AFRICA’S MIDDLE CLASS: MYTH OR REALITY?

CHALLENGING THE DEFINITION

Presenter: Maryann Mugo
MSRA Kenya
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GLOBALLY, GROWING MIDDLE CLASS

1.8 BILLION
GROWING FAST

By 2030

2 BILLION

New people will join the middle class

2013

2030
CHANGING FASTER

Asia will be the home of 3 BILLION middle class

The projected middle class in Latin America is 313 MILLION

The middle class in Africa is projected to DOUBLE
INCOME .... COMMONLY HELD CURRENT DEFINITION

POVERTY <$1.25 PER DAY

WEALTHY >$20

UPPER MC $10 - $20

LOWER MC $4 - $10

FLOATING MC $2 - $4

POOR $1.25 - $2

POPULATION 1 billion

INCOME

5%

5%

9%

21%

17%

43%

20%

11%

10%

24%

15%

20%

Source: African Development Bank
INCOME PROSPECT FOR THE MIDDLE CLASS

The geometrics of the DIVERSE consumer basket

<table>
<thead>
<tr>
<th>Population</th>
<th>Income</th>
<th>Consumer Spend</th>
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<tbody>
<tr>
<td>Wealthy Elite</td>
<td>5%</td>
<td>$1.6t</td>
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<tr>
<td>Mass Urban Market</td>
<td>20%</td>
<td>$900bn</td>
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<tr>
<td>Variable Potential</td>
<td>43%</td>
<td>$2.6t</td>
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<td>Poverty Stricken</td>
<td>14%</td>
<td>$1.3t</td>
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SIZE OF THE OPPORTUNITY IS TREMENDOUS

As big as other large emerging markets, and relatively untapped

African Middle class 350m people

=  China

or

=  India + Brazil

=  Brazil + Russia
THERE IS INVESTED OPTIMISM ...

BUT IS THIS THE ONLY DEFINITION?
REDEFINE ....... DIVERSITY

- Nielsen identified 7 mutually exclusive segments. **Common themes running across segments are strong family orientation and the need for affordability**

![Image showing Nielsen's 7 segments: Trendy Aspirants, Balanced Seniors, Struggling Traditionals, Evolving Juniors, Wannabe Bachelors, Female Conservatives, and Progressive Affluents.](image)

**Trendy Aspirants**: 20%

**Balanced Seniors**: 19%

**Struggling Traditionals**: 21%

**Evolving Juniors**: 11%

**Wannabe Bachelors**: 12%

**Female Conservatives**: 9%

**Progressive Affluents**: 8%

**A F F L U E N C E**

- **High**: Trendy Aspirants, Balanced Seniors, Struggling Traditionals, Evolving Juniors
- **Middle**: Wannabe Bachelors
- **Low**: Female Conservatives, Progressive Affluents

Source: Nielsen Emerging Market Insights
CONSUMER SEGMENTS IN AFRICA

Trendy Aspirants
- 15-29, single, largely male, single
- Middle SEC, urban
- Educated secondary school or above
- Modern - interested in fashion and technology
- Likely to try new things
- Willing to pay more for quality and uniqueness

Balanced Seniors
- 20-45, married with children
- Across all SECs
- Studied secondary school or above
- Traditional, family oriented and religious
- Values affordability and open to recommendations

Progressive Affluents
- 30-45 years, married with children
- Higher SEC, urban
- Well educated, managerial jobs
- Willing to try new things and pay for quality
- Family is important but also tends to be very individualistic.
- Buys on impulse.
- Will pay more for better service

Source: Nielsen Emerging Market Insights
## DIVERSITY AS THE YARD STICK...

<table>
<thead>
<tr>
<th>Country</th>
<th>Modern, Fashion conscious</th>
<th>Tech &amp; Media savvy</th>
<th>Likely to try new things</th>
<th>Willing to pay for quality &amp; uniqueness</th>
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Source: Nielsen Emerging Market Insights I
REDEFINING WHAT MIDDLE CLASS MEANS

New consumer centric definitions became the basis of our insights

1. SHOPPING BASICS
   - Global: 44%
   - SSA: 72%

2. LIVING COMFORTABLY
   - Global: 42%
   - SSA: 23%

3. SPENDING FREELY
   - Global: 14%
   - SSA: 4%
PURSUING THE MYTH- “A GROWING MIDDLE CLASS” IS INSUFFICIENT AS A GROWTH STRATEGY

IT IS NOT ABOUT

CONSUMER INCOME

IT IS ABOUT

CONSUMER MINDSET
RE-THINK AND GEO-STRATEGIZE TO REACH

**WHO**
Are middle class consumers?

**WHERE**
Should we focus?

**WHAT**
What is their behavior?

**NOT WHO YOU THINK**
IT’S NOT ONLY ABOUT INCOME BUT RATHER ASPIRATIONS, MINDSET & BEHAVIOR

**NOT WHERE YOU THINK**
IT IS EVERYWHERE, 23% (220MILLION) SSA CONSUMERS ARE “LIVING COMFORTABLY”

**BUT SURPRISINGLY CONSISTENT**
THE STRATEGIC RESPONSE TO CONSUMER BUYING IS GLOBAL, BUT MARKET-BY-MARKET TACTICAL VARIATIONS ARE ESSENTIAL
NO ONE GETS YOU CLOSER TO THE CONSUMER