

The Middle Class Consumer State of Mind

Are consumption Trends a strong signal for A
Growing Middle class in Africa?



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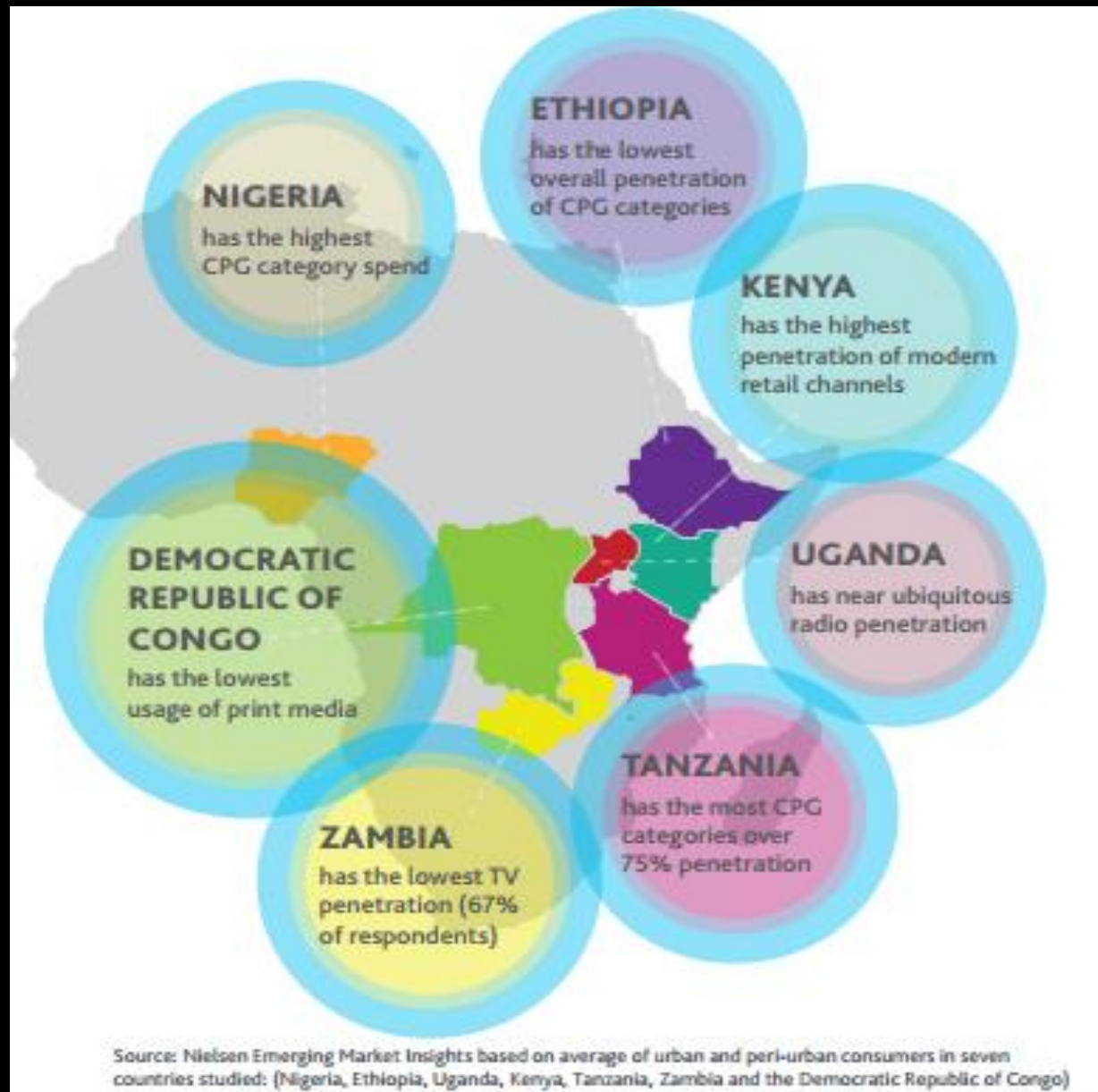
2014

9%

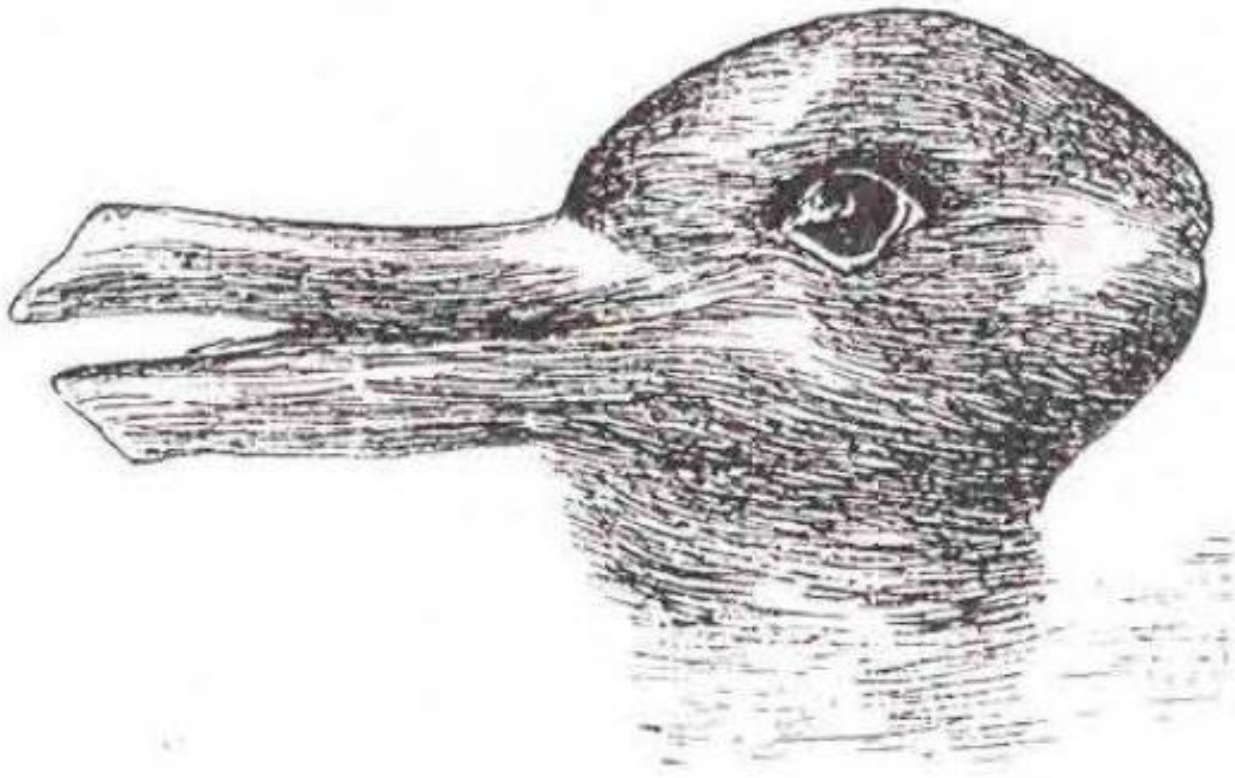


2015

At A Glance: Consumption in Africa



Interest Driven Perspectives?



Background

- What is the standard global definition of middle class?
- Studies indicate Growing *middle class* across Africa, **booming**.
- Driven by people moving from Poverty to higher income?
- Are Consumer trends in line with the perceived growth of the *middle class*?
- Are the hypothesized indicator trends reflective of the reported *middle class* growth?

Who Are the African Middle class?

The middle class in Africa is projected to more than **DOUBLE** (2013-2030)

Statistically, measured by ordered national income levels, the bracket of persons earning between the 25th percentile and the 75th percentile.

Social scientists define middle class as a combination of values, expectations, and aspirations, as well as income levels

34% or 313 million Africans are now middle class (living on \$2-\$20 a day)
~ADB

Those earning between \$2 and \$20 a day.
~World Bank

Evaluating Aspects of Consumer Behavior

- FIRST consider consumer confidence on a broader scale
- Investigate THREE **Hypothesized** aspects of consumer behavior that may indicate shifts in the middle class.
 - *What is the magnitude of the shifts relative to reported (From Various sources) middle class growth*

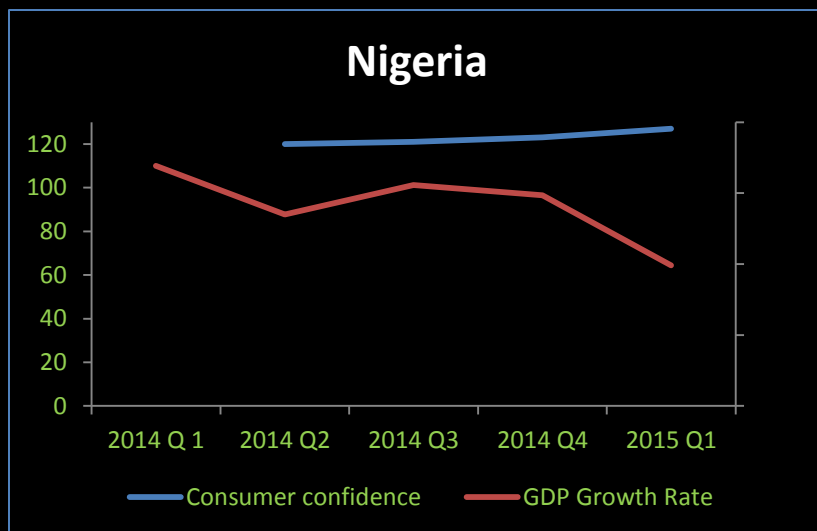
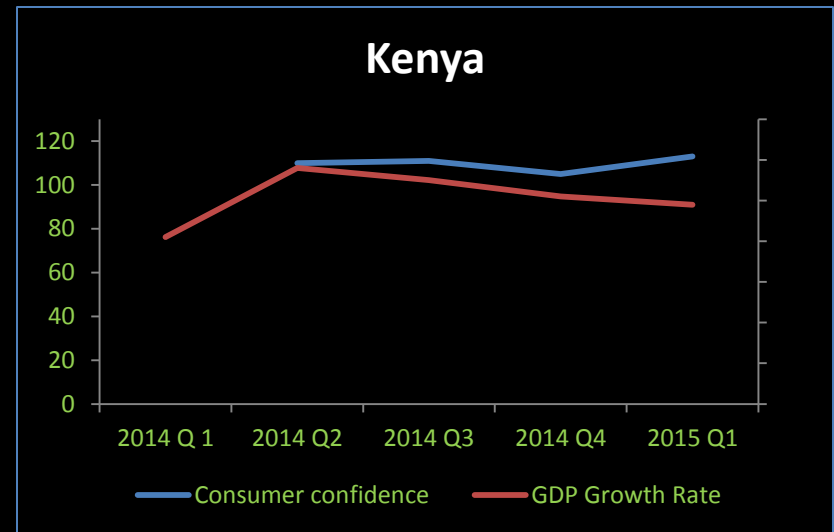
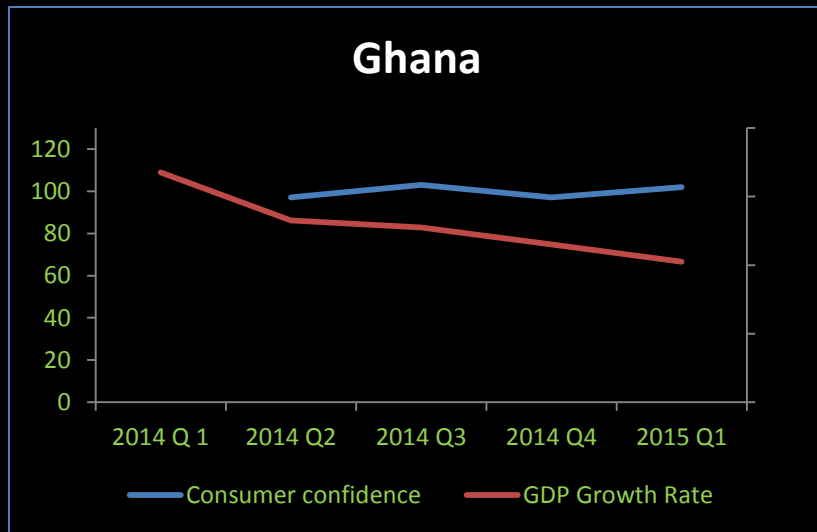
Enhancing the definition of *Middle Class*

Investigating the mindset of the consumers may give a clearer picture than adopting generalized views of a middle class.

The African Consumers' outlooks

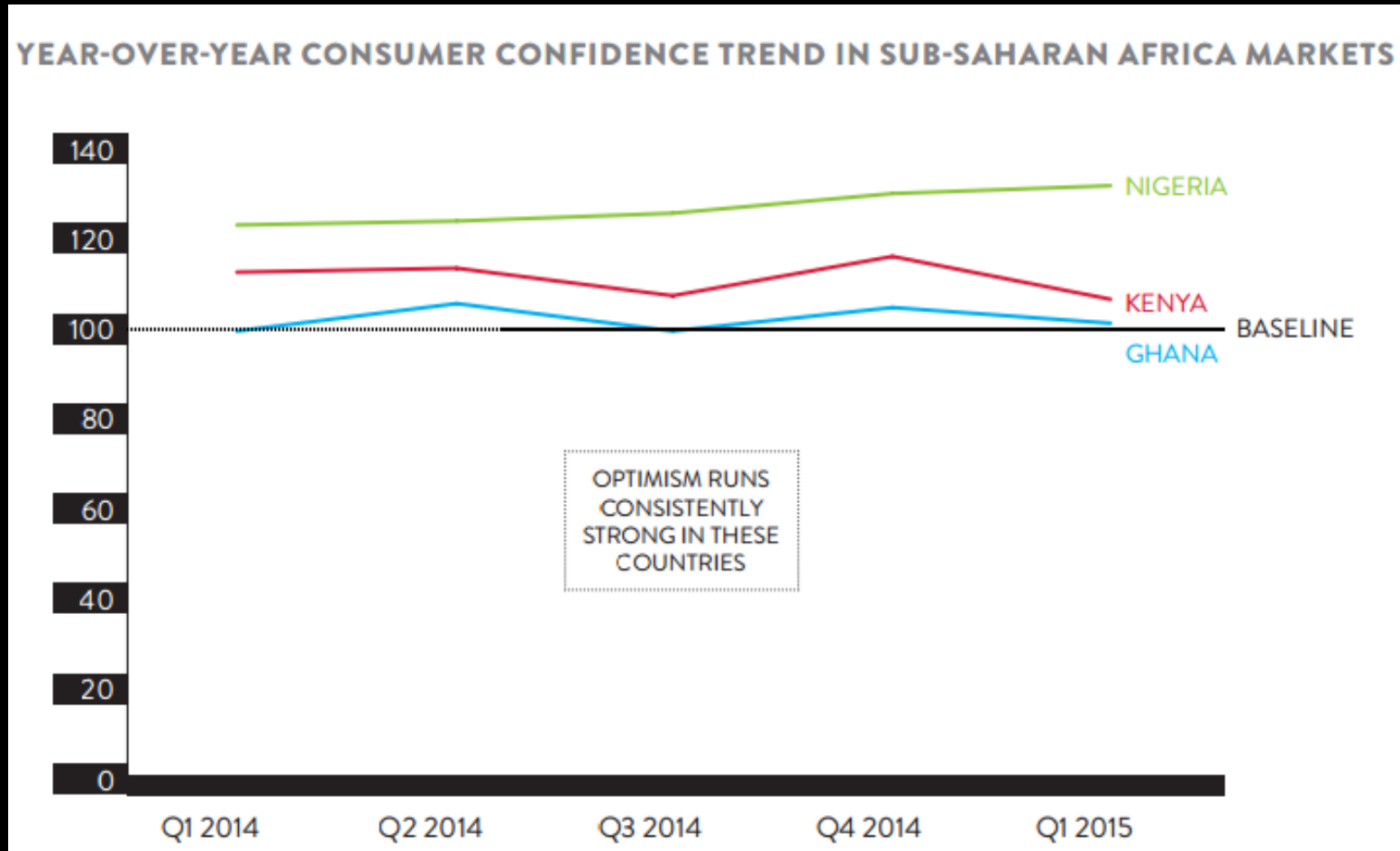
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|---|-------------------------------|-----|
| 1 | JOB PROSPECTS | 56% |
| 2 | PERSONAL FINANCES | 72% |
| 3 | IMMEDIATE SPENDING INTENTIONS | 44% |

Consumer confidence and GDP growth (%)



Consumer confidence, when linked to quarterly GDP growth rates, shows **different patterns of influence of consumer attitudes on economic growth.**

Focus On The Mindset Over The Middle Class



The Sub-Saharan countries have a generally positive consumer mindset, which is mostly above the baseline score of 100.

1. Modern Trade Versus Traditional Trade

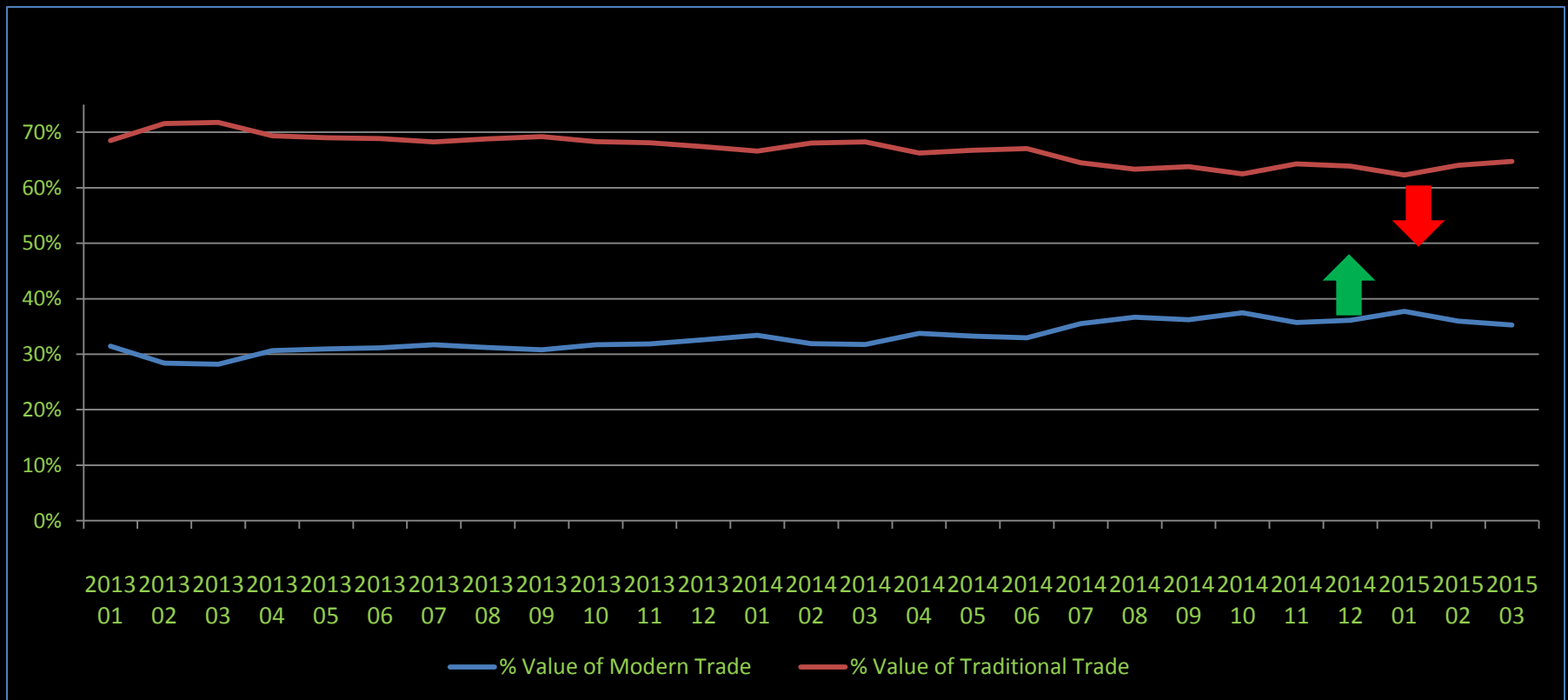


Growth in spending in modern trade outlets (supermarkets and hypermarkets) **relative to growth** in traditional trade outlets (kiosks, dukas, etc)

Growth Of Modern Trade

“Ability to do the bulk of household shopping in a supermarket is one of the filters that separates the poor and the middle class.”

~Ignatius Gabriel



Source: Nielsen Retail Measurement Data

Modern trade consistently accounts for a smaller proportion of consumer goods sales
Steady Upward shift in modern trade sales relative to traditional trade outlets.

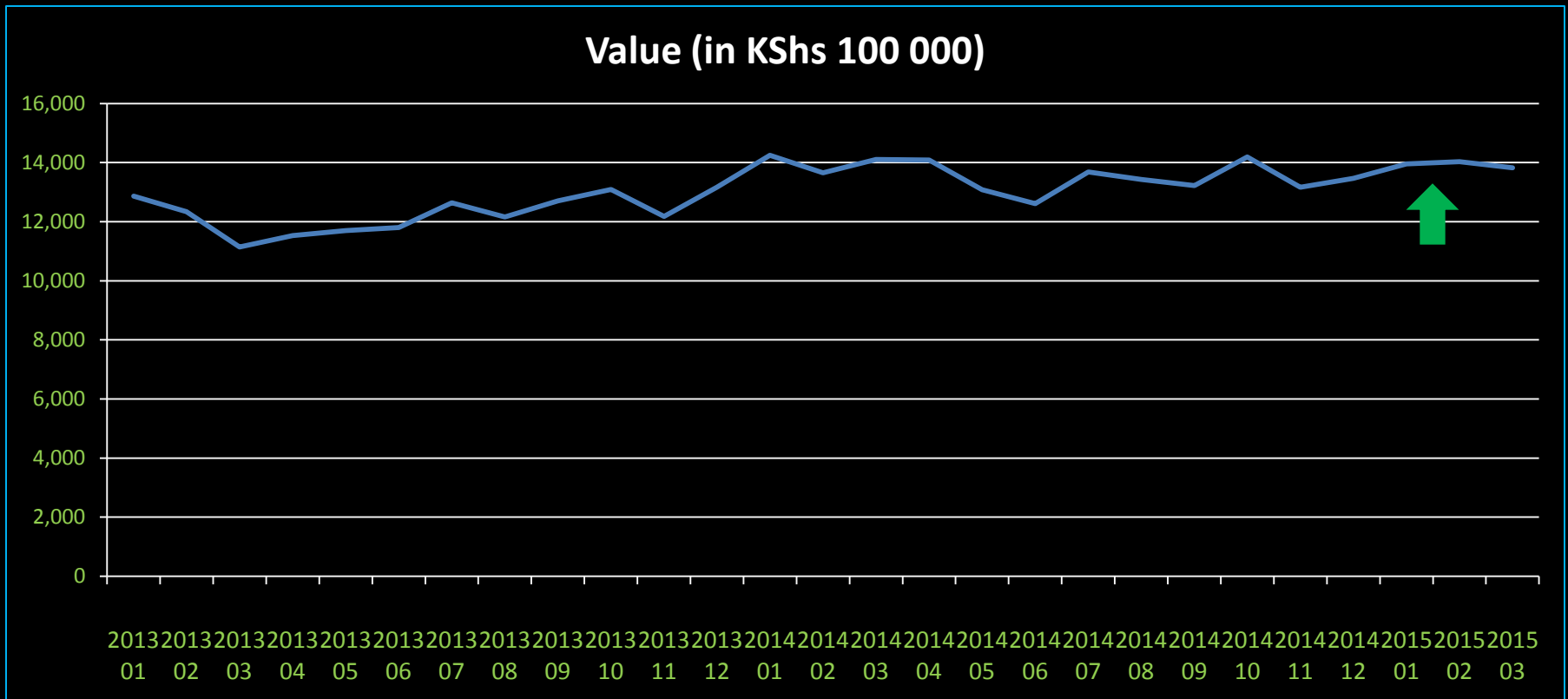
2. Trends in consumption of premium/luxury goods



Consumption patterns of goods that are more likely to be consumed by higher income groups ; Can growing Per Capita Incomes be linked to higher spending in these categories?

Consumption Of Premium Goods

Considered Categories: Baby drinks, Deodorant, Fragrances, Hair Conditioner, Ready to eat Cereal, Toilet Cleaner/Freshener, Chocolate Bars



Source: Nielsen Retail Measurement Data

A shift from low income to the middle class would likely result in increased consumption of luxury goods. Here, we examine the trends in sales of goods associated with the middle class. These may vary by country and culture.

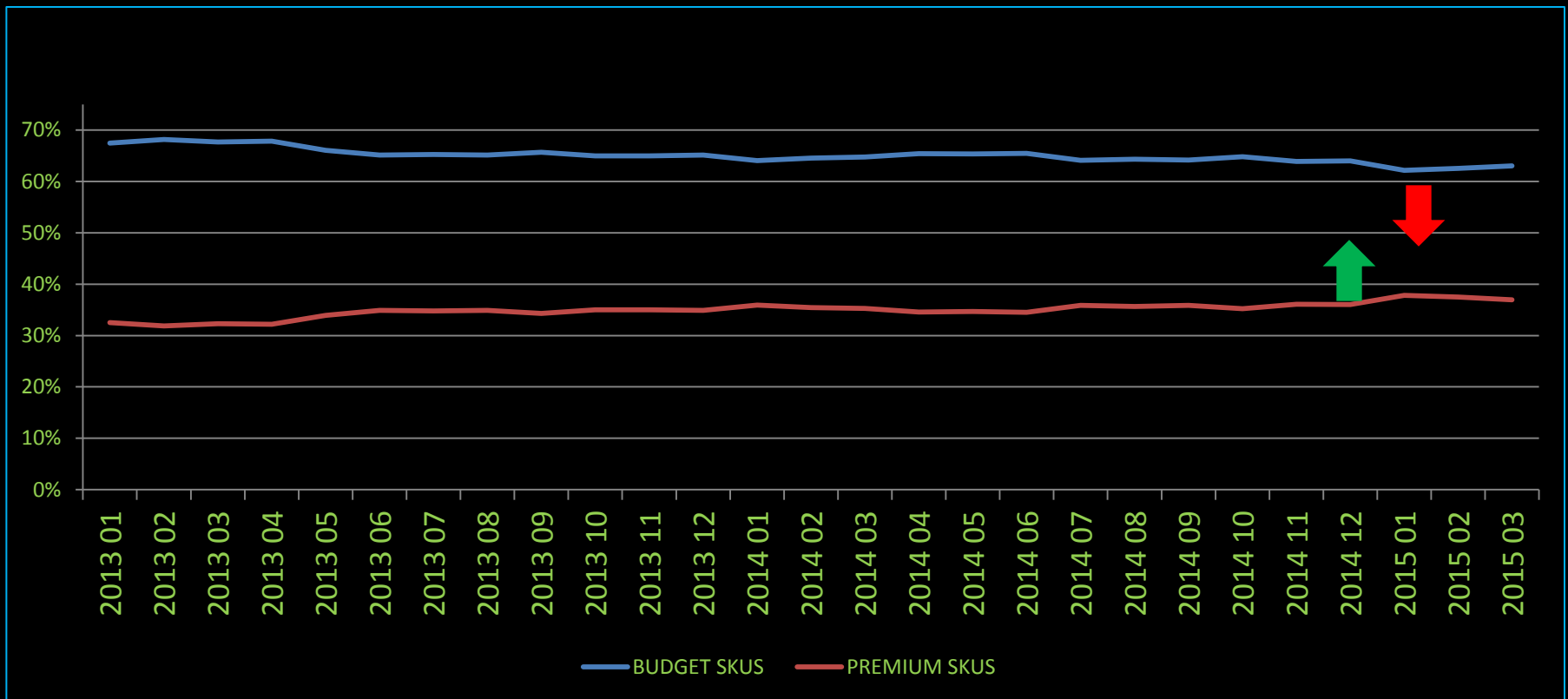
3. Trends in Store Keeping Units sales



Can changes in the market share of smaller packs and quantities point towards a shift towards a middle class driven economy?

SKU Consumption

The pack sizes consumers choose can indicate their income levels given that higher incomes would prompt consumers to buy goods in bigger packs and make bulk savings. Budget SKUs (< 250G) Vs. Premium SKUs (>250G) in a few well distributed Categories



Source: Nielsen Retail Measurement Data

General trend seems to be moving towards growing sales coming from Premium SKUs while the Budget SKUs market share **gradually decreases**.

Increased Consumer incomes, albeit with gradual consumption pattern habits changes..?

" (...) While often presented in the media as being frivolous spenders, the facts suggest otherwise: 65% of the new black middle class own their own homes. They also invest heavily in education — 65% send their children to model C or private schools." – Steyn, 2013

Some Take Outs

1 Consumption Patterns **gradually** changing –
As opposed to reported **Fast growth** of the
middle class; **Directional alignment**

However

2 Full impact is imminent – Stakeholders
(Manufacturers, Retailers) better be prepared
to align with the disruption

3 Change in Consumption Patterns to have a
ripple effect across sectors

Fresh thinking to understand middle class

A different way of looking at Africa's burgeoning middle class.



SHIFT FROM INCOME TO MINDSET

Understanding the motives behind consumer behavior



DISCARDING THE 'GLOBAL MIDDLE CLASS'

Enumerating the middle class based on country specific, relevant criteria



DISSECTING MACROECONOMIC STATISTICS

Focus on consumer-level influencers of GDP outcomes

THANK YOU

Q&A