

Five Things to Know About the Nigerian Consumer



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With a \$510 billion economy growing at 7.1% annually, retail and wholesale trade represents majority of the growth potential. Over 40 million Nigerian households are in the consuming class and earn an income of more than \$7,500 annually. Consuming class or consuming households refers to an individual or household with an annual income of more than \$3,600 or have an expenditure of \$10 per day. At about 4% annual growth rate, more Nigerian households are migrating to the urban cities, creating waves of new consumers, expanding markets for all kinds of businesses and ultimately driving growth in the retail and wholesale trade. Some of the fastest growth is estimated to occur within the consuming middle class with an annual income between \$20,000 and \$70,000 and consuming upper class with an income greater than \$70,000.

To harness the market opportunities offered by Nigeria’s growing consumer population, key industry players – manufacturers and retailers alike need to understand the peculiarities in consumer preferences and behaviour across various product/commodity categories.

A Consumer Insights Report by Africa Consumer Intelligence Centre (ACIC) revealed some valuable observations about the clothing and apparel commodity market in Nigeria as shown in the chart below.

Nigeria’s Shopper Segments



Source: African Consumer Insights 2012

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While there are specific consumer preferences across sectors and categories, there are a few salient attributes that characterise the Nigerian consumer. These attributes could be very vital for investment interests seeking to take advantage of the growth opportunity in the country's retail market.

1) Nigerian consumers are split loyals

With growing consumer demands and changes in consumer behaviour, brands are constantly engaging customers, seeking ways to build stronger relationships, generate trust and value-adding commitment in the long term. In a publication by Forbes focused on brand loyalty, consumers today are more savvy and diverse, more conscious of healthy living and wiser in their purchasing habits. Hence, brands seeking to gain loyalty must be actively involved in engaging customers as their loyalty may vary with time.

As customer experiences with various brands in the consumer market are constantly changing, Nigerian consumers have moved from being “hard-core” loyals to becoming split loyals. Consumers are usually loyal to the point of an engagement experience a specific brand offers. A focused group study revealed that for every product category with multiple brands, the average consumer is not totally loyal to a particular brand. One of the participants said “when I want to buy a mobile device, based on my experience with a particular brand, I can either stick to the brand I am used to or try another brand offering the same or similar (if not better) experience”. Most times, when the experiential elements of a brand engagement disappear, the emotional connection consumers have with the brand fades.



2) Nigerian consumers are price sensitive

Price is an important factor to majority of consumers; they adore deals and promotions and are more price conscious when it comes to food. In a study conducted by ACIC, 21% of Nigerian consumers say they are willing to sacrifice store convenience for low prices. Fuelled by low prices, majority of consumers buy their consumer goods from informal and unstructured markets like the Balogun and Idumota markets in Lagos Island; Onitsha market, Anambra state; Aba market, Abia state; Kurmi market in Kano state; and Jos main market, Plateau state. Research shows that more than 70% of retail sales in Nigeria are through the informal and fragmented channels, such as corner shops, market stalls and street vendors.

With modern retail stores such as Shoprite and Spar making inroads into Nigeria's retail market and changing consumer behaviour and lifestyle, more affluent and aspirational consumers are beginning to shop through modern-format stores. Despite these developments, the average consumer is still price sensitive.

3) Nigerian consumers are technology savvy

With an estimated population of 70 million internet users, Nigeria has the highest number of internet users in Africa. This penetration is fuelled by the increased adoption of mobile devices in the country. Beyond the traditional voice and internet services, a new era of enhanced mobile services is making Nigerian telecom users increasingly sophisticated. The new generation in the telecom industry is characterised by tech savvy consumers, who with the use of mobile apps redefine the way they shop, communicate and entertain.

According to the Nigerian Communication Commission (NCC), more than 50% of Nigerians access the internet on their mobile device and 21% of Nigerian mobile phone users are using the internet on a daily basis with 37% accessing it monthly. The primary reason for using the internet on mobile devices is social networking. However, Nigerians are also using their mobile devices for a wide range of activities such as for news, videos, emails and bank transactions.

Recently, there has been a rise in the adoption of online shopping/retail channels by Nigerians, as more consumers shop online for apparel and goods such as televisions and iPads. Of the estimated 70 million internet users in Nigeria, 65% already shop online and 24% are prospective future users. In a study conducted by Ipsos to understand Nigeria's e-commerce market, about 90% of online shoppers who own a mobile device have used it to shop online while 51% use their device to shop online at least once a month.

4) Nigerian consumers are sophisticated

Despite the prevalence of informal and unstructured markets in Nigeria's retail sector, consumers are increasingly becoming more sophisticated. Nigerians are known to keep up with the trends, particularly in the area of fashion, food & beverage and consumer electronics.



The fashion world has reached new heights in Nigeria, as fashion designers are increasingly becoming household names. An evolving mind-set of the average consumer has led to the increased acceptance of made in Nigeria clothing.

There are changes in food consumption with a significant rise in the consumption of packaged food and foreign restaurants and supermarkets such as KFC and Shoprite. We now see grocery retailers expanding their stock to include clothes, footwear, books, toys, electronics and appliances.

Alcoholic beverages are not exempt from this on-going trend. Many Nigerians have acquired the taste for foreign wines and spirits. According to a recent report by Euromonitor, Nigeria is the second largest consumer of champagne in the world, consuming over 750,000 bottles annually and spending on average N41 billion a year on this beverage.

5) Nigerian consumers appreciate word of mouth.

Although traditional media dominates, particularly television, word of mouth stands out as one of the most influential purchasing decision drivers. Before shopping for a particular product, most Nigerians prefer understanding the experience that comes with using that product, suggesting that they prefer the tried and tested means in the acquisition of a product. Therefore, word of mouth plays a huge role in the supply of information among consumers. A positive product experience by a consumer usually facilitates recommendation to friends and family.

Conclusion

For new and existing investors in the retail sector wanting to capture new markets, there is a unique opportunity to create brand loyalty based on an understanding of Nigerian consumers – creating the right experience and engagement through the appropriate product. Analysts have predicted that by 2030, the retail market in Nigeria will contribute more than \$190 billion to its GDP and more than 160 million Nigerians will be in the consuming-class household which is more than the current population of France and Germany combined.



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