Capturing the African Consumer Market

Truths, Trends, and Strategies for the Road Ahead

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Headlines about Africa’s emerging middle class are grabbing the attention of analysts and investors. A decade of strong economic growth, rising consumption, an African shopping mall boom, and a growing number of gated residential communities in some urban centers seem to suggest that a significant societal shift, and an accompanying surge in spending, is afoot.

This perception that a substantial new African marketplace is on the horizon has been reinforced by journalistic essays and private sector reports, such as McKinsey & Company’s *Lions on the Move* (2010) and Deloitte’s *The Rise and Rise of the African Middle Class* (2012), which enthusiastically tout the advent of a “middle class” consumer segment in Africa.

There are real economic opportunities associated with the burgeoning African consumer market, but they are often exaggerated and poorly understood. As it exists today, the African consumer market is highly segmented and fluid—and absent a discernible “middle.” Africa’s consumer market is continually reshaped, most significantly by technological advances and urbanization. These trends do not unfold linearly, and they have varying implications for different consumer groups. The picture is messy. This brief will help potential investors unpack some of these details, better understand African consumers, and appreciate the complexities of the continent’s development. Finally, it will reflect on effective strategies for capturing the opportunities offered by Africa’s growth.

Africa’s Two Consumer Classes

What is often referred to as Africa’s “middle class” is a heterogeneous and not easily quantifiable cluster. In its 2011 report *The Middle of the Pyramid: Dynamics of the Middle Class in Africa,* the African Development Bank (AfDB) estimated that 355 million people—34 percent of the continent’s total population—were middle class. Somewhat controversially, this included anyone with a daily per capita

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The African consumer market is vast and growing rapidly. This issue brief explores the different consumer segments in Africa, the challenges and opportunities for companies, and the potential for growth.

Expenditure of between $2 and $20 of this group, the AfDB estimated that 60 percent fall into a “floating class,” with a daily per capita expenditure of $2–$4.2 A daily expenditure of $2 is only slightly above the developing world poverty line and just enough to purchase a hot drink in most of Africa’s shopping malls. Others suggest Africa’s middle class accounts for only fifteen million households in the largest eleven sub-Saharan economies.3 Based on more internationally accepted definitions of middle class (daily incomes of $10 or more), the Pew Research Center suggests only 6 percent of Africa’s total population can be classified as middle income.4

Disparities stem from both monetary and sociocultural differences in defining the “middle class.” There is today no single African population group with a shared character, position, or impact on society that brings about the kind of political and economic shifts seen in “middle-class” groupings elsewhere. Competing kinship, ethnicity, and divergent living conditions have historically complicated such ascriptions. “Middle class” in Nigeria is unlike “middle class” in South Africa or Côte d’Ivoire. That individuals in Nigeria’s Lagos and Bayelsa states feel part of the same “class” is equally unlikely.

Optimism about the African consumer story will pay off for American companies over the long term, but not immediately. Despite uncertain definitions, consumption in Africa is rising. Rather than a middle class, it is more useful to speak of an African “consumer class.” Consumer demand is being driven by two key segments. The first is “entry-level consumers,” with daily per capita expenditures of $2–10. They are the largest in terms of size, the fastest growing, and the most rapidly urbanizing. Rapid technological uptake is also reducing the costs and barriers that have previously prevented companies from accessing this demographic. Consumption is also driven by a much smaller upper segment that already enjoys many of the trappings of the Western middle class: access to credit and savings, and a significant disposable income. This consumer segment, comprised of an estimated twenty million people,5 will spur the sales of higher-end brands and luxury goods in Africa, although with limited volumes in the near term. These two consumer groups are key targets for consumer companies.

Africa’s Entry-Level Consumers

Many of Africa’s entry-level consumers are those who broker trade in goods and services among informal and fragmented markets.6 They are wholesalers and retailers, drivers, manufacturers, construction workers, chefs, delivery couriers, technicians, and those who might in the United States be considered early stage entrepreneurs. As economic conditions in their communities improve, they are often the first to notice and the first to scale up their operations; informal sector workers are the primary drivers of Africa’s rapid urbanization.7 As a collective, they comprise over 60 percent of the continent’s workforce and contribute 38 percent of its gross domestic product (GDP).8

The informal sector in Africa has little to do with black market activities, or what may otherwise be considered dubious transactions in the United States or in Europe. Informal economic activity includes any unregulated commercial transactions, any business that is not taxed, and any worker who does not receive social protections. While many who labor in Africa’s informal economy are marginalized from formal sector employment and forced to pursue informal work out of necessity, others enter voluntarily. In Ghana, for example, university graduates become entrepreneurs in search of better professional status.9 Heterogeneity within Africa’s informal sector means market and consumer behaviors vary widely and are unlikely to follow trends observed elsewhere. Those who hover on $2 a day and rely on volatile revenue streams are at constant risk of slipping below the poverty line. And although theirs are the fastest growing incomes, they emerge from low bases—some as low as 70¢ per day.10 Among more educated informal segments,

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2 Ibid.
5 African Development Bank, The Middle of the Pyramid.
8 International Monetary Fund, Regional Economic Outlook: Sub-Saharan Africa Restarting the Growth Engine, April 2017.
10 Laurence Chandy, Veronika Penciakova, and Natasha Ledlie,
tastes and spending patterns also vary. As more and more governments enact policies that make it easier to open, own, and operate businesses, the structure of this constituency will continue to shift, opening the door for companies to reap the gains.

Around 90 percent of sub-Saharan commerce takes place in the informal sector, at open-air markets and kiosks, and at the hands of table-top sellers and street hawkers. Consumers generally pay for goods in cash, although the advent of mobile money is starting to change this. Sales of fast-moving consumer goods like cosmetics, toiletries, foodstuffs—especially perishable and ready-to-eat items—and other necessities dominate this consumer segment. Consumers shop often, and make purchases in small quantitates. In Madagascar, for example, entry-level consumers shop an astonishing seventy times per month on average, in some cases visiting the same kiosk or table top two or three times a day to buy items like a spoonful of sugar, a single piece of fruit, or a cup of rice. Patterns vary widely by country: in Kenya, low-income consumers shop on average thirty-eight times a month. In South Africa, where formal retail is more developed, consumers tend to buy monthly supplies of staple foods from larger supermarkets and perishable items on an as-needed basis from informal retailers.

Because cash flows are tight, consumers place a premium on price and reputation. Brand and retailer familiarity, as well as word-of-mouth recommendations, are strong purchase drivers, with levels of consumer caution varying by geography.


12 Ibid., 3.
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The Retail Consumers

Twenty-seven shopping malls opened across Africa in 2015, with another 204 malls projected to open by 2020. These retail centers carry local and foreign high-street and designer brands like Hugo Boss and Lacoste, and have evolved to include cafes, restaurants, and cinemas. Their expansion coincides with the rapid build up of African supermarkets. While supermarkets have existed for decades in some parts of the continent, they have taken off in the last decade, propelled by a combination of foreign direct investment, regulatory reforms, and consumer demand. Sub-Saharan Africa’s supermarket industry is projected to see compound annual growth of 10 percent in value sales by 2021, with shoppers purchasing an estimated $704 billion in products. Local and regional supermarket chains like Shoprite, Uchumi, and Nakumatt are expanding domestically and across borders, and into new formats. Pick n Pay, a subsidiary of South Africa’s Shoprite, has partnered with BP to build 120 convenience stores at petrol stations, while Kenya’s Nakumatt has introduced Nakumatt on Wheels (NoW), a pop-up-style portable supermarket delivered on trucks.

Through NoW and similar innovations, supermarkets are beginning to cater to entry-level consumer segments. Overwhelmingly, however, supermarkets and shopping malls still cater almost exclusively to the small segment of Africans with significant disposable incomes. Most of these consumers occupy skill-intensive formal sector jobs, with stable incomes and annual salaries ranging anywhere from $10,000 to over $1 million. These consumers are generally educated, connected, cosmopolitan, and willing and able to pay for quality and convenience. A management consultant working long hours in Lagos and battling the city’s incessant traffic will most certainly place a premium on convenient shopping. In Cameroon, the growing number of women entering the formal workforce is creating demand for easy-to-prepare foods. Higher-income consumers seek sophisticated and diverse goods, and tend to spend less on vital commodities. They are more interested in product details and specifications than in finding the cheapest option.

With the number of African millionaires set to double to 234,000 by 2024, spending among this demographic will increase and preferences will become more refined, paving the way for luxury brands to expand their market reach in Africa. The trouble is that this consumer segment constitutes a very small percentage of the larger consumer class, which totals close to 20 million individuals. And while its appetite for high-end goods is fast evolving, the segment’s size is not. The bulk of consumer growth in Africa will therefore remain concentrated on entry-level consumers, presenting companies with immense challenges and opportunities. Among Africa’s upper consumer segment, product sales will also grow, but in much smaller volumes.

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Trends to Watch

Rapid demographic change—the infamous “youth bulge”—will roil many African countries and make it harder to make predictions about the continent’s consumer marketplace. African economies have been hit hard by falling global commodity prices, rising youth unemployment, environmental changes, and a host of other factors, including poor governance and political crises. Though many analysts have held fast to the narrative of an “Africa rising” over the long term, many nations are suffering setbacks. Consumer incomes and tastes are likewise in a state of flux. The rapid uptake of mobile technology, urbanization, and the rise of intermediary cities are promising trends that may also prove disruptive to the consumer market and upend previous assumptions and patterns.


18 African Development Bank, The Middle of the Pyramid.
Technology and the African Consumer

Mobile phone giant Ericsson estimates that the number of mobile phones in Africa will rise to one billion by 2019—almost one per African—of which some eight hundred million will be smartphones. Mobile phones are becoming common across age groups, and are the primary method of engaging in online activity. Pew Research suggests that the same number of eighteen- to thirty-four-year-old Africans and those thirty-five and older own mobile phones, though the proportions vary across countries. In South Africa, for example, 41 percent of those between the ages of eighteen and thirty-four own smartphones, compared with 27 percent of those thirty-five and older. Across the continent, smartphones are being used to communicate, transfer funds, mingle on social media, and shop.

Access to smartphones is giving consumers more control over their shopping experiences. In 2014, the number of online queries regarding price and quality of goods increased 33 percent in Kenya, 49 percent in Nigeria, and 37 percent in South Africa. Consumers are becoming more informed and more discerning, putting pressure on retailers for superior online content and product differentiation. In more established retail markets, nearly all formal brick-and-mortar retailers have an online presence, including a growing number of supermarkets (including Woolworths across the continent and Uchumi in Kenya). A quick online search allows consumers to compare grocery prices and order products online, though in-store shopping is still the preferred method for many consumers. E-commerce companies like Jumia, Konga, Kilimall, and others sell a wide assortment of goods, including fashion, electronics, and beauty products. And platforms like Nigeria’s Mall for Africa connect high-earning Africans with high-end global retailers. Upper-class consumers who previously travelled overseas or relied on relatives coming from abroad for American or British brands can now access them with a click on their mobile device.

What is likely to dominate the African e-commerce story, however, are the millions of informal traders who barter goods in and across countries. Although still nascent, the continent’s informal sector is gradually coming online. One particularly successful example is Chochote (the Swahili word for “everything”), a Nairobi-based start-up that distributes informal-sector products on behalf of a wide array of vendors. It provides these vendors with free photography and delivery in exchange for a commission of 7 to 15 percent of the purchase price. On a larger scale, Nigeria’s Kaymu connects buyers and sellers across fourteen sub-Saharan countries in a transparent and fixed-price environment. In Cameroon, sellers using the Kaymu platform range from individuals wanting to sell a single item, to informal retailers hoping to reach a wider consumer base and attain a degree of income stability. As more African governments move to impose and refine e-commerce tax regulations, too, informal online activity will steadily move into the formal sector. This could increase incomes and bolster economic growth. If the purchasing power of the informal economy could be captured, government revenues would rise and international investors would see a far more promising marketplace.

African e-commerce faces many challenges and varies greatly by country. While South Africa and Nigeria already have numerous e-commerce players, the industry is less developed in countries like Ghana and Zambia, where mobile connectivity is still comparatively low. But the foremost challenge facing the sector in any country is that of trust: many low- and high-income consumers do not trust online interactions and are extremely wary of being defrauded online. The overwhelming method of payment therefore remains cash-on-delivery; e-commerce will develop gradually and over the long term. But some of the larger and better-recognized retailers, such as Kaymu and Jumia, have begun to build reputations and establish enough consumer confidence to adopt new payment options, encouraged by the success of mobile money in Africa. Many larger players now accept payments via M-Pesa, a mobile phone money transfer platform used by over thirty million Africans. M-Pesa allows users to perform traditional banking services, pay bills, send money, save, and make purchases—all using their mobile phones. Through Kaymu’s SafePay electronic system, buyers pay directly to Kaymu; sellers receive payment only when the purchased items have been shipped. Pesapal, a Nairobi-based aggregator for online and mobile payments, similarly facilitates e-commerce and

22 Angola, Cameroon, Ethiopia, Gabon, Ghana, Ivory Coast, Kenya, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Uganda, Zambia
point-of-sale payments (it is not unlike the American application Square). In Africa’s fragmented and informal markets, mobile money is spurring e-commerce and is expanding the consumer segment. Because platforms like M-Pesa allow for savings, too, individuals with irregular cash flows are increasingly able to achieve smoother consumption habits.23

Urbanization and Its Discontents

Africa is urbanizing rapidly.24 Already, sub-Saharan Africa is home to six megacities. Lagos and Kinshasa have already passed the ten million-resident threshold, while Johannesburg, Luanda, Dar es Salaam, and Nairobi are expected to surpass the ten million mark by 2030. Naturally, Africa’s regions are urbanizing at different rates: while East Africa is the least urbanized and fastest urbanizing, Southern Africa is the most urbanized and more slowly urbanizing.25 The rapid growth of Africa’s cities means they are becoming consequential units of market analysis. Yet while the bullish urbanization narrative champions this trend as a harbinger of higher per capita incomes, increased consumption, and consolidated consumer markets, the realities of African urbanization suggest that, absent adequate reforms, the upshot will be a more deeply segmented consumer demographic.

Urbanization in Africa is not replicating earlier global patterns. In contrast to much of Asia, where urbanization has generally given rise to safer cities, improved infrastructure, and private sector growth, movement from rural to urban areas in Africa is generally characterized by a move into slum conditions and the informal economy. Nearly 60 percent of Africa’s urban population live in slums,26 and only 40 percent

of urban residents have access to sanitation facilities. Infrastructure and housing are unable to keep pace with Africa’s urban expansion. Most residential property developments are high-end enclaves spearheaded by commercial developers whose projects cater to affluent residents, such as Eko Atlantic in Lagos and Cité du Fleuve in Kinshasa. Single-family homes that are legally built are prohibitively expensive across the continent. In the economic hub of Ethiopia, for example, the cheapest privately built house cost around $68,783 in 2013. Even in conflict-ridden Mali, the cheapest legally built private homes cost around $5,800, a price that is far out of reach for most residents. The result is an influx of residents into illegal housing, often located in slums. Poor-quality roads and a lack of transportation links isolate neighborhoods and discourage firms from clustering where poorer populations live and work. Many in Africa’s urban informal economies do not frequent supermarkets not only because they cannot afford to, but because they cannot access them. In South Africa, the average commute by bus from the slums into the city centers is seventy-four minutes each way. The isolation of poorer residents prevents them from accessing goods and services, and frustrates the expansion of the consumer market. While much is made of Africa’s isolation from international markets, a far greater impediment to growth is the disenfranchised segments within the continent’s own cities.

African nations tend to lack infrastructure and have not developed industrial sectors that can absorb the continent’s rapidly expanding, low-skilled youth workforce. Africa’s working-age population will increase to 793 million in 2030 from 466 million in 2013. Because manufacturing jobs are scarce, urban labor has shifted into low-skill services. This trend is not inherently problematic; in theory, service-led economic expansion can bring about high-productivity jobs and rapid income growth. The type of service sectors that can jumpstart this type of high-productivity employment, however, are skill-intensive fields such as finance and information technology that are not common among most of Africa’s urban dwellers. Most urban Africans occupy non-tradable and low-technology positions in the informal sector, in fields such as transportation and hospitality. Except among a very small elite, incomes for service sector employees are low, and the positive shifts in consumption that have been associated with urbanization in other regions—from spending on food to spending on manufactured products—mostly have not happened in Africa. Most urban Africans continue to spend primarily on fast-moving consumer goods and essential items. If Africa’s urbanization remains unaccompanied by formal employment and broad-based economic gains, its cities will remain concentrations of relatively richer individuals purchasing low-level services from those migrating to cities.

**Africa’s Intermediary Cities**

Contrary to widely held assumptions, African urbanization is not being driven by the movement of people into the megacities, but by the growth of intermediary cities and towns. Between 2000 and 2010, urban centers with three hundred thousand or fewer inhabitants accounted for 58 percent of Africa’s urban growth; towns with three hundred thousand to one million inhabitants accounted for a further 13 percent, and those with over one million inhabitants accounted for 29 percent. Two-thirds of the growth in Africa’s urban population by 2030 is expected to take place in cities of fewer than five hundred thousand. Intermediary cities play complementary roles to megacities; they increasingly specialize in the development of mature industries, giving cause for

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29 “For Most Urban Africans, Owning Anything other than a Slum Home Is Out of Reach: If You Build It, Will They Come?” The Economist, December 14, 2015. For comparison, the average per capita income in Ethiopia in 2013 was $590.
30 Ibid.
31 “Left Behind; Africa’s Cities,” The Economist, September 17, 2016.
32 The United Nations Economic Commission for Africa suggests that the continent has been de-industrializing. Between 2000 and 2015, most African countries recorded a decrease in their share of manufacturing value added in GDP, averaging 2.3 percentage points. (See United Nations Economic Commission for Africa, Urbanization and Industrialization for Africa’s Transformation, 2017).
34 Dani Rodrik, Premature Deindustrialization, Institute for Advanced Study, School of Social Science, 2015.
guarded optimism about Africa’s industrialization and its urban future.

In Arusha, a Tanzanian city of 416,000, food processing is becoming an established sector. The city has numerous medium-sized companies with nationwide market presence and significant quality differentiation. In the megacity of Dar es Salaam, some 380 miles away, food retail dominates: Dar es Salaam has around a dozen supermarket chains and hundreds of small format stores, with new outlets opening frequently. Generally, supermarkets first open in Dar es Salaam and gradually expand to Arusha and neighboring cities. While megacities tend to facilitate innovation and the adoption of new concepts, intermediary cities often specialize in advanced industries like manufacturing, and they are able to absorb a low-skilled workforce. For example, Jinja, a city of 80,000 fifty-three miles east of Uganda’s largest city, Kampala, is home to four steel companies. The Dutch ship building firm Veka Group is constructing a shipyard there, and China’s Foton Motor Group is building a vehicle assembly plant.

As in Africa’s megacities, transport connectivity is a significant challenge. Infrastructure and transportation links are poor. This is problematic because intermediary cities need to be outwardly connected to access wide pools of labor and key inputs. Because many intermediary cities tend to rely on a single economic sector, too, they are additionally vulnerable to external shocks. Economic diversification is, however, steadily occurring. Manufacturing is the great multiplier: for every manufacturing job created, service jobs follow. As Ron Bloom, President Barack Obama’s former senior manufacturing advisor, liked to say, “If you get an auto assembly plant, Walmart follows; if you get a Walmart, an auto assembly plant does not follow.”

The Walmarts of Africa are indeed starting to follow. Through its majority stake in Massmart Holdings, Walmart itself is opening over four hundred stores in South Africa and twelve other sub-Saharan countries. In 2014, Nakumatt opened a branch in Arusha. In Kumasi, Ghana, a booming commercial and trading center, African property developer Atterbury is constructing a $95 million shopping mall, with Shoprite and Walmart as anchor tenants. Zambeef, a leading Zambian food producer and retailer, is similarly moving into intermediary cities. For food retailers, the tendency of intermediary cities to be located near agricultural regions offers the possibility of efficient and locally sourced supply chains. Despite complications with quality and regularity of supply from local farmers, more and more retailers and consumer goods manufacturers are assisting African farmers to boost their capacity. For example, multinational brewing company SABMiller, whose origins are in South Africa, has partnered with thousands of small-scale farmers to grow cassava for its brewing operations. Rural-urban agricultural linkages additionally hold the long-term promise of spurring development in surrounding regions, possibly pulling even more people into Africa’s entry-level consumer demographic.

Approaching the African Opportunity

There is no magic bullet for succeeding in Africa or anywhere else in the world. Africa is a continent of fifty-four countries with over three thousand distinct ethnic groups speaking some two thousand languages, with divergent cultures and histories. The consumer segment itself is equally diverse, encompassing people who earn as little as $2 a day to those making $1 million a year. For American companies, diversified strategies that focus on city rather than national markets are imperative, as are local partnerships. US companies should also capitalize on the boom in digital and mobile technologies—including opportunities presented by e-commerce.

Take a Customized, City-Centric Approach

A city-based strategy is essential in Africa. This is true not only because cities are Africa’s foremost centers of growth, but also because the rapid and uneven pace of urbanization is creating disparities in demographics and affluence levels, which are shaping market trends. In Nigeria’s cities, growth in the number of professional working mothers is spurring growth in baby food sales. This is unlike in Cape Town where most of the

38 Ibid.
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Identifying market niches and successfully tailoring offerings to local conditions give companies a distinct edge. SABMiller, for example, created a beer specifically for Onitsha, a commercial city in southeastern Nigeria, and gave it a local identity: the label features a rising sun, the symbol of the local Igbo people. The beer is brewed with fewer hops than a European lager, giving it a less bitter and more refreshing taste, suitable for the hot climate. The African consumer goods company Promasidor, which sells products ranging from dairy and soy products to beverages in over twenty-five African countries, substituted vegetable fat for animal fat in its milk powder, which it sells in small sachets. The small product size and elimination of animal fat allow the firm to target consumers in remote areas without access to consistent electricity supply. With Africa’s urbanization increasingly taking place beyond the continent’s megacities, such localized product adaptations are essential for capturing market opportunities and consumers.

Pay Attention to Intermediary Cities

For companies willing to invest for the long term, Africa’s intermediary cities present interesting opportunities. Intermediary cities offer cheaper real estate, largely unsaturated markets, and possibly better profit margins. Early entry into these markets may provide significant first-mover advantages, including limited competition and substantial brand recognition; the latter is particularly valuable given that African consumers across all income brackets are highly brand-conscious. Despite its challenges, Uber’s expansion into the continent is a prime example. Since its entry into Africa in 2013, the ride-sharing app Uber has enjoyed an unrivaled status. Even though competitors like Taxify and Jozibear may offer better quality at cheaper rates, customers remain attracted to Uber because of its brand. To be competitive, new entrants must develop flawless platforms and successfully attract both passengers and drivers.

Intermediary cities are not without their challenges. Without concerted action by African policy makers, undiversified economies, poor infrastructure, and limited transit connectivity will hamper their potential. But many companies will nevertheless find the risk/reward proposition in these cities attractive.

Forge Strategic Partnerships

Strategic partnerships are key. While identifying the right local partners may be time- and resource-intensive, it is among the most crucial investments a market entrant can make. The partnerships may vary from geographic and technical expertise to distribution channels and localized sales forces. Of essence, too, are partners with matched visions who want more than just a transactional relationship. As most African investments are long term, it is critical to ensure vision and culture are aligned. This becomes especially important in intermediary cities where local etiquette and culture, and a sense of doing well by the community, are paramount.

The Coca-Cola Company’s partnership with the nonprofit TechnoServe and the Bill and Melinda Gates Foundation is a great example of how successful local partnerships can pay off. The collaboration has improved the productivity of around fifty-three thousand Kenyan and Ugandan mango and passion fruit farmers and integrated them into Coca-Cola’s supply chain. This has been a boon for the farmers and Coca-Cola, which was previously importing fruit for its juice beverages at a higher cost, as it had struggled to obtain a steady supply of quality produce. Coca-Cola’s reach in Africa is unparalleled: it operates around thirty-five thousand micro-distribution centers—some merely roadside kiosks—throughout Africa. Often located in hard-to-reach communities, the centers are independently owned and operated by locals who have been financed and trained by Coca-Cola. Through its partnership with Coca-Cola, SABMiller has also been able to diversify into the non-alcoholic beverage segment.

and achieve synergies stemming from Coca-Cola’s size and expertise. Selecting distribution partners with sufficient scale ensures wider market reach, as well as longevity: smaller players often struggle with cash flow and may not remain in business for long. Partnering with experienced local businesses additionally helps to navigate local cultural and regulatory environments, identify trends and opportunities, diversify portfolios, and eventually move into new sectors.

**Explore Innovative Payment Solutions**

Among the strategic partnerships worth considering are those with digital payment companies, like M-Pesa, which allow consumers to purchase goods using mobile money accounts linked to their handheld devices. Partnerships with mobile money platforms may facilitate integration with local markets, and may attract otherwise unbanked and low-income consumers. M-Kopa, a Kenyan solar energy company, for example, provides its customers with credit: clients pay $35 up front for a solar kit, and agree to make daily payments of 45¢ for a year, after which the system is theirs. Payments are made directly from their mobile phones, through M-Pesa. Such solutions align with the tight cash-flows of entry-level consumers and make otherwise out-of-reach products affordable.

The growing popularity of mobile wallets in Africa additionally gives companies the opportunity to differentiate through loyalty programs targeting both high- and low-income consumers. Whether in the form of digital coupons, free products, or other perks, these programs can instill brand loyalty. This is worthwhile because African consumers reward brands that they trust. Loyalty programs tend to take hold in more formalized retail markets; for example, most South African retailers already have fairly sophisticated loyalty programs, with the average South African

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A supermarket in Nairobi, Kenya accepts M-Pesa payments. Currently the most popular mobile money service in Africa, M-Pesa offers consumers a digital platform to withdraw, transfer, and deposit money through a branchless bank account linked to their cellphones. *Photo credit: Vodafone Group/Flickr.*

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belonging to at least five. With retail markets still in the early stages of formalization in the rest of the continent, opportunities for new market entrants are ripe. But a customized, local approach is imperative. As more consumers transact on their mobile devices, a growing body of consumer data will allow companies to better customize their offerings.

E-commerce
Although still in its infancy and riddled with challenges, e-commerce holds a unique long-term value proposition for companies in sub-Saharan Africa. High-end consumers are drawn to online retail because it offers convenience and broader choices—particularly, it provides access to global brands that are generally not available in brick-and-mortar stores. With time, e-commerce may also prove an attractive offering for those in intermediary cities and remote areas where choice of available goods may be limited, as well as for traders in the continent’s informal sector.

Successfully selling products online requires tie-in with innovative payment solutions and bespoke last-mile distribution networks. For example, Jumia relies on its fleet of over five hundred motorbikes and trucks to deliver to customers in Nigeria’s eight largest cities. The growth of e-commerce has also spurred the emergence of new players in the logistics space. On-demand couriers like South Africa’s WeChat-powered service Rush, which allows for payment through the Chinese-owned payment platform WeWallet, and Mozambique’s moWoza, which uses text messaging to deploy available taxi drivers to deliver parcels from wholesalers to traders, are shortening delivery times for e-retailers. In cooperation with China’s DJI Innovations, Kenyan e-retailer Kilimall is even testing delivery via drones. In the long term, strategic partnerships with successful on-demand players will help companies unlock innovative logistics solutions. With Africa’s population rapidly shifting and dispersing, logistics firms will have to continually upgrade to keep up.

Conclusion
The African consumer opportunity is real, albeit less straightforward and imminent than often suggested. There is no singular “middle class,” but a bifurcated consumer demographic: an extremely large group that is barely hovering above the subsistence level, and a much smaller group whose purchasing power is on a par with the American middle and lower-upper classes. Both of these groups are heterogeneous: their tastes vary by age, gender, religion, and social demographic, and not only by region and country, but by city and even by neighborhood. Urbanization continues to happen quickly, and it is expanding the ranks of the continent’s entry-level consumer segment. While all eyes are on cities like Lagos and Nairobi, intermediary cities like Arusha are starting to make their mark; significant low- and high-income demand may yet concentrate in these hubs, and this presents opportunities for early entrants into the markets. Technology is changing the way some Africans shop, and is steadily bringing others into the shopping fold.

For American companies that enter this expanding marketplace, challenges and frustrations are certain. But with an entrepreneurial mindset and long-term vision, success in Africa is well within reach.

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