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AN UNCOMMON SENSE
OF THE CONSUMER™

AFRICA'S PROSPECTS

**MACRO ENVIRONMENT, BUSINESS,
CONSUMER AND RETAIL OUTLOOK
INDICATORS**





EDITION 2
FEBRUARY 2016



AFRICA PROSPECTS RANKINGS

The second edition of the Africa Prospects Indicators (APi) provides a trended ranking of multi dimensional, comparative indicators for nine of Sub Saharan Africa's leading markets, where common measurement information is available. The report also assesses macro economic and business prospects for a further 17 countries where extended metrics exist. The findings, up to Quarter 3, 2015, of the Africa Prospects ranking reveal some interesting, if not entirely unexpected, movement in positions as these dynamic markets respond to ongoing change.

Cote d'Ivoire moves ahead of Nigeria to lead the prospects ranking outlook at the end of Q3, 2015. Its ranking improves on the Business outlook dimension, and it continues to rank top in terms of Retail sentiment. Whilst the country comes in third position on the broader Macro factors, its stable economic growth and inflation climate and recent elections, provide a fertile investment environment. Its principal prospects for realising growth remain consumer-related elements such as identifying and fulfilling consumer needs, building category, brand and product awareness, as well as trust and recommendation.

RANKING					
   					
COUNTRY	OVERALL RANK	MACRO RANK	BUSINESS RANK	CONSUMER RANK	RETAIL RANK
COTE D'IVOIRE	1	3	1	8	1
KENYA	2	2	5	6	7
TANZANIA	3	1	4	7	8
NIGERIA	4	4	3	2	3
ZAMBIA	5	7	9	1	4
CAMEROON	6	6	2	5	2
SOUTH AFRICA	7	8	8	4	6
UGANDA	8	9	6	3	5
GHANA	9	5	7	9	9

Represents 71% of Sub Saharan Africa's GDP and 50% of the population

MORE MODERATE VIEWS FOR NIGERIA

Whilst Nigeria topped the inaugural list in Q1, 2015, in the latest ranking it drops to a more moderate 4th position, driven primarily by deteriorating macro-economic indicators as a result of a slump in commodity prices, in particular oil. In addition, the Consumer indicators and overall confidence levels have followed suit.

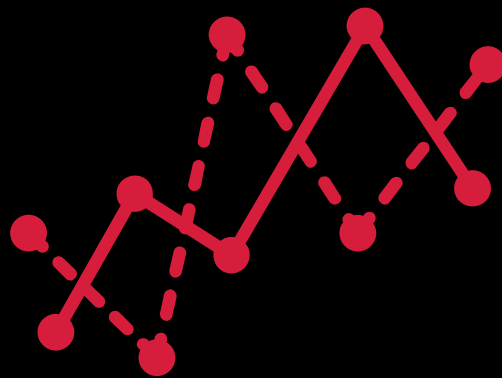
Despite this, Nigerians continue to be some of the most optimistic consumers on the continent, with more positive sentiment for their job prospects and personal finances, even though immediate spending intentions and levels of spare cash are more strained.

Business success in Nigeria is all about efficiently navigating the complex routes to market, pinpointing the optimal outlets to generate the greatest return and working with these retailers to build and activate demand, not a quick or simple task in a market with more than 2-million retail outlets. It is therefore not surprising then that Business executives cite Route to Market and Distribution as their number one priority for the forthcoming year.

Kenya and Tanzania climb the overall rankings to second and third place respectively, with both markets recording improvement on the macro ranking, which takes into account the economic growth performance in relation to the size of the economy. Business sentiment for Kenya remains a little more sceptical, as the ranking declines amidst slower sales offtake impacting company performance.

Within South Africa, peer ranking improves from 9th (Q1, 2015) to 7th place. The South African economy accounts for the largest base of consumer spend in SSA and has one of the most favorably priced common item baskets. This provides more promising avenues for growth through product innovation and choice, thanks to a greater product/value equation. Retail execution, route to market and distribution are also far more easily achieved in a country with the highest concentration of modern trade on the continent.

PART 1

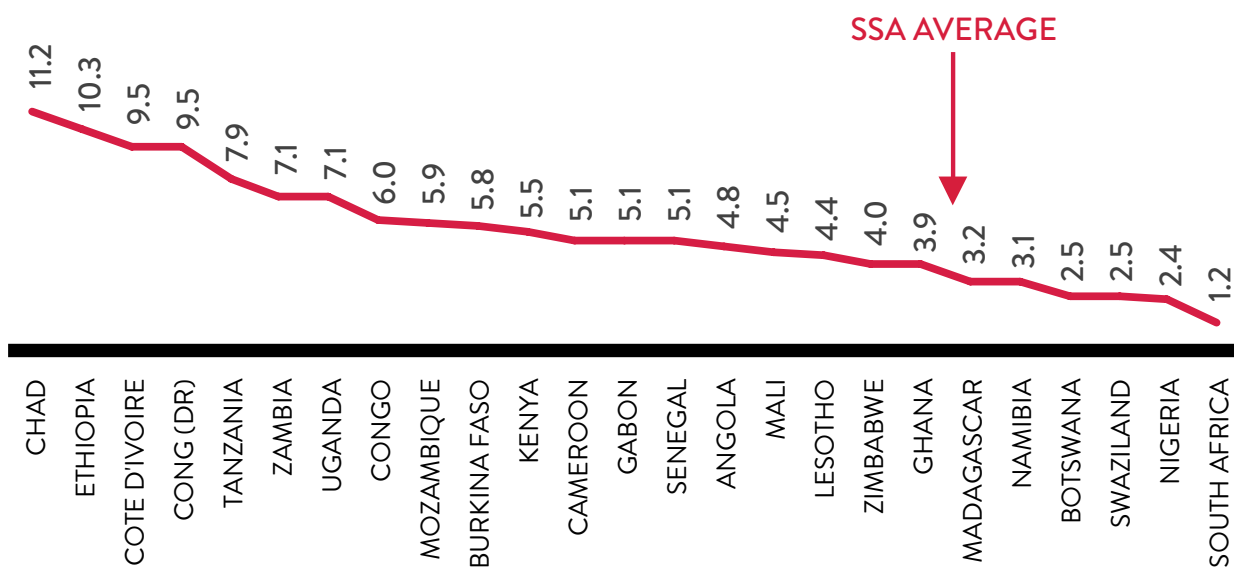


MACRO ENVIRONMENT PROSPECTS

FACING ECONOMIC HEADWINDS

According to the World Bank, growth in Sub Saharan Africa has reached one of its lowest ebbs. “Growth slowed in 2015 to 3.3% from 4.6% in 2014, reaching its lowest growth rate since 2009”. This growth deceleration comes amid difficult global conditions and domestic challenges. On a more positive note, SSA growth is still projected ahead of other developing countries, excluding China.

ECONOMIC GROWTH



With SSA being a net exporter of primary commodities, and oil being the most important commodity traded in the region - fuel accounts for half of all exports, up from 37% to 49% (*Source: World Trade Integrated Solutions*) – the countries that have been hardest hit by the slump in commodity prices are SSA's oil exporters, led by top-producers, Nigeria and Angola. Ghana, Zambia and South Africa have also been impacted by weak mineral prices, power shortages and difficult financing conditions. However, there are some bright spots such as Ethiopia and most notably Cote d'Ivoire, which has seen an investment boom after a brief civil war in 2012 and peaceful elections in 2015.

PART 2

BUSINESS
PROSPECTS

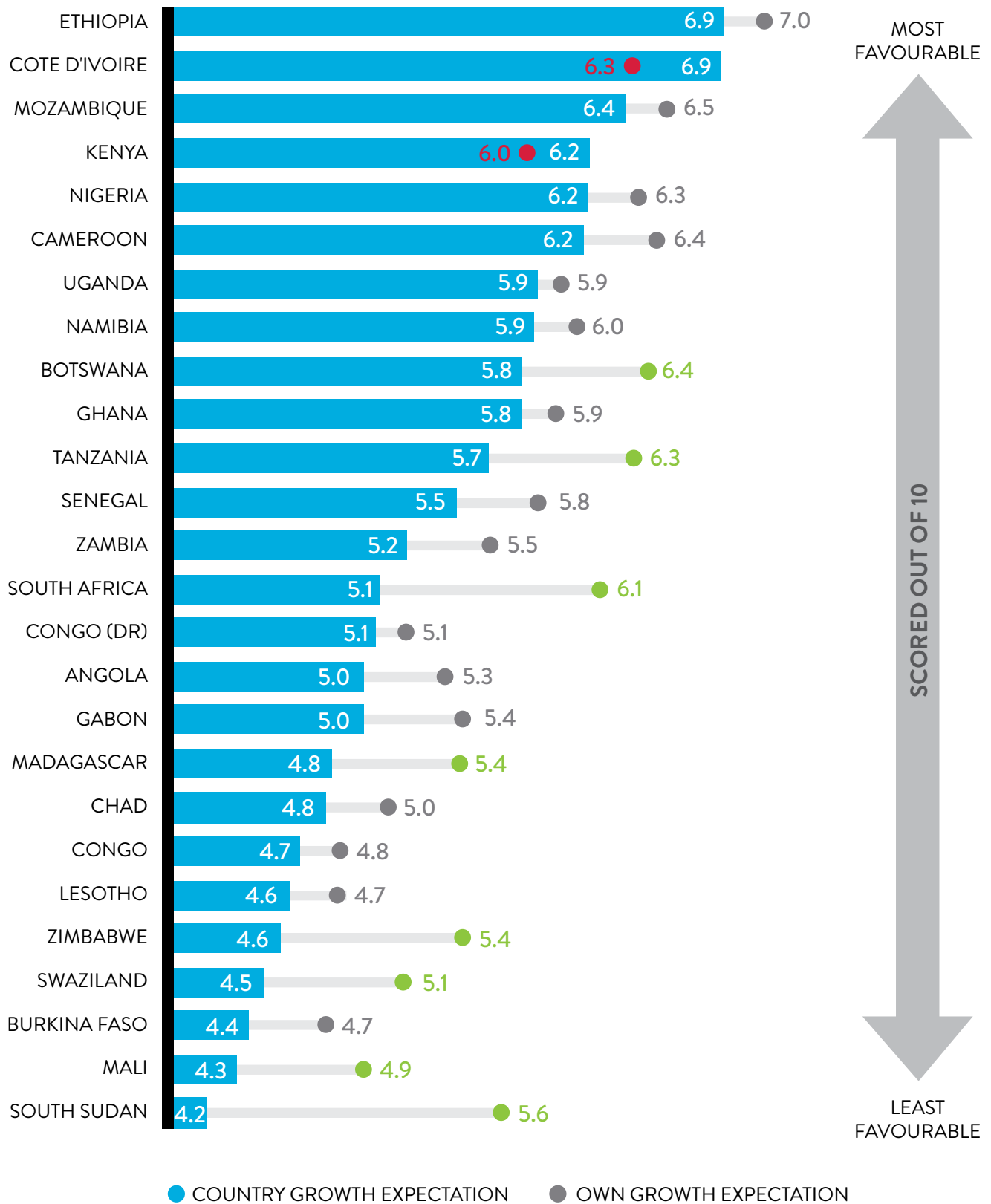
COUNTRY PRIORITIES FOR 2016

In Quarter 4, 2015 business executives across Africa, with single and multi-country responsibility, scored the same 26 Sub Saharan Africa markets based on their view of growth opportunities for the next 12 months. These 400 country-level Business views incorporate sentiment for the countries overall economic growth as well as the outlook for their own company's growth. This also represents the extent to which they are able to tap into market potential considering the various macro and micro challenges.

The markets topping the list in terms of overall country growth expectations are: Ethiopia, Cote d'Ivoire, Mozambique and Kenya. These top 4 ranked countries remain unchanged from the previous business survey, and are considered 'good' growth prospects. The biggest movement is in the outlook for Angola, that was previously ranked 5th with a score of 6.3, and now drops to 16th place with a more moderate score of 5. Nigeria replaces Angola in 5th position and South Africa climbs from 19th to 14th position, which reflects a more encouraging stance by local businesses. They also view their own growth potential ahead of the overall country's expected economic performance, highlighting their ability and agility to tailor offerings during both more, and less, favorable economic cycles.

Business sentiment for both the country and individual prospects in Kenya, Democratic Republic of Congo (DRC), Congo, Zimbabwe and Zambia have been revised to lower scores than the previous review. The majority of the countries which scored at lower levels have experienced ongoing instability which is reflected in a more cautious business outlook.

GROWTH EXPECTATIONS



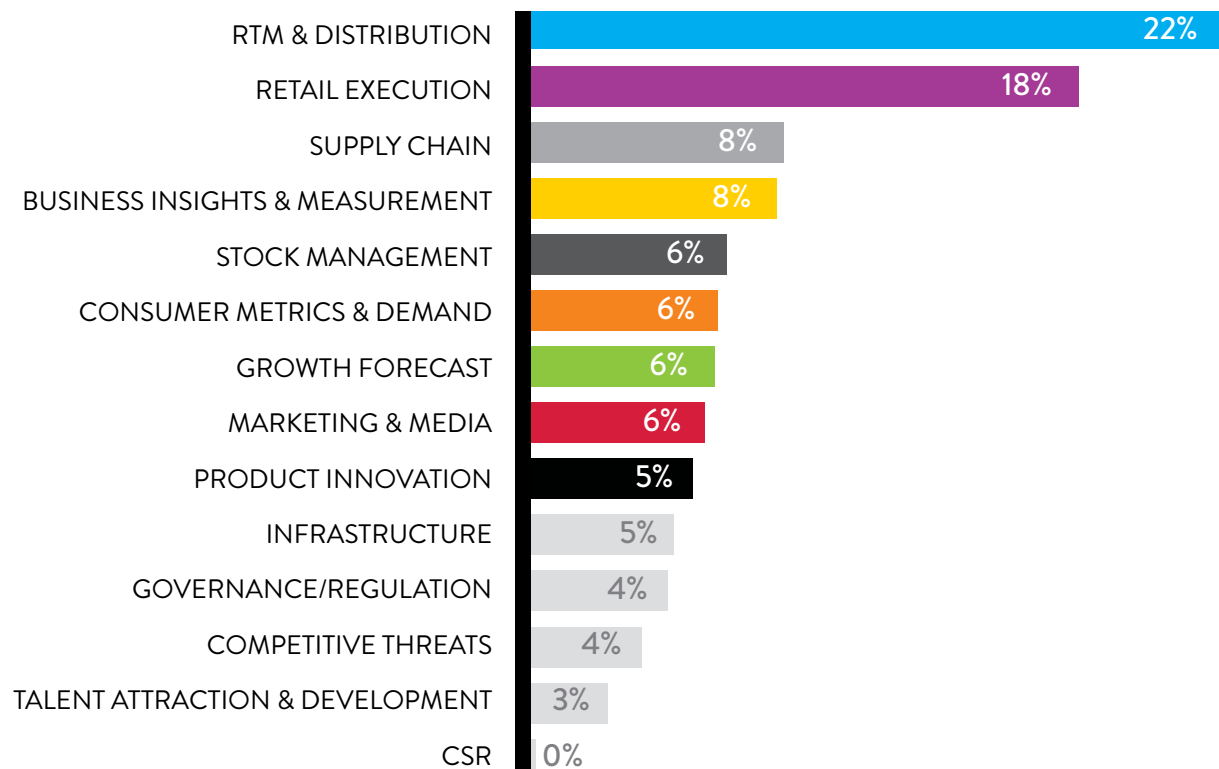
UNANIMOUS RETAIL PRECEDENCE

Africa's retail environments are some of the toughest in the world, given that 95% of the landscape is still made up of Traditional Trade outlets. The sheer quantity of diverse outlets makes identifying, reaching and activating in-store consumer demand, a daunting task.

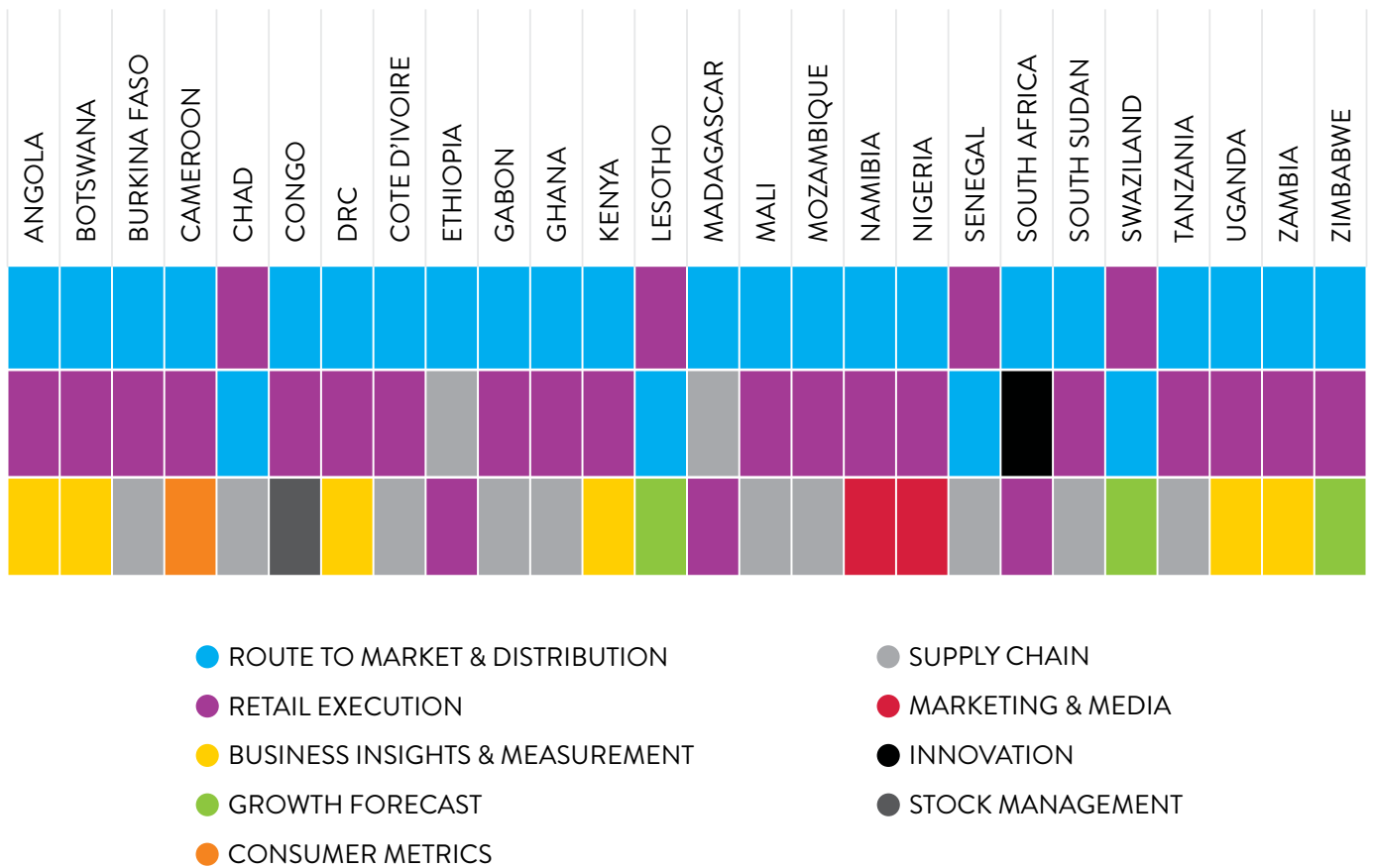
Not surprising then that across the 26 Sub Saharan Africa countries, business priorities for the next 12 months are fairly common. The overwhelming shared denominator across companies and countries is the challenge of Route to Market to ensure optimal Distribution, together with overall Retail Execution and efficient Supply Chain Management.

Following this is an ongoing need for deeper Business Insight and Measurement, improved Stock Management and Consumer Understanding to build demand.

OVERALL PRIORITIES



TOP 3 PRIORITIES BY COUNTRY



More established markets with a greater proportion of Branded Modern Trade, such as South Africa, present alternative priorities. Product Innovation is the second biggest priority, as a consequence of well evolved product ranges and consumer preferences, as well as the need for products which offer a significant value equation.

Comparing individual priorities across countries, Nigeria has the greatest number of respondents who prioritise Infrastructure development, Kenya and Cote d'Ivoire lead on focus for Talent Attraction and Development, South Africa, Namibia and Botswana are focused on Competitive Threats, whilst Angola and Zimbabwe are concerned with Governance and Regulation.

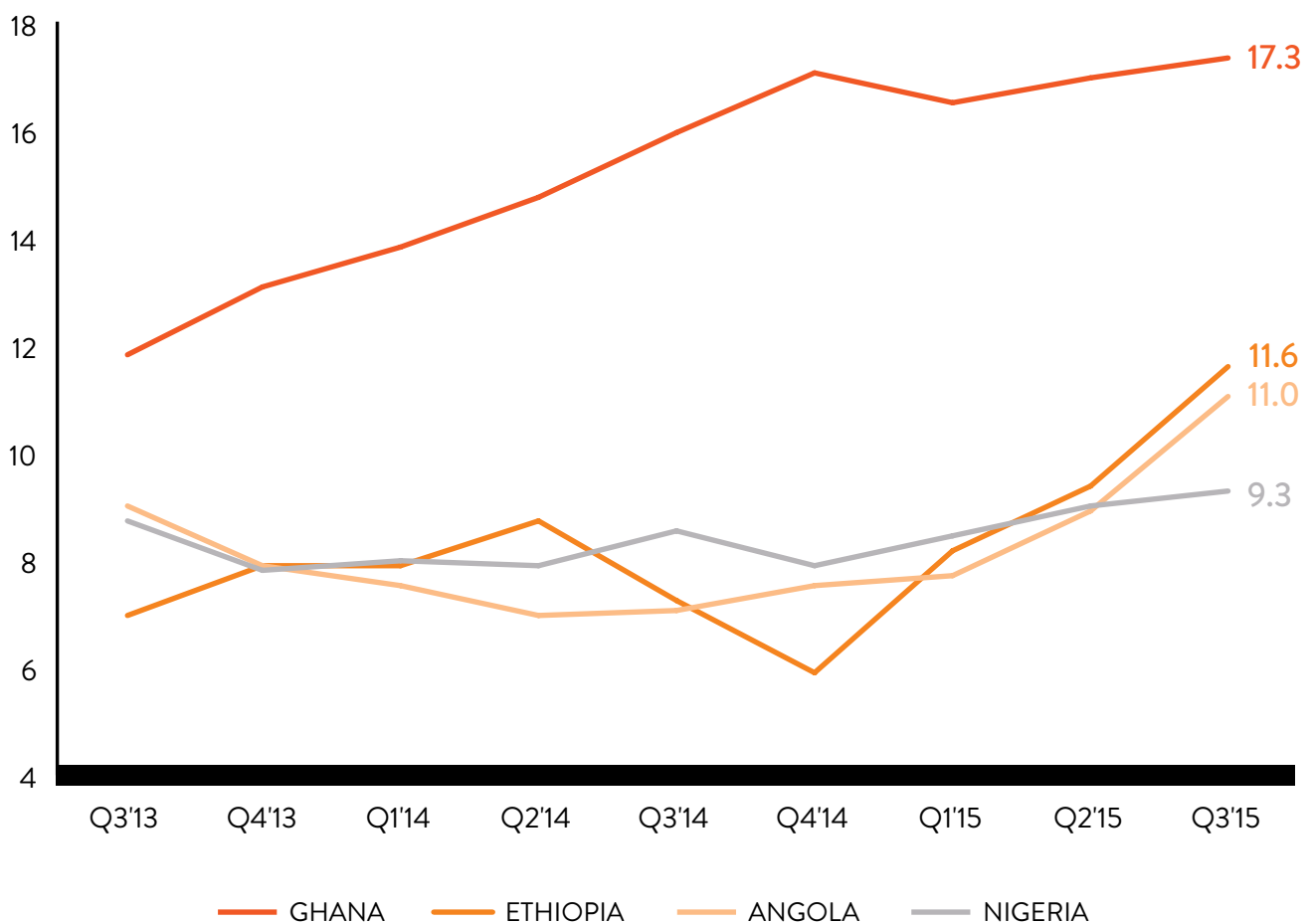
PART 3

CONSUMER
PROSPECTS

CASH STRAPPED CONSUMER REALITIES

The composition of the consumer basket and spend is directly impacted by changes in the price of essential day to day goods. Inflation is one of the most realistic indicators of the conditions consumers face. On average, Food accounts for 30% of the African consumer's basket, with this figure increasing to as much as 43% and 45% in Ethiopia and Angola. For consumers living in more impoverished conditions, the inflationary pressures on a basic basket of commodities is more keenly felt.

TRENDS IN HIGH INFLATION MARKETS



GHANAIANS, ANGOLANS ETHIOPIANS AND NIGERIANS FACE RISING PRICES

In addition to rising inflation, the cash outlay for Angolan and Ghanaian consumers are some of the highest in SSA. A like for like basket of essentials costs almost US\$34 in Angola and US\$27.50 in Ghana, compared to South Africa at \$15.33 (the 5th most affordable country basket).

COMMON ITEMS WALLET SPEND



LEAST PREMIUM	PRICE
UGANDA	\$10.99
LESOTHO	\$14.70
SWAZILAND	\$14.99
KENYA	\$15.06
SOUTH AFRICA	\$15.33

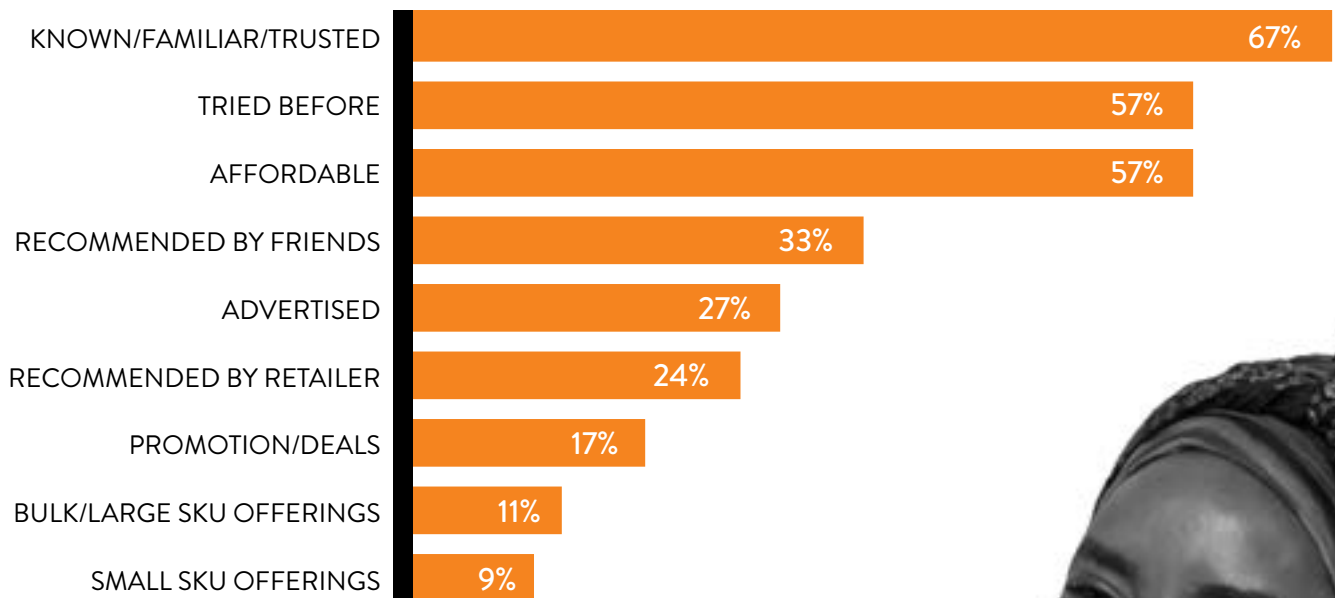


MOST PREMIUM	PRICE
SOUTH SUDAN	\$38.60
ANGOLA	\$33.57
DRC	\$28.80
GHANA	\$27.50
COTE D'IVOIRE	\$24.55

Consists of: 500g Fresh White Bread, 1kg Rice, 12 Eggs, 1kg Chicken, 1kg Tomatoes, 1kg Potatoes, 1L Regular Milk, 1.5L Bottled Water, 330ml Soda, 1 way public transport ticket, 1L Fuel, 1 minute prepaid airtime (no discount/plan)

DRIVERS OF PRODUCT CHOICE

As consumers struggle with rising overall expenses, product choice is of vital importance. Consumers are most likely to buy brands which are known/familiar/trusted. 57% also say they will buy brands that they have tried before. On the surface these factors appear as strong loyalty determinants, and more important than affordability or price. In reality, this is a more likely indication of leaner financial times and cash strapped consumers not being able to afford costly mistakes.



● SSA AVG Q3 2015

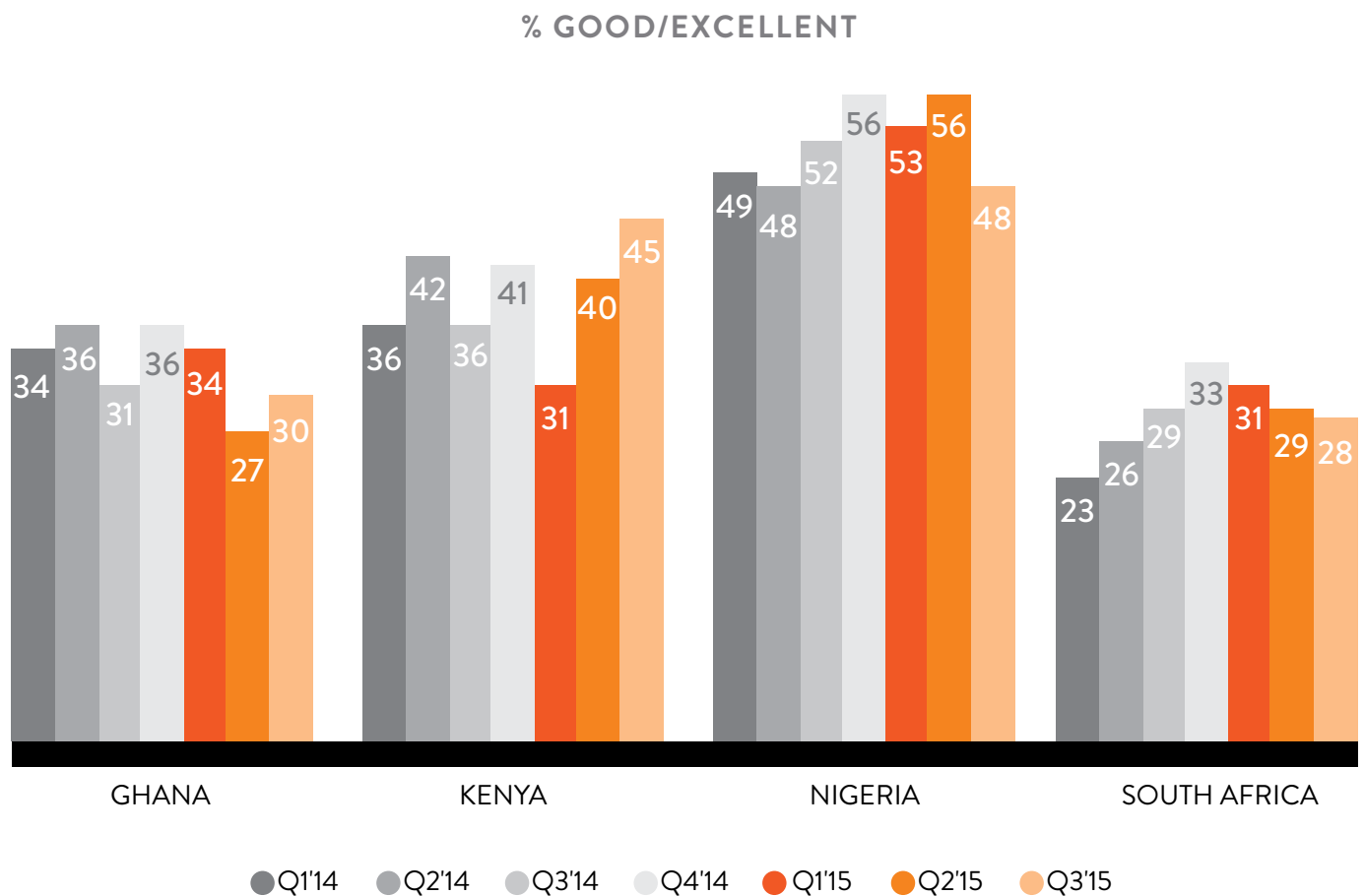


CAUTIOUS SPENDING INTENTIONS

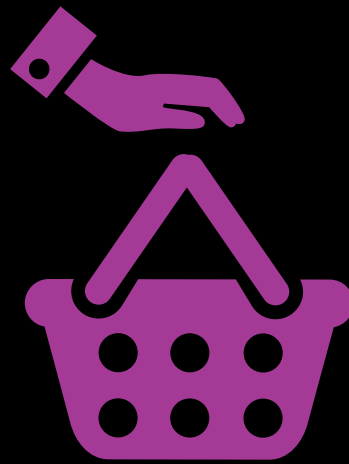
Higher inflation levels dampen views on spending as consumers have less or no spare cash, forcing curtailed spending. As Nigerian consumers feel the effect of rising inflation on their basket of goods, there has been a discernible decline in their perception that the current time is a good time to buy the goods they need. This has, however, not diminished their desire to try new products. In fact, almost 80% of Nigerians are willing to consider new products that offer greater value for money or affordability.

South Africans are least open to current spending, opting to rather service debt or save for contingencies. For the 30-40% of SSA consumers who claim discretionary income, the majority will opt to save or invest, followed by home improvements and new clothes.

CONSUMER VIEW ON CURRENT TIME TO BUY



PART 4

RETAIL
PROSPECTS

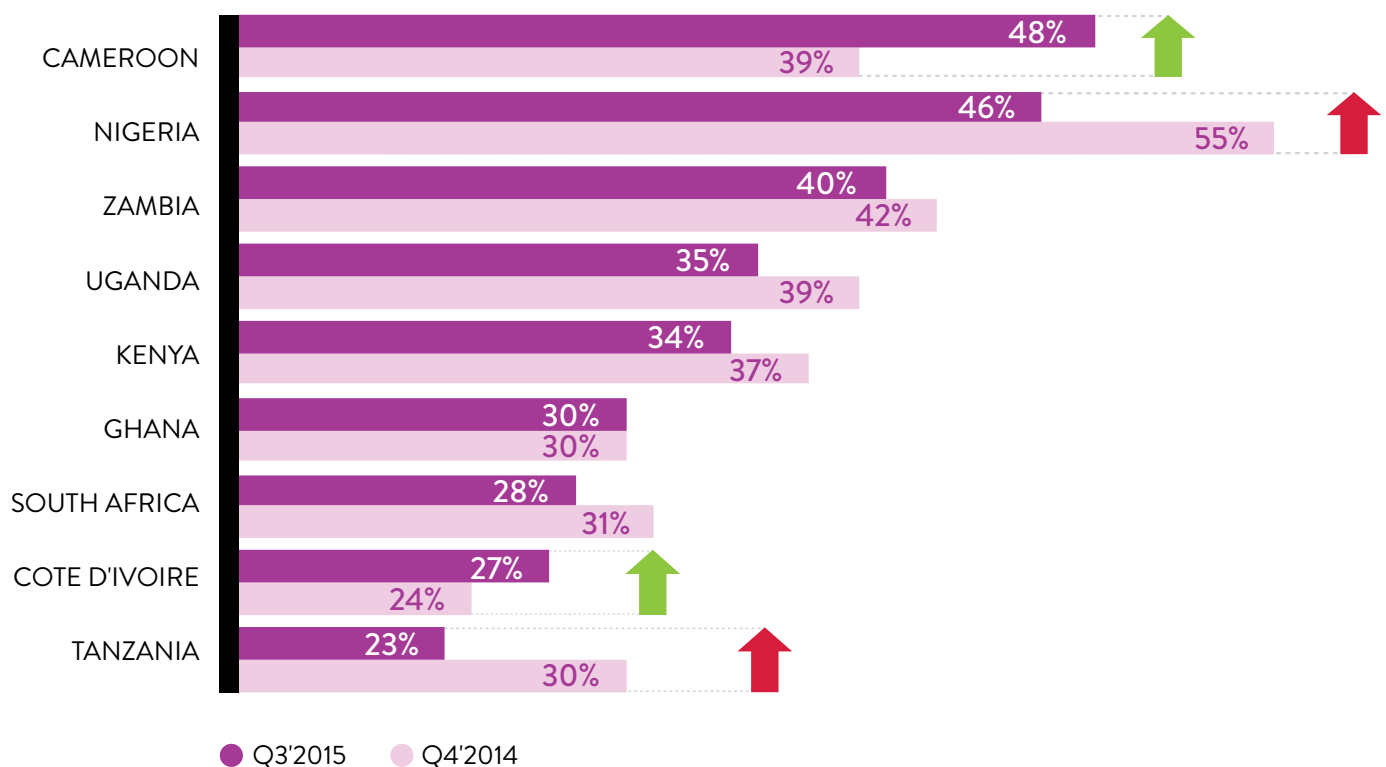
ACTIVATION ARENA AND AGENTS

Sustained growth can only be realised with deep consumer and retail understanding. Businesses unable to optimally navigate the final distance to the consumer transaction area will never realise their true potential, no matter how well their products are optimised to meet Africa's consumer needs, or how their marketing messages resonate to generate ongoing demand. This means ensuring efficient availability of products in the sectors and stores which matter most, via complex vertical and horizontal supply chains, and getting closer to the 'retailer recommenders'. With limited or no interior trading areas, providing collaterals to raise visibility and increase sales offtake is critical, as well as delivering on-the-go replenishment.

With the exception of retailers in Cote d'Ivoire and Cameroon, traders do not believe the ease of doing business with manufacturers is improving. Whilst fairly optimistic views of retail growth prevail for most countries, informal retailers can certainly benefit from greater collaboration with manufacturers.

EASE OF DOING BUSINESS

% RETAILERS WHO VIEW CONDITIONS IMPROVING



RETAIL REALITY EXPRESSED IN SALES



GROWTH IN SPEND

(LOCAL CURRENCY)



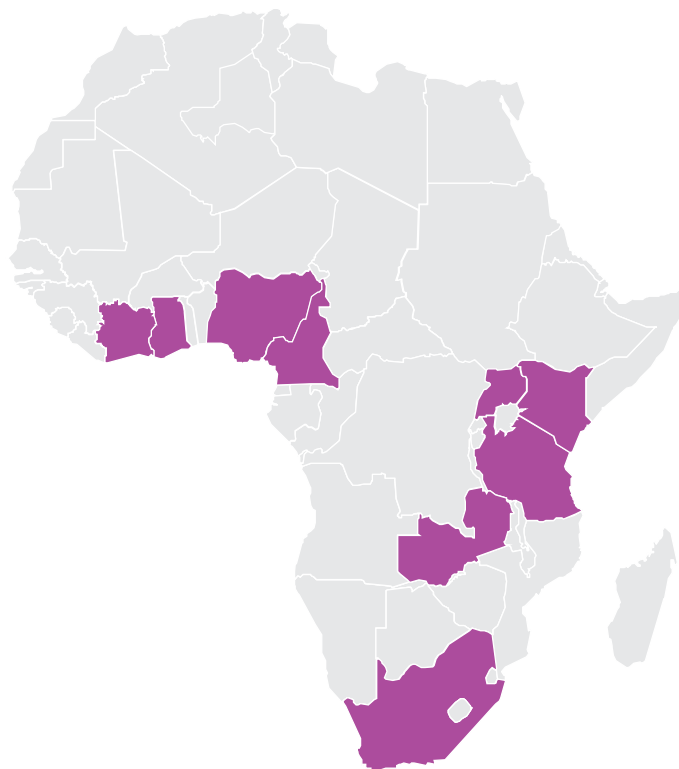
GROWTH IN UNITS

(PACKAGES)

Annualised Retail Sales in both spend and packages have grown in Cote d'Ivoire, Ethiopia, Zambia and South Africa versus the previous quarter (Q2). In the shorter term (Q3 v Q2, 2015) however, sales in Zambia and South Africa, whilst still positive, have slowed echoing consumers spending sentiment.

Value sales have grown in Ghana, Kenya, Cameroon and Uganda, but not units, reflecting the impact of rising prices and inflation.

In Nigeria, sales are declining in both value and units as consumers face a combination of wallet pressures. Essential categories maintain more stable growth rates, whereas discretionary categories are often dropped from the basket or purchased with reduced frequency.



PART 5








CONNECTING WITH AFRICA'S CONSUMERS

SPOTLIGHT ON THE MEDIA LANDSCAPE

REACHING AFRICA'S AUDIENCES

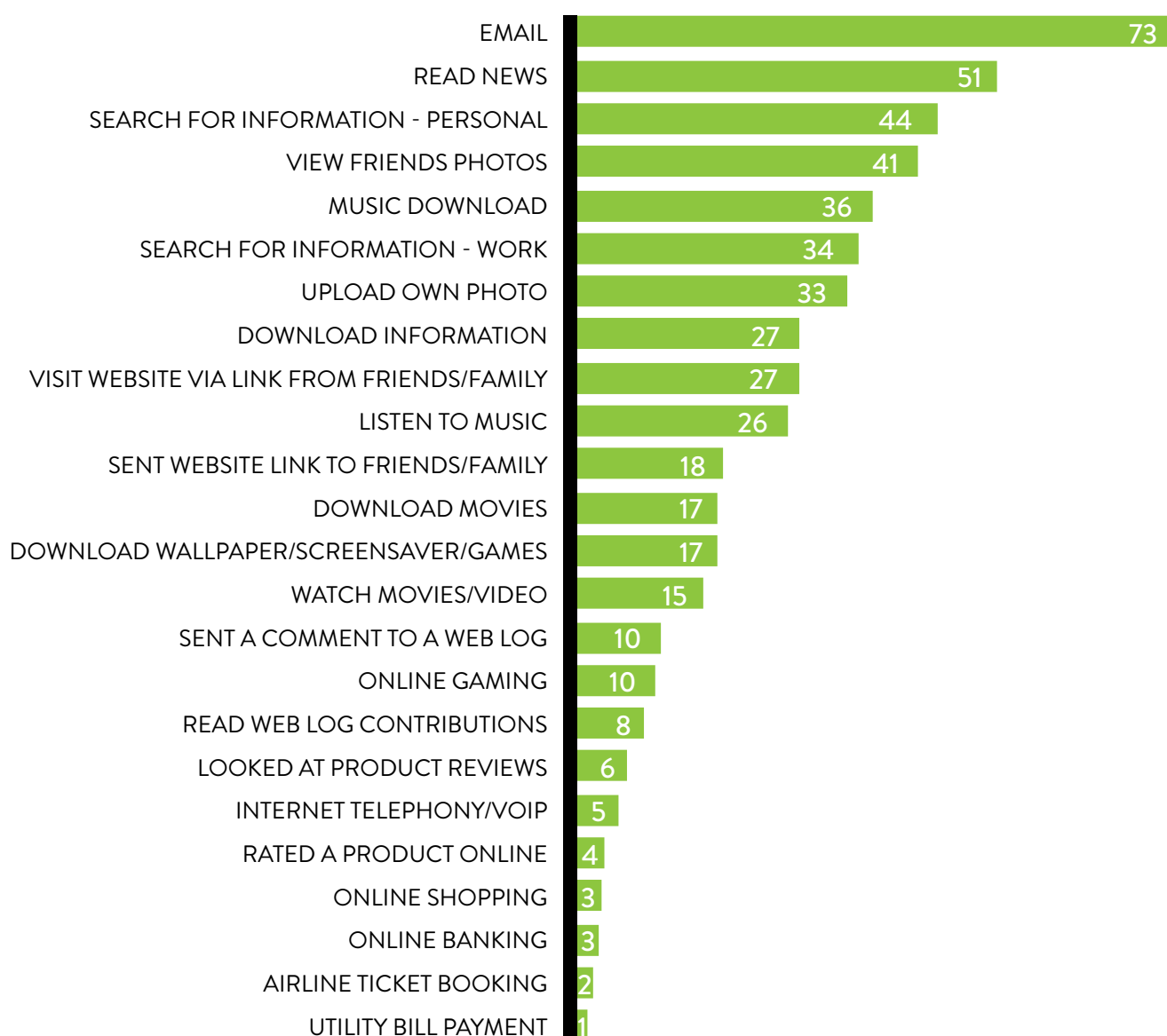
Global consumers are becoming increasingly savvy in the ways that they admit brands and messages into their lives, making marketing efforts even more challenging. In SSA the challenge is made even larger due to country-to-country variations in terms of media penetration and practice. Whilst the penetration of mass media such as television, radio and mobile is near universal in many countries, the penetration of print media (newspapers and magazines) and the internet is significantly lower. Overall, Angola, South Africa and Namibia rank as the top three countries with the highest overall media penetration rates, however, when it comes to internet access Botswana, Nigeria and Kenya top the list.

MEDIA PENETRATION RANKINGS							
SSA AVERAGE PENETRATION		89%	84%	77%	45%	39%	
							
COUNTRY	OVERALL RANK	MOBILE RANK	TV RANK	RADIO RANK	PRINT RANK	INTERNET RANK	INDEX TO AVG.
ANGOLA*	1	1	1	1	1	8	125
SOUTH AFRICA	2	10	3	4	4	4	123
NAMIBIA*	3	9	9	10	2	5	116
KENYA	4	3	8	3	6	3	116
BOTSWANA	5	5	11	13	3	1	116
NIGERIA	6	2	2	5	12	2	113
GHANA	7	7	6	6	16	7	103
COTE D'IVOIRE	8	6	4	14	9	9	100
UGANDA	9	12	14	2	8	11	99
ETHIOPIA	10	8	7	7	11	14	98
TANZANIA	11	11	16	11	5	13	96
CAMEROON	12	4	5	16	15	6	94
ZIMBABWE*	13	12	13	15	7	10	91
DRC*	14	15	9	12	17	15	82
MOZAMBIQUE	15	14	12	17	10	12	79
ZAMBIA*	16	16	15	9	13	17	78
MADAGASCAR	17	17	17	8	14	16	73

Source: Nielsen EMI II (2014/15), *EMI 1 (2012), SOUTH AFRICA AMPS Urban (2014/15)

When comparing the frequency of media use, the gap between mass media, the internet and print is equally wide. On average SSA consumers will watch TV or listen to the radio twice per day, whilst they will access the internet only every second day. Having said that, one of the biggest changes in recent times has been the increasing presence of the internet. From being largely unconnected to the web a little over a decade ago, millions of SSA consumers are now using it, due to the exponential advancements in mobile connectivity. 40% of consumers now access the internet using their mobile devices, with this as high as 70% in Kenya and Zimbabwe, 67% in Ghana and 65% in Nigeria.

ACTIVITIES REGULARLY DONE ON THE INTERNET

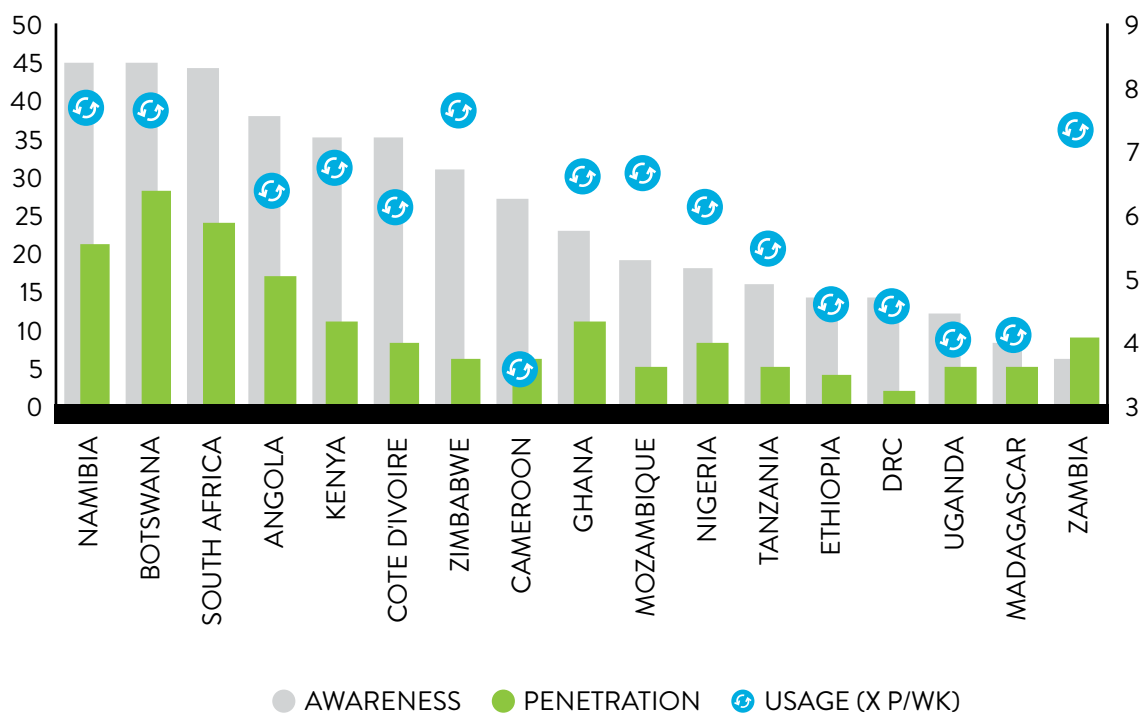


Source: Nielsen EMI 1 (2012) - SSA Avg based on: Nigeria, Ethiopia, Uganda, Kenya, Tanzania, Zambia, DRC, Angola, Ghana, Mozambique, Namibia, Zimbabwe, Cameroon, Madagascar, Botswana, Cote D'Ivoire

HIGHLY SOCIAL SOCIETY

The escalation in internet accessibility has laid the path for rapid uptake of social networking and media. Social platform interaction across SSA features highly, and will outstrip growth around the globe for the next couple of years. Over the last five years Facebook has grown to become the most widely used social media platform with nearly 20-million users in Nigeria and Kenya alone. Twitter usage is also on the increase, with frequency of use as intensive as Facebook, despite the lower penetration rates.

FACEBOOK PROFILE



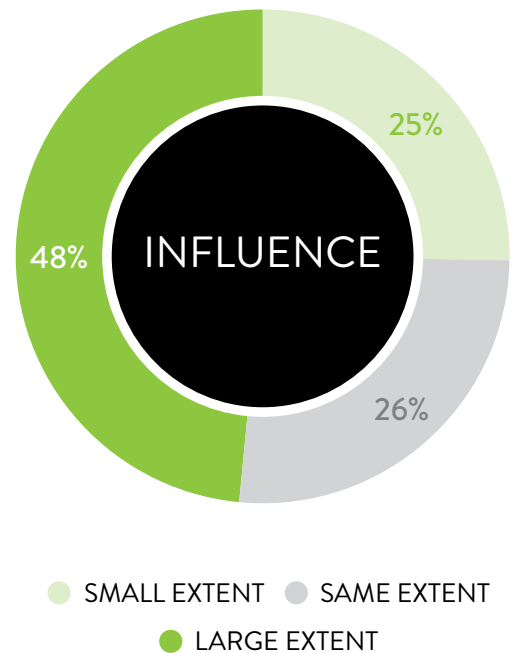
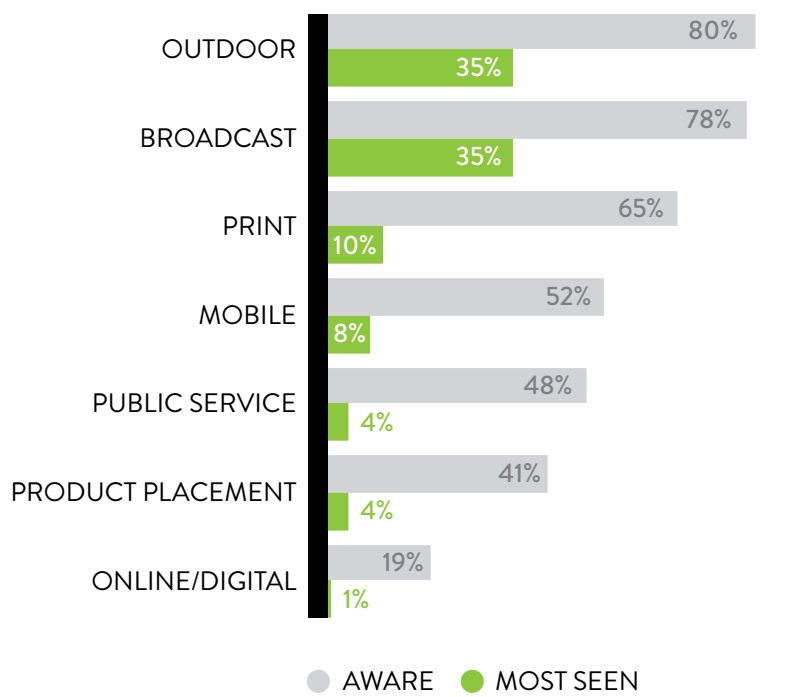
Source: Nielsen EMI I (2012), South Africa Urban (2014/15)

The most popular activities on social networks include: maintaining individual profiles, updating status, reading blogs, commenting on blogs and publishing blogs. Digital and social media has caused a fundamental change in the African media landscape over the past few years, with the origin and uptake of news and reviews now determined by audiences and consumers.

SIGNIFICANCE OF ADVERTISING

A massive 48% of SSA consumers are swayed to a large extent by advertising. The extent of influence varies by country, with Nigerians being three times as receptive to advertising messages as compared to Cameroonians. Broadcast and Outdoor mediums dominate advertising awareness, with mobile and online advertising lagging far behind in the consumer mindset.

MEDIA AWARENESS, IMPACT & INFLUENCE



Source: Nielsen EMI II - SSA Avg based on: Ethiopia, Uganda, Kenya, Tanzania, Rwanda, Ghana, Mozambique, Madagascar, Botswana, Nigeria, Cameroon, Cote D'Ivoire

Trust in advertising is greatest from earned sources such as personal recommendations from friends and family and consumer opinions. The power of digital ad formats cannot be underestimated as they offer many advantages for achieving effective reach. Passionate brand advocates can be powerful allies to amplify consumer engagement and sales actioned outcomes. Who and how these messages and moments are delivered needs to be adjusted allowing for local country and consumer differences.

SOURCING AND METHODOLOGY

Macro Prospects: 26 Sub Saharan Africa countries included: South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Zambia, Cote d'Ivoire, Cameroon, Angola, Ethiopia, Democratic Republic of Congo (DRC), Congo, Rep., Gabon, Mozambique, Senegal, Botswana, South Sudan, Namibia, Lesotho, Swaziland, Madagascar, Chad, Mali, Burkina Faso.

GDP size, GDP growth, inflation, food inflation, population, consumer spending sourced from World Bank reports and country specific Central Banks and Statistical Institutions. Common Consumer Basket sourced from Numbeo. Data is updated quarterly, where available, or quoted as per latest quarter available. Where information is published monthly the reading at mid-month of the quarter is used.

Methodology: Ranking is factored on GDP growth and GDP size per quarter.

Business Prospects: A Nielsen survey conducted amongst Africa business executives, representing more than 400 country level responses across multinational, regional and local manufacturers and retailers in the Food, Beverage, Tobacco, Liquor, Household, Personal Care and Telecommunication industries. 2 standard questions are fielded quarterly, with 1 rotating, issue based question included bi-annually.

Methodology: Ranking is factored on Country Growth View and Own Business Growth View.

Consumer Prospects: Nielsen Retailer Survey conducted quarterly amongst approximately 9,500 Grocery and Kiosk traders in South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Zambia, Cote d'Ivoire and Cameroon. Nielsen Consumer Confidence survey conducted quarterly amongst more than 2,500 respondents in South Africa, Nigeria, Kenya and Ghana. Online methodology is used in South Africa and Mobile online methodology in Nigeria, Kenya and Ghana.

Methodology: Ranking is factored on Consumer Spend in Store and Consumer Trend on Willingness to Try New Products.

Retail Prospects: Nielsen Retailer Survey conducted quarterly amongst approximately 9,500 Grocery and Kiosk traders in South Africa, Nigeria, Kenya, Ghana, Tanzania, Uganda, Zambia, Cote d'Ivoire and Cameroon. Nielsen Retail Measurement data is aggregated from a basket of Retail Index categories, collected monthly and consolidated into 12mm rolling quarters.

Methodology: Ranking is factored on Retailer View of Growth, Ease of Doing Business and Inflation.

Africa Prospects Indicators

The Indicator rankings are compiled from 9 common datasets and 12 weighting calculations to determine the relative indicators for each of the individual dimensions.

Methodology: Ranking is factored on an equal weighting combination of the 4 dimensions and is available for the 9 countries where common datasets are available.

Other References: Nielsen Emerging Market Insight country reports, Nielsen “Look Beyond the Obvious – The Blueprint for Media Strategies in Africa” report, 2013, Nielsen “Trust in Advertising” report September 2015, Internet World Stats 2015, “The Sub-Saharan African Media Landscape – Then, Now & in the Future” report by Balancing Act, Aug 2014.



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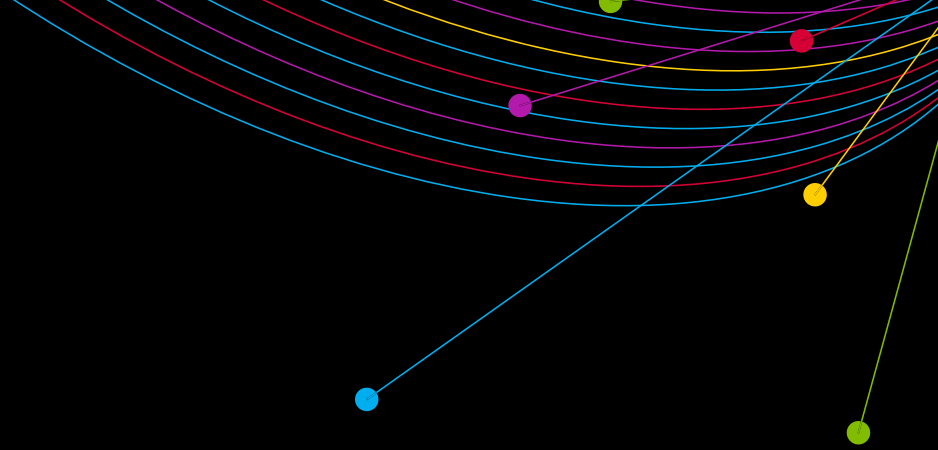
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