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IPSOS VIEWS

African Lions:
Who are Africa's
rising middle class?

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Defining the African middle class

The nature and size of the African middle class has often been in dispute. Over the past two decades there has certainly been a growth in those who can be classified as “middle class” in Africa. However, these people remain a mystery. Who exactly are they? And how can we understand more about them?

Understanding the middle class is important to brands wishing to grow in any market. The concept of a middle class carries with it a sense of financial stability, a developed consumer culture and a clear trajectory of growth.

The task of defining the African middle class has always been difficult due to the lack of availability of, and access to, existing quality data. Previous estimates of the African middle class often use different criteria and vary wildly. To cite just a couple of examples, according to the African Development Bank (AfDB) it consists of 350 million people, earning between \$2-\$20 per person per day¹. In comparison, Homi Kharas from the Brookings Institution puts the number at 32 million people, earning between \$10-\$100 per person per day².

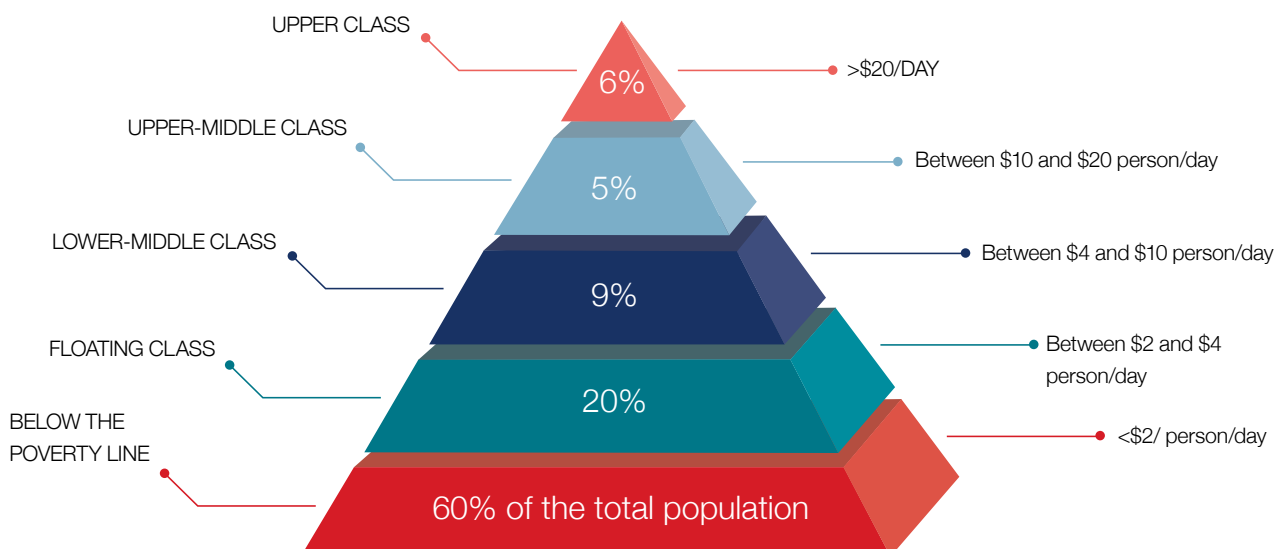
Despite the disparities in estimates, the overriding consensus is that the African middle class are thriving, and with that brings new opportunities. In order to gain a clearer understanding of the continent's consumer landscape, Ipsos' African Lions study³ set out to answer the question, 'Who are the African middle class?'



The starting point

To define the parameters of the African middle class, we used the AfDB's definition as a starting point (see graph below). Their definition of class, based on the absolute dollar value of income or consumption, proved a useful measure for cross-country comparisons and inclusion.

The middle class as a share of the total population, according to AfDB criteria



Using these dollar definitions as a rough guide, we brought in other criteria to further refine our thinking – examining the attitudes people hold regarding money, tradition, brands, nutrition, education and aspirations, including how they see their wealth in relation to others.

We found that defining the middle class in dollar terms alone was problematic. There is a clear disparity across different markets in terms of what consumers can buy. For example, in Lagos \$4.60 would buy 10 litres of petrol, but in Luanda the same amount would cost \$11.50 (140% more).

In addition, when we segmented the database, in order to consider financial resourcefulness and a respondent's own sense of vulnerability, we identified a “floating class” of people who earned above \$4 a day (middle class according to AfDB criteria) but who had no guarantee against slipping back into poverty, so we excluded them from our definition.

As a result, one of the biggest findings from our African Lions study is that **the African middle class cannot be defined in dollar terms alone**. Instead, we concluded that there are multiple factors that determine middle class status.

In the end, we derived a working blanket definition of the African middle class as follows:

- Have a disposable income (not spending more than 75% of income on utilities)
- Employed, run a business or in further education
- Have secondary school education and more



Across the 10 cities we surveyed, we found that over 60% of people can be defined as middle class, although this ranges significantly by city. For example, in Dar es Salaam 69% (3m) of people are middle class, while in Nairobi it's 49% (1.6m).

In total, our research (combined with using other data sources in our extrapolation) shows us that there are over **100 million** middle class people in Sub-Saharan Africa (excluding South Africa) representing a total spending power of **+\$400 million** per day.

10 cities	Population (M)	Middle class % (attitudinal segmentation)	Middle class (attitudinal segmentation) (M)
Accra (Ghana)	2.3	61%	1.4
Addis Ababa (Ethiopia)	4.6	59%	2.7
Douala (Cameroon)	2.4	58%	1.4
Dar es Salaam (Tanzania)	4.4	69%	3.0
Abidjan (Ivory Coast)	4.7	56%	2.6
Kano (Nigeria)	3.3	57%	2.0
Lagos (Nigeria)	21.0	67%	14.2
Luanda (Angola)	6.5	67%	4.4
Lusaka (Zambia)	2.5	66%	1.6
Nairobi (Kenya)	3.3	49%	1.6

Challenging assumptions

In many parts of the world, the notion of “middle class” paints a picture of nuclear families, well-educated, owning property and doing weekly supermarket shopping. That picture simply does not exist in Sub-Saharan Africa, outside of the affluent, and so any expectations of the African middle class, based on comparisons to their counterparts globally, should be significantly challenged.

Furthermore, generalisations about the demographic are risky because of the disparity between countries. It's important to remember each city is diverse, and should be approached differently.



A lack of security

One common assumption that the notion of “middle class” conjures up is a sense of lifestyle security, particularly in property and income. 80% of our African Lions respondents reported that they had “major unexpected expenses” in the past year but insurance and formal lending, although available, can be difficult to obtain. Consequently, people use savings or borrow money from family or friends to deal with emergencies. There is a big saving culture amongst the African middle class - not for retirement, but for emergencies.

Property ownership is aspired to but more people rent (52%) than own their own homes. Similarly, car ownership is lower than might be expected (68% of middle class households do not own a car) and there's a heavy reliance on public transport. Challenging the assumption that the middle class live in comfort, some homes lack basic amenities associated with households that have a disposable income. For example, most homes have electricity but the supply is unreliable, some lack a dedicated water supply and depend on communal taps or the bucket system (only 42% have running water inside the home), and only half have a built-in kitchen sink. However, the absence of basic amenities in the home is often for reasons beyond the individual's control, with poor infrastructure in many cities negatively affecting the standards of living.

While a third of the African middle class have a formal job, others are self-employed or have part-time jobs. Doing the “hustle” is a popular term in the region; side jobs and ventures such as selling goods on a stall in the evenings to bring in extra money each month. We hear people saying it's not possible to survive on a single job alone, and this sentiment is echoed by three-quarters of our African Lions respondents who say that their income

varies month-to-month. Seen as pivotal to success, there is also a big emphasis on education, with 54% of the middle class having some form of education post high school and 31% studying further to improve their skills.



The role of remittances

Remittances play an important role in the region. In the last five years, the amount of money sent home by Africans working abroad in other markets – including the UK, the US and the Middle East – has exceeded any World Bank bailouts or cash inflow. Up until 2005, remittances accounted for less than 5% of all capital inflow but that figure is now rising towards 30%⁴. The misconception of Africa as always being dependent on International Monetary Fund (IMF) bailouts is fast changing.



“Doing the “hustle” is a popular term in the region; side jobs and ventures such as selling goods on a stall in the evenings to bring in extra money each month.”

Understanding the African shopper

While there has been some growth in the formal retail sector, the much larger informal market continues to play a crucial role in people's lives across the region^{5&6}. Many of the African middle class buy their goods at the local store, open markets and from street vendors. There is a lack of formal supermarkets, with regimented stock control and brand management, and change remains a slow process.

Before going to market with a new product, marketers need to consider the dynamics at play within consumer purchasing patterns. On a continent where wallets are stretched and earnings are unpredictable, even among the middle class, people often only buy what they need when they have the money. Bulk buying offers value to those who can afford it, however, products are regularly packaged into smaller units to suit people's needs. For example, if a shopper can't afford a whole roll of mints, or a pack of cigarettes, the shopkeeper might sell them a couple of mints, or an individual cigarette. In fact, laundry detergent brands like Ariel produce strings of washing powder sachets to be sold as single units for one wash.



Furthermore, buying in small units agrees with those who simply do not have the storage space in their homes for multiple items.

Brand power in Africa

Brands are important to the African shopper. Yet, although people are generally positive about brands, and aspire to own the well-known ones, they believe marketers need to adapt for their own market. For example, in Nigeria, people are willing to accept foreign brands entering the market but they want to know what these brands are doing for Nigeria specifically.

Telecoms companies have enormous brand equity and have made a significant impact across Africa. Much of the middle class have a smartphone, using it for messaging, social media and to run their various ventures. It's not uncommon in places such as Nairobi to hear of people saying; "I've got 5,000 Facebook friends and I need to be in contact with them all because of what they could potentially offer me... that's where my income might come from tomorrow". It's a highly connected, savvy and technologically advanced market, due to the rapid rate of smartphone adoption. Mobile is often the only form of internet connectivity in Sub-Saharan Africa, providing a connection for a previously unconnected population. Key factors supporting the growth of smartphone adoption include the increasing affordability of new devices, a growing market for second-hand devices, and the uptake of mobile broadband services⁷. As a result, technology brands have experienced great success in the region.

Moving to food and drink, locally produced brands have had success across several African markets. For example, in Kenya, Keringet water is a well-regarded local brand that resonates well with consumers. In Nigeria, Peak milk is an iconic Nigerian brand that speaks to consumers across generations and has dominated the dairy market since its launch 60 years ago. Established more recently, eeZee noodles in Zambia is the country's first indigenous noodle brand and has quickly developed a strong reputation as a homegrown brand and market leader since hitting supermarket shelves in 2012. Interestingly, there are South African consumer brands that are successful in South Africa, but have failed when they have launched in other parts of the region. It's not advisable to just take a successful product from one market, move it elsewhere, and expect shoppers to buy it. Firstly, you need to consider the entire retail landscape,

including the undeniable appeal of local brands, to try and understand consumer behaviour. It's important to think through how the brand is launched and advertised, to speak the language of the consumer, modernise what is already appreciated and acknowledge local culture and tradition.

Traditions play a significant role in people's lives, particularly where food is concerned, and the preference for traditional food is not easily displaced. Traditional foods are considered trustworthy and nutritious; consumers shop at open markets for fresh goods because they have confidence in the origins. In developed Western countries, there's currently a whole movement towards understanding the origins of food, but in Africa this phenomenon has been around for a long time.



Considerations for marketers

Marketers require simplicity and it's not practical to have multiple strategies for different cities. Unfortunately, if you take a simplified approach of merging everything together, you risk ending up with bland and difficult-to-use segmentations. On the other hand, if you carry out multi-country studies in the region and segment each market in turn, you uncover more useful data, but this can be time-consuming. Getting the balance right is key.

A good starting point is to take a basic cross-country view or segmentation, but also work hard within your separate individual target markets for a more detailed and localised overview. Use your key strategy as a starting point, then build it up substantially for each market.

Understanding disparity

Understanding the disparity between countries in Sub-Saharan Africa is crucial – what works in Nigeria is not necessarily going to work in Kenya, and what works in Angola might not work in Zambia, and so on. Many companies have burnt their fingers in the past by rushing in with the approach; “Oh, there's a growing middle class in Africa and it's the fastest growing economy in the world, let's just get in there!”, without sufficiently considering these differences.

The African Lions study is a useful guide to the region, providing data on consumer behaviours, attitudes and relationships to a range of product categories and brands. It provides a rich context for the astute marketer who would like to carry out more focused qualitative or quantitative research in relation to their specific project. It is also a powerful platform to explore product or concept innovation strategies.

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Looking to the future

Assuming these economies continue to grow, the African middle class demographic will continue to surge - irrespective of commodity driven economies - because of the growing young population, urbanisation and the entrepreneurial spirit. Africa's urbanisation rate is already at 37%, comparable to China and bigger than India. Between 2020 and 2050, Africa is expected to be the world's fastest urbanising region⁸.

When looking to the future, we can also expect standards of living to improve, although perhaps incrementally. Substantial growth in the urban population across the whole region will result in better access to jobs, but it will also put a huge strain on infrastructure. Across many markets there are already plans to tackle the infrastructure challenge, including improving power supply and transport systems, and this will be vital to enabling a major economic shift.

Despite the continual challenges, those belonging to the African middle class are characterised by their strong sense of positivity and hope. This feeling of optimism is further sealed by the fact that two-thirds of the African middle class are younger than 35, a demographic dividend signifying an overwhelmingly positive forecast in terms of spending power growth. Marketers take note – the African Lions are indeed rising.



“Despite the continual challenges, those belonging to the African middle class are characterised by their strong sense of positivity and hope.”

References:

- ¹ AfDB (2011). *The middle of the pyramid: dynamics of the middle class in Africa*. African Development Bank Market Brief.
- ² Kharas, H. (2010). *The emerging middle class in developing countries*. OECD Development Centre. Working Paper No. 285.
- ³ The African Lions Study (2017). Ipsos and The University of Cape Town Unilever Institute of Strategic Marketing (see box below for more detail).
- ⁴ Amadou Sy (2015). *How finance flows to Africa*.
- ⁵ AT Kearney (2015). *The African Retail Development Index. Retail in Africa: Still the Next Best Thing*.
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- ⁸ United Nations (2014). *World Urbanization Prospects – 2014 revision*.

The African Lions study

The African Lions study was run as a partnership between Ipsos and The University of Cape Town Unilever Institute of Strategic Marketing, with support from key clients.

The study comprised desk, qualitative and quantitative research spanning 10 major African cities: Abidjan (Ivory Coast), Accra (Ghana), Addis Ababa (Ethiopia), Douala (Cameroon), Dar-es-Salaam (Tanzania), Kano and Lagos (Nigeria), Nairobi (Kenya), Luanda (Angola) and Lusaka (Zambia).

Taking over 18 months to complete, the study involved 150 researchers and thousands of interviews, yielding over 300 hours of video footage. It provides a demographic profile for the much talked about African middle class and explores topics including household finances, nutrition, shopping, brand relationships and media usage.

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