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AFRICA’S MIDDLE CLASS: MYTH OR REALITY?

CHALLENGING THE DEFINITION

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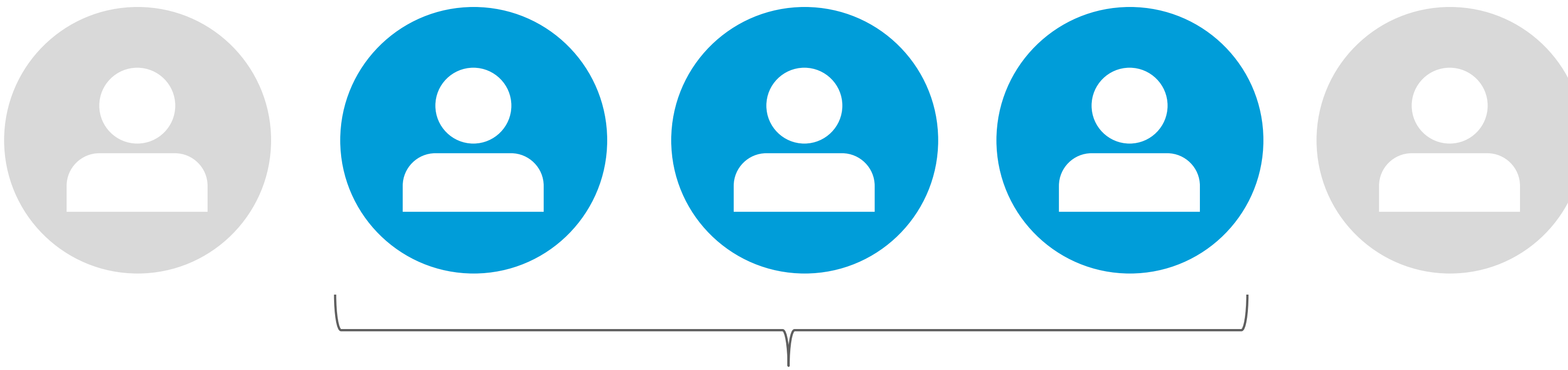
MSRA Kenya
30th July 2015

GLOBALLY, GROWING MIDDLE CLASS



1.8 BILLION

GROWING FAST

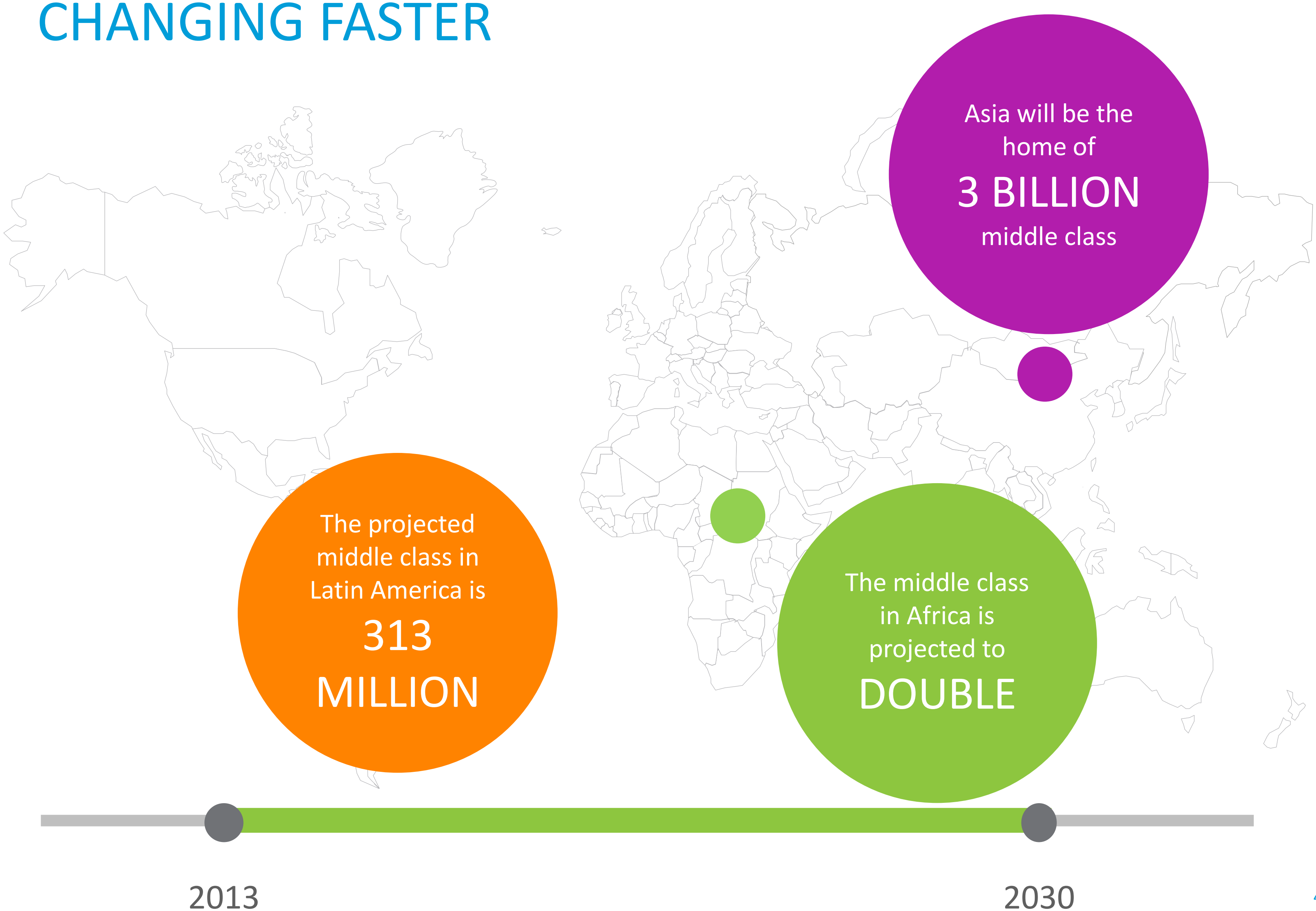
By 2030

2 BILLION

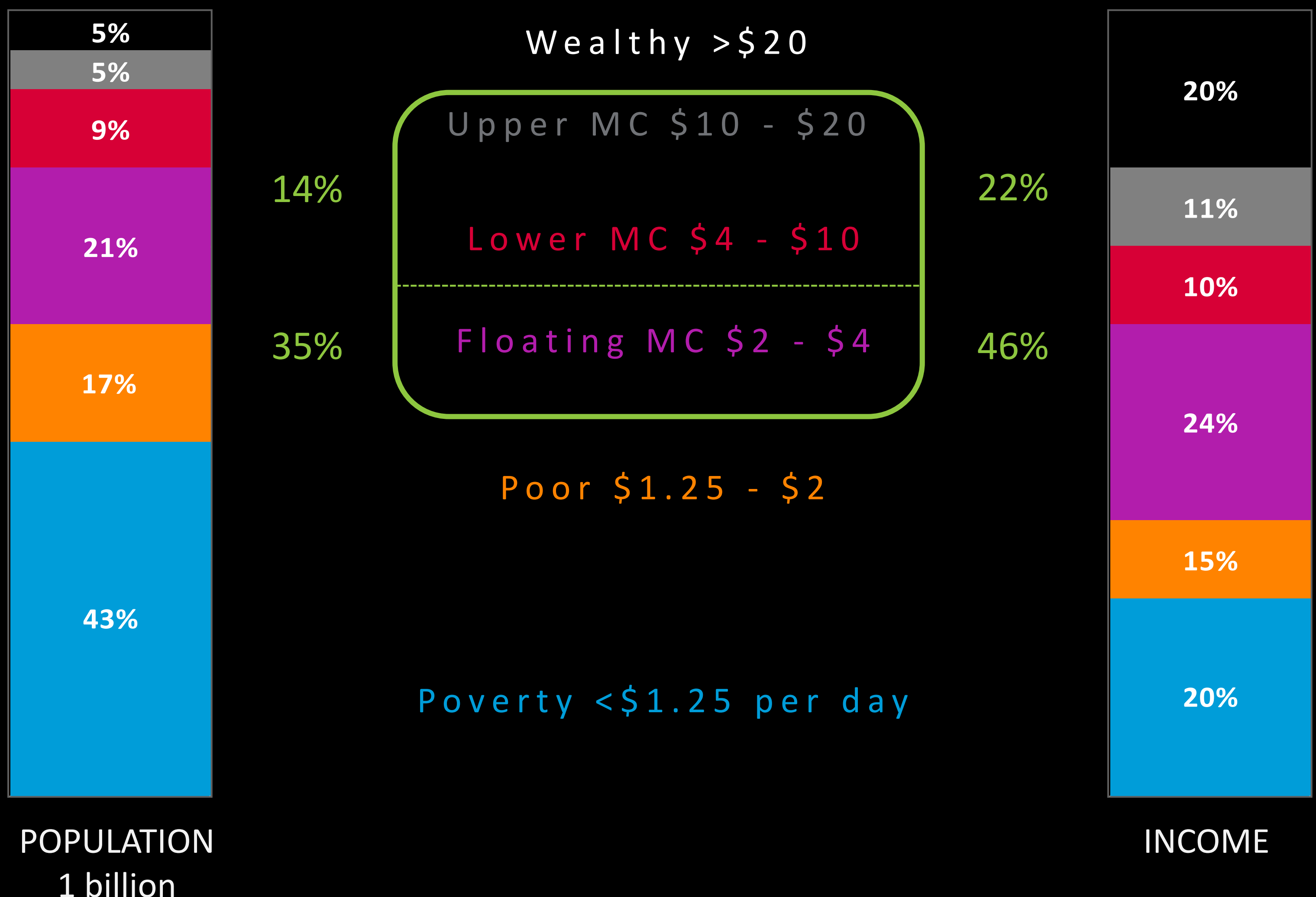
New people will join the middle class

2013 2030

CHANGING FASTER



INCOME …. COMMONLY HELD CURRENT DEFINITION



Source: African Development Bank

INCOME PROSPECT FOR THE MIDDLE CLASS

The geometrics of the DIVERSE consumer basket

today

Wealthy Elite

Mass Urban Market

Variable Potential

Poverty Stricken

POPULATION	INCOME	CONSUMER SPEND
1bn	**$1.6t**	**$900bn**
↓	↓	↓
1.3bn	**$2.6t**	**$1.3t**

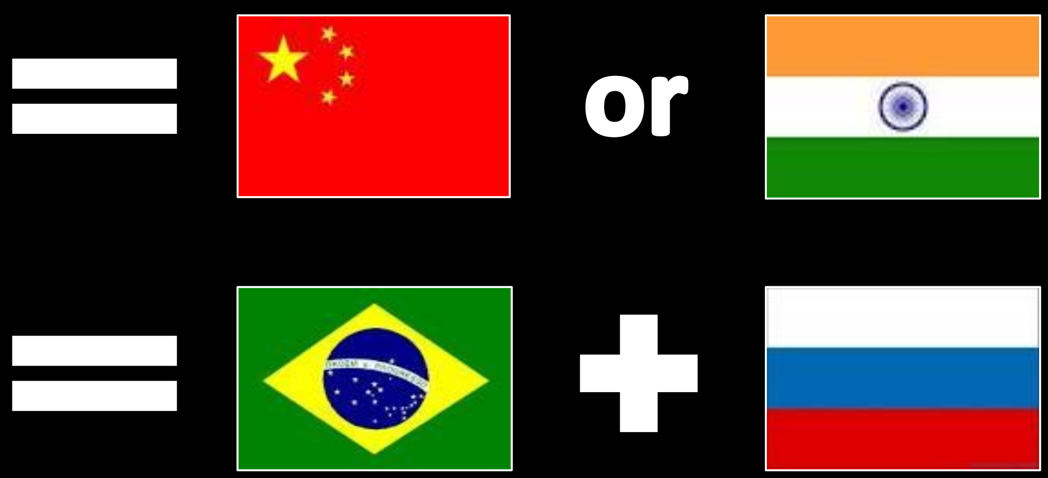
tomorrow

Source: World Bank, McKinsey, African Development Bank, Nielsen EMI

SIZE OF THE OPPORTUNITY IS TREMENDOUS

As big as other large emerging markets, and relatively untapped

African Middle class 350m people

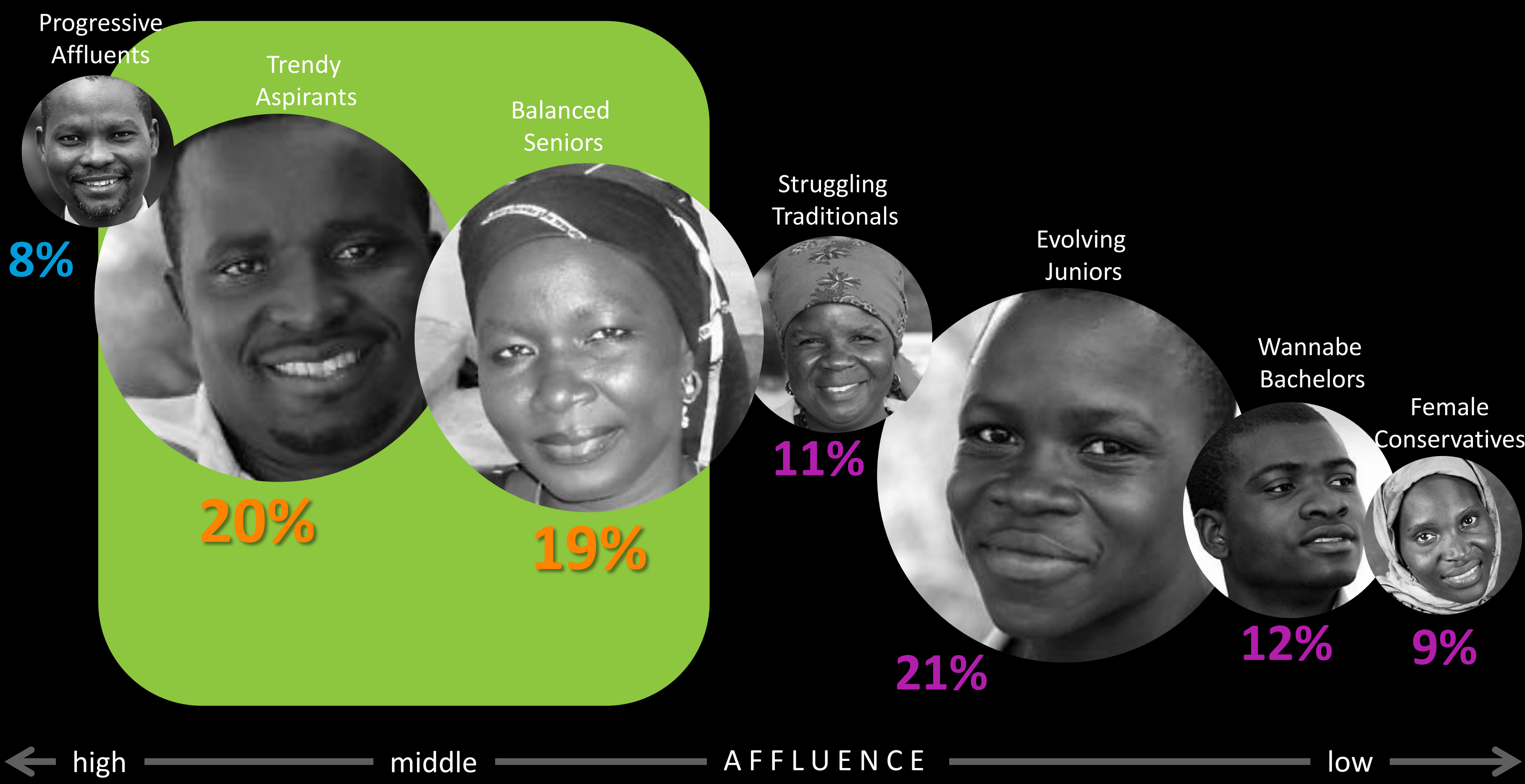


THERE IS INVESTED OPTIMISM …

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**



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

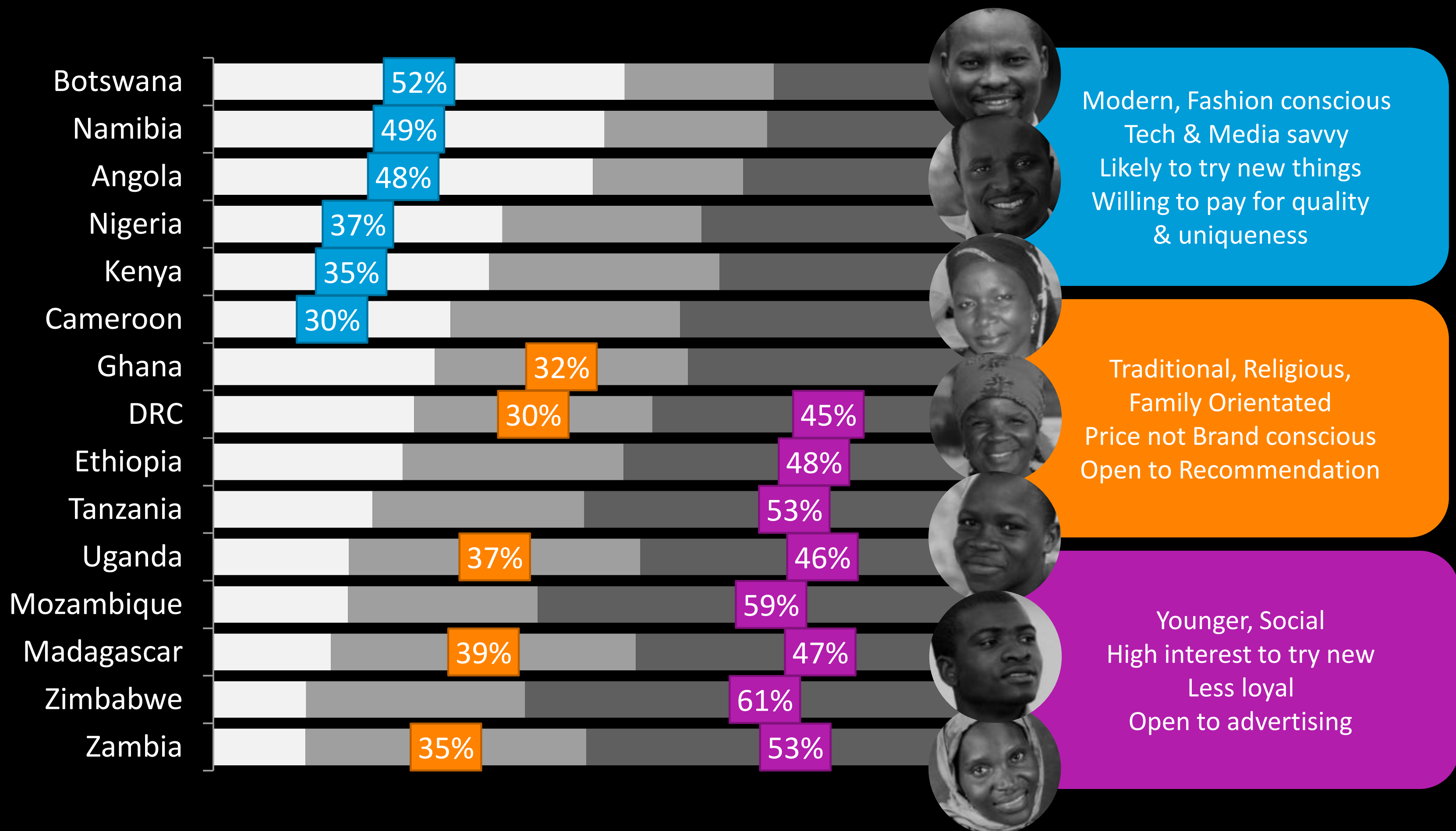
- 20-45, married with children
- Across all SECs
- Studied secondary school or above
- Traditional, family oriented and religious
- **Values affordability and open to recommendations**

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 …



Source: Nielsen Emerging Market Insights I

.....REDEFINING WHAT MIDDLE CLASS MEANS

New consumer centric definitions became the basis of our insights

		Global	SSA
1	SHOPPING BASICS	44%	72%
2	LIVING COMFORTABLY	42%	23%
3	SPENDING FREELY	14%	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?

NOT WHO YOU THINK

IT'S NOT ONLY ABOUT INCOME BUT RATHER **ASPIRATIONS, MINDSET & BEHAVIOR**

WHERE

Should we focus?

NOT WHERE YOU THINK

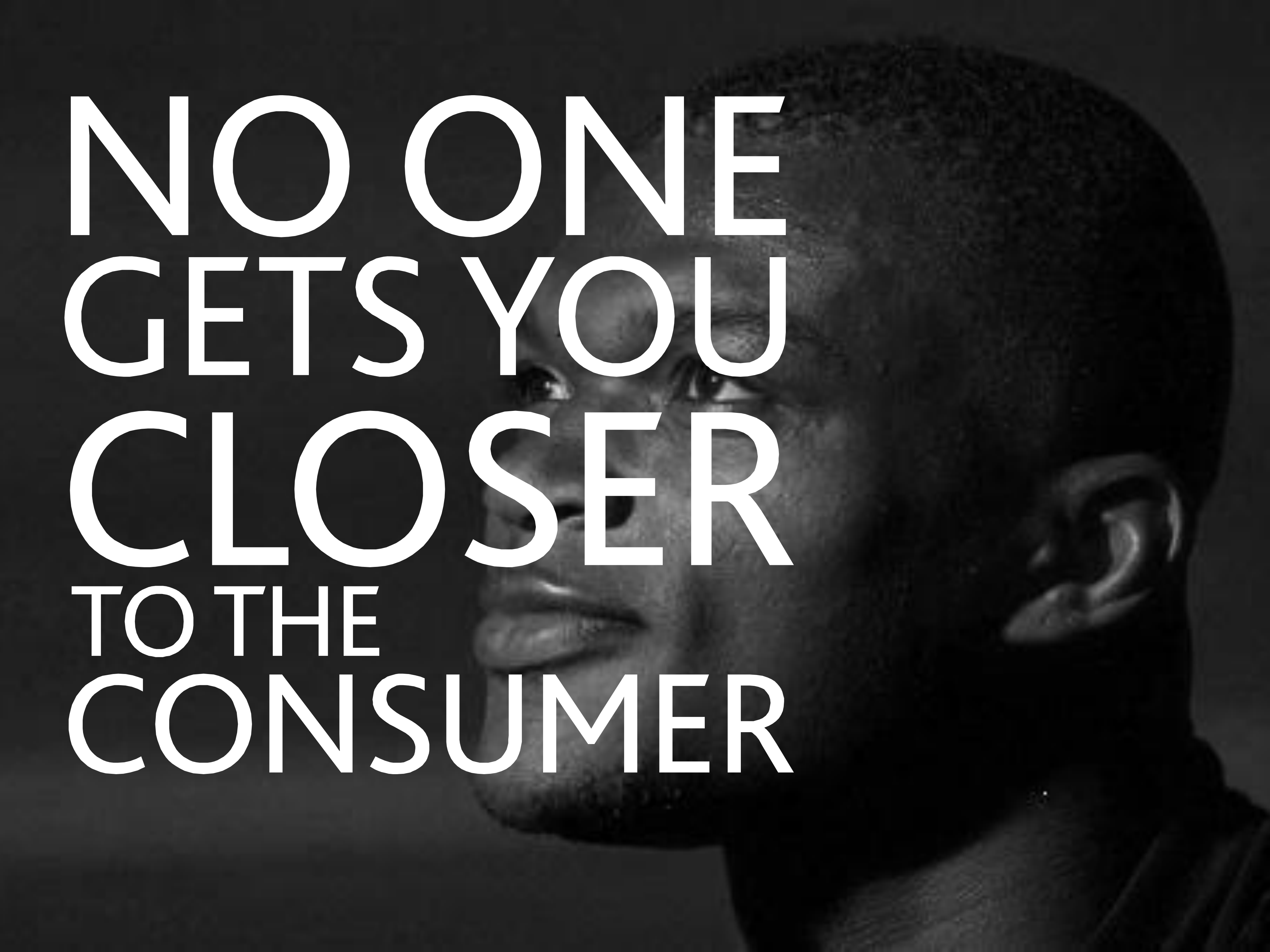
IT IS EVERYWHERE, **23%** (220MILLION) SSA CONSUMERS ARE **"LIVING COMFORTABLY"**

WHAT

What is their behavior?

BUT SURPRISINGLY CONSISTENT

THE STRATEGIC RESPONSE TO CONSUMER BUYING IS GLOBAL, BUT **MARKET-BY-MARKET TACTICAL** VARIATIONS ARE ESSENTIAL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