# Africa's Prospects

Recalibrating for an unprecedented future

Edition 10: March 2021
NielsenIQ Intelligence Unit

# COVID-19 impact on Africa's prospects

The repurcussions of the COVID-19 pandemic will be felt by countries, consumers and business around the world for years to come. As countries deal with second and third waves and virus mutations, the evidence of significant structural, economic, employment and social effects will manifest in permanent, changed consumer behaviour.

**Kenya** is the top prospect in Sub Saharan Africa amidst the 2020 pandemic period. Despite annualised GDP growth dropping to -1.1% in Q3'20, the annual outlook is positive at +1%, owing to Kenya's more diversified economy.

Business ranked sentiment for Kenya has also improved ahead of pre COVID-19 readings. This is, however, relative to the other SSA countries, where scores for country and own business growth are significantly lower than previously recorded.

However, Kenya ranks lowest on retail prospects with only 19% of retailers reporting an increase in the ease of doing business and 24% who feel that the outlook for growth is positive.

## Overall ranking trend

| Rank | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| 1 | Nigeria | Kenya | Kenya | Kenya | Nigeria | **Kenya** |
| 2 | Kenya | Cote d'Ivoire | Cote d'Ivoire | Nigeria | Kenya | **Tanzania** |
| 3 | Cote d'Ivoire | South Africa | South Africa | South Africa | Ghana | **Nigeria*** |
| 4 | South Africa | Tanzania | Ghana | Ghana | South Africa | **Ghana*** |
| 5 | Cameroon | Ghana | Nigeria | Tanzania | Tanzania | **South Africa** |
| 6 | Tanzania | Nigeria | Tanzania | Cote d'Ivoire | Cote d'Ivoire | **Cote d'Ivoire** |
| 7 | Ghana | Cameroon | Cameroon | Uganda | Uganda | **Uganda** |
| 8 | Uganda | Uganda | Uganda | Cameroon | Cameroon | **Cameroon** |

* Nigeria and Ghana – joint 3rd position in current ranking

**Tanzania** achieves the biggest change in rank, rising to second place, its highest ranking to date. This is largely due to an improvement in the country's economic standing with a 2020 growth outlook of +1.9%, one of the strongest in the region. This is at a rate similar to Rwanda, Ethiopia and Cote d'Ivoire.

Retail prospects are solid with 54% of Tanzanian retailers expecting good to excellent growth prospects over the next 12 months.

After reclaiming top position at the end of 2019, **Nigeria** drops to third place amidst the health crisis. Macro economic prospects have been further dampened by lower oil prices, increased fuel prices and rising inflation, together with a 50% VAT increase in 2020. This, in turn, has dulled the business outlook and investor confidence.

Nigeria continues to lead in consumer prospects. Consumer confidence remains positive albeit at its lowest level since 2015. Only a third of Nigerians report to have spare cash, an 18 point drop from pre COVID-19 levels.

**76%**

**of Nigerians changed their spending to save on household expenses**

**Ghana**, in joint third position, is expected to continue its long-term advances and outperform the regional economic growth average in 2021, buoyed by rising demand for its commodity exports and supportive macro economic conditions which will facilitate investment and private consumption increases.

Businesses also rate their prospects in Ghana ahead of other SSA countries, and 60% of consumers expect their personal finances to be favourable, signaling a promising consumer demand environment in 2021.

**South Africa** drops one place, having operated under severe containment measures with one of the strictest global lockdowns. GDP contracted by 6% year-on-year into the third quarter of 2020. As a result, the economy and job security are the top concerns for South Africans, with only 17% feeling that job prospects will be favourable in the upcoming year and 87% reporting changes in spending to save on household expenses.

**Cote d'Ivoire, Uganda** and **Cameroon** rankings remain unchanged amidst the pandemic period. While the Ivorian GDP growth forecast is amongst the highest in the region, it is offset by weak consumer prospects with only five percent of retailers reporting an increase in consumer spending and 11% of consumers willing to try new products.

The weak business outlook poses a challenge for Uganda and Cameroon. Companies may look to de-prioritise operations in these markets in order to reallocate resources to top priority markets.

## Current ranking dynamics

| Rank | 2020 | Macro Rank | Business rank | Consumer rank | Retail rank |
|---|---|---|---|---|---|
| 1 | Kenya | 1 | 2 | 3 | 6 |
| 2 | Tanzania | 2 | 6 | 8 | 1 |
| 3 | Nigeria* | 7 | 3 | 1 | 8 |
| 3 | Ghana* | 4 | 1 | 4 | 7 |
| 5 | South Africa | 8 | 5 | 2 | 2 |
| 6 | Cote d'Ivoire | 3 | 4 | 7 | 4 |
| 7 | Uganda | 5 | 7 | 6 | 3 |
| 8 | Cameroon | 6 | 8 | 5 | 5 |

* Nigeria and Ghana – joint 3rd position in current ranking

# Behavioural resets following prolonged COVID-19 impacts

With massive structural change and diminished income across markets in SSA, there have been shifts in consumption circumstances resulting in major grocery spending reforms. These environmental realities will extend into the future, with little short-term recovery or market immune to the shocks. This will exacerbate wealth polarisation, deplete spending and escalate cost consciousness.

Constrained and Insulated spenders will respond differently to their altered situations by changing what and where they purchase goods. They will trade off on brands and repertoires based on; assortment, frequency, price/promotion, availability, location and loyalty.

While survival instincts may influence the wants and needs of constrained consumers, insulated spenders will react situationally as their pandemic behavior is reset. With consumers forced to rethink how they shop and what they buy, businesses will need to recalibrate for a longer term reset.

| Basket Reset | Homebody reset | Rationale Reset | Affordability reset |
|---|---|---|---|
| **What** consumers will buy | **Where** consumption will happen | **Why** consumers will buy | **How much** consumers will spend |
| Polarising behavioural responses | | | |
| **Constrained consumers** – experienced job / income loss, rationalise choices | | | |
| Carefully consider basket composition, shrinking repertoire of essential products. | Defer to reliance on self-serviced needs and routines, only if entirely necessary, to save costs. | Each purchase holds greater significance with only small FMCG treats possible. | Spending adjustments mean certain brands, categories and formats risk abandonment. |
| **Insulated consumers** – income unaffected, unrestricted but cautious choices | | | |
| Minimise stockpiling. New necessities, needs and consciousness guide choices. | Explore and try self-serviced options to replace out of home dining and grooming. | Seek FMCG luxuries to compensate for OOH experiences they can no longer safely enjoy | Product worth/ benefits becomes more of a purchase driver as consumers weigh up attributes. |
| Business considerations | | | |
| How recession-proof/ essential are your brands? | How can you integrate your brands into homebound activities? | How do you defend shelf space due to rebased rationale? | How will you address streamlined wallet and grocery spend? |

# Macro Prospects

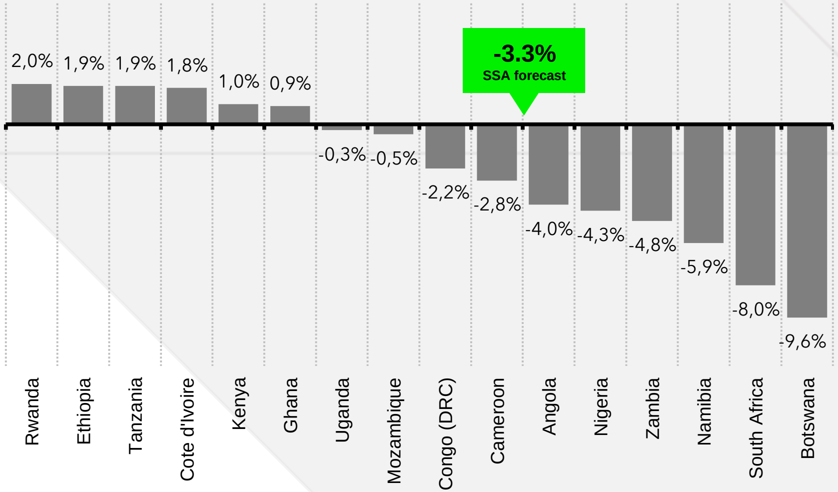
# 2020 recessionary shocks will take time to turn

Growth in Sub-Saharan Africa is predicted to fall to -3.3 percent in 2020, pushing the region into its first recession in 25 years. The economic fallout from the COVID-19 pandemic could also drive up to 40 million people into extreme poverty in Africa, erasing years of progress in fighting poverty.

Within this environment sharp and immediate economic shocks have been instantly apparent and many economies will take years to recover from the abrupt and acute effects of the pandemic. Many markets have been plunged into recession, with government spending severely constrained as support is diverted from infrastructure and development to help vulnerable and impacted sectors, businesses and people.

Rising inflation is expected in 2021 together with diminishing middle class spend and increasing country and personal debt.

## SSA annual GDP growth forecast 2020




Source: IMF, GDP annual growth forecast 2020

Some of the most significant structural change has been the impact of job losses, employment reduction and the resultant income loss for consumers, as certain industries are crippled or frozen. Many consumers will face irreversible lower income levels as workforces contract, and jobs, livelihoods and earnings are downsized.

There will also be changes in the nature of work as people continue to work from home. Vulnerable employees, women and informal workers in particular, will face even greater constraints as they may not be able to return to physical work environments or restart their businesses.

These massive and sudden shifts in unemployment are amongst the factors driving the declining spending power of many African consumers, whilst economic and safety concerns have thwarted routine behaviors of businesses.

Whilst Sub-Saharan Africa appeared to have escaped the worst of the health crisis initially, the occurrence of further waves and virus mutations remain a threat. In addition, vaccine skepticism and the prolonged deployment periods to reach widespread sectors of the African population, could curtail significant turnaround.

The road to recovery will be long and steep with economic improvement dependent on how swiftly African countries can prioritise remedial actions and allocate and entice investments that address the challenge of creating more, better, and inclusive jobs.

**Consumer spending will suffer from economic and investment setbacks, compelling a refocus of growth zones**

# Business Prospects

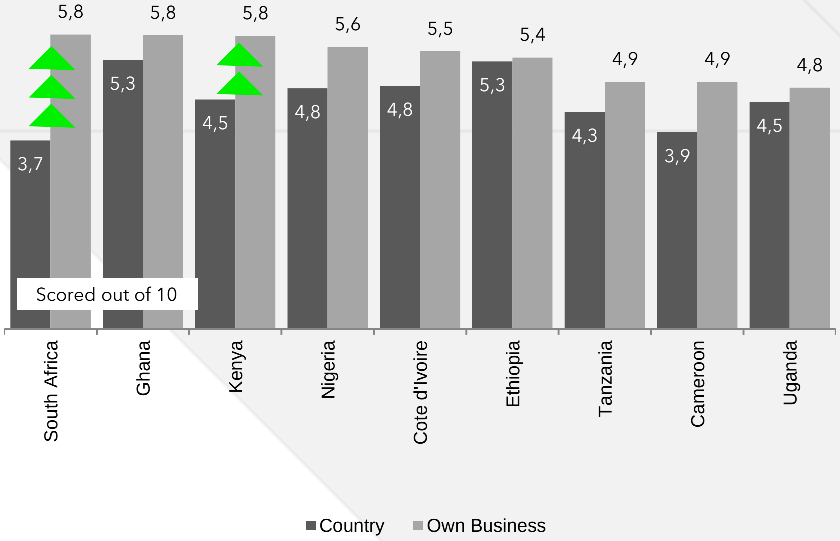
# 2021 business growth outlook is subdued

Company growth expectations for the next 12 months have slumped across SSA due to the combination of domestic lockdowns, business restrictions, recessionary conditions and the resultant consumer spending restraint.

Business sentiment for overall country growth dropped to 4.6 (out of 10) from 5.7 pre COVID-19, the lowest score for SSA in six years. Country growth expectations dropped in all countries, with the sharpest drops evident in Nigeria, Kenya, Uganda, Ethiopia and Ghana.

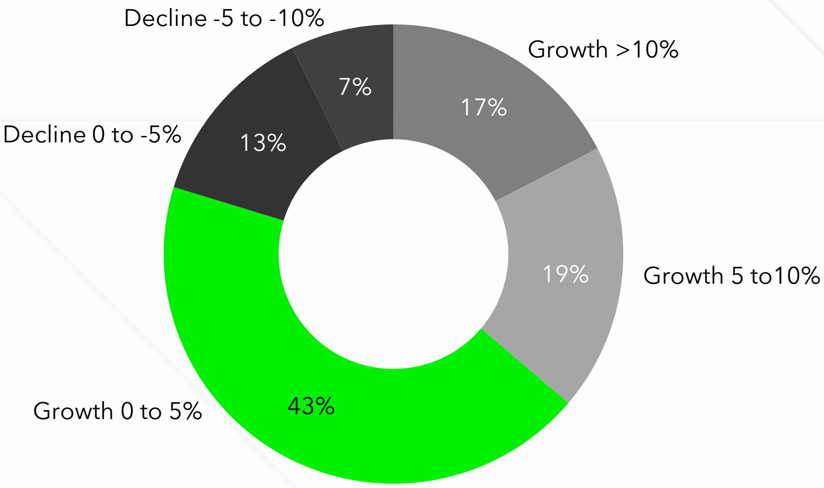
Own business growth expectations have also fallen across SSA, but are more optimistic than country growth expectations. The biggest differential in outlook is in South Africa and Kenya, a clear indication that businesses in these two markets remain firm in their view that favourable growth is achievable despite adverse macro factors.

## Business growth positivity is poor to moderate



# Robust growth will still be possible in some West African locations

## Own business growth levels expected in 2021




Despite the extremely challenging times, only one in five companies expect value growth declines in the next year. The majority of businesses forecast muted growth between 0 and 5%, but one third (36%) of businesses are more optimistic, predicting own business growth levels ahead of 5% in 2021.

**A sizable 17% of businesses anticipate growth ahead of 10% in 2021 - predominantly in Nigeria, Ghana and Cote d'Ivoire.**

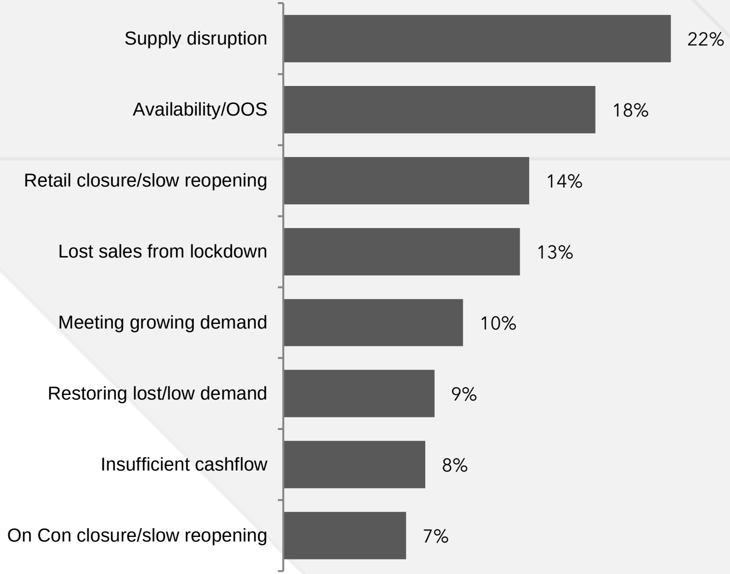
# Overcoming supply interruptions will be crucial

Achieving growth in 2021 will come with considerable challenges. The top factor that has impacted business performance amidst the COVID-19 pandemic is supply chain disruptions followed by product availability/out of stock issues and retail closures and slow reopening. Many of these factors will remain obstacles in 2021 as resources and logistics remain constricted, especially for imported products.

Manufacturers and retailers could face further share fallout as consumers substitute brands and stores for available alternatives, however, this could also work in favour of local origin brands and products, and informal retail.

**Prioritise core product range and route to market to protect share in the most important stores.**

**Factors impacting business performance amidst the pandemic**

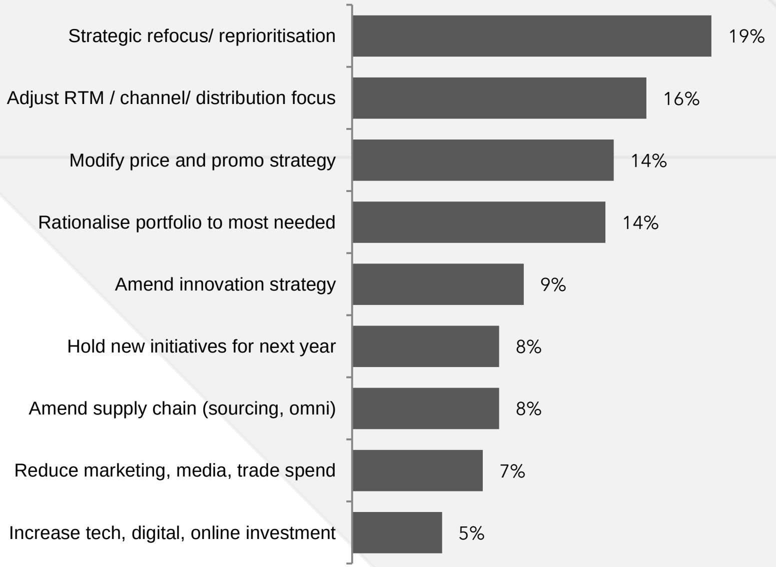


# A complete strategic overhaul is on the cards for many businesses

With many of the COVID-19 operating obstacles likely to persist, and together with altered consumer circumstances, one in five companies are initiating a strategic business refocus or reprioritisation to reboot their performance in the year ahead. Sixteen percent are adjusting their route to market/channel/distribution focus and 14% will modify their price and promotion strategies. Only 5% are looking to increase their technology and online investments, despite the massive move to online shopping.

A complete strategic review is the key action across most countries, route to market and distribution adjustments are under the spotlight in Cote d'Ivoire, Ethiopia and Nigeria. Innovation relevance is strongest in South Africa and rationalising product portfolios is the key emphasis for Tanzania and Uganda.

## Business priorities to restore growth in 2021

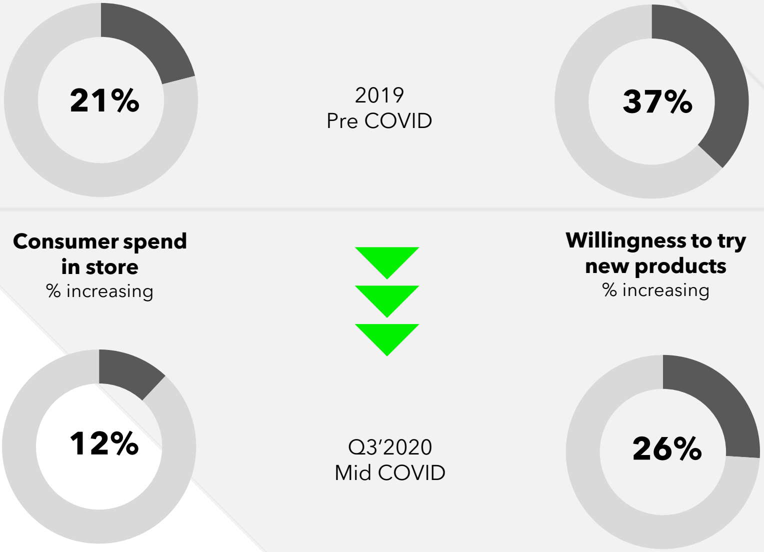


# Consumer Prospects

# Income impacts drive spend redistribution

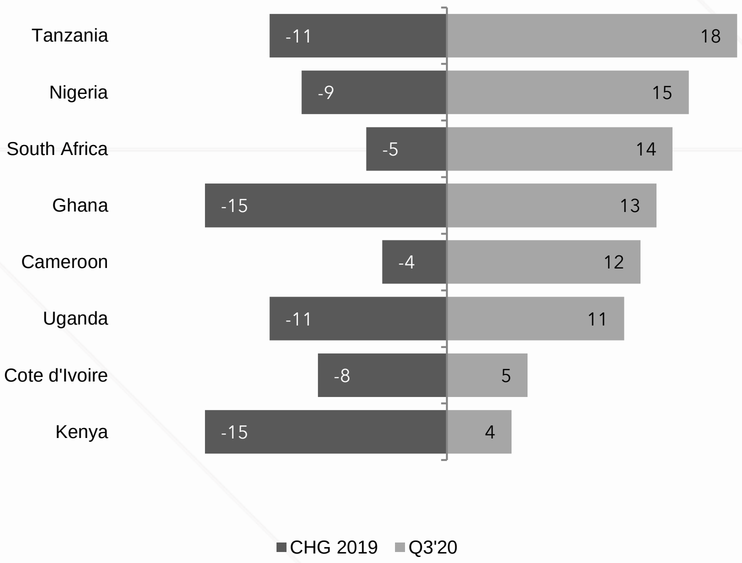
Consumers have been compelled to rethink what goes into their baskets as they seek to stretch their spend further while merging old and new needs. These adjustments reflect a fundamental consumption reset, with consumers carefully evaluating their overall spend and the products that make up their “usual” basket composition.

Across SSA the proportion of consumers spending more in store has dropped to just 12% (from 21% pre COVID-19), and those willing to try new products has dropped to only one quarter of consumers. Now more than ever, manufacturers and retailers will have to reassess their brand and store strategies, integrating health basics, as well as advocating their origin credentials, while adapting supply, scale and reach to where and how consumers are now shopping.

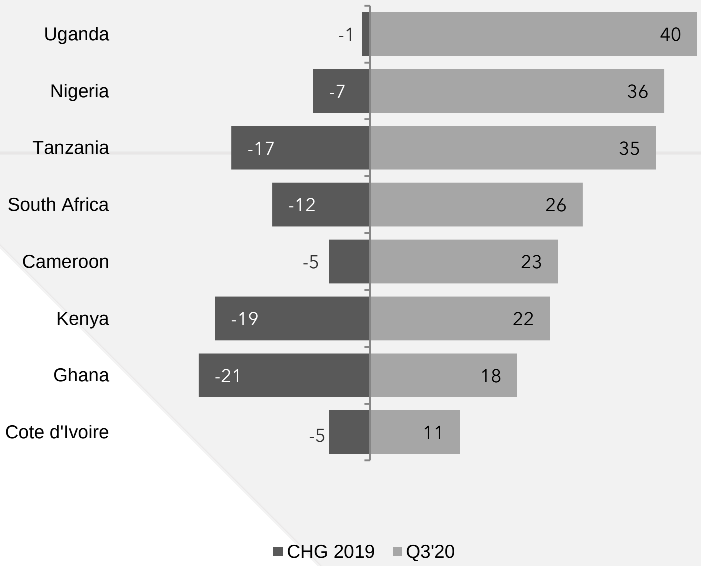


# Diminishing spend and consideration will restrict growth

## Consumer spend - % increasing

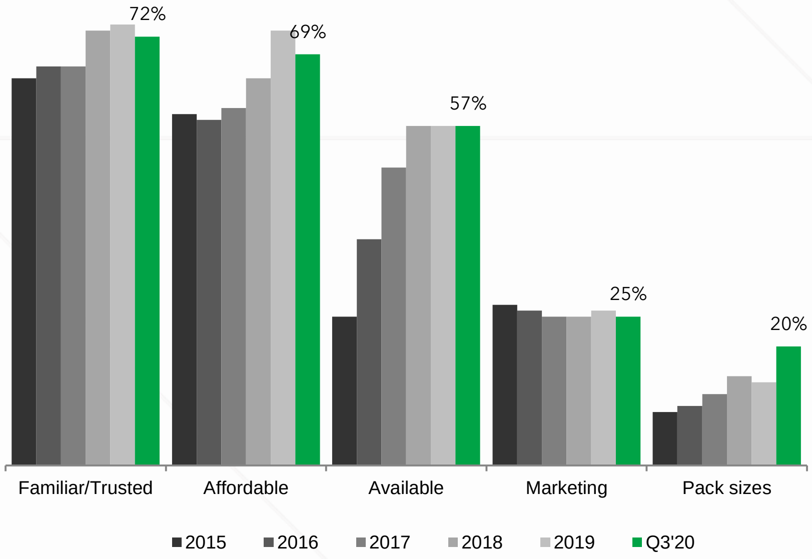



## Willing to try new products - % increasing



# Optimal pack configuration is a growing choice driver

## Product choice drivers




Together with increased health fears, rising food prices are a top concern for cautious SSA consumers, especially in Ghana and Nigeria. Whilst price affordability has always been a top choice driver, equally important is familiarity and trust, as cash strapped consumers cannot afford misdirected spend.

The relevance of these choice drivers remains mostly unchanged, with the exception that more consumers are looking for optimal pack configurations, particularly smaller pack options as a way of managing spending constraints.

# Retail Prospects

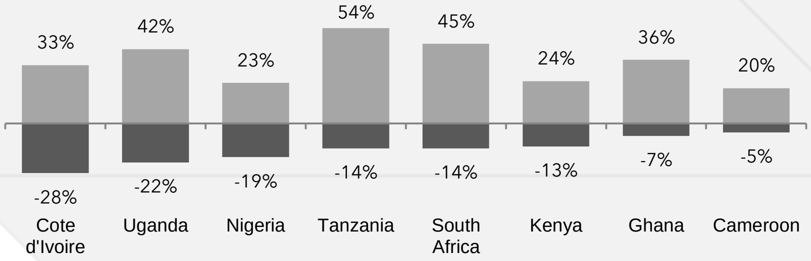
# Retailers struggle to sustain sales amidst tough trading conditions

Retailer outlook on growth has plummeted from 50% (2019) to just 35% of SSA retailers who state that their growth prospects will be favourable (good/excellent) in the upcoming year. Growth sentiment is most optimistic in Tanzania, South Africa and Uganda, but the biggest downturn in evident in Cote d’Ivoire, Uganda and Nigeria.

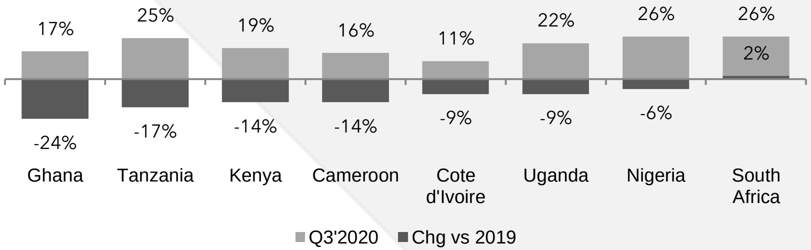
Similarly, the ease of trading has dropped from 31% to 20% of retailers who feel that trading conditions have improved. Deteriorating trading conditions are most evident for retailers in Ghana, Tanzania, Kenya and Cameroon.

**Only one in five retailers has a favourable view of trading conditions**

**Retailer favourable growth outlook**




**Retailer trading condition sentiment - improving**



# Addressing the suppressed trading conditions

- Prioritise key catchment areas, stores and products to address supply disruptions and stock availability.
- Reassess optimal assortment based on rerouted consumers and rebased essential and non-essential product needs.
- Limit supply chains layers to contain costs.
- Strengthen retailer loyalty and engagement with favourable trading terms and flexible orders.
- Determine optimal pack size combinations - smaller sizes and cash outlays for constrained shoppers, value/bulk/family sizes for insulated shoppers.
- Incorporate technology to streamline retail interaction and advance omni shopping momentum.
- Innovate to fill the shifting needs gaps

**Co-operation will be critical to help brands and retailers succeed.**

# Value propositions will be paramount

With many pre-existing, as well as a growing number of newly constrained consumers in SSA, consumers are becoming more risk averse and price conscious. They are increasingly seeking products and stores that provide value, quality and peace of mind. Brands and retailers will be compelled to re-examine how they price and promote in 2021 to justify the value that they provide.

When executed successfully, brands and retailers can achieve greater pricing efficiency while still opening the door to consumers who have less flexibility in their adjusted wallets. Early indications are that the promotional baseline has been reset, prompting an opportunity to transform consumer behavior around affordability. The recent lack of 'normal' promotional activity has led to a unique opportunity for companies to reset their approach to affordability and offer greater efficiency than before.

- Provide options across the price architecture
- Simplify decisions via unit price transparency
- Understand value/benefit trade offs
- Offer satisfaction guarantees to de-risk purchases
- Evaluate price/promo elasticity to improve ROI

**Identify price sensitivity and promotional response of products that fit adjusted wallets of constrained and insulated consumers**

# Closing the clicks and bricks gap

E-commerce has become a clear business priority for retailers and brands around the world due to the COVID-19 accelerated shift to online and omni shopping. The trajectory for online retail around the world is expected to continue with online growth set to exceed offline for years to come.

For the majority of consumers, online is an addition to their grocery store repertoire. There are fewer exclusive brick and mortar shoppers and more omni shoppers, and they want equivalent and seamlessly connected experiences. This is even more pronounced for constrained consumers who are using online options to help make better and more frugal choices. Perceptions of online offerings in the areas of availability, price and promotion are now more favourable than for brick and mortar stores.

Retailers and brands will need to tailor solutions for the full spectrum of users – particularly constrained consumers and older generations. This will involve building capacity and solutions for the new online retail reality with rebased components of convenience, broader reach and expanded platforms.

| | Online | Offline |
|---|---|---|
| **Availability** | **27%** Bigger Range | **13%** Bigger Range |
| **Prices** | **41%** Increased | **50%** Increased |
| **Promotion** | **17%** Less | **32%** Less |
| **Satisfaction** | **41%** Highly satisfied | **28%** Highly satisfied |

**Solve for new and rebased online expectations due to altered living and working situations**

# Africa Ahead

# Unlocking Africa's prospects in 2021

Lingering pandemic effects have shaped adjusted circumstances, needs and behaviours that will persist in 2021. This will impact where consumers shop, what they buy, why they buy and how much they are willing to spend. No matter whether consumers are constrained, insulated or gain access to a vaccine in 2021, they will remain less optimistic about what the future holds.

This cautiousness will alter their spending. Decisions will be made to adjust purchase habits shoppers have had in place for years, alongside the current reality where health and value priorities compete side by side.

Brands and retailers will face a fundamental need to recalibrate in order to orient towards recovery and reinvention. Those that support and accommodate consumers' changing needs will be most primed for success.

**Strategies in Africa's diverse settings need to encompass:**

**Basket reset**

- Reassess brand purpose
- Reprioritise assortment
- Integrate health basics

**Homebody reset**

- Follow rerouted consumers
- Fulfill home usage occasions
- Innovate to fill gaps

**Rationale reset**

- Redirect for shifted demand
- Reward with small luxuries
- Understand essential trade offs

**Affordability reset**

- Rethink value propositions
- Provide price transparency
- Delivery quality & efficacy

# Sources and methodology

**Macro Prospects**:

- Represents 17 Sub Saharan Africa countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Zambia, Cote d'Ivoire, Cameroon, Angola, Ethiopia, Democratic Republic of Congo (DRC), Mozambique, Zimbabwe, Botswana, Namibia, Rwanda.
- GDP size, GDP growth, Core Inflation, Food Inflation, Population, Consumer Spending sourced from World Bank and country specific central banks and statistical institutions.
- Common Consumer Basket Spend sourced from Numbeo. Data is updated quarterly, where available, and quoted as per latest quarter available. Where information is published monthly the reading at mid-month of the quarter is used.
- Methodology: Ranking factored on GDP growth and GDP size, updated quarterly.

**Business Prospects**:

- Nielsen survey conducted amongst business executives with responsibility for single or multiple African countries.
- Edition 10 represents 106 country level responses, across 9 countries, from multinational, regional and local manufacturers and retailers in the Consumer Packaged Goods, Media, Entertainment, Telecommunication industries.
- Two standard questions are fielded bi-annually, and additional issue-based questions are covered for spotlight features.
- Methodology: Ranking factored on Country Growth View and Own Business Growth View.

**Consumer Prospects**:

- Nielsen survey conducted amongst 5,900 Grocery and Kiosk Traders in eight countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Cote d'Ivoire and Cameroon.
- Nielsen Consumer Confidence Index in Nigeria, Kenya and Ghana is a mobile methodology survey conducted amongst 1,500 respondents.
- Nielsen Consumer Confidence Index in South Africa is conducted in collaboration with The Conference Board. It is an online methodology. Both surveys are conducted quarterly.
- Methodology: Ranking factored on Consumer Spend in Store and Consumer Trend on Willingness to Try New Products.

**Retail Prospects:**

- Nielsen survey conducted amongst 5,900 Grocery and Kiosk traders in eight countries: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Cote d'Ivoire and Cameroon.
- Nielsen monthly Retail Measurement Services (RMS) data, aggregated from a defined basket of categories, analysed by annual rolling quarters.
- Methodology: Ranking factored on Retailer View of Growth, Ease of Doing Business and Inflation.

**Africa Prospects Indicator**:

- The overall Indicator rankings are created from ten common datasets and 13 weighting calculations to determine the relative indicators for each of the individual dimensions.
- Methodology: Overall ranking is factored on an equal weighting combination of the four dimensions, available for the eight countries where common datasets are available.

**Other references:**

- The Conference Board® Global Consumer Confidence Survey Q2'20 conducted in collaboration with Nielsen
- Nielsen Global COVID-19 Future Consequences, July 2020
- Nielsen Global COVID-19 Behavioural Reset, August 2020
- Nielsen Global New Shopper Normal Study, May / Sept 2020
- IMF World Economic Outlook, October 2020
- World Bank Africa Pulse Vol22, October 2020

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## About NielsenIQ

Arthur C. Nielsen, who founded Nielsen in 1923, is the original name in consumer intelligence. After decades of helping companies look to the future, we are setting the foundation for our future by becoming NielsenIQ. We continue to be the undisputed industry leaders as evidenced by our experience and unmatched integrity. As we move forward, we are focused on providing the best retail and consumer data platform, enabling better innovation, faster delivery, and bolder decision-making. We are unwavering in our commitment to these ideals and passionate about helping clients achieve success. For more information, visit: https://nielseniq.com