

The FMCG products with huge growth potential in Africa

 By [Graeme Pitt](#)

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No consumer market anywhere in the world is exempt from the demand for fast moving consumer goods (FMCG). In Africa the demand for better quality and more sophisticated products and brands is increasing as populations grow and living standards improve.



Image by 123RF

Food will always be a necessity, and the trends show that there is an increasing move from basic staple foods to a wide range of products. Beverages, personal care products and home care products all have huge growth potential in the relatively untapped African markets.

According to a KPMG report entitled '[Fast Moving Consumer Goods in Africa](#)': "Given Africa's large market and the potential for rising household income, the FMCG sector on the continent stands to benefit immensely. Given that the sector provides either necessities or accessible luxury goods, the size of the market is not constrained by income dynamics in the same way as many other sectors."

The report identified the geographies to have the strongest prospects for growth in the FMCG sector over the next five to 10 years - taking the FMCG sector's characteristics into account, and considering African countries' demographic profiles, income levels, and economic growth potential. They are: Angola, Ethiopia, Ghana, Kenya, Morocco, Mozambique, Nigeria, Rwanda, Tanzania, Uganda, and Zambia.

The report states, “The FMCG sector in Africa has significant scope to expand. Poverty levels in especially Sub-Saharan Africa (SSA) are still quite high, with food and other necessities dominating consumer budgets. For this reason, the food sub-sector of FMCG has a very large market to cater for, while penetration rates in the other categories still have significant room to expand.

“FMCG retailers generally operate in a low-margin environment. As a result, the existence of a large market is crucial to the success of these companies. Despite Africa having a population of around one billion, the continent remains relatively under-served by FMCG companies.”

There is huge potential for brand owners to invest in the FMCG sector in Africa, however, population growth is just one factor in gauging the potential market readiness in various regions. Another factor to consider is population density. According to the KPMG report, the UN forecasts that Sub-Saharan Africa’s (SSA) urbanisation rate will reach 45.9% by 2030 and 56.7% by 2050 from just 36.3% in 2010.

North Africa’s urbanisation rate is already at 51.2% in 2010 and is predicted to reach 65.3% by 2050. As the report states: “The urbanisation rate of East Africa is much lower than the rest of SSA. In 2010, East Africa’s urbanisation rate was almost 17 percentage points lower than the second least urbanised region on the continent, namely the Franc Zone.”

Consumer preferences

There are numerous other factors to consider when entering a new market. Supply and demand chain dynamics, which are based on available infrastructure and often include traversing the formal and informal markets in the FMCG sector in Africa, need to be properly researched and understood. Reputable market research companies can accurately access each potential region and give business advice based on their findings.

The KPMG report goes on to state that, “With the rapid pace of urbanisation, it is crucial that the quality of infrastructure in urban areas improves in order to cater for the influx of people. It is also important that there is sufficient job creation, otherwise per capita spending power will suffer. Key issues to consider with regard to infrastructure include: the capacity and willingness of the government to invest in infrastructure; the willingness of the government to allow private sector participation in the provision of infrastructure; and openness to foreign investment, and whether there are incentives for foreign firms to improve the country’s infrastructure.”

The report explains that understanding critical issues such as the quality of transport infrastructure, the scope and extent of tariffs on imported goods and the strength of other industries, such as the agricultural and manufacturing sectors, is key to understanding a country’s FMCG sector. A challenge faced by many retailers and brand owners looking to enter new African markets is the lack of predictable and trustworthy distribution channels.

Household income and psycho-social consumer preferences are other important factors to bear in mind. The KPMG report states that, “Since FMCG retailers generally sell products that can be classified as necessities, income per person is a less important consideration than for retailers of luxury or durable products.

“The trend in income levels is however still important in order to establish what types of FMCG products can be offered to a specific market. In addition, over time, retailers would want to benefit from shifts in consumer spending patterns as they move up the income chain, so a high growth market is still preferable.”

Key strategies

Once the consumer appetite, infrastructure and supply and demand chain dynamics are understood, there is still the challenge of introducing a new brand to the market. Comprehensive market research forms the basis of a well-planned marketing strategy. The report says that, “Companies that can convince consumers to purchase their brand name rather than that of a competitor can maintain market share without necessarily having to offer lower prices.

“Key strategies in this regard are loyalty programmes, enhancing the shopping experience, advertising, promotions, offering products in smaller packages to make them more affordable, and adapting to local needs. Convincing a consumer that your product is somehow superior to that of a competitor offering a similar product is crucial in ensuring long-term success in a given market.”

Before entering any African market it is essential to establish what will work within that particular region and country. The benefits need to be carefully weighed up in comparison to barriers of entry.

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Source: [KPMG report](#).

ABOUT GRAEME PITT

Graeme Pitt, MD of FGI Africa, an innovative data collection and reporting company, has for the past six years been working in a research and advisory capacity with companies and organisations in various stages of business maturity. His experience spans start-ups, established blue chip companies, donor-funding organisations, government parastatals, global research houses and esteemed business consultancies, covering 24 countries across the continent.

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