

MSRA Newsletter



MARKETING & SOCIAL RESEARCH ASSOCIATION

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MSRA Coming Up Events 2013

MSRA 2013 Celebrity Talk - October 24th 2013 (Southern Sun Mayfair)

GfK Verein and MSRA Interviewer Accreditation Program (Phase 2) -

MSRA 2013 Mount Kenya Charity Challenge - October 3rd - 6th.

MSRA 2013 AGM - 21st November.

MSRA 2013 Fun day - 6th December.

MSRA 2013 CELEBRITY TALK

"From Consumer to Prosumer: How empowered consumers change the Market Research landscape"

The Marketing & Social Research Association (MSRA) invites you to a celebrity talk on the 24th of October 2013, at the Southern Sun Mayfair Hotel, Nairobi.

With Phyllis Macfarlane

Phyllis Macfarlane is a life-long Market Researcher – starting her career as Assistant Statistician, and culminating as MD of GfK NOP, one of the UK's largest MR Companies.



The twin underlying themes of her career have been people development – good people being essential to grow a MR business – and creatively adapting existing techniques to new situations – including the early development of B2B Research and International Research.

Now working in GfK's global organisation, these passions also define her current responsibilities: Global Training Director for Consumer Experiences and Project Manager for GfK's CSR initiative: 'Training in Africa' – where the GfK Verein is funding Masters degrees and Interviewer Training to improve the quality of MR in Africa. Phyllis has a BSc Hons in Mathematics from University College, London. Is currently Chairman of the UK Market Research Society, and was joint winner of the 2008 ESOMAR Excellence Award for her paper with Mike Cooke: 'Training the Next Generation: it's Market Research, but not as we know it.'

& Andreas Neus

Andreas Neus is the *Division Manager University Cooperation* at GfK Verein in Nuremberg and responsible for expanding the international education and research programs with universities.



Previously he was a *Senior Managing Consultant* with IBM and a *Senior Researcher* at the Karlsruhe Service Research Institute (KSRI), a public-private partnership of IBM and the Karlsruhe Institute of Technology (KIT). In 2009 he launched the Service Innovation Lab at KIT, which he headed until 2012. Before his time at KIT he was the *Media & Entertainment EMEA Lead* for the Institute for Business Value in Amsterdam, IBM's business think tank, where he was responsible for studies on the transformation of the media industry.

ON OUR DOORSTEP: THE AFRICAN GROWTH STORY

BY MILLWARD BROWN EAST AFRICA

While everyone was getting excited about the potential of the BRIC nations, Africa quietly emerged as the real growth story, and with apologies to Star Trek, Africa may just be 'the final frontier'. No other continent offers the same growth potential. Africa boasts tremendous mineral wealth, holds 60% of the world's uncultivated arable land, and recorded real growth throughout the recession. According to the latest *UN World Population Prospects* report, Africa will be the fastest-growing continent "by any measure" over the next 89 years, and investors are understandably interested.

The rise of Africa is an indicator of the changing orientation of the global economy. Africa's raw materials have attracted the attention of China, both as a lender and trade partner, and China's investment has been a critical driver of current growth. As major socio-economic changes occur across the continent, the wealth of African society is growing, fueled by the emergence of the middle class. According to *The Economist*, over the past 10 years, six of the 10 fastest-growing economies were in Sub-Saharan Africa, and in the next five years, seven Sub-Saharan economies are expected to make the list. Truly, the next decade belongs to Africa.

While many wonder if the current flood of growth can continue, recent developments on the African continent suggest that it can. Political stability, particularly within the DRC, Angola and Mozambique, has encouraged investment in these large and growing markets. (Mozambique has been the fastest-growing non-oil economy in Sub-Saharan Africa over the past 15 years.) Macroeconomic stability has

Africa, just what are we talking about?

While growth is exploding throughout its various regions, Africa remains a very diverse continent on many scores. The population of Africa exceeds 1 billion people, who:

- Represent over 500 ethnic groups
- Speak over 2000 languages
- Live in 53 countries (including 6 island nations)
- The land that these people inhabit is rich in natural resources, holding
- 10% of the world's oil reserves
- 40% of its gold
- 80 to 90% of the chromium and platinum group metals
- 60% of the world's uncultivated arable land (600 million hectares)

The continent's dynamism is evident in its economic achievements:

- The emergence of large African companies, notably
 - * 20 African companies with revenues of at least \$3 billion
 - * More than 100 companies with revenues of at least \$1 billion
- More than 316 million new mobile phone subscribers have signed up with over 50 mobile service providers since 2000

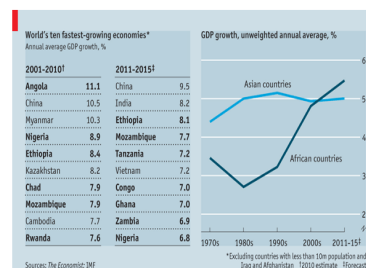
Growth is expected to continue in all areas:

- Africa's collective GDP will increase from \$1.6 trillion to \$2.6 trillion by 2020. Over the same period, consumer spending will grow from \$860 billion to \$1.4 trillion
- Agricultural output will increase from \$280 billion today to \$880 billion by 2030
- The number of Africans of working age will exceed 1 billion by 2040, when the continent will be home to one in five of the planet's young people and its labour force will be the largest in the world, topping both China and India
- On average, African workers are currently half the cost of their counterparts in Central Asia, Latin America and Eastern Europe, and this presents vast opportunities for factory investments.

Getting a foothold in Africa: Does one shoe fit all?

It is imperative that companies recognize that Africa isn't one economy or homogenous population block. It is a conglomerate of 53 countries which, more often than not, don't share policies and attitudes, and have evolved differently through their social and economic pasts. Successful brands on the continent are those that have made strategically compatible entries into select African markets, depending on the product category and the economic stage of the country in question.

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Who and where are the consumers?

Using LSMs, we can broadly classify the African consumer into 5 groups.

LSM	Group	Characteristics
LSM 1	Group 1 Lower LSM's Largest group - 50%+	Mainly rural "Appearance" matters Hygiene key
LSM 2		Low economic participation
LSM 3		Equally educational
LSM 4	Group 2 Lower Middle LSM's Over one-third	"Appearance" key Hygiene secondary
LSM 5		Wide economic participation
LSM 6		The lower Middle Class
LSM 7	Group 3 Upper Middle LSM's Minority but growing	More urban "Appearance" matters Hygiene matters
LSM 8		Investment key
LSM 9		The "haves"
LSM 10	Group 4 Upper LSM's Minority but growing	More urban "Appearance" matters Hygiene matters
LSM 11		Investment key
LSM 12		The "haves"
LSM 13	Group 5 Elite	Affluent, actualization, no barriers to access what they want
LSM 14		
LSM 15		
LSM 16		
LSM 17		

In Africa, the Living Standards Measures (LSM) has been developed to better determine the socio-economic status of a household. It is arrived at after summing up household durables, educational background and activities that have been assigned some values.

Africa has LSMs 1 – 17.

It is in groups 2 and 3 that we have seen the most phenomenal growth. The members of Group 2 are referred to as the urban poor; it is not until you reach Group 3 that you can start referring to the middle class (using financial sector classification based on a household income of \$5000 pa). African households spent a combined \$860 billion in 2008, slightly more than that of Russia and over \$100 billion more than India. It is this increase in the lower-middle and upper-middle LSM consumer base that is set to differentiate the continent from the BRIC countries as options for investment for corporations looking to expand further into emerging markets.

The Media and Communication Landscape

So how do brands reach the 1 billion Africans? According to recent data, radio and TV are the primary sources of information on products and services. It is estimated that there are some 200 million radios on the continent, making radio a crucial channel in reaching the consumer, while TV's number about 62 million—a ratio of one TV for every 17 people (or every four to five households). Print (newspaper and magazine) performs dismally with single-digit reaches.

The typical consumers targeted by FMCGs are usually urbanites with disposable incomes. Millward Brown data indicates that within this group, the reach (defined as access during the past seven days) of radio runs between 70 and 80% of the target population, while TV reaches between 40 and 50%. The reach of print diverges from west to east; in West Africa print reach averages 30% while in East Africa it gets to the high 50's.

Brands on the continent that have been successful at reaching the mass market (rural and low-end) while staying relevant to the middle and upper classes have been able to make the varying reaches of these two key media complement one another. A great example was MTN's campaigns during the 2010 FIFA World Cup and Africa Cup of Nations, where a 360° approach to the media mix was highly successful.

While seeking to reach as much of the African population as possible, the BBC has estimated their total reach at around 90 million across the continent. Of this, 78% is by radio, 20% by TV and about 2% by internet. What is interesting to note is that two-thirds of TV viewers listed radio as being equally important to them.

While TV is rarely the most cost-effective medium, it does deliver volume in terms of quantity of impressions and ultimately response. Analysis shows that two (or more) media is better than one.

Digital

- There are 84 million internet-enabled mobiles in Africa.

- More people have access to cell phones than to clear drinking water
- 40% of all businesses in Africa use ADSL
- 12% of Kenya's GDP moves via M-Pesa
- M-Pesa will move at least \$1 billion in Kenya alone this year
- As of December 2011, there were more than 37 million Facebook users in Africa, representing a growth of 165% over the preceding 18 months

Successful brands on the continent

The African market is dynamic and evolving, with many global brands represented, and a homegrown market for locally manufactured products. Africa's top advertisers include MTN, Unilever, Coca-Cola, Vodafone and Shoprite. Africa's main challenges lie in its enormous size and diversity. A thorough understanding of local cultures, beliefs, customs, economics, and practices is required to be successful. Companies and practitioners that have followed globalized assumptions and methods have failed to make an impact. A key factor for success is having marketing operations headed by locals who understand and connect with what consumers need.

The route to market presents the greatest obstacle that companies must overcome to build a successful business in any African market. Given that more than 60% of people in Africa live in rural areas and have limited access to transportation, simply covering "the last mile" to reach the final consumer can be extremely costly and difficult for marketers. To be successful, companies must build strong sales and distribution networks by leveraging a mix of third party, wholesale, and direct-distribution models.

Without doubt, Africa has been at the forefront of telecommunications development over the past decade and a half. The opportunity in this sector attracted Asia's biggest player, Airtel, into the market, making it the second-largest service provider in Africa after MTN.

Nokia rediscovered itself on the continent after flagging sales saw it lose its market leadership in Europe. Today they enjoy a massive market leadership on the back of a distribution network in nearly 100% of African countries.

In the beverage category there are global brands such as Coca-Cola who have almost 100% presence in all markets and SABMiller, a true African born-brand, with a footprint in over 30 markets (only restrained in the North where strict Islamic code makes for tough business).

In the banking sector a similar dynamic exists, with global brands (Barclays in 12 markets and Standard Chartered in 14) fostering new expansion alongside home grown brands like Standard Bank (South Africa) and the group of Nigerian banks led by UBA and EcoBank.

The retail sector on the continent has been abuzz with the entry of Walmart. Walmart's \$4.2-billion purchase of 51% of Massmart now gives the world's biggest retailer access to African markets. But it's been South African based chains that have been setting the expansion trend to confirm the growth of the middle class. None other epitomizes this better than Shoprite, which today is in 17 countries compared to one shop 1995.

Poor infrastructure in Africa means that understanding the consumer needs may be easier than getting the product to them, regularly and consistently.

Developing innovative, low-priced consumer products and services is also a key factor. Nokia has shown how this can truly be a profitable and fortune-changing approach to mar-

ket penetration, and shares this space with Safaricom. For African brands to break through, they must build brands underpinned by local insights that motivate African consumers while delivering on a global standard. A great example is Pay-As-You-Go, Africa's first prepaid airtime service.

Brand Success Case Studies on the Continent

1. The Telecoms Sector - MTN, 100 million subscribers in Africa

In a place where the challenges of infrastructure and environment have thrust millions of people into marginalization, mobile networks arrived to connect individuals and societies, providing the ability to communicate and access information.

MTN is a seasoned veteran of doing business with rural consumers, with operations in 21 markets across Africa and the Middle East. To boost its market share among rural, low-income Africans, MTN created services tailored to their needs. They established a network of local agents, set up kiosks in rural areas, and gave agents motorbikes to reach even the most remote places. Adopting a customer-focused strategy, MTN set up as many outlets as possible for their subscribers to gain access to their products and services.

MTN also developed lower denominations when selling airtime to accommodate the low and unpredictable incomes of many African consumers.

Nowhere is the astounding utility of a mobile phone more apparent than in the rise of mobile money. MTN Mobile Money launched in 13 countries and at the end of March 2012 had 6.2 million subscribers.

2. The Banking sector - UBA

United Bank for Africa (UBA) is one of Africa's leading financial institutions offering banking services to more than 7 million customers via 750 branches in 18 African countries. With offices further afield in New York, London, and Paris, UBA is connecting people and businesses across the world through retail and corporate banking, innovative cross-border payments, trade finance, and investment banking.

3. Retail Sector - Shoprite

The Shoprite group is today Africa's biggest food retailer, with operations in 17 countries. The group began by consolidating its market leadership in its home market of South Africa by uniquely targeting the middle to bottom end of the local food retail market through its Shoprite and Usave brands. With Checkers targeting the top end of the market the Shoprite Group succeeded in covering the full income spectrum in South Africa.

Where the continent is headed

Foreign investors are no longer just interested in oil wells and mines in Africa, but are looking at medium-sized bets on consumer goods. Analysts are consistent in identifying Retail, Banking and Telecoms as sectors that will drive the African economies forward in the next decade, and these sectors are consistent with the identified growth paths taken by key African economies. The continent is truly opened for business!

Sources: Mckinsey, The Economist, IMF, Millward Brown, BrandZ™, BBC, Synovate, ITC Works, The Jupiter Drawing Room, foodprocessing technology.com



Mr. Jonathan Karanja (MSRA Chairman) and Mr. Dan Foreman (ESOMAR President) at the just ended 66th ESOMAR Conference in Istanbul



Interviewers at the GFK Verein - MSRA Interviewer training Workshop



Interviewers at the GFK Verein - MSRA Supervisor training Workshop