A continent goes shopping

Africa's fast-growing middle class has money to spend

African consumers are underserved Land overcharged, reckons Frank Brae-ken, Unilever's boss in Africa. Until recently, South Africans who craved shampoo made specially for African hair, or cosmetics for black skin, had little choice besides costly American imports. Unilever spotted an opportunity: its Motions range of shampoos and conditioners is now a hit.

The Anglo-Dutch consumer-goods giant is making a big effort to tailor products for African customers: affordable food, water-thrifty washing powders and grooming products to fit local tastes. It is also helping other businesses. Last year Unilever opened the Motions Academy in Johannesburg. Each year it will train up to 5,000 hairdressers who want to open their own salons. It is also a laboratory to test products and to try out new business models. If it works, Unilever plans to replicate it elsewhere in Africa.

Africa already has a $1.8 trillion economy and is forecast to have a population of 1.3 billion by 2020. "Lion" economies such as Ghana and Rwanda have grown faster than South Korea, Taiwan and other East Asian "tiger" economies in five of the past seven years, albeit from a low base.

Unilever is not the only consumer-goods giant moving in. Africa accounts for only 3% of group sales of Nestle, the world's biggest food firm, but the Swiss behemoth is betting big there too: its African investments will total sfr1 billion ($1 billion) in 2011 and 2012 against a total capital expenditure of sfr4.8 billion last year. It has 29 factories on the continent and wants to build more. SABMiller, the world's second-largest beermaker, is planning to invest up to $2.5 billion in Africa over the next five years to build and revamp breweries. In the year to March 2012, the continent (excluding South Africa) was SABMiller's fastest-growing region, with volumes up by 13%.

Africa's attractions stem from its new middle class, loosely defined by the African Development Bank as anyone who spends between $2 and $20 a day in purchasing-power parity terms. The bank estimates that more than 34% of Africans (326m people) fit this description, up from 27% in 2000 (see chart).

The challenge is to make stuff such consumers can afford, says Sullivan O'Carroll, the boss of Nestle South Africa. Nestle offers wares called "Popularly Positioned Products". The name may not be snappy but the products are cheap and address common nutritional deficiencies. For instance, Nespray, an instant milk powder, contains calcium, zinc and iron-all essential for children. It is sold in a 250g pouch that costs only a few rand.

Designing products that appeal to locals is only part of the challenge. Even in South Africa, which has the best infrastructure, consumers may be eager but hard to reach. Nestle delivers directly to spaza shops (informal convenience stores), that make up about 30% of the national retail market. Many of these are in remote areas and owners often cannot afford delivery vans. Nestle has set up 18 distribution centres that deliver to spazas. It charges them the same prices as bigger outlets.

Security is a problem too. Just as Nestle's milk powder is fortified with iron, so its distribution centres are fortified with steel. The boss of the one in Soweto (a formerly black-only township that is now part of Johannesburg), has been tied up and held at gunpoint by burglars and threatened several times. Delivery vehicles that collect the spaza owners' payments, called "cash vans", used to be adorned with branding. That was like sticking on a sign saying "rob me." Today they are nondescript white cars.

Soweto's spazas range from a hole in the wall on a dust road in a squatters' camp to a proper mini-market with a bright-green façade. Many of the owners are canny in dealing with customers. But for the supplier, working with them is tricky. Few have much working capital-5,000 rand (about $600) is typical. Many have no ambition to grow. Some are hard to find. Nestle views microdistribution as a marketing expenditure: its staff can talk spaza owners into trying new products and check that its wares are prominently displayed. The goal is to make what it calls "microdistribution" break even.

South Africa's roads and railways are much better than the rest of Africa's. Da-none, a French food firm, delivers its yogurts and other delectables twice a week to 8,500 outlets in South Africa. "We cannot do this in Angola, Nigeria or Gambia," says Mario Reis, its local boss. He adds that in most of the rest of the continent, firms need to dig their own wells and generate their own electricity. In Dar es Salaam in Tanzania electricity is on only for two unpredictable hours a day.

South Africa is a good base from which to penetrate the rest of the continent, but it is a mistake to assume that what works south of the Limpopo will also work north of it. More than two-fifths of all Africans still subsist on $1.25 a day. "Brands matter less than price in most of Africa," says Simon Crutchley, the boss of avi, a big South African consumer-goods firm with businesses across Africa. Many Africans are too poor to be brand aware, he says. They have not grown up bombarded with advertising and barely recognise even famous brands. But this is changing quickly, thanks to television and mobile phones.

Corruption is a huge headache. At the border of Tanzania and Kenya lorries are kept waiting for a week or more if the right palms are not greased. Companies shifting perishable goods risk losing the lot if they refuse to pay up.

Ports are a problem, too. Durban, in South Africa, is perhaps the most efficient: containers whizz through in a few days. In other ports, the process can drag on for weeks. The longer the delay, the greater the pressure to pay bribes, moans a long-suffering company boss. He adds that Dar es Salaam, the main port of Tanzania, could double its capacity by bringing its management up to Durban's standards.

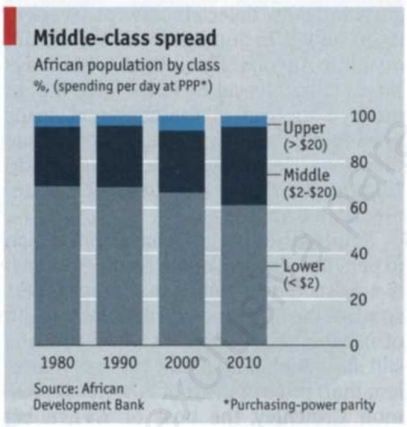
Gareth Ackerman, the boss of Pick 'n' Pay, a large supermarket chain based in Cape Town, says that his company's strategy is "African creep"-conquering new markets one at a time, moving steadily northward. "We need the supply chain," he explains.

No longer the shopless continent

Unilever's push into Africa is a return to familiar territory. The firm made a fifth of its profits in Africa until the 1970s, when it shifted its attentions to Asia. Now it is back, employing 30,000 people on the continent and shifting soap, soup and so on worth €3 billion ($3.7 billion)-out of total worldwide sales of €46 billion. It is already Africa's biggest supplier of consumer goods, and aims to double sales in the next five years by beefing up investment and bringing in more of its brands.

In spite of the risks, businessfolk are upbeat. A couple of decades ago, most African governments made life very hard for business. Now policies are more market-friendly, albeit with frequent relapses: Zambia, for example, recently banned the use of American dollars in local transac-tions-a needless extra hassle for firms operating there.

Still, the corridor chatter at sub-Saharan conferences these days is cheerful. Klaus Schwab, founder of the World Economic Forum, says that cynicism about Africa has turned to optimism. "We have a sense that things are really getting better," says Mr Braeken. Africa is not only about mining and oil any more. But, he says, the continent still needs to overcome what George Bush, in another context, called "the soft bigotry of low expectations".



Fonte: The Economist, London, v. 404, n. 8798, p. 57-58, 18-24 Aug. 2012.