



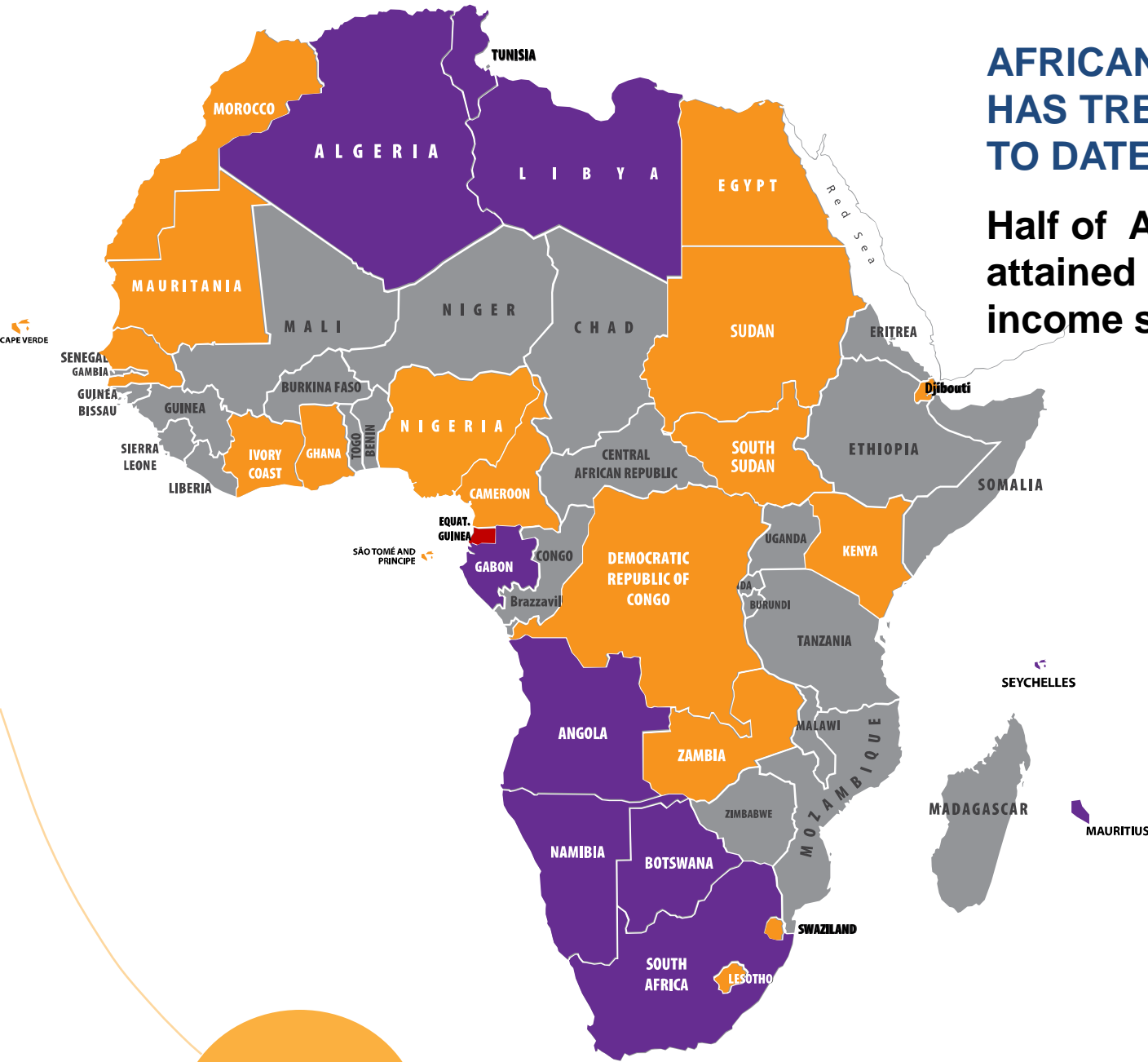
# Demystifying the Africa Middle Class

July 2015



## AFRICAN ECONOMY HAS TREBLED (2002 TO DATE)

Half of Africa has attained middle income status



### Lower middle income

Nigeria, Kenya, Côte d'Ivoire, Cameroon, DR Congo, Cape Verde, Djibouti, Egypt, Ghana, Lesotho, Morocco, Mauritania, Sudan, Senegal, South Sudan, São Tomé and Príncipe, Swaziland and Zambia

### Upper middle income:

Angola, Botswana, Algeria, Gabon, Libya, Mauritius, Namibia, Seychelles, Tunisia and South Africa

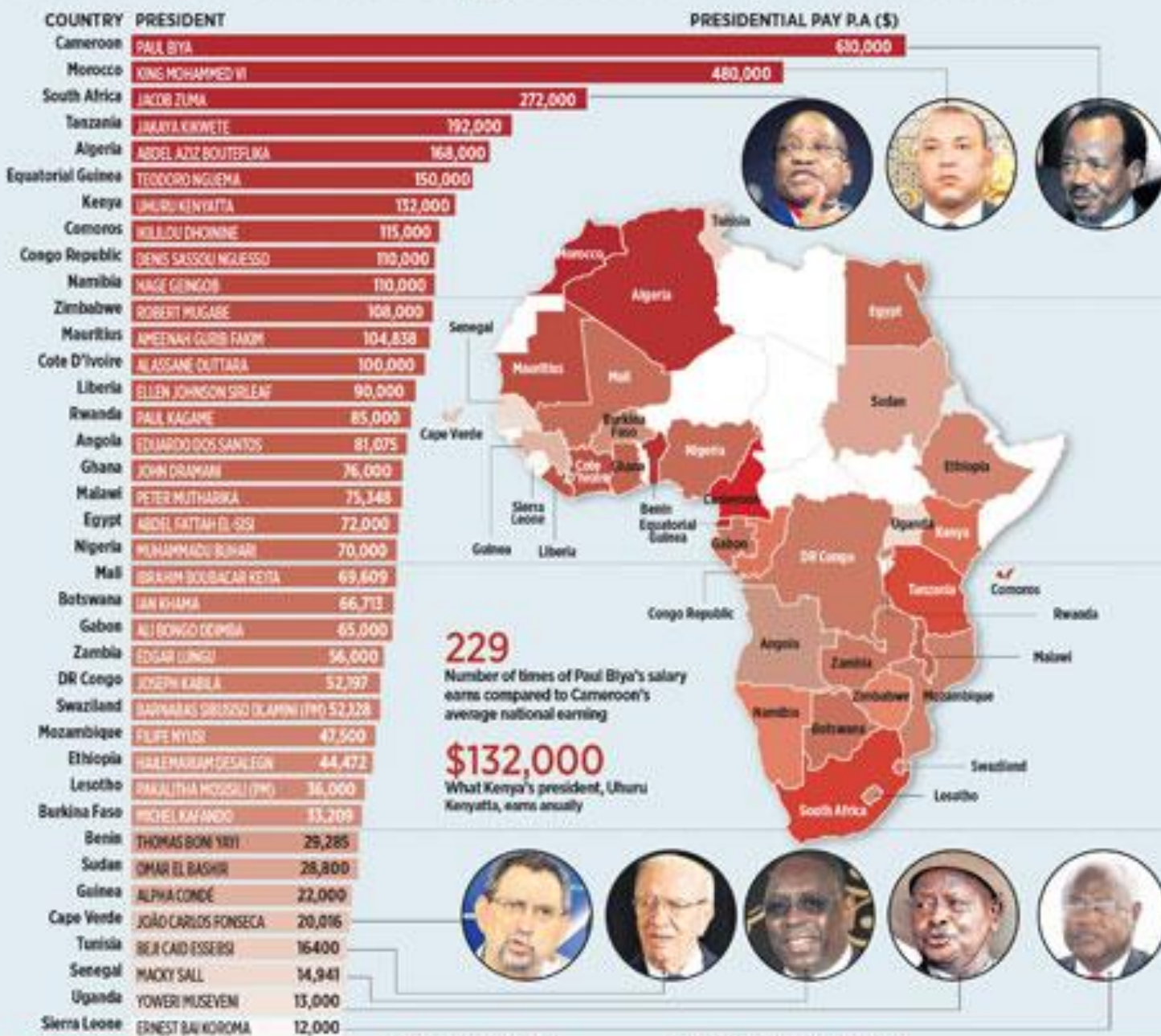
### High income:

Equatorial Guinea



# Salaries of sitting African presidents

**PRESIDENT'S PAY COMPARED TO THEIR COUNTRY'S AVERAGE EARNING**



GNI PER CAPITA		RATIO
2660	Cameroon	229.5233083
7000	Morocco	68.57142857
12240	South Africa	22.22222222
1750	Tanzania	109.7142857
12990	Algeria	12.9330254
23240	Equatorial Guinea	6.454388985
2250	Kenya	58.66666667
1560	Comoros	73.71794872
4720	Congo Republic	23.30508475
9590	Namibia	11.47028054
1560	Zimbabwe	69.23076923
17220	Mauritius	6.08815331
2900	Cote D'Ivoire	34.48275862
790	Liberia	113.9240506
1430	Rwanda	59.44055944
6770	Angola	11.97562777
5880	Ghana	19.58762887
750	Malawi	100.464
10850	Egypt	6.6359447
5360	Nigeria	13.05970149
1540	Mali	45.20064935
15500	Botswana	4.304064516
17220	Gabon	3.774680604
5070	Zambia	18.2404255
680	DR Congo	76.76029412
6220	Swaziland	8.380707395
1040	Mozambique	45.67307692
1350	Ethiopia	32.94222222
3320	Lesotho	10.84337349
1960	Burkina Faso	21.28762051
1780	Benin	16.45224719
2370	Sudan	12.15189873
1160	Guinea	18.96551724
6220	Cape Verde	3.218006431
10960	Tunisia	1.406350365
2240	Senegal	6.670069286
1370	Uganda	9.489051095
1750	Sierra Leone	6.857142857



**DOES THE MIDDLE CLASS  
REALLY EXIST?**



## In what context?

- Pew Research Center in the United States defines the American middle class;
  - ⇒ Median income for a four-person household being \$68,274 (Sh5, 871,564) varied across North, South, East and West
  - ⇒ An American middle class household shops at Target, saves for their child or children's college education, has the time and money for a vacation (an average of \$4,000 or Sh340,000) on a week-long summer holiday, including airfare, own a home, have a secure job (which is a key requirement), have a health insurance (mainly through the employer).
  
- Sub Saharan Africa -----probably no means of comparison
  - ⇒ The Kenya National Bureau of Statistics (KNBS) October 2005 tabulation defined the middle income group as a households with monthly expenditure of between Kshs 23,671 (USD230) and Kshs 120,000. (USD 1,200)
  - ⇒ In a more recent report (2010-2011) by the KNBS, 24 per cent of Nairobi's population was made of middle class families, up from 19 per cent in 2007.
  - ⇒ Households that spend more than USD 2,000 on a monthly basis accounted for 3.6 per cent in the 2010-2011 report, up from one per cent in 2007



But wait a bit....there is suggestive evidence all around us



The 1 2 3 4 5 concept  
(But do I say)



## LSM 1-3



### **The poor** **Basic Survivors**

- 40%
- Largest segment
- Income : <\$2 per day
- Live in rural areas or slums



## LSM 3-5



### **Lower income** **Working Families**

- 2<sup>nd</sup> largest segment
- Earn \$100 – \$250 per month
- Work and spend on family



## LSM 6-8



### **Middle Incomes** **Rising Strivers**

- Earn \$250 – \$750 per month
- Surpluses to spend on consumer goods



## LSM 9-12



### **Middle Income** **Cosmopolitan Professionals**

- Earn \$700 – \$1,000 per month
- Regular monthly income



## LSM 13-17



### **High Income** **The Affluent**

- More than \$1,200 per month



## The Backbone/ BOP (75%)



- Affordable quality – pay a penalty- '**spoonful SKU**'
- **Optimism**, trust, hope & self belief
- **Dignity** through rational value choice
- Accessibility & **Retailer influenced**

**EMPOWER TO CONNECT**

## Emerging Middle Class (20%)



- Looking **away from low** but proud of origins
- Experimental but cautious on **tangible value**
- Seek credibility and **reassurance**
- Premium value without a premium **price tag**

**REINFORCE ACHIEVEMENT**

## GenY/ Yllennials (40%)



- **Spirit** of adaptability & affordability
- **Early adopters** of technology & innovation
- Infuse **local relevance** to global/regional ideas
- Live in the '**now**'; adapts to the season

**INNOVATE TO ENGAGE**

**NB: This does not add up to 100% of the universe as the GenY/ Yllennials cuts across all social classes**



# A Closer look: Social granulation

## HUMANE

- A majority
- Hardworking
- Friendly, out to making a living
- Take in anything – gullible

## ME, MYSELF & I

- A 'global village' community
- Low involvement in public issues
- Self centered, impatient
- Always in a hurry
- Social media activists
- Brand loyalists, but 'Whiners'

## UTA DO?

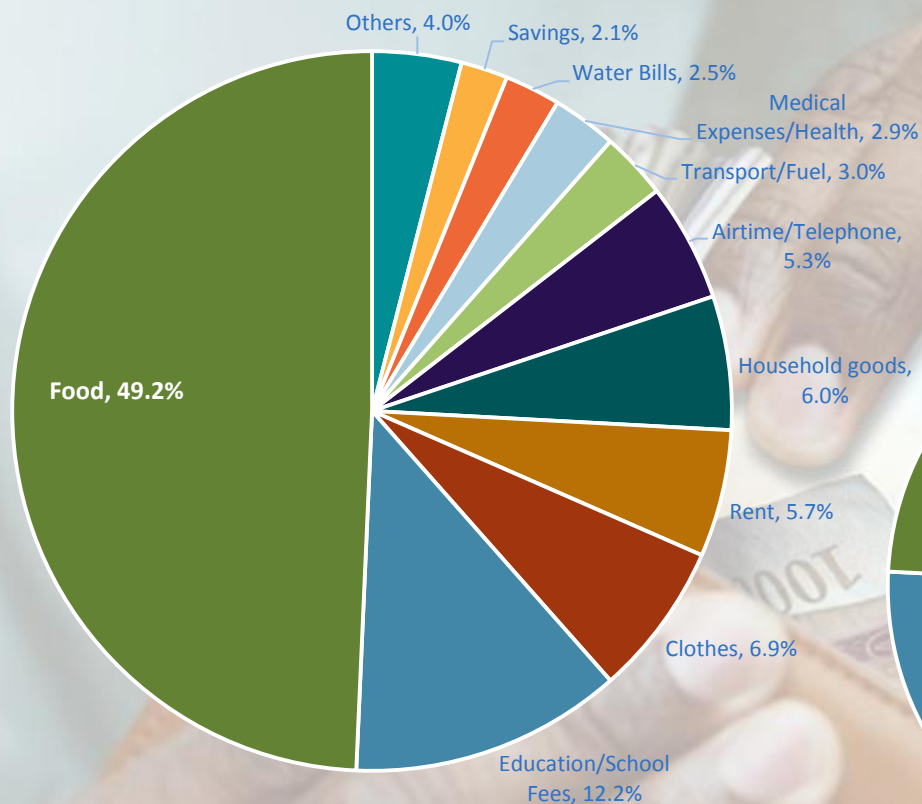
- Affluent, discreet but more patient
- Personalised service
- Strong recommenders
- Opinion leaders, can 'make or break'

3

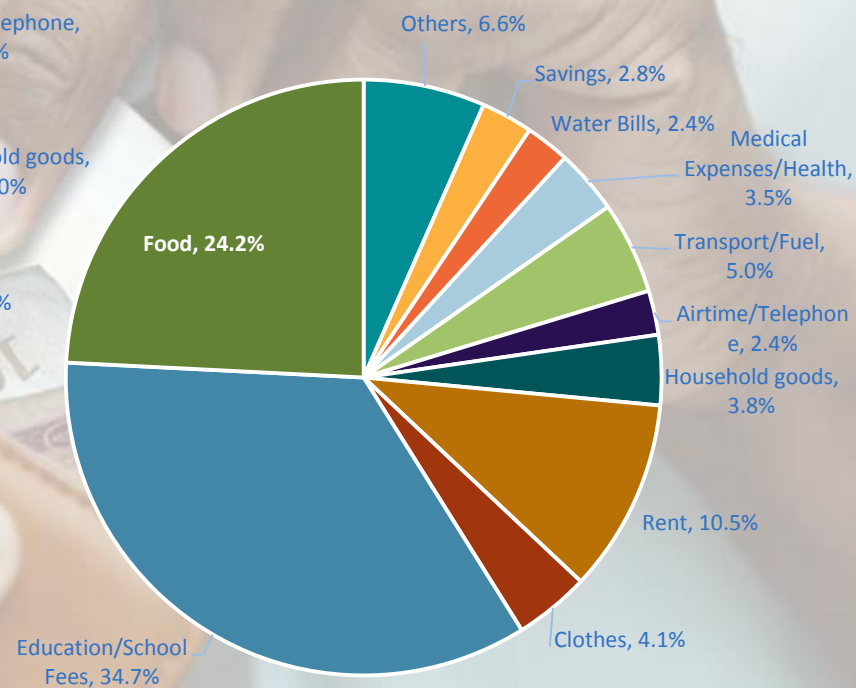
Product Relevance  
Product Availability  
Product Value

# Consumer Share of Wallet - East African Country

## Lower Income



## High income



Base: Lower income; n=1,779 | Higher Income; n=281





Is the middle class driving the real estate sector?

# The case of Kenya

- Real estate has been captured as one of the main economy drivers at 8.2%. The current buzz surrounding the Kenya thriving Real Estate sector attributes its success to the emerging middle class.
- Statistics from the Kenya Bankers Association indicate that an average of 22,000 Kenyans have Personal Mortgages facilities with various financial institutions.
- A loose segmentation of the real estate landscape in the cities/ big towns can be viewed as:
  - ⇒ Malls and High rise Office buildings – These have attracted foreign investors as well as local partners.
  - ⇒ Gated Residential Communities – The main players in this space are local investors. Companies such as Suraya, Home Afrika, Migaa fall into this category.
  - ⇒ Stand alone Residential Houses / communities– These are dominated by individuals and Company/Institution Saccos.



# The case of Kenya

- According to KNBS, 12% of the Kenyan working population is employed (14 Million Kenyans).
  - ⇒ The Private sector employs an average of about 1.6 Million Kenyans while the Public sector employs about 2.4 Million. This therefore translates to only 4 Million Kenyans which infers that about 10 Million Kenyans are in the informal sector (Self-employed , entrepreneurs etc).
  - ⇒ To qualify for a Kshs 2 Million Loan payable in 60 months, one would have a monthly deduction of about Kshs 50,000 hence must retain a net salary of Kshs 100,000. Less than 5% of Kenyans employed in the Public Sector have a salary net worth of Kshs 100,000.
  - ⇒ The real drivers of the real estate sector could be 10 million in business / informal sector. Supporting statistics on this group with regard to income, lifestyle or consumption habits is so far nonexistent







***Solution?***  
***Big data analytics on middle class trends – banking, Mobile phones, shopping, etc***