

'Africa Rising' is a global megatrend - Euromonitor

Euromonitor International's *Africa Rising* megatrend is part of a Megatrend report series that provides "thought leadership on trends with the strongest influence on the world of tomorrow".

 By Louise Marsland 24 Apr 2018



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The report analysis the increasing significance of the African market, the diversity of the African consumer; as well as opportunities and challenges for companies operating on the continent across key consumer industry sectors across Africa.

The key findings of the report are:

- African population growth, increased urbanisation and expenditure presents opportunities: Africa is the world's second most populous continent. Its growing young population is expected to command nearly 20% of the world's population by 2025. Equally, rapid urbanisation and fast-growing consumer expenditure provides long-term opportunities.
- Consumers are diverse and a "one size fits all" approach will not work: Africa's 54 independent states are home to a diverse population of different income groups, religions, races, customs and languages. This diversity requires a more granular and regional approach for a successful and sustained market entry.
- A flexible long-term strategy is required to succeed in the continent: Despite signs of growing GDP and consumer expenditure, the challenges of the continent, such as lack of infrastructure, paucity of skills and political instability, require a flexible and long-term approach.
- Local companies offer strong competition: Local companies are seasoned experts with a wealth of knowledge, which give these companies an advantage over global competitors. Lessons can be learnt from their approach to business, partnerships should be considered.
- Growing technology in the region provides new ways of reaching consumers: Africans are increasingly connected, with high mobile penetration - reaching one billion in 2017. This offers opportunities in various consumer industries, which include finance, apparel, food and drink, and beauty and personal care.
- Modernisation of retail alongside informal retailing: Modern retail outlets are increasing at a rapid pace. However, a large proportion of retailing still takes place in traditional stores, open-air markets, street kiosks and even at the side of the road. Understanding how these markets operate and why consumers choose these channels is important.

Euromonitor also references the fact that Africa has some of the fastest growing economies in the world, a stat that is clearly making the rest of the globe take notice. The latest research puts Ethiopia, Rwanda and Mozambique as the fastest growing economies in real GDP terms, with growth rates above global averages.

The economic significance of Africa's emerging markets is clear when one takes in the fact that South Africa and Nigeria

which led the pack as Africa's two largest economies and account for 50% of the continent's GDP, will account for just 37 of Africa's total GDP by 2030.

Africa is forecast to be the most dynamic region for a variety of industries, including packaged food, consumer electronic and beauty and personal care.

Just as important is that by 2030, Africa will have 16% of the world's internet users, which Euromonitor says reflects growth of over 260% from 2017: "This makes Africa the fastest growing region for the number of internet users, creating compelling opportunities such as in mobile banking and online retailing," the report states.

Consumer expenditure

Also above the global average, is the fact that the continent's consumer spending will grow faster than the global average.

Euromonitor reports that much of the increase in Africa's consumer expenditure will come from rapidly growing smaller markets, such as Ethiopia and Kenya, which are both expected to record consumer spending CAGRs of 8% over the 2017-2030 forecast periods.

Notable here is the rising and aspirant middle class and Africa's youth bulge. What is new in the research, is that Euromonitor believes there is untapped potential at the "bottom of the pyramid", which represents more than a third of Sub-Saharan African households in 2017.

"Though the most impoverished socioeconomic group in a country, it contains a mix of incomes, living standards and rural and urban locations, with varying levels of access to goods and services. To 2030, the African social classes are forecast to show largely similar rates of expansion, as the continent's wide income gap is not expected to change over the long term. Thus, companies would be wise to look at ways to target this populous group in addition to the middle class."

Mobile-savvy

With the growth in population and positive economic prospects, internet usage becomes more important. Euromonitor predicts the rising number of mobile phones and internet banking has made it easier for African consumers to make international payments, with key markets set to record growth rates well above the global average over the forecast period 2017-2022.

"Consumer categories to particularly benefit from the increase in internet retailing include media products, apparel, food and drinks, and beauty and personal care. Egypt, which is expected to see the highest growth in internet retailing to 2022, will see its strong growth primarily come from media products and food and drinks," the report states.

Concluding, the report references internet retailing and m-commerce specifically as growing fast, requiring investment.

"Diverse frontier markets offer opportunities in a range of industries, at different consumer income levels, driven by population growth. GDP and consumer expenditure are also expected to grow, opening up lots of opportunities but long-term planning is key for companies to succeed in this market. Tapping into opportunities offered by both the 'bottom of the pyramid' (BOP) and the growing middle-class consumer bases will be key in certain African countries with tailored products and service offerings for each segment," the Euromonitor report concludes.

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