made it difficult for the company to meet demand for this new product.

To overcome these challenges, Indomie embarked upon a backward-integration strategy. The company invested in world-class local production facilities and tapped local sources and its own manufacturing capabilities to source raw materials.
Today, the brand is being produced in nine ultra-modern factories in two key locations in Nigeria, with plans to expand aggressively. Due to its ability to respond quickly to local demand, Indomie has captured 70 percent of the Nigerian instant noodle market.11

Developing Manufacturing Strategy: DUFIL

- Indomie, an Indonesian brand of instant noodles, had become very popular in Nigeria.
- Due to challenges associated with importing raw materials, the company struggled to meet demand.
- Indomie integrated backward, developing local manufacturing capabilities for all raw materials.

Reach customers effectively

Given that more than 60 percent of people in Africa live in rural areas and have limited access to transportation, simply covering “the last mile” to reach the final consumer can be extremely costly and difficult. Poor roads and limited infrastructure can make delivering products or services to consumers a daunting task. Companies must build strong sales and distribution networks by leveraging a mix of third-party, wholesale, and direct-distribution models. The route to market, in our view, is the greatest obstacle that companies must overcome to build a successful business in any African market.

This is especially the case with Basic Survivors and Working Families, whom companies can reach most effectively by employing locals to act as agents, or by partnering with local organizations that have links into the rural market.

Mobile operator, MTN is a seasoned veteran of doing business with rural consumers, with operations in 21 markets across Africa and the Middle East (plus Afghanistan). To boost its market share among rural, low-income Africans, MTN has created services tailored to their needs through a network of local agents, established kiosks in rural areas, and has given agents motorbikes to reach the most remote areas. MTN has also developed lower denominations when selling airtime, reflecting the low and unpredictable income of many African consumers.

Through such innovative distribution and promotional activities, MTN has been able to capture a significant proportion of the Basic Survivors segment, which is a critical entry point to the African market.12

Reaching Customers: MTN

- To gain market share among low-income, rural Africans, MTN has made it easier for them to buy and use airtime, enabled its agents to reach remote areas, and created smaller airtime denominations.
- The company has established a leading position within the Basic Survivors segment.
Stimulate demand through marketing and promotion

Companies used to supporting demand through Western-style marketing and promotional approaches must adjust their strategies—and their expectations—for the African market. Traditional media, namely television and radio, does not always reach all market segments, particularly people living in rural areas or urban slums. In much of Africa, weak infrastructure limits access to electricity, telephones and the Internet, making access to media—whether TV, websites, or social media—erratic. While tailoring messages and offerings to specific market segments is critical to success, most companies will struggle to obtain useful market insights on Africa’s largely informal markets.

Companies must identify strong local partners through which they can access informal markets and obtain information they can use to refine their offerings and messages. Companies must also spend their marketing budget wisely, being mindful that TV, radio and print campaigns will not have the same impact as they would in developed markets. In particular, when attempting to reach lower-income segments such as Basic Survivors and Working Families, companies must ensure their promotions and marketing are focused on the community and are visible in the market through relevant media such as radio and competitions.

East African Breweries Limited (EABL) has tailored its marketing approach to become East Africa’s leading branded alcohol beverage company. Tusker Lager, one of its beers and the biggest brand in East Africa, was initially perceived as old-fashioned by young adults. While EABL was determined to rectify this perception, the company had a limited marketing budget, and knew that the impact of traditional TV- or radio-based advertising would be limited within East Africa. To maximize the return on its marketing resources, EABL focused on a single, high-impact platform that would resonate with young adults: Tusker Project Fame, a reality show focused on regional talent. To overcome limited access to TVs, EABL sponsored “viewing bars” where the show was screened in conjunction with promotions on EABL drinks. Competitions were held to boost audience engagement. EABL provided training and branded material to retailers to ensure that the brand was delivered successfully to target consumers and leveraged mobile and Internet technology: the company generated more than one million SMS votes and Web traffic of approximately 70,000 hits per week.13

Effectively Marketing and Promoting: Tusker Lager

• Tusker Lager was perceived as old-fashioned by East African Brewery Limited’s (EABL) target consumers.
• EABL had limited marketing resources and advertising effectively in East Africa would be difficult.
• EABL focused its resources on a reality TV show and brought it to viewers without TVs via “viewing bars.”
Companies are building emerging markets into growth strategies as consumer demand in more mature markets struggles to reach pre-recession levels. Perhaps the most promising emerging market is also one of the least understood: Africa. The continent offers the last frontier for consumer growth. Until recently, doing business on the continent has been hampered by an unstable political and economic environment, a lack of infrastructure, and widespread poverty. At the same time, the predominance of informal markets and cash transactions in Africa has prevented companies from uncovering the types of consumer insights that have helped companies penetrate other markets.

Clearly the African continent is now open for business. The business environment is improving, infrastructure is being strengthened albeit slowly, and growing numbers of consumers are earning more and purchasing products and services that support their aspirations. As the African opportunity becomes more attractive, companies are devising creative ways to gather important market insights in order to craft compelling consumer propositions that meet the needs of African consumers whilst generating robust revenue and profits.

Focus and discipline are key to this goal. Companies must target the right consumer segments, from Basic Survivors to Rising Strivers to the Affluent, and then apply a structured approach to understanding consumers and how to do business with them. It is also critical to move quickly. Companies that enter early, and even create new product categories, stand to gain a significant advantage over competitors that wait until the African market is more mature, when allegiances have already been formed and competitive pressures are more intense.

By focusing on the distinctive needs, behaviors, and preferences of the consumer segments described in this point of view, and by applying a systematic approach to market entry and ongoing success, companies can tap into the African opportunity in ways that protect their margins and grow their revenue—thereby accelerating the pursuit of high performance.

Conclusion
Acknowledgements

The authors wish to thank the following people for their contribution:
Wayne Borchartd, Roze Phillips, Clemence Grasset, Lindsay Smith, Joelle Kana, Tlangelani Mageza, Jon Jaaback, Rolf Moes, Tamara Parker and Henry Egan

Special thanks are owed to the following company representatives who provided detailed market insights:
- Stephen Van Coller (ABSA Capital)
- John Gachora (ABSA)
- Dr Dieter Kovar (ABSA or ABSA Capital)
- Baker Magunda (EABL)
- Dr. Henk Greeff (JD Group)
- Noah Naidoo (Standard Bank)
- Mike Conway (Tiger Brands)
- Herman Heunis (MXit)

Accenture, its logo, and High Performance Delivered are trademarks of Accenture. This document is produced by consultants at Accenture as general guidance. It is not intended to provide specific advice on your circumstances. If you require advice or further details on any matters referred to, please contact your Accenture representative.

About this study

This study was prepared from sources and data which Accenture believes to be reliable but it makes no representation or warranty, express or implied, as to their accuracy or completeness. Any figures and statistics used in this study were up to date at time of writing and are subject to change without notice. The views and opinions expressed in this publication are those of Accenture only and do not necessarily reflect those of any of the companies researched or surveyed or any other third party referenced in the report. Such opinions should not be construed as providing professional advice, recommendations or endorsements, or relied upon as such. Neither Accenture nor its employees accept responsibility for any loss or damage arising from reliance on the information contained in this publication.
References

1 Euromonitor 2011
2 UN Population Division, 2010
3 UN Population Division, 2010
4 Maxim Pinkovskiy, Massachusetts Institute of Technology Xavier Sala-i-Martin, Columbia University and NBER, 2010
5 Maxim Pinkovskiy, Massachusetts Institute of Technology Xavier Sala-i-Martin, Columbia University and NBER, 2010
6 UN Population Division, 2010
9 No whitewash: Unilever’s drive to dominate Africa, Jasson Nissa, April 2003
11 Noodles War: Indomie and the competitions, stocknewsline, December 2009
12 Distribution is the name of the game, Mats Thoren, Ericson Business Review, February 2007
13 EABL Annual Report, 2010
For further information, please contact:

Grant Hatch
Accenture South Africa Strategy Lead
grant.hatch@accenture.com
+27 21 408 1303

Wayne Borchardt
Accenture Global Growth Strategy Lead
wayne.g.borchardt@accenture.com
+60 3 2088 4110

Roze Phillips
Accenture South Africa – Consumer Goods and Services Industry Lead
rozett.phillips@accenture.com
+27 11 208 3533

About Accenture
Accenture is a global management consulting, technology services and outsourcing company, with more than 223,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is www.accenture.com.