

Retail consumer markets offer promise

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As the world's second-fastest growing region, Africa's booming economies have caught the eye of multinationals in search of higher yields. The region is topped only by emerging Asia.



Accelerating economic growth in Africa has global giants such as Nestlé, Mondelez and Unilever, striving to reach untapped consumer spending potential.

The continent's consumer industries are expected to grow by US\$400bn by 2020, representing its single-largest business opportunity, according to a McKinsey report.

Michael Wood, co-founder and director of business consulting firm Aperio, said on Monday (8 July) that expanding into Africa was a logical step for brands that wanted to take advantage of the continent's "billion consumers". But few have a focused Africa strategy that takes into account varied consumers and doing business in different regions.

"The one-size-fits-all approach doesn't work with African consumers (who) are looking for locally relevant brands that they can connect with," Wood said. "The retail environment in Africa is highly fragmented and modern retail in most markets is only just beginning. Companies that make routes-to-market critical in their strategy usually are successful in Africa," he added.

Aperio, which has worked with fast-moving consumer goods companies including Procter & Gamble, Coca Cola and Tiger Brands, develops and implements business building strategies. Also, it advises on launch and expansion plans for companies implementing growth strategies in Africa.

Urbanisation, affluence

Urbanisation and rising affluence are fuelling consumer growth on the continent with a rising middle-class demanding high-quality brands and ranges of products that were not previously available on local markets.

According to McKinsey's Africa Consumer Insights Centre, when it comes to expansion, businesses should focus where it matters.

"Companies will have to decide where they can gain the scale and how they can efficiently get their products in front of the target consumer," it said.

"Cities offer the best opportunity. But companies may choose to bypass high-profile megacities, such as Cairo, Johannesburg, and Lagos for mid-tier cities like Abidjan and Rabat (that) are more accessible, have less competition and offer better profit margins," McKinsey claimed.

In order to reach consumers and influence purchasing behaviour, companies are having to tailor their propositions, particularly by localising products.

To woo low-income home-brew drinkers in Africa's burgeoning beer market, SABMiller has launched cassava beers in Ghana and Mozambique. Chibuku Super, a traditional beer with a longer shelf life and costing 40% less than conventional beers, has performed well in Zambia and was recently launched in Zimbabwe.

Companies are also offering re-engineered pack sizes. Limited means of transport, the prevalence of small-scale retail stores and markets and the widespread use of street vendors means it does not make sense for manufacturers to develop bulk pack-sized items.

"Convenience and single serve products are not just a result of affordability but are driven by consumer needs," Wood said.

Source: Business Day via I-Net Bridge

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