

NOVEMBER 2012

CONSUMER PACKAGED GOODS PRACTICE

# The rise of the African consumer

**The single-largest business opportunity in Africa will be its rising consumer market. A McKinsey report, one of the first of its kind, offers a detailed profile of African consumers, including their demographics, behavior, and needs.**



**By now,** most investors and businesses know about the tremendous potential of Africa—the world’s second-fastest-growing region, topped only by emerging Asia. But it may come as a surprise that Africa’s growth is fueled not by resources but rather by a rising consumer market.

The continent’s consumer-facing industries are expected to grow by \$400 billion, representing its single-largest business opportunity, by 2020. But many companies don’t know how to translate this potential into action, because of a dearth of market research. That, however, is changing. In one of the first studies of its kind, McKinsey’s Africa Consumer Insights Center surveyed 13,000 consumers in ten African countries, with a focus on the largest cities. Five categories of consumption were covered: apparel, financial services, groceries, the Internet, and telecommunications.

Several factors are shaping this new consuming class. Africa’s population, the fastest growing and youngest in the world, is concentrated in urban areas. This new class of consumer has a smaller family, is better educated and higher earning, and is digitally savvy. Africans are exceptionally optimistic about their economic future: 84 percent say they will be better off in two years.

These new African consumers resemble their urban counterparts anywhere in the world: they are both brand and quality conscious, seek out the latest trends but watch the budget, and want a modern and attractive shopping environment.

But Africa is a complex, nuanced market of 53 countries and more than 2,000 dialects. Consumers in the north have preferences and needs very different from those in the sub-Saharan countries. The McKinsey study attempts to provide companies, whether new to the continent or expanding an existing footprint, with the insights they need to formulate a winning business model to reach this new consuming class. Here are some highlights from the research.

**Focus where it matters.** Cities offer the best opportunity: urban Africa is forecast to contribute nearly 40 percent of GDP growth. But companies may be wise to bypass high-profile megacities, such as Cairo, Johannesburg, and Lagos, for midtier cities, like Abidjan and Rabat, which are more accessible, have less competition, and offer better profit margins.

**Develop locally relevant, quality products.** Companies can better tailor products to local markets if they understand what quality means for African customers and know their preferences, lifestyles, and daily needs.

**Hit the right price point.** Since affordability is critical, companies may have to reengineer products to hit a specific price point. The necessary moves may include offering lower-cost versions, smaller sizes, or alternative payment models.

Download the full report, *The rise of the African consumer*, on [mckinseyquarterly.com](http://mckinseyquarterly.com). 