Sector Report

Luxury Goods in Africa

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- White Goods in Africa
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- Agriculture in Africa
- Power in Africa
- Construction in Africa
- Banking in Africa
- Healthcare in Africa
Overview

A search for new frontiers, as economic growth in advanced economies slowed in the aftermath of the 2008/09 financial crisis, brought the vast potential of the emerging market luxury goods sector to the fore. There has been a noticeable improvement in economic growth in Africa since the turn of the century, driven by the commodities boom, an improvement in the business environment and investment climate, and a decrease in aggregate political risk. In recent years, the rise of the African consumer’s wealth profile has drawn the attention of luxury brands seeking to unlock emerging and frontier market growth potential as mature luxury goods markets could no longer maintain double-digit growth.

Defining Luxury Goods

At the broadest level, luxury goods can be defined as products and services not essential to basic needs, for which demand rises more than proportionally than a rise in income. Generally, luxury goods have a high income elasticity of demand, which stands to reason that as an economic agent accumulates more wealth, demand for luxury goods should rise. Although it can be argued as being an oversimplification, aggregate income change and wealth accumulation could be proxied by the change in GDP per capita levels (in US dollar terms to allow cross-sectional comparison due to data availability). Consequently, the demand for luxury goods should be positively correlated with an upward trajectory in economic growth as well as an appreciable trend in the local currency unit (per US dollar). Emanating in part from the status symbol effect, the demand for luxury goods is frequently associated with conspicuous consumption in addition to a rise in wealth, leading the consumer to acquire products that is deemed to be superior in terms of quality, performance or appearance. Personal luxury goods include, but is not limited to, personal luxury (accessories, apparel, jewellery, perfumes and cosmetics), luxury transport (high end vehicles, yachts, privately owned airplanes and helicopters), as well as wine & spirits, hotels & recreation, in-home & out-of-home food and house furnishings, all of which displays a high income elasticity of demand. The evolution of consumer demand for retail goods can be visualised as moving upwards within a pyramidal scheme, with the largest and lowest category labelled accessible goods. Progress in personal wealth conditions sees the consumer advancing to aspirational (logo) goods, whilst the highest bracket presents absolute (high end) goods, preserved for consumers with considerable purchasing power.

Macroeconomic Environment

A slowdown in economic activity in advanced economies in the aftermath of the recent financial crisis has increasingly turned the focus to emerging market economies. According to the International Monetary Fund (IMF) January 2014 World Economic Outlook (WEO) update, emerging and developing economies are projected to expand by 5.1% in 2014 and 5.4% in 2015 from 4.7% in 2013, outpacing growth in advanced economies, which are forecast to accelerate from 1.3% in 2013 to 2.2% in 2014 and 2.3% in 2015, respectively. World output is expected to increase by 3.7% in 2014 and 3.9% in 2015, from 3% growth in 2013. Economic activity in the United States (US) is projected to expand by 2.8% in 2014 and 3% in 2015, from 1.9% in 2013, while the euro area is forecast to post mild real GDP growth of 1% in 2014 and 1.4% in 2015, from a contraction of 0.7% in 2012 and 0.4% in 2013. Developing Asia is expected to continue its robust performance, registering real GDP growth of 6.7% in 2014 and 6.8% in 2015 from 6.5% in 2013; the latest release reflect a 0.2 percentage points increase for both 2014 and 2015. The strong performance comes on the back of a rebound in Chinese growth during the second half of 2013; China is now projected to expand by 7.5% this year from an October estimate of 7.2% for 2014. A moderate slowdown in Chinese economic activity is expected for 2015, with the IMF’s January estimate at 7.3%.
Macroeconomic Environment

Economic Growth in Africa: The Past, Present and Future

Africa’s economic performance has improved greatly since the turn of the century, leading to notable gains in GDP per capita and lower levels of poverty. During 2000-2012, the SSA economy grew at an average rate of 5.5% p.a. in real terms, compared to 2.54% p.a. during the previous 13-year period. This meant that nominal GDP per capita rose from US$484 in 2001 to US$1,450 by 2012 after having declined during the previous two decades. The expansion coincided with an improvement in business environments and a reduction in political risk, although a commodity boom also played a significant role in the increase in real GDP. Several African countries are expected to be among the fastest growing in the world over the next decade.

The following countries are expected to have the most potential for luxury goods demand expansion: Angola, Egypt, Ethiopia, Ghana, Kenya, Morocco and Nigeria. The countries were chosen due to recent performance in wealth accumulation and a high growth rate in dollar millionaires, which explains the inclusion of a low-income country with long-term potential such as Ethiopia. However, the accompanying graph depicts only countries whose GDP per capita figure for 2012 exceeds US$500. The baseline expectation is that economic activity will expand by more than 5% p.a. in all selected countries except Egypt by 2020, as indicated in the accompanying graph. On aggregate, real GDP growth is expected to average 5.4% in 2015 before accelerating to an average of 5.7% in 2017 and 6% by 2020. North Africa, which counts Egypt, Morocco and Algeria as countries with a high incidence of high net worth individuals (HNWI), is projected to expand by 3.7% in 2015, up from an average of 1.2% in 2013, before accelerating to 4.2% by 2017.

The accompanying table summarises our baseline, optimistic and pessimistic scenario forecasts for key African countries’ economic growth trajectory for the period up to 2020. Please note that at the time of writing, not all countries’ real GDP growth figures for 2013 were available, and consequently the estimate differs between scenarios. Underpinning the forecast trajectory for Angola is our view that the macroeconomic fundamentals remain strong, including a strong balance of payments position, healthy foreign reserves position and currency resilience. Oil production plays an integral part in Angola’s GDP growth performance, and the country’s dependence on oil is the primary reason why the economy has historically been recording volatile economic growth figures. Oil production has a substantial effect on actual GDP, and oil price movements are directly observed through government revenue figures. The underdeveloped private sector puts the onus of infrastructure and economic diversification on the government, but capacity constraints have hampered the flow of oil revenue into the wider economy. Increases in oil production will continue to have a significant effect on GDP growth going forward, directly through production figures, but also indirectly through increased government revenue to be spent on domestic investments. The government’s ability to diversify the economy away from the hydrocarbons sector, and to develop a strong and thriving private sector, will have significant implications on the pace and stability of economic growth going forward.

Ethiopia stands out as an outlier due to very low per capita GDP figures; nonetheless, Ethiopia is a textbook example of an underdeveloped country with enormous potential. The country boasts an immense area of arable land, some of the most favourable demographics worldwide, an abundance of natural resources including mineral wealth and renewable energy potential, as well as a favourable geographic location in close proximity to both Asia and Europe. Furthermore, Ethiopia has been Africa’s fastest growing economy on a medium-term basis. Economic growth in the economy has been characterised by a proactive public sector leading development, while the private sector has played more of a supportive role. The country has achieved an average GDP growth rate of around 9.5% between 2007 and 2012, and strong growth is expected to continue over the medium term.
Macroeconomic Environment

A rising star as measured by the increase in dollar millionaires is Ghana. The capital city, Accra, is one of the most modern cities on the continent and is experiencing a period of rapid growth. That said, various macroeconomic impediments including rising structural imbalances will likely prevent the country from reaching its full potential. Subsequently, the forecast trajectories for the downside and upside scenarios differ substantially. In turn, Kenya has exhibited a volatile economic growth performance over the past decade, partly due to the reliance on hydropower, the fact that most agricultural activities remain rain-fed, and the knock-on effect of poor harvests on consumer spending. We expect real GDP growth to improve to an average of 5.4% p.a. during 2014-15, up from an estimated 4.8% p.a. during 2012-13. The expected improvement will be driven by higher investment levels, increased construction activities, and an improvement in the manufacturing sector’s performance. Due to its geographical position and relative market sophistication, Kenya is generally seen as a regional hub which provides entrance into the East African Community (EAC) region.

Economic heavy-weight Nigeria is forecast to remain an engine of economic growth, notwithstanding a vulnerability to global liquidity conditions. This vulnerability stems in part from the openness of the economy and financial market sophistication (i.e. high liquidity and low barriers to exit), a sharp increase in portfolio inflows during 2010-13, and an increase in economic and political risk factors, such as increased probability of a devaluation of the naira exchange rate and a decline in foreign reserves. That said, Nigeria has had a very good real GDP growth performance over the past decade. Real GDP growth in fact averaged a stellar 7.4% p.a. during 2003-12. This impressive performance has however not resulted in a significant reduction in poverty; some estimates even point to an increase in poverty over the past decade. Possible reasons for this include regional and income disparities; low productivity in the agricultural sector; limited non-oil exports; very low value added; and corruption. Therefore, the key for Nigeria will be to make economic growth more inclusive, so that poverty declines and purchasing power increases.

Shifting the focus to the North African region, Morocco has recorded a strong average growth rate over the last decade, although the growth path has been volatile. The country has been able to maintain an average real GDP growth rate of 4.6% p.a. between 2006 and 2012. However, regional political uncertainties, the crisis in Europe, high world commodity prices, and a poor agricultural harvest restricted real GDP growth in 2012 and into 2013, and put pressure on the fiscal and external accounts. Strong economic ties to Europe affect non-agricultural growth through trade and investment flows, while the agricultural sector’s performance is contingent on favourable weather conditions. The agricultural sector continues to have a significant impact on both GDP growth and private consumption expenditure, while the tourism, industrial and manufacturing sectors are expected to play an increasingly important role over the medium term. Turning to Egypt, the outlook is decidedly less rosy, primarily as a result of the socioeconomic unrest that commenced with the Arab Spring (2011), the unseating of the former government and considerable downside risk associated with a deterioration in Egypt’s relationship to rich allies.
Macroeconomic Environment

Real Purchasing Power

Purchasing power in real terms is contingent on the value of the local currency unit, as currency losses erode dollar-denominated wealth accumulation. Emerging and frontier economies are particularly vulnerable to negative currency movements due to contagion effects emanating from negative market sentiment. Also, economies whose foreign receipts are largely sourced from natural resources or are highly skewed towards single trade partners are particularly vulnerable to external demand and global price dynamics. The accompanying graphs depict our baseline forecasts for selected countries’ local currency performance against the US dollar, where a value below zero indicates an expected depreciatory trend. Notwithstanding the managed nature of the currencies, we expect a decline in the nominal exchange rate across the board, especially over a three-year period.

Turning to scenario analysis, we summarised our key findings regarding the most probable (baseline), optimistic and pessimistic local currency performance trajectory in the table below. We identified Nigeria and Ghana as the countries most vulnerable to deviation off the baseline paths, taking into consideration vulnerability to the global economy, commodity prices, vulnerability to portfolio outflows and stock of dollar-denominated debt. In the case of Ghana, rising structural imbalances pose a significant risk of further currency depreciation throughout the forecast trajectory.

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Sources: Reuters, UKR Research

Currency Forecast, LCUs

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Sources: NKIC Research
Demographic factors

Demographic Dividends

Africa is home to more than one billion people, which, compounded with high population growth and a shifting demographic profile (positively correlated with a rise in disposable income), presents vast potential for the consumer market. The African region as a whole is forecast to be home to close to three billion people by 2065 (from one billion currently), more than the projected combined populations of China and India at that time. Thus, looking solely at the size of the consumer market, the potential of the African market is immense.

The population size of Africa is estimated by the United Nations (UN) Population Division at 1.1 billion in 2013, where SSA accounts for 81% of Africa’s total population, and Nigeria accounts for around a fifth of SSA’s total. Other countries with notable population sizes include Ethiopia, Egypt, and the Democratic Republic of the Congo (DRC); together, these countries account for 38% of Africa’s total population. Turning to population growth rates, it is noted that differentiation exists between regions, as population growth rates in North Africa have already declined significantly on the back of lower fertility rates. This trend is in line with differences between the stages of economic development that the regions find themselves in.

The Westernisation of African consumer preferences, advances in aggregate economic conditions, and projected reduction in dependency ratios (the proportion of the total number of dependents in the country — i.e. those younger than 15 and those aged 65 and older — to the working-age population) all point towards a future growth engine of luxury goods demand. It is important to consider that population size and growth do not have an unambiguous effect on market attractiveness. While on the one hand, a higher population size boosts the number of consumers that a retailer has access to in a country, a lower population implies greater wealth per capita; a crucial factor for luxury good consumption. Furthermore, the composition of the population is crucial, as a large proportion of children and/or elderly in a population as reflected in a high dependency ratio, implies that the working population will have fewer resources to save and spend; spending will largely be contained to basic survival needs. Thus, notwithstanding a favourable demographic make-up of the continent, close consideration of each market remains imperative, as a one-size-fits-all approach to the African consumer will fail miserably. African countries remain highly differentiated, with the North African region on aggregate representing a more sophisticated consumer than the less-developed SSA region. In addition, the success of specific luxury goods is contingent on cultural and religious factors, which may differ greatly between neighbouring countries, thereby decreasing the dividend of investment in a regional hub. Furthermore, significant differentiation may exist at the national and at the city level.

Data at the national level can often be misleading, as a city’s GDP per capita can vastly exceed the national average due to the greater concentration of wealth in some urban areas. Finally, simply because a country has favourable demographics does not mean that this will necessarily translate into higher levels of economic growth and consumer spending. An increase in the proportion of the working-age population relative to the total population (the so-called demographic dividend) is potentially beneficial for consumer spending as it frees up resources, but will not transpire if there is a high unemployment rate in the working-age population.
Demographic factors

The youthful face of the median African consumer, compared to the rest of the world, is a key consideration. According to the UN Population Division, Africa’s median age was a mere 19.4 years in 2013, compared to a global median age of 29.2 years. The median African and Southern Asian (with a median age of 25.7 years in 2013) is significantly more youthful than their North American, European and Eastern Asian counterparts, whose median age were estimated at 37.7 years, 40.9 years and 36.4 years, respectively. As depicted in the accompanying graph, Africa is forecast to lag the rest of the world in terms of median age throughout the forecast trajectory. The UN estimates that Africa’s median age will rise to 21.3 years in 2030 and 24.7 years in 2050, which is still well below the world median (33.2 years of age in 2030 and 36.1 years of age in 2050, respectively). A more youthful consumer has significantly different tastes, preferences, and aspirations than older generations, and this would be reflected in their demand for different products. For example, younger consumers typically display preference for high-end apparel and accessories. Furthermore, young people are also generally more tech-savvy, which opens up a different marketing channel. It also highlights the possibilities of e-commerce, especially given the generally poor state of physical infrastructure and the lack of modern retail outlets in Africa.

Urbanisation

It stands to reason that a high pace of urbanisation is positively correlated with the demand for luxury goods, given that the former variable is positively influenced by employment opportunities, and economic structure – e.g. the higher average compensation for workers within the services sector compared to the wage structure within the rural agricultural sector.

African urbanisation accelerated considerably since 1950, although the continent still underperforms within a global context. Whereas urbanisation in developed countries is forecast to exceed 80% by 2050, the UN expects African urbanisation to trend below 60% over the same period; even lagging behind the less developed regions category. UN figures indicate that in SSA, the urbanisation rate increased from 11.2% in 1960 to 24.1% in 1980, and 36.4% in 2010. The UN forecasts that SSA’s urbanisation rate will reach 45.9% by 2030 and 56.7% by 2050. Looking closer at the African urbanisation picture, economic structure as deciding factor of urbanisation is clear. Evidence to this is the weak performance of the East African region – whose economic structure is skewed towards subsistence agriculture – which trails behind the rest of SSA. Buoyant growth in the services sector, especially in terms of telecommunications and financial services development, is expected to pay dividends for the Southern African region, which notably outperforms the rest of the African continent.
Demographic factors

With due consideration of population growth potential, the pace of urbanisation and the changing landscape of the median African age structure, NKC developed a Demographic Potential Index (DPI) for 30 African countries, summarised in the below graph. The index value can potentially range from zero (worst outcome) to 10 (best outcome). Unsurprisingly, Nigeria ranks the highest in terms of demographic potential, primarily as a result of its large population size. The North African region holds significant demographic potential, accounting for half of the top 10 DPI performers. Specifically, Algeria, Egypt and Libya are listed amongst the top five in terms of demographic potential, in addition to South Africa, which ranked third. Notable performers, relative to population size, include Gabon, Libya, Botswana, Tunisia, and Mauritius. We consider these countries to have the potential to benefit from a high rate of urbanisation and/or favourable working age population distribution, notwithstanding relatively small population sizes. On the other hand, countries that perform notably worse than their population sizes would suggest include Uganda, Malawi, Kenya, Tanzania, Mozambique, and Ethiopia.
Global HNWI Population

The World Wealth Report for 2013 presented by consultancy firm Capgemini and RBC Wealth Management indicates that the global HNWI population increased by 9.2% to reach 12 million in 2012, while aggregate investable wealth jumped by 10% to US$46.2 trillion, a figure well above the previous historic high of US$42.7 trillion set in 2010. Nonetheless, the impact of the financial turmoil of 2007/8 is clear: HNWI investable wealth increased by a meagre compound annual growth rate (CAGR) of 2.6% between the period 2007-12, compared to a real GDP CAGR of 1.6% over the same period.

Turning the focus to HNWI population and investable wealth growth on a regional basis, it is clear that Africa still significantly lags behind the more advanced regions, as depicted in the graph. More than half of the global HNWI population resides in the US, Japan and Germany, while the highest growth in the HNWI population took place in the Asia-Pacific region. Capgemini projects that the Asia-Pacific region will see its HNWI wealth expand by a CAGR of 9.8% over the period 2012-15 while the Middle East and Europe are projected to register a CAGR of 6.8% and 6.2% over the same period, respectively. On the other end, HNWI wealth in Africa is forecast to register a CAGR of only 3.4% over this period, in excess of the Latin American region (with a projected HNWI wealth CAGR of 3.1% for 2012-15), although well below the global forecast of 6.5% for the same period.

Geographical Distribution of Purchasing Power

Despite a weak position in the global wealth environment on an absolute basis, positive base effects and a changing economic structure has given rise to a new crop of African HNWI, which should be considered in determining the geographical spread of luxury good outlets. The United Kingdom-based (UK) consultancy New World Wealth identified the fastest growing cities for dollar millionaires (individuals with net assets exceeding US$1 million, excluding primary residences), which is summarised in the table below. Base effects are an important consideration, as only two of the top five performers exceeded 5,000 dollar millionaires per city, well below more mature markets (Johannesburg had 23,400 dollar millionaires at the end of 2012 while Cairo in Egypt registered 12,300 dollar millionaires). Ranked by country, New World Wealth stated South Africa comes out on top with 48,800 dollar millionaires in 2012, followed by Egypt with 23,000 and Nigeria with 15,900.
Spending patterns are determined by disposable income per capita, in addition to other factors such as tastes, culture, and idiosyncratic preferences. Despite cultural and regional factors having an impact on consumer spending patterns and trends, one generally finds quite a strong positive relationship between income per person and consumption per capita for various goods irrespective of these other factors. This enables the mapping out of a generalised spending pattern across the income bracket. At the lowest income bracket, there is very little money (if anything) left to spend after basic needs have been met. Therefore, at the bottom of the income bracket, consumption is mainly on food, much of which has been produced on a small plot of land rather than purchased. Any excess production is then bartered or sold in order to pay for other necessities such as clothing and shelter. As soon as people start producing more than they consume, funds become available to spend on more than just the basics. The US$1,000 income level has been identified as an important barrier that if reached, allows for an expansion in the amount and type of consumer products that can be afforded. The accompanying table depicts the growth in wealth for selected African countries. Growth in GDP per capita accelerated substantially over the 2007-13 period (which stands in juxtaposition to the global picture), driven by base effects, strong foreign direct investment and fiscal spending, trade partnerships with high-growth countries such as China and India and an improvement in the political and sovereign credit environment.
Key Considerations

Infrastructure

Notwithstanding an increased focus on infrastructural development since the turn of the century, the shortfall in road, rail and freight infrastructure on the continent remains significant. As a region, SSA has the worst electricity supply in the world. West Africa and the Franc Zone have a particularly large electricity shortage. Furthermore, weak power generation infrastructure results in frequent power outages and high business costs. The acceleration of economic expansion on the African continent will only increase electricity demand further in the medium to long term, which, coupled with rising urbanisation and population growth, place the need to calibrate demand to address power capacity constraints on the forefront. While the vast potential that exists and high returns to be generated from infrastructural development will likely continue to attract private sector interest, expected demand continues to outpace development. Subsequently, the high baseline costs and barriers to entry posed by weak power and road infrastructure may impede the entry of luxury brands into the African market. Furthermore, weak road infrastructure naturally lends itself to specific products, such as demand for sturdy off-road vehicles, while constraining the use of luxury supercars to only the most developed regions.

Mobile Penetration Rates and Internet Users

The global online personal luxury goods market has grown tremendously in recent years. A study by Bain & Co. indicates that online sales soared since 2003 as luxury goods brands entered the virtual playing field. According to the study, the global online luxury goods market is highly skewed towards the US, with US brands representing more than half of global online sales. On a micro level, Bain & Co. asserts that online sales are dominated by the accessories luxury goods segment, which represented an estimated 41% of online penetration in 2013. Apparel accounted for an estimated 30% of online luxury sales in 2013, while beauty products and hard luxury (jewellery, such as high-end watches) lagged behind with 16% and 10%, respectively.

Turning to the African continent, the rapid increase in internet usage over the past decade, as illustrated in the accompanying graph, reflects the vast potential that exists in online African retail. The advent of smart mobile phones and access to the internet, as the African telecommunications sector leapt forward in heaps and bounds, allows easy access, while the availability of mobile payment options significantly reduces operating and opportunity costs. Surprisingly, mobile banking and internet access has not taken off in Ghana, despite a mobile penetration rate of above 100%. According to the IMF, only 1% of the population uses a mobile phone to send money, compared to the SSA average of 11%. Possible reasons for this under-utilisation include regulation that prevents exclusive partnerships between banks and mobile operators, an unreliable network, and ineffective advertising from banks.
Access to credit

While aggregate wealth levels have risen substantially over the past decade, African consumers’ access to credit remains sub-par relative to emerging market counterparts. Findings from a benchmarking study commissioned by the World Bank during 2012 support this assessment. Examining various indicators in relation to financial system access, depth, efficiency and stability, the findings suggest that SSA performed particularly weak. That said, the increasing Westernisation of African retail markets, brought about by improved access to technology, migration and urbanisation patterns, as well as social pressure to conform to an idealistic norm could incentivise conspicuous consumption (financed with credit) with little regard to fiscal responsibility. Subsequently, entry-level luxury goods (e.g. cosmetics, accessories, luxury beverages, apparel) aimed at African consumers seeking the status symbol of conspicuous consumption may not find traction in countries with problematic access to credit, whilst on the other hand hold considerable potential in countries with sophisticated credit facilities.

First Mover Advantage and Brand Loyalty

On aggregate, the African luxury goods sector remains in its infancy period at present. Taking into consideration the demographic dividend and rising per capita GDP levels, the potential for expansion remains vast. The median African consumer tends to be brand loyal, which provides the first mover with substantial growth potential. Thus, by establishing brand loyalty at an early stage, luxury goods companies can benefit from the evolution of the African consumer, especially in moving up the value chain. An example of first mover advantage is the establishment of a brand whose luxury goods encompasses a considerable differentiation in products; by creating brand loyalty in luxury cosmetics and apparel, the consumer may prefer the brand for more expensive products as his/her wealth situation evolves (towards leather goods and hard jewellery, for example). Furthermore, by establishing brand loyalty, a company is in the position to stimulate demand for complimentary products.
Emerging luxury goods expansion into Nigeria, Angola and Kenya is poised to rival the traditional luxury goods strongholds of Egypt and Morocco in the medium to long term. It is however worth noting that while the growth of the luxury goods market is highly correlated with macroeconomic indicators such as real GDP growth and disposable income, a key impediment to luxury brands’ successful expansion into Africa is a failure to recognise the vast differences in consumer preferences between these high-growth countries. Africa does not constitute a single economy, and vast cultural and religious differentiation does not allow luxury brands to blindly use one African country’s product penetration strategy as a blueprint for expansion into the region. Correctly estimating the maturity phase of the target country is pivotal to commercial success, as different product categories see peak demand at different moments of the maturity cycle, ranging typically from the lowest to highest price points. McKinsey & Co. estimates that beverages will likely see high growth within the first phase, followed by beauty products and later on, branded products. For example, while the Kenyan luxury goods market is estimated by New World Wealth to have expanded by 60% between the period 2007-13, higher-end cars such as Hummer and Jaguar were so far met with weak appetite as the Kenyan consumer favoured cheaper models such as Toyota. Meanwhile, more affordable luxury goods options, such as apparel, are poised to collect dividends from an expanding middle class, a rise in aggregate incomes and sizable population of expatriates – for example, Spanish retailer Zara entered Kenya’s retail sector in July 2013.

Gender differentiation is a key factor to consider: male income continues to outpace their female counterparts’ earnings trajectory, which presents opportunities in the technology, apparel and wine & spirits categories. The world’s largest luxury group, Moët Hennessy Louis Vuitton (LVMH), noted that Kenyans are increasingly looking towards single malt whiskies and champagne as luxurious alternatives to beer. Lagos has also exhibited robust demand for champagne: in 2013, LVMH’s seven Nigerian branches outsold its 600 South African stores. Nigerian demand for luxury goods is however not limited to high-end beverages: Lagos’s most affluent district of Victoria Island boasts the presence of Ermenegildo Zegna, Hugo Boss and Porsche.

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