



Africa Consumer Insights Report 2020

Third Edition

Consumer Baskets in Africa



CONTENTS

<i>Foreword</i>	4	<i>Existing modern retail channel</i>	30
<i>Context</i>	6	Modern retail development continues to grow but from a low base and still lags traditional trade	
<i>Executive summary & key findings</i>	7	<i>Conclusion</i>	40
<i>Macro perspective – Scoping the potential macroeconomic impact of COVID-19</i>	8	<i>Appendix</i>	
COVID-19 impact on economies expected to be severe, both immediately and over the long term		Country profiles	
		Ethiopia	42
<i>Categories and baskets overview</i>	12	Kenya	54
South Africa's food, personal and home care baskets significantly cheaper than baskets from the other countries visited		Ghana	68
		Nigeria	80
<i>Consumer behaviour</i>	26	References	94
Consumer purchasing behaviour still driven by the three Cs			

FOREWORD



It is without a doubt that we are operating through the unprecedented COVID-19 crisis. Governments around the world are grappling with how best to kick-start their economies in a responsible manner. Consumers are nervous about their physical health and the impact of an uncertain economic outlook on their financial wellbeing. Prior to the pandemic, global consumer demand and consumption habits were already shifting with an increasing trend towards convenience, healthier lifestyles, experiences and value offerings. These trends have if anything been accelerated by the COVID-19 pandemic and resultant lockdowns. Through any structural shift, there are the inevitable winners and losers, with opportunities available for those who had started to reposition their business to take advantage of emerging consumer trends.

Many corporates, irrespective of size, have accelerated their digital journeys including enhancing their e-commerce channels and offerings. There is a greater focus from both Consumer-Packaged Goods (CPG) companies and retailers on how to better connect and serve customers in what has become a minimal contact environment. A key component to this is data and to the ability to leverage and optimise human-centered design solutions.

One may argue that this is not relevant to sub-Saharan Africa (SSA) given the macroeconomic challenges facing many of the key markets (South Africa, Nigeria, Angola, Mozambique), poverty and largely informal economies.

However, with a household consumption expenditure estimated at ~USD1,4bn, this is one of the fastest growing regions globally, supported by a young, increasingly urbanized population, an opportunity that cannot be ignored. With less disposable income per household relative to developed and other developing markets, consumers are even more discerning. Essential items such as food, personal and home care will remain the core of any basket. The challenges for CPG corporates and retailers will be the way they deliver into these consumer needs, while managing their own supply chains, routes to market and competition challenges.

In 2019, Standard Bank published a report titled *Soft drinks in East Africa: still or sparking*, where we explored the soft drinks landscape in the Eastern region of sub-Saharan Africa. This document draws attention to a specific area of the growing consumer sector and was developed to highlight opportunities and risks, but also to enhance debate around the fundamentals of future investing. One of the key findings in that report was regional “hub and spoke” strategies adopted by corporates in Africa and expanding business operations from there.

Apart from retailers and CPG corporates ensuring their supply chains are sufficiently shielded from local market dynamics, winning in the African markets requires a long-term strategy and significant financial investment. Forming successful local business partnerships and gaining an understanding of consumer preferences in the chosen country of operation remains critical. Businesses must account for local market nuances as what works in Nigeria does not necessarily work in Kenya and vice versa.

In this 2020 edition of our *Retail in Africa* series, we focused our attention on the evolving modern retail landscape trends and dynamics across four key regions in SSA, namely Nigeria, Ghana, Kenya and Ethiopia. While household consumption happens predominantly across the traditional market channels, modern retail market penetration has increased steadily. The aim with this report was to gain a better understanding of factors that have been shaping these shifts and the regional market dynamics.



The team spent time on the ground in each market, engaging with numerous customers to understand the key factors behind consumer purchasing behaviour and to map the competitive landscape. Price points are always key in markets and the team attempted to recreate a typical consumer basket across each of the markets to get a better sense of how retailers are pricing baskets in each country versus the same basket in South Africa – the most developed modern retail market in SSA. Some of the interesting findings that emerged from this year's discovery were that although South Africa has the most developed modern retail market, the South African basket was on average c.30% cheaper from a packaged food perspective, and c.12% cheaper in personal and home care items. We delve deeper into these basket pricing variances as well as package size and product preferences, which differ from one region to the next.

Our field work took place a few months before COVID-19 emerged as a bigger reality for the African continent. While market dynamics are likely to have shifted, we believe the findings remain relevant and insightful. We hope this report will enhance your understanding of the modern retail landscape in SSA and uncover the opportunities that Africa has to offer, while providing the groundwork for deeper conversations.

The Standard Bank Consumer Team looks forward to the opportunity to share our passion for Africa with you.

***Africa is our Home,
we drive her growth.***

*Clive Potter – Global Head, Standard
Bank Consumer Sector*



CONTEXT

Standard Bank’s Consumer Sector team is pleased to present its third African Consumer Insight report. In this edition, our focus is on comparing the price of a typical South African basket of goods, in both food and home and personal care, across the key consumer markets in SSA. In addition, and where possible, we also opine on what future trends the retail market in SSA may follow.

We acknowledge the dominance of the traditional market across the continent, to the extent that, as a team, we consider it to be the Main Market. However, our research focused specifically on the modern retail market to maintain a level of comparability across the countries surveyed and to assess the differing dynamics of modern retail across the regions.

Our analysis provides insight into the market dynamics applicable to the various retail markets and the role that consumer behaviours and

preferences play in understanding the differences in baskets.

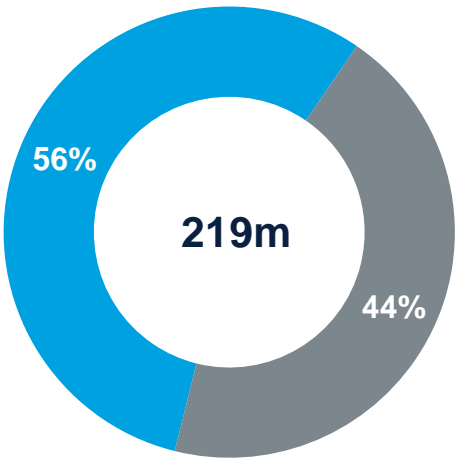
Ethiopia, Ghana, Kenya, Nigeria and South Africa were our focus countries. We believe these continue to represent the biggest consumer markets in SSA and represent scale and prospects for potential investors. These “Frontier Markets” represent ~56% of households and ~71% of food sales across SSA.

We used a combination of primary data, interviews with key local players in each country alongside third party data. As ever, we rely heavily on our in-country Standard Bank teams and believe their insight and expertise allow us to provide an in-depth, unique perspective on the African consumer.

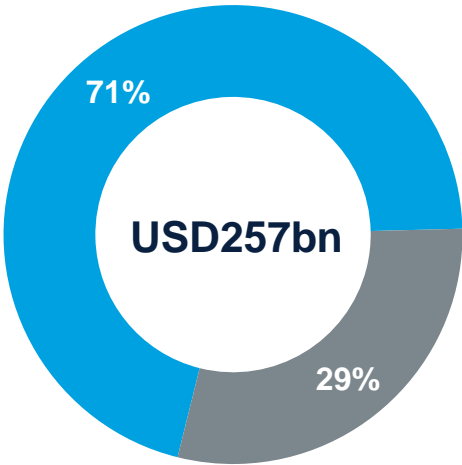
We hope you find this report insightful and informative.

Sub-Saharan Africa Frontier Markets

Households in sub-Saharan Africa (2019)



Food Sales: 2019 (USDbn)



Rest of SSA Frontier Markets

Source: Fitch Connect Database
Notes: * based on available country data for households and food sales

EXECUTIVE SUMMARY & KEY FINDINGS



COVID-19 impact on economies expected to be severe, both immediately and over the long term

The COVID-19 pandemic is impacting the entire world, with Africa as no exception. The International Monetary Fund (IMF) now expects growth in sub-Saharan Africa to contract by 3.0% in 2020 with risks heavily weighted to the downside. How the pandemic progresses, both globally and at a country specific level, will greatly determine how quickly economies can return to previous growth trajectories.



The South Africa food basket was c.30% cheaper than the same basket in the other frontier markets

Consumer baskets are still dominated by staples rather than groceries, home and personal care products. Packaged food items such as rice, bread, stock cubes, edible oils and other local starches remain the leading categories in the food basket.

Results from the modern retail price analysis indicated that a basket of goods bought in South Africa was on average ~30% cheaper than the same basket in Ethiopia, Kenya, Nigeria and Ghana. When adjusting for pack sizes, the analysis reveals that South Africa is on average 60% cheaper than the other countries visited.



Multi-purpose products still a huge preference in the home and personal care basket

Of the nine items that made up our home and personal care (HPC) basket, bar soap and bleach are some of the most preferred for their multi-purpose functionality. With constrained pockets, consumers look for products that are affordable and can be used for a variety of functions in the home.

Results from the modern retail price analysis indicate that the South African HPC basket price is on average 12% cheaper than all the markets visited. Adjusting for pack sizes of the other markets, the analysis reveals that South Africa is on average 26% cheaper than the other countries visited.



Consumer purchasing behaviour still driven by the three Cs

The three Cs – culture, cost and convenience – remain the key driving factors behind consumer behaviour in retail. Consumers still gravitate towards food and home and personal care (HPC) items they grew up on but may deviate if they have had exposure to the Western world.

Purchasing choices are still largely restricted by affordability, and convenience wins the day in more urbanised regions.



SSA's modern retail development is growing and improving in quality, however the modern retail channel only accounts for ~10% of the total retailing value in the region

Most of the region's major cities now have at least one modern retail mall and large volumes of retail space remain in the pipeline across SSA. However, retail in Africa remains heavily dependent on the Main Market and has lagged the rest of the world in respect of modern retail growth. Food retail in SSA Main Market is estimated at USD\$215-250bn.

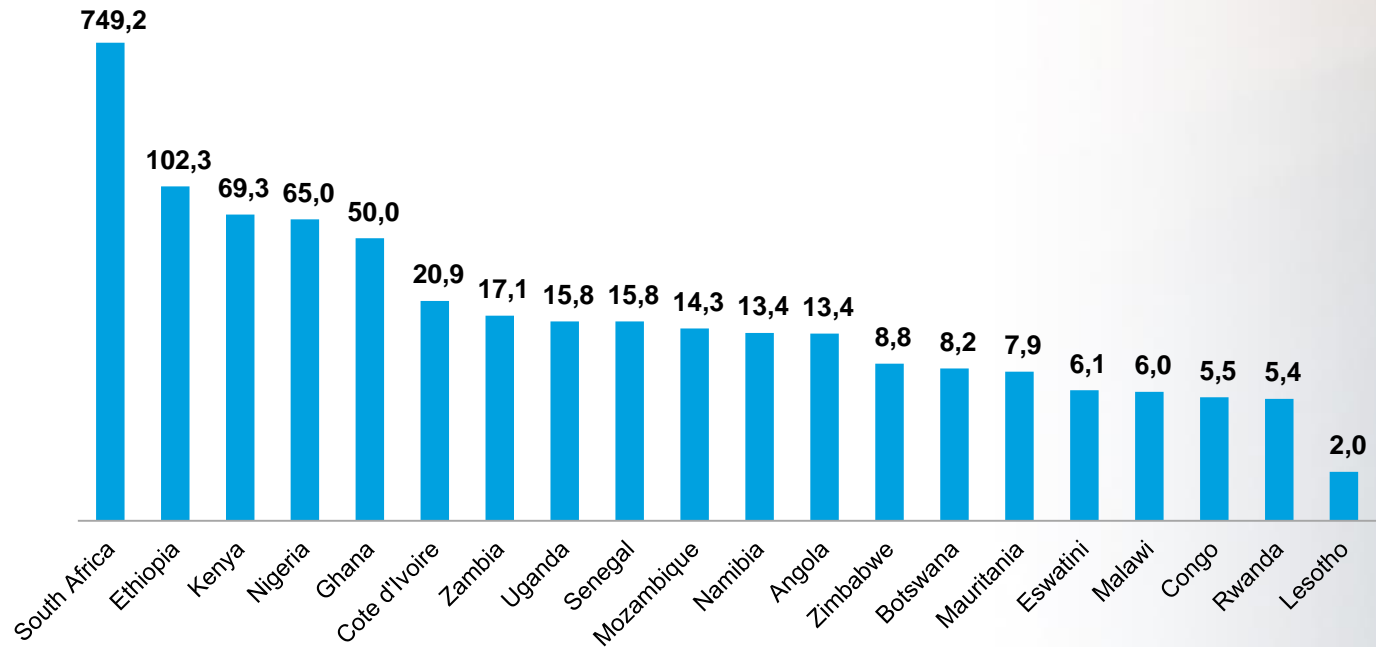
We have also begun to see companies go Direct-to-Consumer and also provide fulfilment services, in line with global retail trends.

MACRO PERSPECTIVE – SCOPING THE POTENTIAL MACROECONOMIC IMPACT OF COVID-19

The global economy was expected to grow at around 3-4% at the beginning of the year. COVID-19 has revised that trajectory, with a global recession in 2020 a firm reality. That said, most forecasters envisage a strong rebound going

into 2021. The IMF expects much of the contraction in 2020 to be attributable to advanced economies, which the IMF expects to contract by 5.8% y/y.

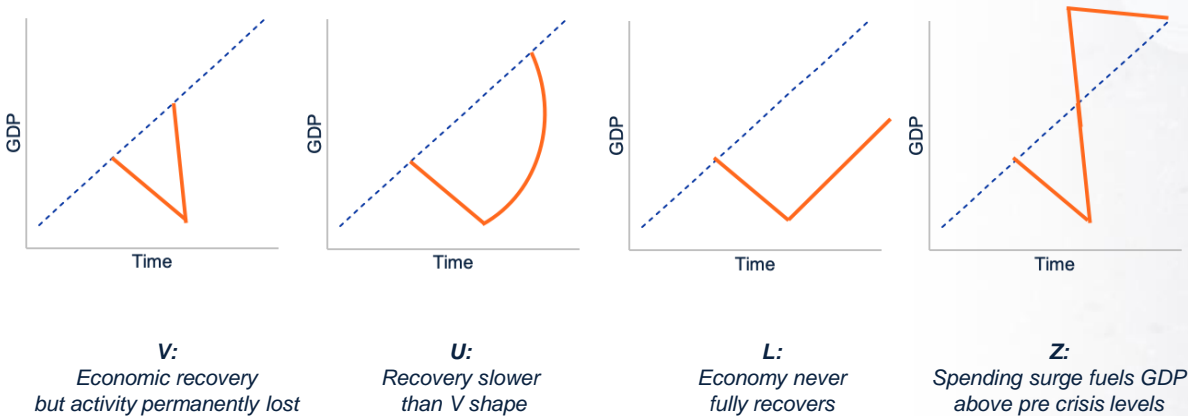
COVID-19 cases in sub-Saharan Africa by country ('000) (as of 15 November 2020)



The COVID-19 pandemic has had a severe, multi-faceted impact on the world and sub-Saharan Africa will be no different. As highlighted by our economics team, there exists a significant amount

of forecast risk directly as a result of the variety of containment measures adopted by government in addition to the uncertainty regarding the duration and severity of the disease.

Uncertain shape and timeframe for economic recovery





Key unknowns impacting forecasts

1

Progression
of virus

Uncertainty around progression of virus and possibility of second wave of infections in 2020/2021

Course of virus could differ by region/country with wide variance in duration and severity

2

Industry
response

Drastic shifts in consumer demand and consumption habits

Industry response will be measured by how quickly it can respond to the “new normal”

3

Consumer
shifts

Cautious consumers are expected throughout 2020

Economic impact will hurt discretionary spending

4

Official
Response

Government actions to manage spread of virus may differ as each may experience unique societal and political pressures

How COVID-19 will impact African economies

Economic impacts will be either direct and dependent on the country specific impact of the virus or indirect and driven by the impact of the virus on the world in general.

The indirect impact will come from a disruption to trade and international financial flows as a spillover from disruption to the global economy, which is potentially easier for economists to forecast. The direct impact, arising from the disruption to economic activity as governments put measures in place to contain the disease, will be far harder to estimate and this uncertainty is greater for poor countries with large populations.

Furthermore, SSA has experienced exponential case growth much later than many parts of the world and impact predictions will also have to take

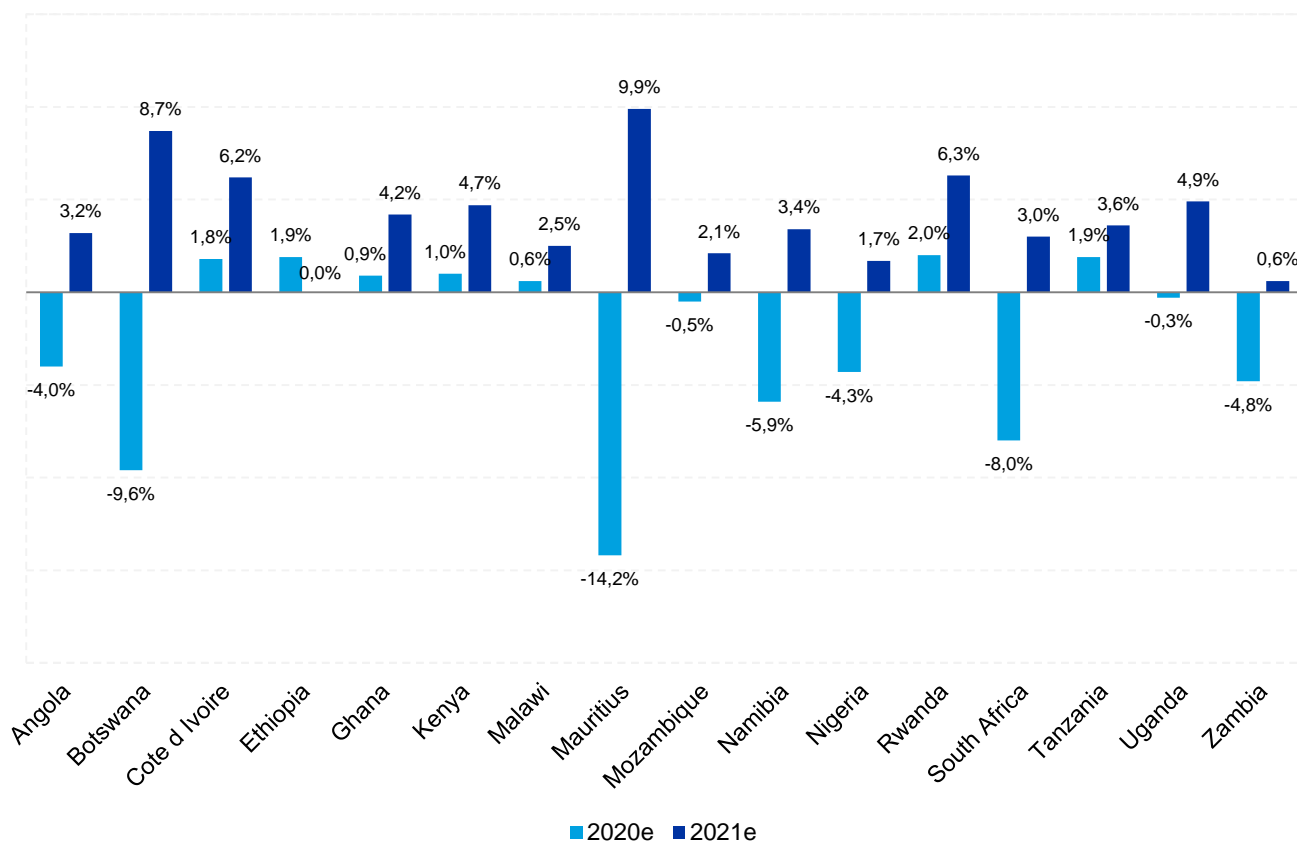
into account the availability of vaccines or appropriate, proven measures to slow the spread of the disease as and when cases peak.

As of October 2020, the IMF expected growth in SSA to contract by 3.0%, a marked decline from the 1.6% contraction forecasted in April 2020. A rebound to 3.1% growth in 2021 is premised largely on the region avoiding the epidemic dynamics that have played out in other regions.

Downside risks could materialise if health systems are overwhelmed, given that many economies have reopened before the infection has peaked. However, with the easing of global financial conditions and a rebound in oil and other commodity prices, the projected downturn could be less pronounced.



Real GDP forecasts for sub-Saharan Africa

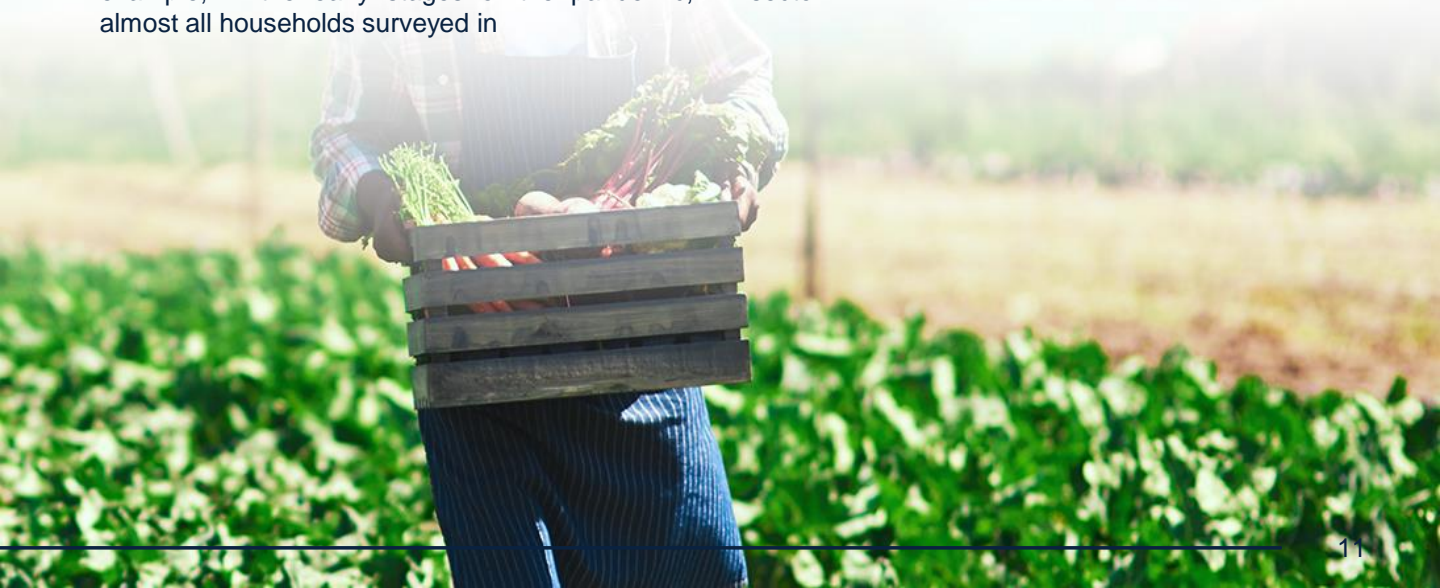


In the face of this health crisis, most country authorities have allocated greater resources to healthcare and virus containment measures. Equally, many have provided support to vulnerable households, primarily through cash or in-kind transfers to offset the income losses and prevent human capital erosion.

According to World Bank estimates, the pandemic could push about 26 million more people in SSA into extreme poverty in 2020, and up to 39 million should downside risks to growth materialise. For example, in the early stages of the pandemic, almost all households surveyed in

Kenya said that their income decreased, and about half said that they are “cooking less frequently” and “altered their diets”.

At the same time, income inequality is expected to increase as lockdowns disproportionately affect informal sector workers and small and medium sized companies in the services sectors. In Uganda, about half of the households said that they cannot sustain their lifestyle even for one day of quarantine, which reflects the high share of people working “hand-to-mouth” in the informal sector.



CATEGORIES AND BASKETS

SSA consumer spending: essentials the priority amid weak economic environment

Generally, consumers are still seen spending more on staples than other food items, home and personal care products.

Within the food category, diets across the various countries mainly comprised of fresh food and products purchased in an unpackaged form. However, in the major cities such as Accra and Lagos, we are starting to see more urban dwellers

purchasing more of their food in packaged form with products such as baby formula and cooking oil. While we are also seeing growth of global branded products such as tomato sauce and mayonnaise, many consumers in the different countries still have a strong preference for their local cuisine such as Egusi soup and Akara in Nigeria, which require traditional ingredients that are predominantly found in the Main Market.



Egusi soup and fufu, and Nigerian Ogbono soup. These are some of the popular Nigerian dishes.



Nigerian open market, selling ingredients that would be used to make local dishes.



Woman at one of the open markets in Ghana selling traditional ingredients and spices and another selling unpackaged shea butter.

Consumer awareness of both global and local beauty and personal care products is increasing. However, sales continue to be hampered by factors such as lack of affordability, limited availability and many remaining loyal to traditional beauty and personal care routines. The adoption of the personal care category is still low. In countries such as Ethiopia, oral care is a challenging category to grow as it experiences a multitude of challenges such as: the preference for traditional remedies and methods and the need for literacy and awareness programmes that educate consumers about the importance of good oral care/hygiene practices. A similar behaviour has also been observed in Ghana, where women prefer local remedies such as shea butter, cocoa butter and aloe vera over packaged hair and body products.

Leading home care items include washing powder, laundry soap bar and bleach. The main characteristic that all these items have in common is that they can be used for multiple purposes in households. The multi-purpose functionality is useful for cash-strapped consumers, but also a large impediment for multinationals looking to increase market share opportunities through cross-sell.

There is also a presence of local brands that are manufactured locally at competitive price points. However shelf presence in modern retail is dominated by the large global players.

How do South Africa's food, home and personal care product prices compare with Nigeria, Ghana, Ethiopia and Kenya?

As part of our research, we conducted a modern retail price comparison for three different stores within each country on a basket of basic food items and another consisting of basic home and personal care products. We used the leading brand by market share according to Euromonitor in each category and if that was not available in store, the brand with the biggest shelf space was selected. The purpose of the price analysis was to compare the cost of the baskets among the three stores in South Africa and with those we attempted to recreate in each country visited.

Our pricing analysis reveals that on average, South African modern retailers are 30% cheaper than the other retailers found in the countries visited on a basket of basic food items.

Price data from stores visited across the five countries

	Food Basket Item	Brand	Quantity	South Africa	Nigeria	Ghana	Kenya	Ethiopia
1	Bread	Sasko (or closest competitor in country)	1 Loaf	12,99	16,04	17,95	7,39	12,48
2	Rice	Tastic (or closest competitor in country)	2 kg	27,59	51,61	58,25	46,33	136,68
3	Sugar	Selati (or closest competitor in country)	1-2kg	29,24	24,59	21,11	33,73	34,13
4	Cooking Oil	Sunfoil (or closest competitor in country)	1-3l	39,99	162,10	126,33	68,72	46,36
5	Canned Pilchards	Lucky Star (or closest competitor in country)	125-400g	20,99	9,19	9,88	14,72	16,35
6	Peanut Butter	Yum Yum (or closest competitor in country)	340g-1kg	53,32	38,11	60,45	83,68	19,44
7	Tea Bags	Glen (or closest competitor in country)	25-100 bags	26,32	10,12	12,37	17,25	10,40
8	Tomato Sauce	All Gold (or closest competitor in country)	340-700ml	24,66	31,07	46,53	22,83	12,33
9	Long life milk	Clover (or closest competitor in country)	500ml-1l	15,98	26,02	29,36	7,21	13,75
10	Carbonates	Coca-Cola	300ml-2l	21,99	4,09	7,98	25,00	16,91
11	Margarine	Rama (or closest competitor in country)	500g-1kg	43,66	20,00	21,16	30,86	-
12	Baby-formula	Nan	400g	78,99	106,95	109,50	193,65	186,83
13	Eggs	Nulaid (or closest competitor in country)	6 eggs	12,99	14,73	13,59	15,91	14,23
Average basket price				R408,71	R514,62	R534,45	R567,27	R519,89
Price differences				100%	126%	131%	140%	127%

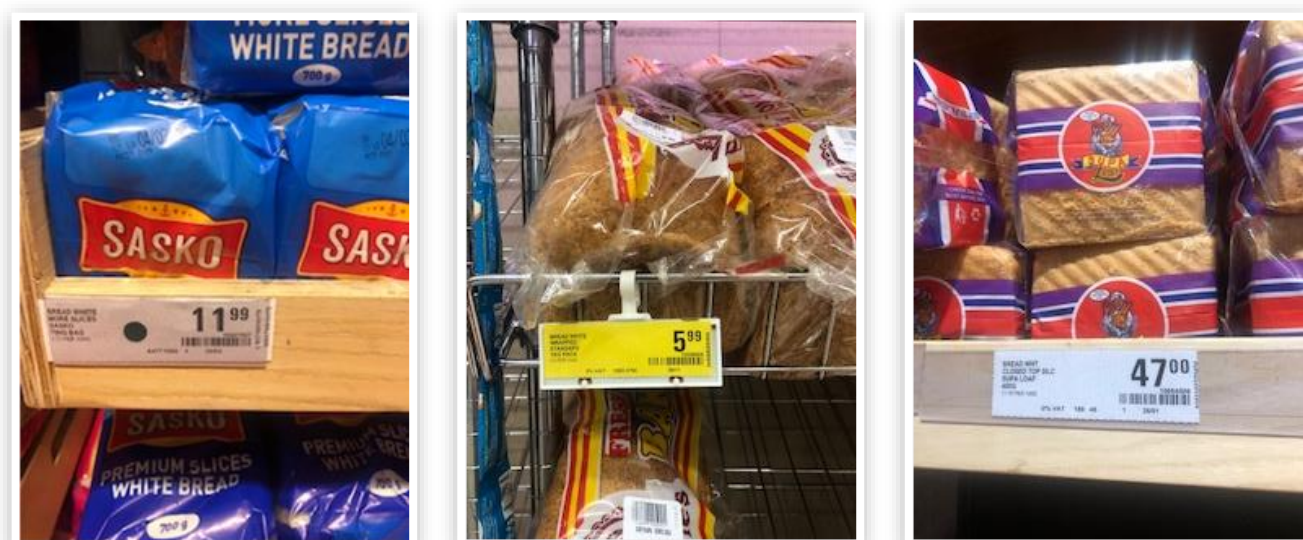
Prices were converted from local currency to ZAR using the spot rate on 29 July 2020.

In Ethiopia, sugar was not sold at the retail stores as government controls distribution to maintain price stability. Therefore, for this comparison we used honey instead, which was widely available.

Margarine was also not available at the retail stores visited in Addis Ababa and was therefore excluded from the Ethiopian basket.

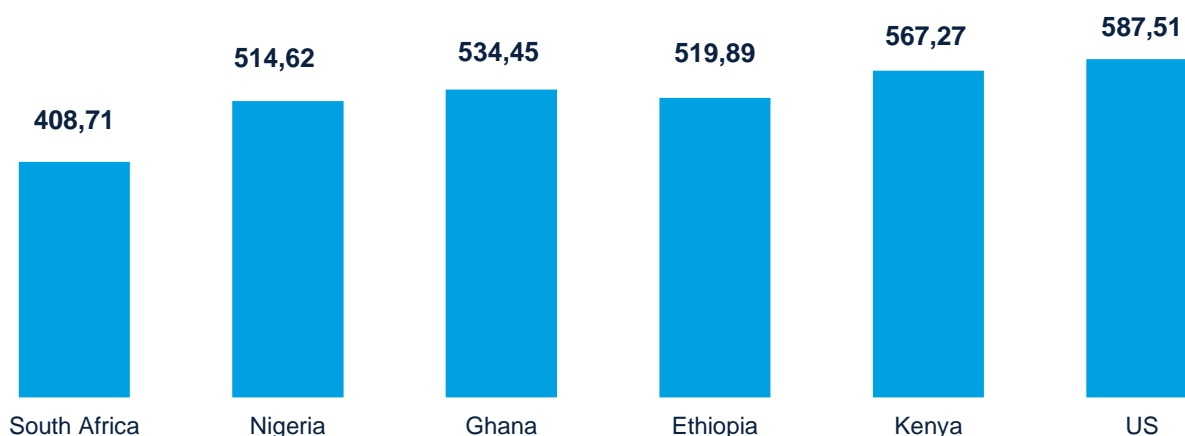
Pack sizes varied across the different countries. For example, the quantity for a loaf of bread in South Africa is usually 700g, whereas in Kenya it is only 400g (hence it is the cheapest price) while in Ghana it is 900g. There were a few products that had consistent quantities across the countries such as baby formula and eggs. However, for the

most part, pack size differences made like-for-like comparisons difficult. Most of the countries also had imported brands leading the category and there was little brand consistency across the five countries with the exception of Coca-Cola and Nestle's Nan baby formula.



Images depicting bread quantity differences across South Africa, Ghana and Kenya.

South Africa was on average 30% cheaper compared to the other countries on a basket of basic food items



Interestingly, the basket of goods in South Africa also consisted of bigger pack sizes. However, it was still relatively cheaper than the baskets from the other four countries visited. A basket from Walmart online was also relatively more expensive than the baskets in the countries visited. However, the basket comprised of products with generally bigger pack sizes than those found in Africa.

To account for the different quantities, we standardised/adjusted the quantities from the other markets to match the South African quantities. The table on the next page displays the prices of the adjusted quantities. On a quantity adjusted basis, the basket in South Africa would be the cheapest and the one bought in Kenya the most expensive.

Our pricing analysis reveals that on average, South African modern retailers are actually 60% cheaper than the other retailers found in the countries visited on an adjusted basket of basic food items.

Adjusted price data from stores visited across the five countries

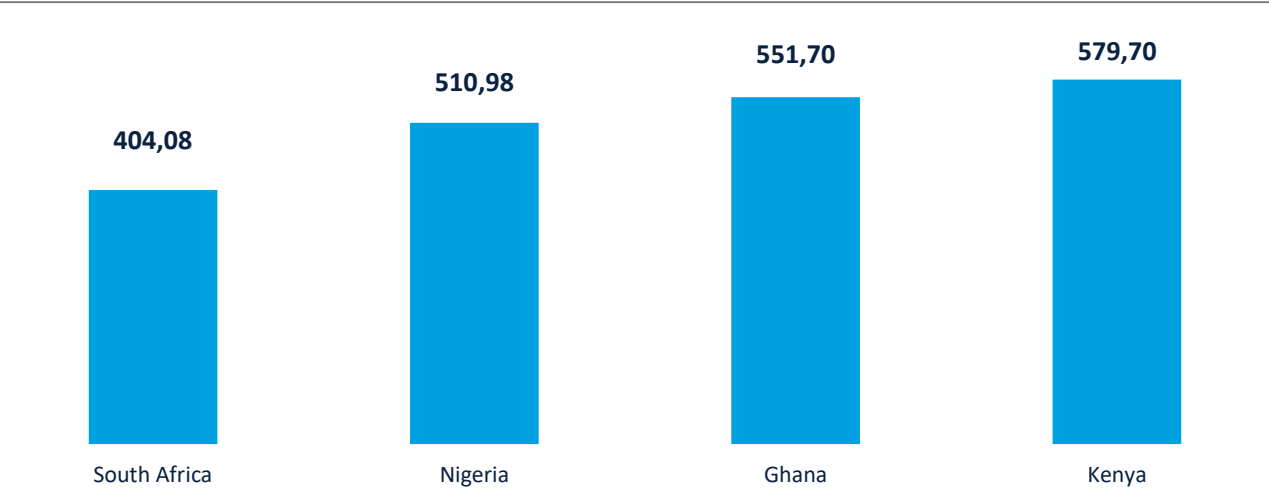
	Food Basket	Brand	Adjusted quantity	South Africa	Nigeria	Ghana	Kenya	Ethiopia
1	Bread	Sasko (or closest competitor in country)	700g	12,99	14,04	13,96	12,93	12,48
2	Rice	Tastic (or closest competitor in country)	2 kg	27,59	51,61	58,25	46,33	92,90
3	Sugar	Selati (or closest competitor in country)	1kg	29,24	24,59	21,11	33,73	34,10
4	Cooking Oil	Sunfoil (or closest competitor in country)	2l	39,99	108,07	84,22	45,81	92,72
5	Canned Pilchards	Lucky Star (or closest competitor in country)	400g	20,99	29,41	26,35	37,99	52,32
6	Peanut Butter	Yum Yum (or closest competitor in country)	1kg	53,32	74,73	120,90	135,60	57,18
7	Tea Bags	Glen (or closest competitor in country)	100 tea bags	26,32	40,48	49,48	34,50	41,60
8	Tomato Sauce	All Gold (or closest competitor in country)	700ml	24,66	51,78	63,86	39,95	25,39
9	Long life milk	Clover (or closest competitor in country)	1l	15,98	26,02	29,36	14,42	27,50
10	Carbonates	Coca-Cola	2l	21,99	16,36	53,20	25,00	22,55
11	Margarine	Rama (or closest competitor in country)	1kg	43,66	40,00	42,32	61,72	34,10
12	Baby-formula	Nan	400g	78,99	106,95	109,50	193,65	186,83
13	Eggs	Nulaid (or closest competitor in country)	6 eggs	12,99	14,73	13,59	15,91	14,23
Average basket price				R408,71	R598,76	R686,10	R697,55	R693,89
Price differences				100%	146%	168%	171%	170%

This standardised table also shows that South Africa is significantly cheaper than the other countries and on average it is 60% cheaper when looking at the adjusted quantities.

As part of our analysis, we also compared the price of a basket of goods across Shoprite stores in the different countries. The graph below shows how these prices varied.

Price analysis for in-country Shoprite stores visited

Shoprite South Africa was at least 25% cheaper on a basket of food items



On average, the Shoprite stores visited in the other three African countries were c.35% more expensive than the Shoprite store in South Africa on our sample basket of food grocery items. Ethiopia was excluded as there is no Shoprite in country. In both price surveys, we noted that South Africa tends to have bigger pack sizes compared to the other countries, making South Africa even cheaper on a quantity adjusted basis.



Price difference of 2l Coca-Cola at a Shoprite store in South Africa compared to one in Kenya (equivalent to ZAR24.97)



Price difference of 2kg Tastic rice at a Shoprite in South Africa compared to one in Ghana (equivalent to ZAR60.41)

Our pricing analysis reveals that on average, South African modern retailers are 12% cheaper than the other retailers found in the countries visited on a basket of HPC items.

Price data from stores visited across the five countries

	HPC Basket Item	Brand	Quantity	South Africa	Nigeria	Ghana	Kenya	Ethiopia
1	Bar Soap	Protex (or closest competitor in country)	70-225g	11,99	11,93	9,69	11,65	4,70
2	Roll-on	Shield (or closest competitor in country)	50ml	19,32	26,17	21,37	42,82	-
3	Toothpaste	Colgate (or closest competitor in country)	100-177ml	13,99	13,01	16,13	30,56	9,23
4	Body lotion	Nivea (or closest competitor in country)	400ml	45,99	74,03	74,44	57,43	33,50
5	Sanitary towels	Always	8 pads	16,66	16,85	17,42	12,72	22,85
6	Washing powder	Omo (or closest competitor in country)	500g-3.5kg	52,32	30,77	33,48	132,29	32,92
7	Bleach	Jik (or closest competitor in country)	500ml-1l	20,66	22,53	38,31	34,75	33,82
8	Dishwashing liquid	Sunlight (or closest competitor in country)	750ml	23,99	22,16	26,33	38,07	16,63
9	Laundry bar soap	Sunlight (or closest competitor in country)	120-700g	13,99	4,17	3,82	21,21	-
Average basket price				R218,91	R221,63	R240,98	R381,49	R153,86
Price differences				100%	101%	110%	174%	70%

Prices were converted from local currency to ZAR using the spot rate on 29 July 2020.

In Ethiopia, roll-on and the laundry bar soap were not found at the retail stores and do not make up the Ethiopian HPC basket therefore they have been omitted.

From our observations, we find the average basket of HPC goods in South Africa cheaper than those in Nigeria, Ghana and Kenya.

In most cases, the South African HPC basket

offers the same or similar quantities for the lowest amount. Where the price is significantly higher, the pack size are also much larger. Two examples of this are with washing powder and the laundry bar soap.



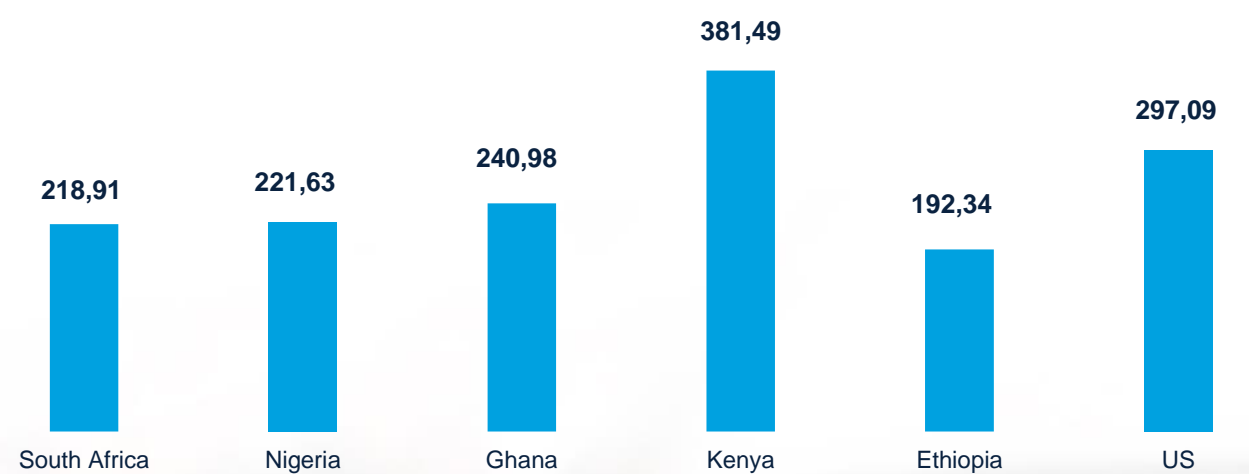
Different price points of washing powder and laundry bar soap in the different countries. Nigeria, Kenya and Ethiopia represented at the top. South Africa and Ghana at the bottom.

With Kenya standing out as having the most expensive basket, it is also important to note that most of the large pack sizes are found in this market. Where the average laundry bar soap is 120g, Kenya offers 700g. The same can be said for their washing powder which costs on average ZAR132,29 for a 3.5kg bag. Roll-on deodorant in Kenya is also expensive, selling for almost double the price in other markets.

Ethiopia has the cheapest average HPC basket due to it having smaller pack sizes compared the other markets. Another reason is the lack of availability of like-for-like goods. Roll-on and the laundry bar soap have been omitted from the Ethiopian basket as they could not be found in the stores visited.

Ghana is the second most expensive market with Nivea body lotion distorting the basket. Both Nigeria and Ghana sold the 400ml bottle of body lotion at least 28% higher than other markets.

Kenya an outlier with an average HPC basket priced ~43% higher than South Africa



When overlaying the analysis with a basket from the United States for context, we find that the preferred HPC pack sizes in the US is much

larger, yet the basket price is relatively similar to the markets visited in SSA.

Our pricing analysis reveals that on average, South African modern retailers are 26% cheaper than the other retailers found in the countries visited on an adjusted basket of HPC items

Adjusted price data from stores visited across the five countries

HPC Basket Item	Brand	Adjusted Quantity	South Africa	Nigeria	Ghana	Kenya	Ethiopia
1 Bar Soap	Protex (or closest competitor in country)	150g	11,99	16,49	6,46	11,65	10,06
2 Roll on	Shield (or closest competitor in country)	50ml	19,32	26,53	21,37	42,82	11,32
3 Toothpaste	Colgate (or closest competitor in country)	150ml	13,99	14,13	17,28	30,56	23,07
4 Body lotion	Nivea (or closest competitor in country)	400ml	45,99	75,04	74,44	57,43	33,50
5 Sanitary towels	Always	8 pads	16,66	17,08	17,42	14,54	22,85
6 Washing powder	Omo (or closest competitor in country)	2kg	52,32	69,30	74,39	75,59	131,68
7 Bleach	Jik (or closest competitor in country)	750ml	20,66	17,13	28,73	26,06	51,05
8 Dishwashing Liquid	Sunlight (or closest competitor in country)	750ml	23,99	22,46	26,33	38,07	16,63
9 Laundry Soap Bar	Sunlight (or closest competitor in country)	500g	13,99	17,60	15,91	15,15	14,99
Average basket price			R218,91	R275,76	R282,33	R311,86	R315,15
Price differences			100%	124%	129%	142%	144%

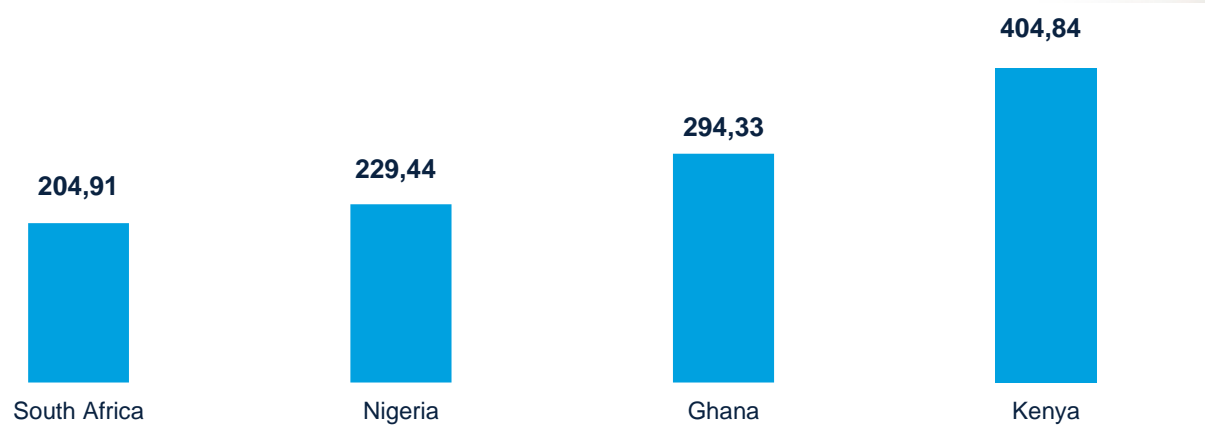
This standardised table also shows that South Africa is significantly cheaper than the other countries and on average it is 26% cheaper when looking at the adjusted quantities.

From this analysis, our findings reveal that the overall adjusted average basket prices become higher than the pricing of the baskets in their original quantities for all countries except Kenya. Some items are cheaper when adjusted, such as bleach and dishwashing liquid in Nigeria, and bar soap in Ghana, Kenya and Ethiopia. The price of

washing powder and bleach increases significantly in Ethiopia. When adjusted, washing powder becomes 152% more expensive and bleach, 147% higher than the South African price. Dishwashing liquid in Ethiopia is the cheapest compared to all the markets, including South Africa.

Price analysis for in-country Shoprite stores visited

Shoprite South Africa was at least 11% cheaper on a basket of HPC items



On average, the Shoprite stores visited in the other three African countries are c.30% more expensive than the Shoprite store in South Africa on our sample basket of HPC grocery items.

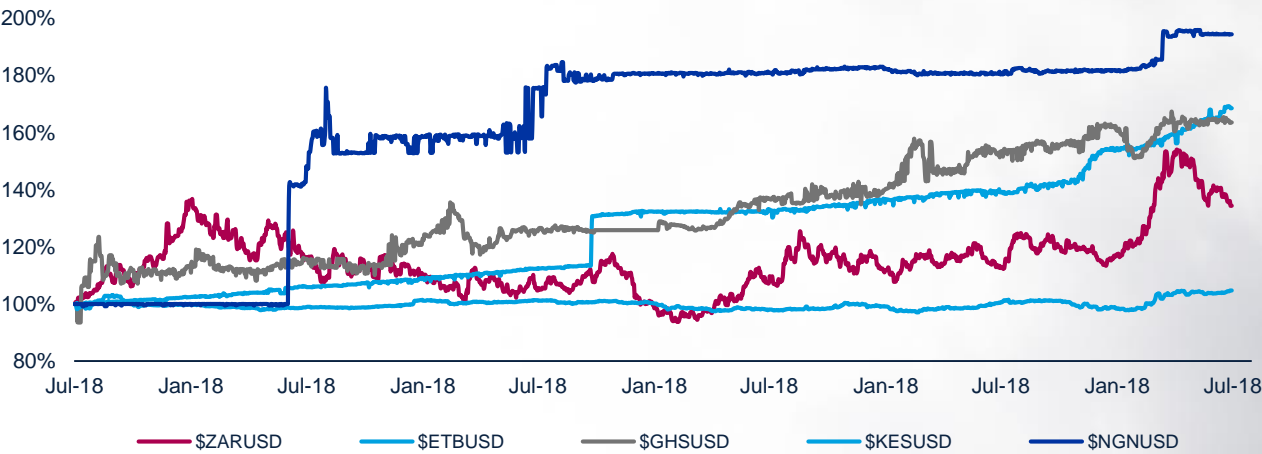
Ethiopia is excluded as there is no Shoprite in country. In both price surveys, we noted that South Africa tends to have bigger pack sizes compared to the other countries.

When comparing this basket in-country, we find that Kenya has the most expensive HPC basket. Almost every item in the basket is double or almost double the price, compared to South Africa and the other markets.



Factors impacting cost

FX – local currencies have depreciated against the US dollar

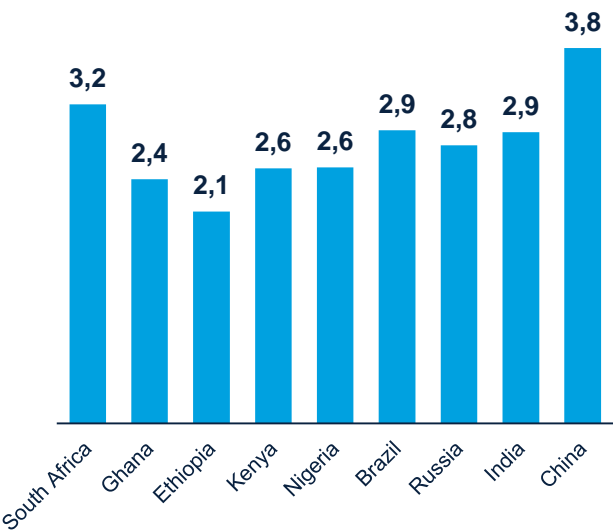


CPG in many African countries is dominated by foreign companies and depreciation of local currencies lead to much higher prices for imported brands and therefore makes it less affordable. The Ghanaian cedi depreciated 24% to the US dollar between 2017-2019, with the Ethiopian birr down

30% over the same period. Not only do CPG corporates and retailers then struggle to make the requisite gross margin, but they must also contend with US dollar-based rentals that increase at often unmanageable rates. The mismatch between local revenue and US dollar costs can be crippling, especially as local currencies weaken.

SSA infrastructure still lags other developing countries

Logistics performance index: Quality of trade and transport-related infrastructure (1=low to 5=high)



SSA countries have consistently ranked low on the World Bank's logistics index with poor or underdeveloped road networks increasing costs of distribution and long delays at ports creating stock-outs for retailers. According to Knight Frank, transportation costs represent between 50-75% of the retail price of goods sold in many African countries. This is due to longer supply chains and is further complicated by weak infrastructure. African governments have begun to make progress in this respect, with Ghana committing USD2.5bn to transport infrastructure development over 2019 while Kenya has improved the length of its national highways threefold since 2013. Improvements in this space will go a long way to alleviating pressure on the cost lines of CPG companies and retailers.



CONSUMER BEHAVIOUR

Local consumer behaviour driven by the three Cs



Personal care shopping aisle at Checkers in Sandton City, Johannesburg, South Africa.

When assessing driving factors of consumer behaviour, we see that culture, cost and convenience are still very prevalent.

From a cultural perspective, most local consumers with little to no exposure to the Eastern or Western worlds, still gravitate to food and products that have a cultural familiarity. As a result, they are more likely to try foreign products that have been altered to suit the local palate.

An example of this is the introduction of soft drink flavours such as Fanta Passion and Mango in Kenya. From a HPC perspective, we have seen

the sale of unpackaged home care products in Ghana like laundry bars, which are sold in this manner in modern retail stores to mimic the main market set up.

The increased exposure to the Western and Eastern worlds is assisting in accelerating the familiarity of products and concepts that consumers did not grow up knowing. Some examples of this are the utilisation of roll-on and toothpaste as well as the consumption of instant coffee and fast food.



Varying pack sizes that exist in the markets.

Cost is another important factor that influences consumer behaviour. With low disposable incomes, households need to be wise with their purchasing decisions. The two broad pricing strategies we identified, relate to the bundling of products to provide more for less, as well as selling smaller quantities at a more perceived affordable amount.

When it comes to product pack sizes, there is a noticeable difference between consumers from the West and the East. When travelling in Kenya and Ethiopia, we observed that many of the HPC products were sold in larger pack sizes.

Consumers prefer the larger sizes as it is customary to buy in bulk and share with family and friends in order to reduce costs. This is predominantly carried out with laundry bars and washing powder as well as with staples such as rice. However, when crossing over to the West, we noticed a more individualistic purchasing style. Pack sizes are much smaller (reduced to single servings) and are preferred. Unlike the main market, which has the advantage of flexibility in package sizes, the modern retail market must be more creative with how it caters for these varying package size preferences while keeping costs low.



Noodles, cereals and packaged hair products are examples of convenience products purchased for busy households.

Although the Main Market still wins from a perceived price point and accessibility perspective, modern retail offers middle- and upper- income groups the convenience aspect of already packaged and ready-to-go items.

Packaged cereals, like the one represented in the image above, are easy to make and provide the necessary nutritional benefits for growing children. Products such as noodles have become a staple for working class individuals who need a starch that is easily and quickly prepared and is also filling yet affordable.

As much as one can appreciate the growth of the middle class in these emerging markets, it goes without saying that there are still some traditions and perceptions that are held within all income groups that prevent the sole dependence on modern retail. An example of this in Ghana is the local custom around shopping and how food is prepared at home. Although convenience is

appreciated in some areas (such as the preparation of lunch boxes for school-going children), a lot of pride is still taken in the role of a woman who “searches the market” for the highest quality produce to feed her family. This tradition obviously attaches a certain stigma to modern women who appreciate the convenience that modern retail provides.

To this day, the modern retail channel is perceived as the more expensive of the two even when this is sometimes not the case. Some of the factors that drive this perception include the packaged form of goods, the location as well as appearance of stores (lighting, tiles, aircon, staff).



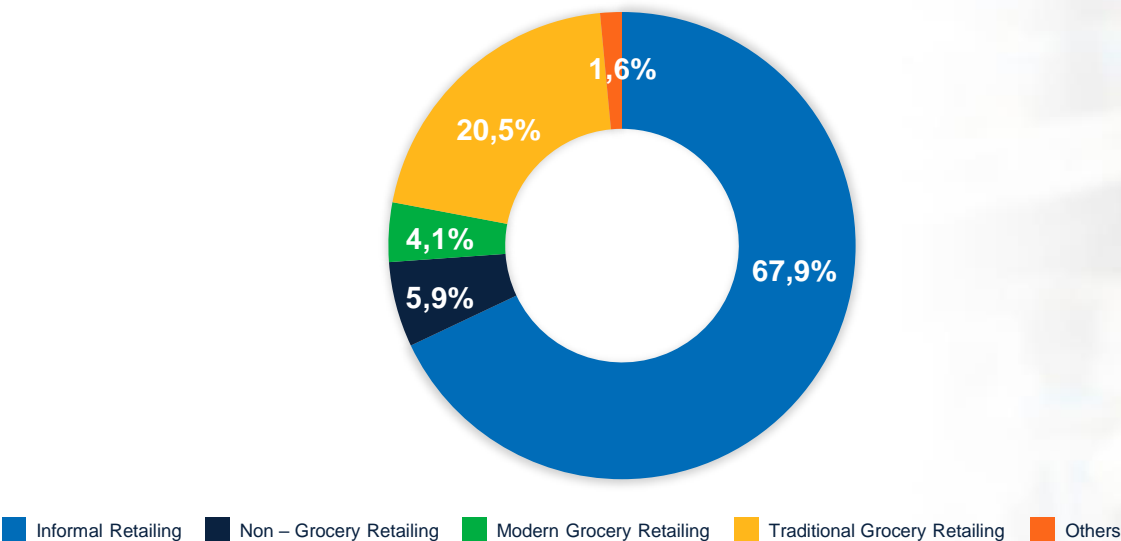
EXISTING MODERN RETAIL CHANNEL

Africa’s modern retail development continues to grow and improve in quality but still lags traditional trade

A growing population and larger, more developed cities translate into vast opportunities for retail. For example, wholesale and retail are already the third-largest contributor to Nigeria’s GDP while Kenya has seen 54% growth in the number of retail stores over the last five years. In South Africa, there are almost 2 000 shopping malls. Nigeria, Kenya and South Africa remain the key markets in value terms, while the industry continues to further modernise in promising markets such as Ghana and Cote d’Ivoire.

SSA is made up of a combination of traditional and modern retailing channels. These channels vary by market and are influenced by factors such as the economy, state of development, consumer preferences, internet connectivity, availability and cost of labour and the local culture. All of these variables form a factor that puts different countries’ retail markets at different development stages.

Retail value sales share (South Africa, Nigeria, Kenya)



Source: Euromonitor International. Data from July 2019

As per the pie chart above, consumer spending is mainly concentrated in the informal/traditional retail sector. However, the modern retail real estate sector has been a major focus for development activity within SSA over the last decade, causing a rise in the number of shopping malls across major African cities. Africa (excluding South Africa) now boasts

over 579 malls, up from 225 in 2010. The development has been mainly driven by the growth of the continent’s consumer markets and the expansion of domestic and international retailers, particularly the USA’s leading quick service restaurants like KFC and Pizza Hut and supermarket chains from South Africa such as Game stores and Shoprite.

Source: Knight Frank



Key food retailers found in frontier markets

NIGERIA

Addide (45) | Shoprite (25) | Best Choice Supermarket (19) | Spar (14) | FoodCo (8) | Roban Stores (6) | Game (5) | Hubmart (4) | Yem-Yem (3) | Onedotstores (1) | Tonyson (1) | uSve (1) |

GHANA

Melcom (36) | Palace Hypermarket (5) | Game (4) | Shoprite (7) | Tesbury Supermarket (1) | A&E Supermarket (1) | Marina Supermarket (1)

KENYA

Tusker (60) | Naivas (41) | Uchumi (27) | Choppers (11) | Carrefour (1) | Game (3) | Quickmart (3) | Shoprite (3)

ETHIOPIA

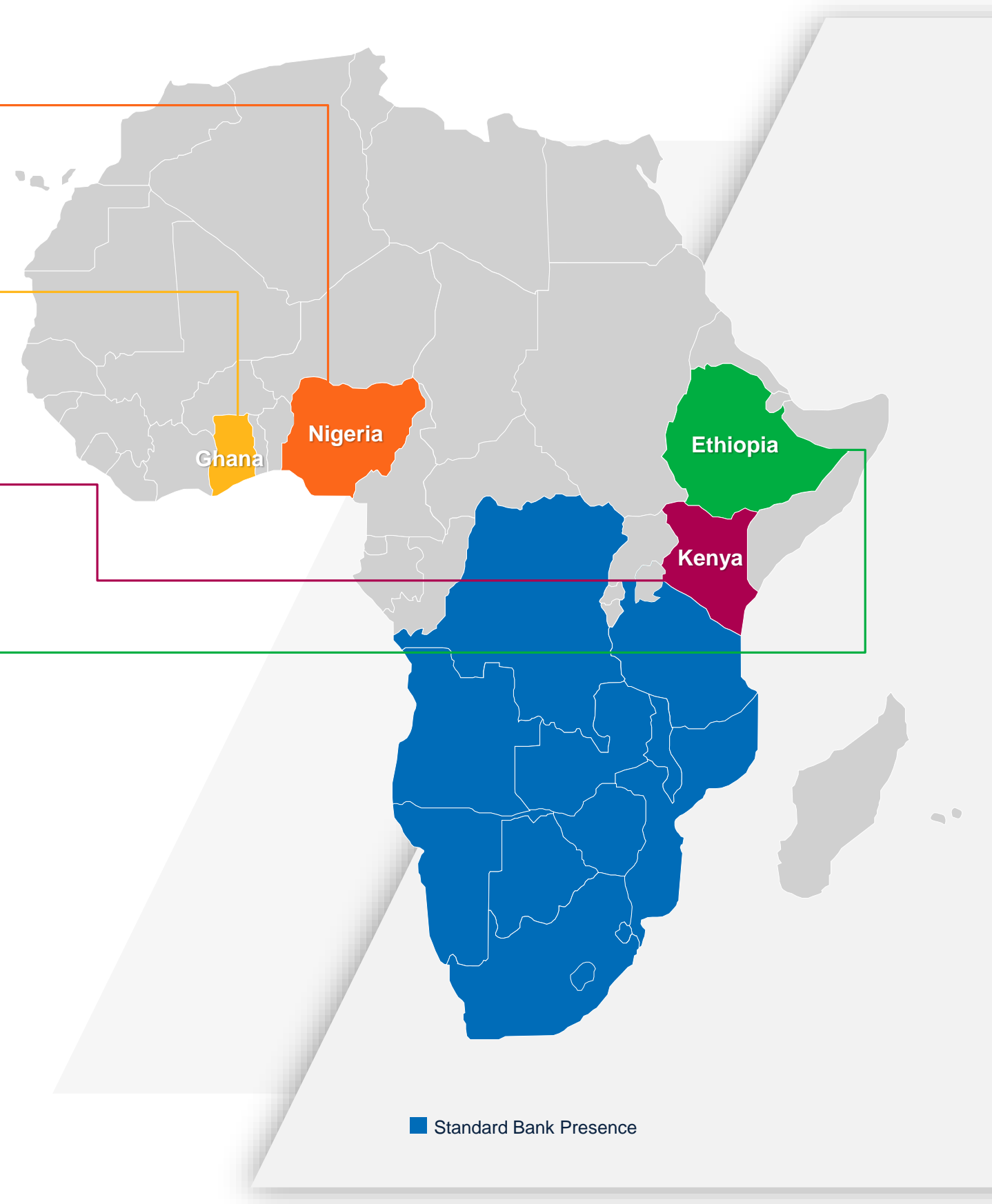
Queens Supermarket (8) | Safeway Supermarket (6) | Shoa Supermarket (4) | Save More Supermarket (1) | All Mart (1)

South Africa is by far the most mature, developed and largest modern retail market in SSA. The country has shopping malls covering over 25 million sq. m of retail Gross Leasable Area (GLA), compared with only about five million sq. m in the rest of SSA. The market continued to grow in 2019 with the expansion of the Fourways Mall, which included the addition of 90 000 sq. m to the centre, which now has approximately 170 000 sq. m making it the largest mall in Southern Africa. In 2016, Atterbury also completed the 131 000 sq. m Mall of Africa, the largest single-phase mall development ever in SSA. During 2017, retail sales figures in South Africa for the first time exceeded ZAR1 trillion and it is estimated that shopping centre sales represent 65% of this total. Other large shopping malls include the likes of Sandton City at 141 390 sq. m, Menlyn Park Shopping Centre at 177 000 sq. m, the Gateway Theatre of Shopping at 150 320 sq. m and Canal Walk at 146 828 sq. m. Retail centres in township and rural areas have also been increasing in both

number and size. Developers such as Exemplar have focused on these areas and now the company has a portfolio size of approximately ZAR5.4 billion with Alex Mall, Chris Hani Crossing and Tsakane Mall being its flagship retail properties in the portfolio with good performance.

Outside of South Africa, according to Knight Frank, Kenyan capital Nairobi has the greatest volume of modern retail floor space in SSA and continues to be a development hotspot. Malls found in the country include Garden City Mall, The Hub, The Karen Waterfront and the largest; Two Rivers Mall with over 200 stores. In comparison to South Africa, which has an estimated modern retail penetration of over 60%, Kenya's modern retail penetration is considerably low. We do believe the country has potential for growth in other regions outside of Nairobi such as Mombasa and Mt. Kenya that have retail space demand as well as attractive yields and occupancy rates.

Source: Knight Frank



Elsewhere, mall developers including Actis, Atterbury, Resilient and Novare have all delivered modern mall developments in countries including Nigeria and Ghana. While the Ghanaian retail market is still predominantly traditional, there are some major malls found in cities, particularly in Accra. Accra's first high-end shopping mall was the 20 000 sq. m Accra Mall, which has a number of South African retailers and is now over 10 years old. The success of Accra Mall encouraged further developments such as West Hills Mall, Marina Mall and The Junction Shopping Centre at 11 597 sq. m. While there are some pipeline projects in Ghana, there are concerns that the Accra retail market is close to reaching saturation point and new developments will be entering a challenging economic environment. It is expected that retail development will likely focus on second-tier Ghanaian cities such as Kumasi and Takoradi.

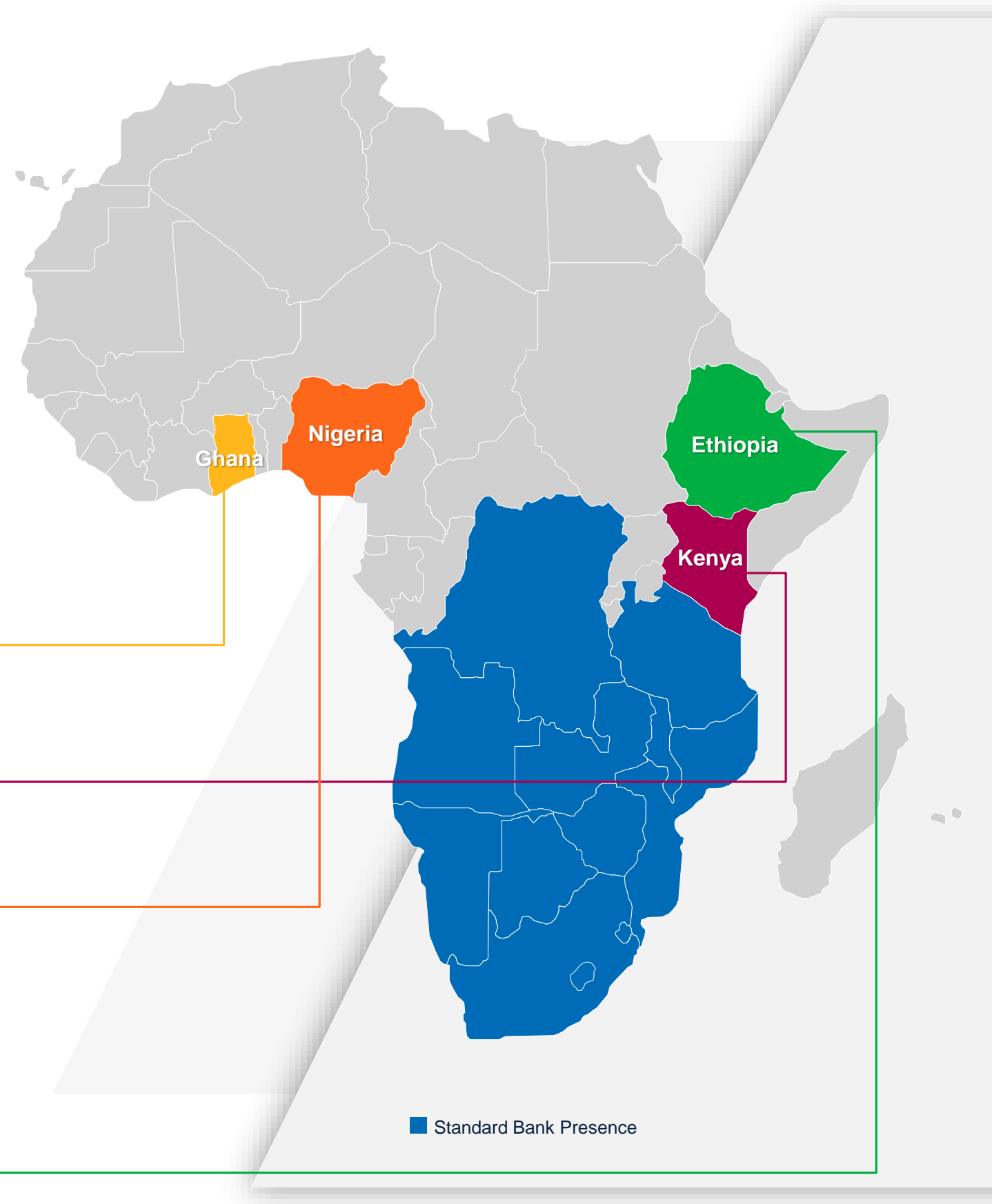
In Nigeria, close to 97% of all retail transactions are carried out in the Main Market channel.

Nevertheless, modern shopping centres are beginning to gain traction and the government has increased efforts to discourage informal street trading. Nigeria's first international-standard mall, The Palms Shopping Mall, opened in Lagos in late 2005, owned by Persianas Group, a Nigeria-UK joint venture. In 2011 a second major retail development, Ikeja City Mall, opened in Lagos – financed by Actis, RMB Westport and local conglomerate Paragon Holdings.

In Ethiopia, modern retail development remains hampered by the restrictions of foreign investment in the sector. Modern retailing in Addis Ababa is still in its infancy stages of development compared to other countries in East Africa. The recent development of Century Mall and the introduction of international retailer Pizza Hut have had a significant positive impact. Nevertheless, the modern retail sector continues to be characterised by local medium-sized supermarkets such as Shoa.

Key retail space in frontier markets





	SA	Nigeria	Kenya	Ghana	Ethiopia
Occupancy rates	95.3% (In prime grade super regional shopping centres)	83.3% (2019 vacancy rates 16.7%)	80% (2019: 20% average vacancy rate)	70% (2019: 30% average vacancy rate)	Close to 100%
Retail prime yields	8.5% (CT) 8.5% (JHB)	8.5% (Lagos) 9% (Abuja)	9%	7.50%	6%
Retail prime rents	US\$48.20/sq m/month (CT) US\$75.85/sq m/month (JHB)	US\$83/sq m/month (Lagos) US\$58/sq m/month (Abuja)	US\$42/sq m/month	US\$70/sq m/month	US\$13/sq m/month

Source: Knight Frank

Large volumes of modern retail space remain in the pipeline across SSA, with most of the region’s major cities now having at least one modern retail mall. As a result, developers are increasingly targeting secondary cities in order to gain first-mover advantage in these areas. Knight Frank also states that most developers are now concentrating on the delivery of well-located small- and medium-sized convenience shopping centres instead of the regional mega-malls.

As competition intensifies between developers, they will seek to differentiate their malls by offering access to sought-after international brands and

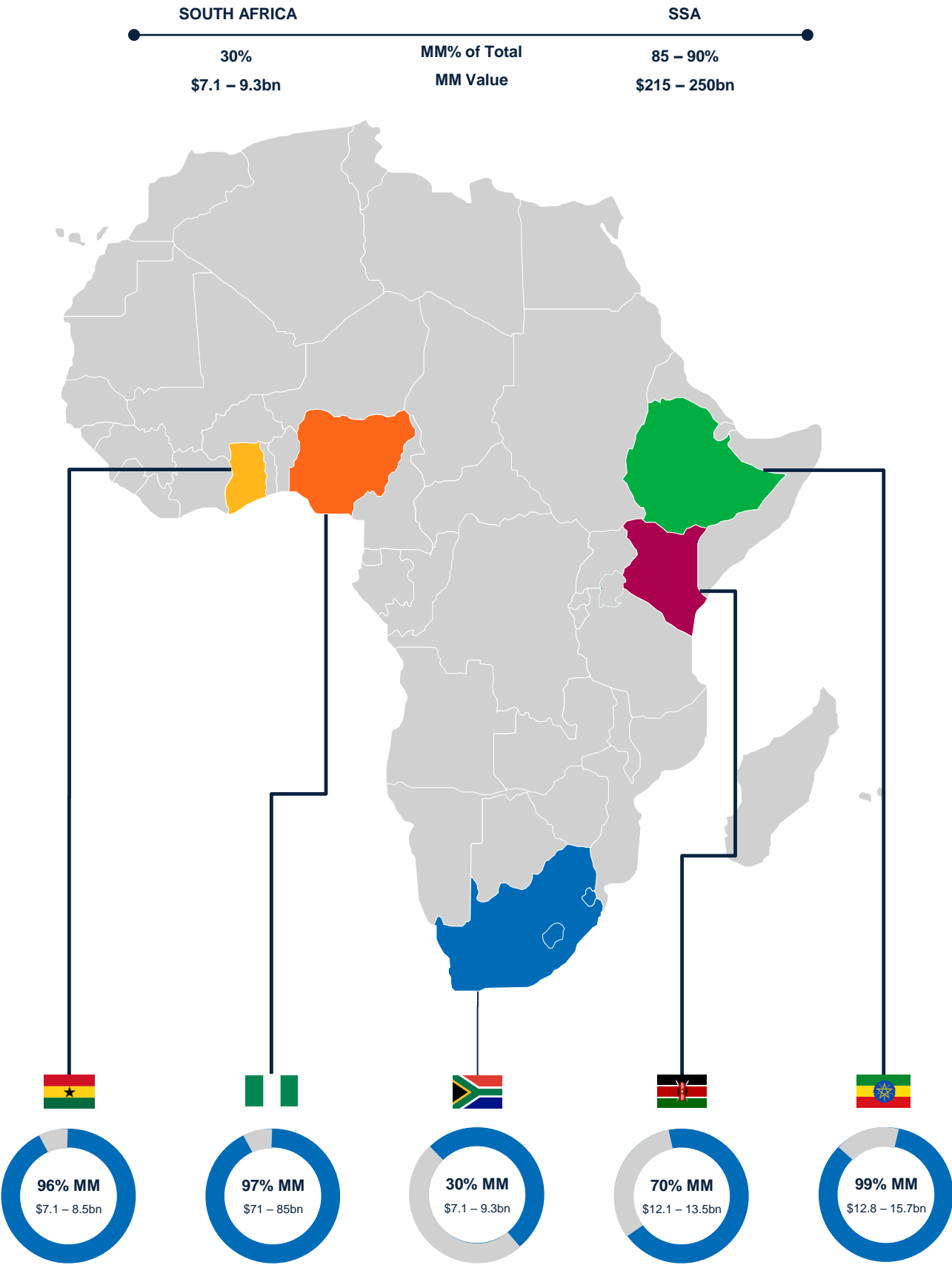
creating an upscale consumer experience. Selecting the right location will be crucial to the success of new centres, especially in cities with successful existing malls. Mall developments are expected to play a major role in shaping the future landscape of SSA.

However, modern retailing only accounts for ~10% of the total retailing value in the region. Governments, modern retailers, manufacturers and fintech companies have all developed an interest in the Main Market and have realised that it is not going to disappear anytime soon, despite modernisation across the region.



Open market in Lagos, Nigeria

Size of the Main Market in sub-Saharan Africa



Will SSA skip physical space race and go digital?

Whilst formal/modern retail space is expected to grow, we believe there is potential for SSA to stop short of the oversupply of retail space experienced in other regions. Instead, there is an opportunity to leverage a younger population, digital adoption, and a dominant Main Market to adopt many of the digital trends gaining prominence across the world.

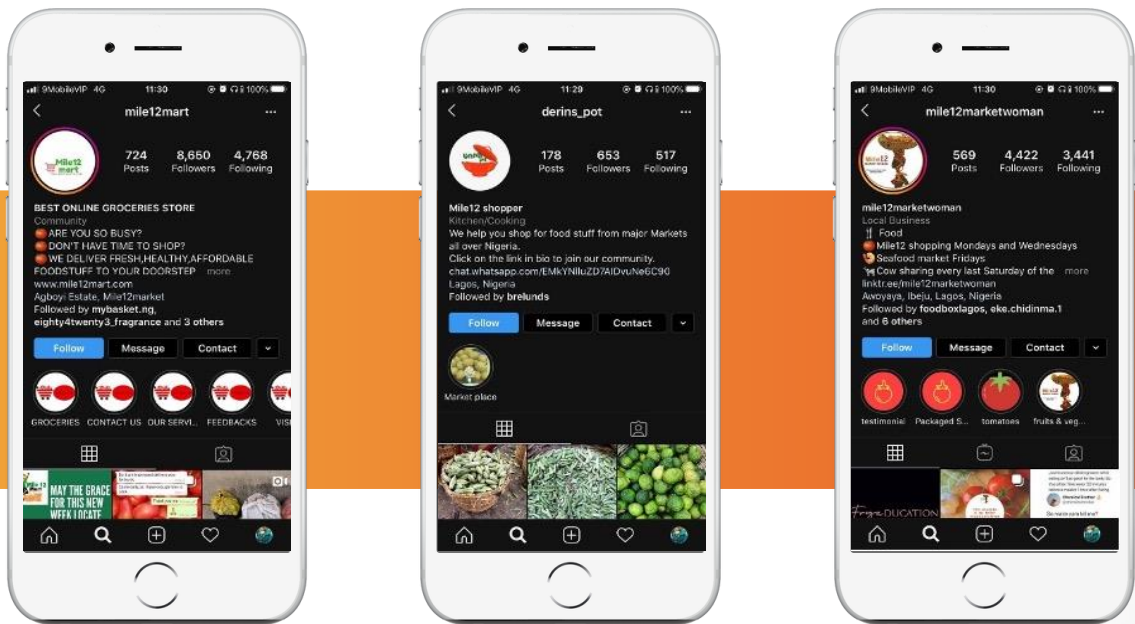
The most significant and most visible disruption to retail of the past 15 years has been the continued rise of online shopping. Predictions of how fast e-commerce penetration will grow over the next 15 years, and when it will cap out, have varied widely.

Where SSA lags other regions in respect of modern retail (malls, channel distribution, retail

outlets, etc.), it runs very closely in respect of digital adoption and preparedness. Many global retail trends spurred by these factors have every chance of success in Africa, and we have already begun to see two big themes unfolding.

Last mile intermediaries

Last mile intermediaries replace the final leg of the consumer journey – fulfilment or delivery. In SSA, multiple small fulfilment partners are beginning to offer localised services through social media channels. Often, fulfilment is through the Main Market, leveraging its proximity to customer homes and its dominant footprint. While currently still small-scale, these intermediaries have the potential to capture data and feedback from the consumer on quality and price points and ultimately shift consumption patterns in the long term.



Instagram accounts offering food and grocery delivery in Lagos, Nigeria.

Direct-to-consumer (DTC)

In a pre-internet age, physical stores acted as gatekeepers to consumers and were critical in allowing manufacturers to reach consumers. The rise of technology and increased digital adoption means that consumers, by in large, are available as much online as they are in stores. This shift has reduced barriers to entry.

In food retail, manufacturers are also beginning to leverage digital to offer products directly to consumers alongside the traditional store format. DTC marketing and loyalty programmes use social media and direct marketing to engage with

and learn from consumers.

Manufacturers selling directly to customers will put more pressure on retailers. However, we do not see this as a fundamental disruption. Ultimately, they are merely setting up alternative retail channels with the same business model: sell products to customers to make a return. Retailers will be able to compete along familiar lines: stay competitive on price and continue to offer a better range and the convenience of a one-stop-shop – but, as noted elsewhere, this is particularly difficult for formal players in SSA.

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- Wash Your Hands
- Don't Touch Your Face
- Cover Coughs
- Stay Home
- Disinfect Surfaces

CPG companies offering products directly to consumers during early stages of the COVID-19 outbreak.



CONCLUSION

Our modern retail price analysis reveals that a typical South African basket of goods, in both food and home and personal care, is cheaper when bought in South Africa compared to when bought in the other frontier markets.

In this third edition of providing African consumer insights, we continued to use primary data as our main source for information as we believe to truly understand the African consumer one needs to walk the streets and have direct interactions with consumer market players.

When the team set out on this research project, our primary goal was to ascertain how the price differs on a typical South African basket of goods when bought in Ethiopia, Ghana, Kenya and Nigeria. We further wanted to understand what the current modern retail landscape was like in the various countries surveyed and to assess the differing dynamics of modern retail across the region.

As mentioned in our previous reports, the operating landscape on the African continent still comes with its challenges that many other continents have overcome or learned to manage more efficiently. With the COVID-19 pandemic impacting the entire world, SSA is no exception to this causing further uncertainty, which could pose as a material downside risk to the region.

Our analysis also provided insights into the market dynamics applicable to the various retail markets and the role that consumer behaviours and preferences play in understanding consumer purchasing behaviour. We revealed that consumer purchasing behaviour is still mainly driven by the three Cs (Culture, Cost and Convenience) and time taken to understand these drivers will prove most beneficial to current and potential investors in the region.

The one common theme throughout our report is acknowledging the dominance of the traditional retail market across the continent, to the extent we refer to it as the Main Market. While modern retail space continues to grow in SSA, the region still lags behind compared to other developed and developing markets. However, we are also starting to see companies going direct-to-consumer and provide fulfilment services in line with global retail trends.

In summary, a long-term approach is required when investing in Africa. It remains important to understand the operating environment and form strong local partnerships in order to succeed.

We hope that this report was insightful and provided further understanding of the African Consumer market.



APPENDIX COUNTRY PROFILES **ETHIOPIA**





Standard Bank **IT CAN BE™**

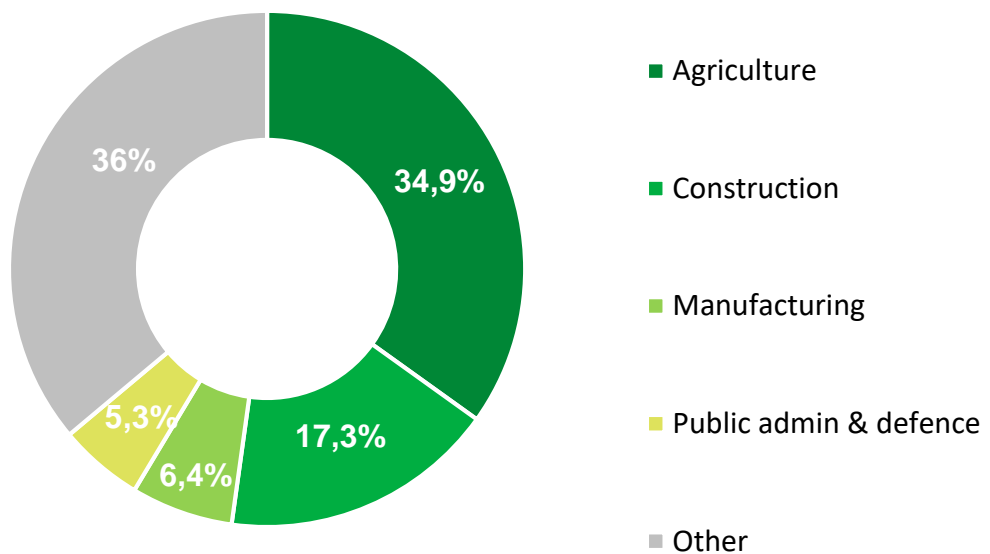
MACRO

SBG Economics (SBGE) now sees GDP growth of 4.1% y/y and 4.3% y/y for 2020 and 2021. Despite the pandemic, the government is looking to complete its infrastructure projects, emphasizing the ongoing construction of the Grand Renaissance Dam hydropower project. Thus, public investment in infrastructure is likely to be the primary driver of economic growth over the medium term as it has been in the past.

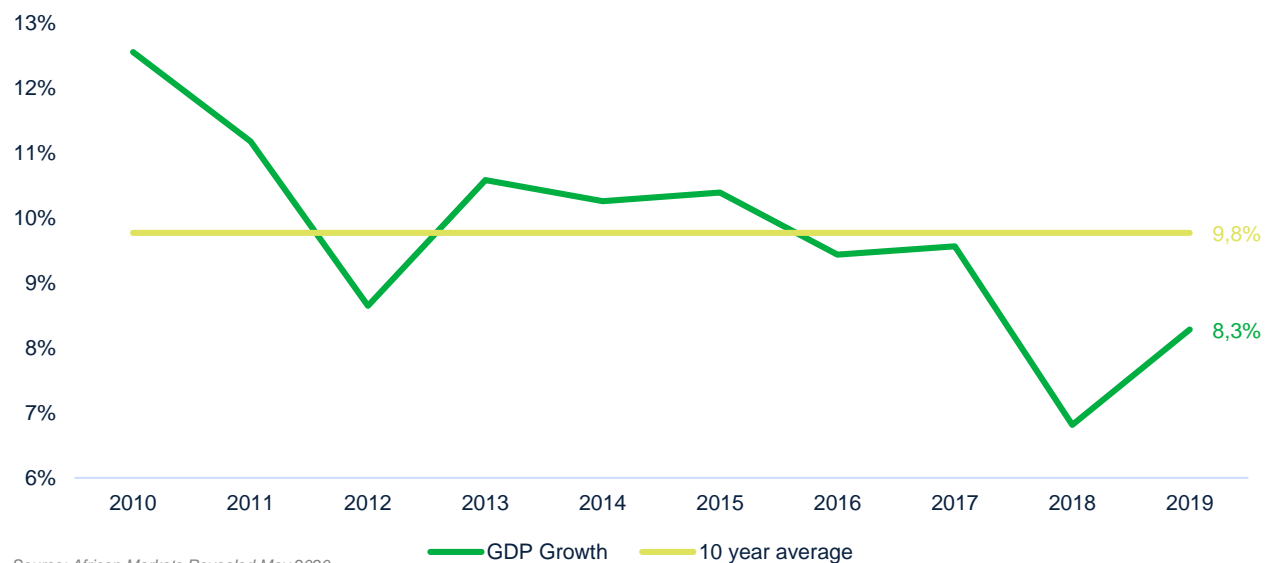
shortage of foreign currency. Tourism, transport, and horticulture, typical providers of FX, are expected to be among the hardest hit by the pandemic. Furthermore, given the enormous importance of Ethiopian Airlines for government revenues and job creation, there would be fiscal and private consumption implications. Diaspora remittances could also weaken due to the negative impact of the pandemic.

The critical downside risk to economic growth is a

GDP by industry (2019)



Long-term GDP performance



Source: African Markets Revealed May 2020



CONSUMER

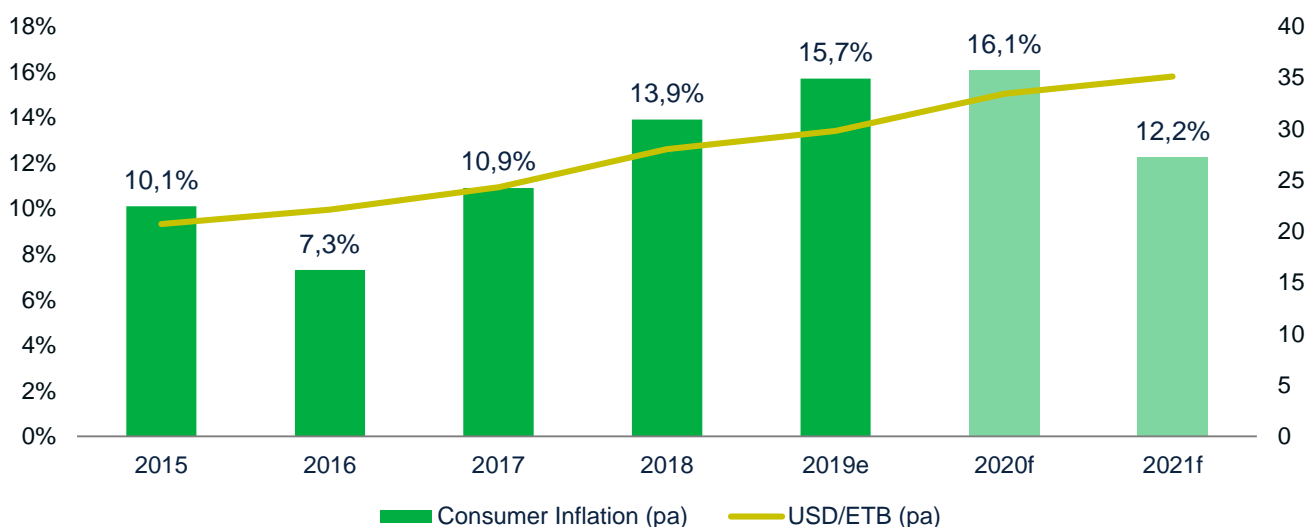
COVID-19 will cause subdued consumer spending growth in Ethiopia, with real household spending expected to grow 3.6% y/y in 2020 compared to the previous forecast of 7.7%.

Over the medium term, the outlook is positive for consumer spending, with household incomes rising considerably. Employment gains are expected from the agricultural and manufacturing sectors with a strong demand for Ethiopian exports supporting a transition from subsistence farming to higher-income commercial agriculture.

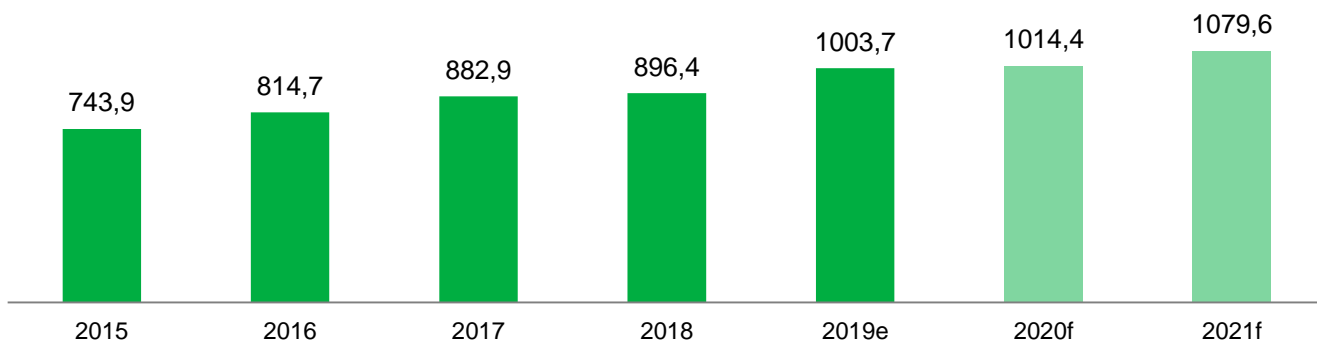
With a weakening birr and many consumer goods imported (including nearly 10% of food), inflation remains a concern. New forecasts expect inflation to average 10% over the next four years (2020-2024).

Overall, while there are positive trends after COVID-19 impacts abate, the overall profile of the Ethiopian consumer remains weak, with low GDP per capita, inflation eroding income, and much consumer spending on essential items.

CPI% vs Exchange Rate



GDP per capita (USD)



ANNUAL INDICATORS

	2015	2016	2017	2018	2019e	2020f	2021f
Output							
Population (million)	89,1	91,2	92,6	94,1	95,6	97,1	98,7
Nominal GDP (ETBbn)	1332	1568,1	1832,6	2202,4	2696,2	3 290	3740
Nominal GDP (USDbn)	66,3	74,3	81,8	84,4	96	98,5	106,6
GDP / capita (USD)	743,9	814,7	882,9	896,4	1003,7	1014,4	1079,6
Real GDP growth (%)	10,4	8	10,9	7,7	8	4,1	4,3
Coffee production ('000 MT)	397,5	402,8	396	404,7	415,5	430,2	438,7
Central Government Operations							
Budget balance (excl. Grants) / GDP (%)	-2,3	-3	-3,6	-3,6	-3	-3,2	-3,1
Budget balance (incl. Grants) / GDP (%)	-2	-3	-3,4	-3,5	-2,8	-2,6	-2,5
Domestic debt / GDP (%)	22,6	23,4	22,7	24	27	27,5	28
External debt / GDP (%)	28,8	29	28,1	30,4	33,4	33,6	33,7
Balance of Payments							
Exports (USDbn)	6	6,1	6,3	7,1	7,7	6	7,1
Imports (USDbn)	19,8	20,6	19,7	19,7	20,7	18,8	19,7
Trade balance (USDbn)	-13,8	-14,5	-13,5	-12,6	-13	-12,8	-12,6
Current account (USDbn)	-7,4	-6,7	-6,5	-5,3	-4,5	-4,4	-4,2
- % of GDP	-11,2	-9	-8	-6,3	-4,7	-4,6	-4,4
Financial and Capital account (USDbn)	7,8	6,6	6,9	6,2	4,8	3,8	3,9
- FDI (USDbn)	2,3	2,6	4,2	3,7	3	2,3	2,6
Basic balance / GDP (%)	-7,7	-5,5	-2,9	-1,9	-1,6	-2,1	-1,5
FX reserves (USDbn) pe	3,4	3,7	3	2,8	3,7	3	3,2
- Import cover (months) pe	2	2,2	1,8	1,7	2,2	1,9	1,9
Sovereign Credit Rating							
S&P	B	B	B	B	B	B	B
Moody's	B1	B1	B1	B1	B1	B2	B2
Fitch	B	B	B	B	B	B	B
Monetary & Financial Indicators							
Consumer inflation (%) pa	10,1	7,3	10,9	13,9	15,7	16,06	12,23
Consumer inflation (%) pe	10	6,7	13,2	10,6	19,5	13,4	12,03
M2 money supply (% y/y) pa	24,8	21,2	29,6	26,6	22,4	20,9	18,4
M2 money supply (% y/y) pe	21,7	25,1	30,2	22,2	26	19,1	17,6
Policy rate (%) pa	5	5	5,9	7	7	7	9
Policy rate (%) pe	5	5	7	7	7	7	9
USD/ETB pa	20,7	22,1	24,3	28	29,8	33,4	35,1
USD/ETB pe	21,2	22,4	27,6	28,2	32	36,7	38,7

Source: National Bank of Ethiopia; Central Atatistics Agency; Standard Bank Research; Bloomberg; Reuters

Notes: pe – period end; pa – a period average

CATEGORIES AND BASKETS

Injera remains the country's most important packaged food item

Injera is a sourdough flatbread made from teff, which is a naturally grown, gluten-free grain that is served at virtually all meals. In addition to its importance as food, injera also plays a significant symbolic role in Ethiopia's food culture as it is used

to scoop up food from shared platters, including during the practice known as Gursha. This refers to the feeding of close friends and relatives by hand to symbolise loyalty and devotion.



Injera

Other important grocery items include pulses such as beans and chickpeas and various fresh vegetables. These are eaten by consumers across all income levels and typically purchased from open markets in an unpackaged form. Whereas meat such as lamb, mutton, goat meat and beef are more heavily consumed by high-income households. The largest religious group is

Ethiopian Orthodox Christians and it is common for them to abstain from eating all animal products on certain days of the week. Rice and bread are also important staples for many households, however most of the rice seen in stores was imported and three times more expensive than the rice found in South Africa. All the bread found in stores was unbranded as seen in the picture below.



Unpackaged pulses sold at the open markets and unbranded bread sold in the modern retail stores.

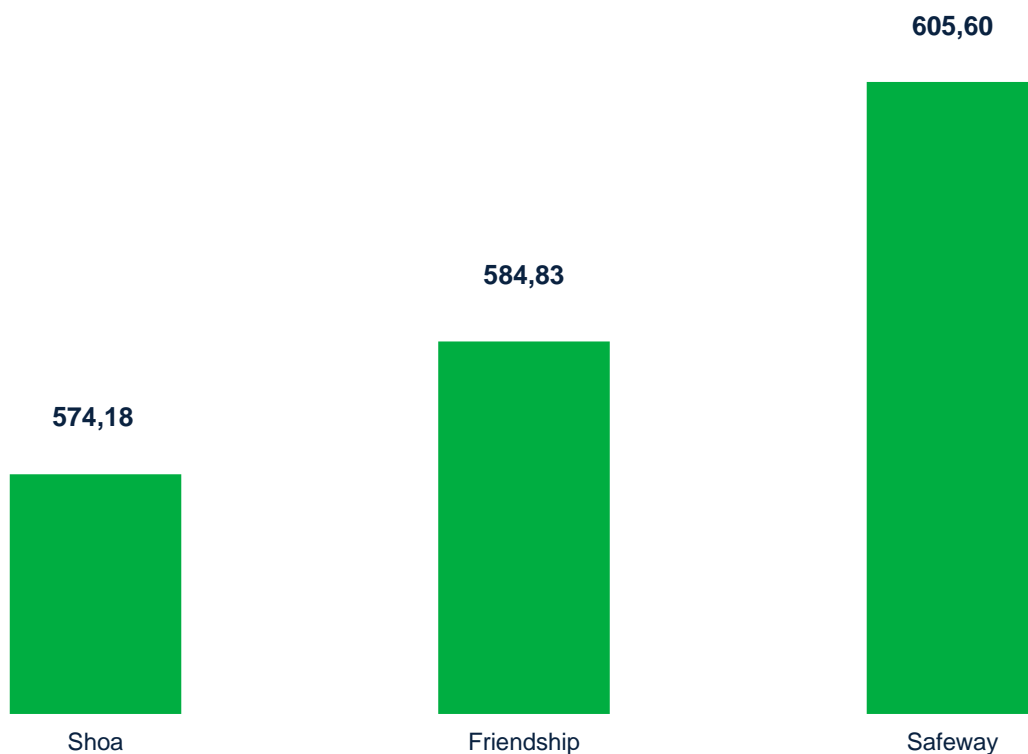
Consumption of soft drinks remains very limited in the country, with Ethiopians buying drinks mainly during weekends and other special occasions. Traditional freshly squeezed juice and coffee

remain highly popular throughout the country and are largely affordable even for low-income consumers.

Price analysis for the in-country stores visited

	Consumer Food Basket Item	Brand	Quantity	Shoa	Friendship	Safeway
1	Bread	Unbranded	Loaf	10,43	10,90	16,12
2	Cooking Oil	Hatun (or closest competitor in store)	1l	45,37	48,35	45,37
3	Rice	Banno (or closest competitor in store)	5kg	216,59	233,70	232,26
4	Tea Bags	Addis Tea	25 teabags	10,38	10,43	10,38
5	Tomato Sauce	Safa	340g	16,31	18,96	16,31
6	Carbonates	Coca-Cola	1.5l	16,59	18,01	16,12
7	Baby-formula	Nan	400g	188,00	173,97	198,53
8	Milk	Shola (or closest competitor in store)	500ml	7,11	7,11	7,11
9	Canned Pilchards	Denise	125g	24,53	24,53	24,53
10	Peanut Butter	Ado	340g	38,87	38,87	38,87
Average basket price				R574,18	R584,83	R605,60
Price differences				100%	102%	105%

Shoa was the cheapest store on a basket of basic food items



We noticed that there were also many stock outs of basic items such as fresh milk, bread, carbonated soft drinks and sugar across the various stores. The majority of the packaged food items were imported from the Middle East and

expensive compared to the pricing in the other countries. We also found that staples such as rice and flour were sold in bulk sizes (5kg) for resale in smaller quantities or bought to be shared with family members.



Stock outs in some of the stores visited in Addis Ababa.

Personal health awareness campaigns teach consumers about the importance of personal hygiene practices

The transition from unpackaged to packaged personal care and beauty products is mostly observed when disposable income increases for Ethiopians. Among lower income groups, a greater utilisation of traditional alternatives across the board can be observed. Instead of purchasing boxed hair dye for example, Ethiopian women in

this income group will opt for henna as an affordable alternative. Instead of using conditioner, the women opt to use a clarified butter on their hair called kibbeh, which serves multiple purposes, including heat protection and moisture retention so that hair doesn't become brittle and break.



Mefakia in Ethiopia – used to pick and clean teeth.



However, with this said, it is not to say that consumers are not evolving or are unwilling to change. In most cases it is a matter of relaying the hygienic benefits of some practices to consumers. The two standout products that gained significant traction as a result of a conscious drive in personal care awareness and health in Ethiopia are toothpaste and bar soap. Traditionally, many Ethiopians have used Mefakia (twigs) to maintain oral hygiene. It was not until the government initiated an oral health drive that locals realised

the importance of utilising a toothbrush and toothpaste to take care of their teeth.

With the lack of access to clean running water for many residents, and less than 20% of homes in Ethiopia having a bath or shower, additional product sophistication beyond the bar soap will most likely experience lacklustre sales in this region.



Leading bar soap brands in Ethiopian market – both brands selling at a flat rate of 10 birr (approx. ZAR4,06)



The two leading brands in the bath and shower category are Lifebuoy and Lux, both owned by Unilever Ethiopia, which is the leading global manufacturer in the country. Roll on and deodorant are challenging to find in this market.

There is a perception by low-income earners, that roll on and deodorant are luxury items and only meant for special occasions. Many Ethiopians believe that the practice of washing up with bar soap suffices.

Household income dictates the complexity of the home care basket in Ethiopia

The complexity of the home care basket is influenced by household income and affordability. For many lower income households, making up majority of the population in Ethiopia, multi-use products come in handy.

In order to keep prices low, many companies have altered their pack sizes. In Ethiopia we observed smaller pack sizes priced at lower, more affordable price points.



Common bleach brand sold in Ethiopian market.

The three players that dominate the laundry care category consist of two local players named Shemu Soap & Detergent Industry with the brand *Shemu*; and TTK Soap & Detergents who make *Sky*. Globally, Procter & Gamble has managed to dominate this category with their brand Ariel, by ensuring national product availability and distribution to retail outlets.

A 500g packet of washing powder will cost between ZAR28-ZAR37 in Addis Ababa. When adjusting for the quantity and price, a 2kg washing powder packet costs no less than ZAR112 in Addis Ababa, whereas it costs ZAR52,32 on average in South Africa.

Bleach is a very popular and fast-growing item within the Ethiopian HPC basket and like the other popular basket items, it is a multi-use product that has various functions and a low price. Many households use bleach to remove stains, whiten and clean laundry, to disinfect and clean their toilet and as a surface care disinfectant. One can also mix it with other detergents to make a floor cleaner.

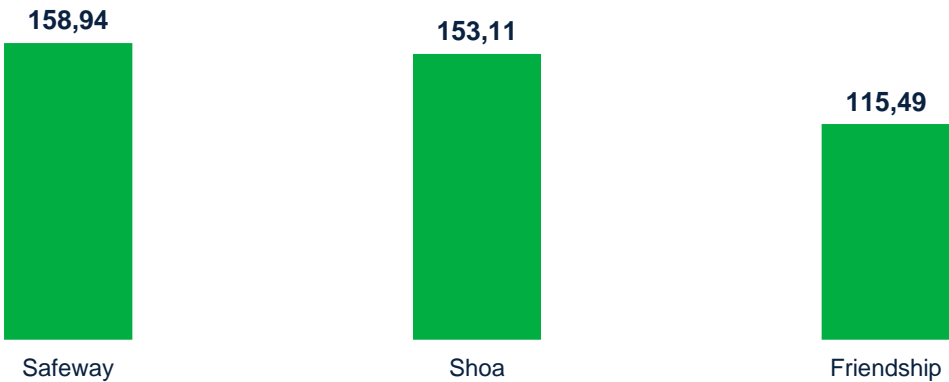
The bleach market is highly fragmented and competitive with no clear market leader. Many of the containers are poorly labelled or without any labelling at all. The average price of bleach in Ethiopia is ZAR34,03 for a 500ml bottle, 65% higher than the average South African price of ZAR20,66.

Price analysis for the in-country stores visited

	HPC Basket Item	Brand	Quantity	Safeway	Shoa	Friendship
1	Bar Soap	Lifebouy	70g	4,70	4,70	4,70
2	Toothpaste	Signal (or closest competitor in store)	60g	12,19	7,98	7,51
3	Body lotion	Clere	400ml	33,82	33,82	32,88
4	Sanitary towels	Always	8 pads	21,68	23,44	23,44
5	Washing powder	Ariel (or closest competitor in store)	500g	36,77	33,82	28,18
6	Bleach	Hickma Smart Bleach	500ml	34,25	33,82	-
7	Dishwashing Liquid	Rotana	750ml	15,55	15,55	18,79
Average basket price				R158,94	R153,11	R115,49
Price differences				100%	104%	73%

Bleach was not available at Friendship supermarket and was therefore excluded from the store's basket.

Safeway was the most expensive on a basket of personal and home care items in Ethiopia



Of the three stores visited in Ethiopia, Safeway supermarket is the most expensive store to purchase a basket of HPC items from. This supermarket has multiple stores spread across prime locations in Addis Ababa and is perceived

to be an affluent store targeting middle- and upper-income groups, especially expatriates. While it is difficult to price the exact South African basket in this market, Our findings show that Shoa presents the most comprehensive list of items.

MODERN RETAIL LANDSCAPE

Ethiopia still in its infancy stage of retail real estate development

The Ethiopian retail market has grown significantly over the past few years. However, further development remains restricted by the fact that foreign investment is not permitted in this sector. Modern retailing in Addis Ababa is still in the early stages of development compared to neighbouring countries such as Kenya, Uganda and Tanzania. There are some grocery operators in Addis Ababa, however these are only local mid-sized companies such as Shoa. The city also has several other small- and medium-sized malls including Century Mall, Zefmesh Grand Mall and

Friendship City Centre. There is also a new regulation that has just come in place in Addis Ababa, which requires mall buildings to be mixed with residential apartments due to housing/space issues in the city.

The country would appear to have good growth potential, as Ethiopia is the second most populous country in Africa. However, one obstacle, besides being a closed economy, is that as a landlocked country with relatively poor infrastructure, supply chains can be unreliable.


Source: Knight Frank



Modern retail malls visited in Addis Ababa, Ethiopia.



APPENDIX COUNTRY PROFILES **KENYA**

An aerial night photograph of Nairobi, Kenya, showing a dense urban landscape with numerous illuminated buildings and streets. The city lights create a vibrant orange glow against the dark sky. A prominent white diagonal line cuts across the upper left portion of the image, separating the title area from the city view.

Night falls over Nairobi City, Kenya's capital and East Africa's largest city



Standard Bank **IT CAN BE™**

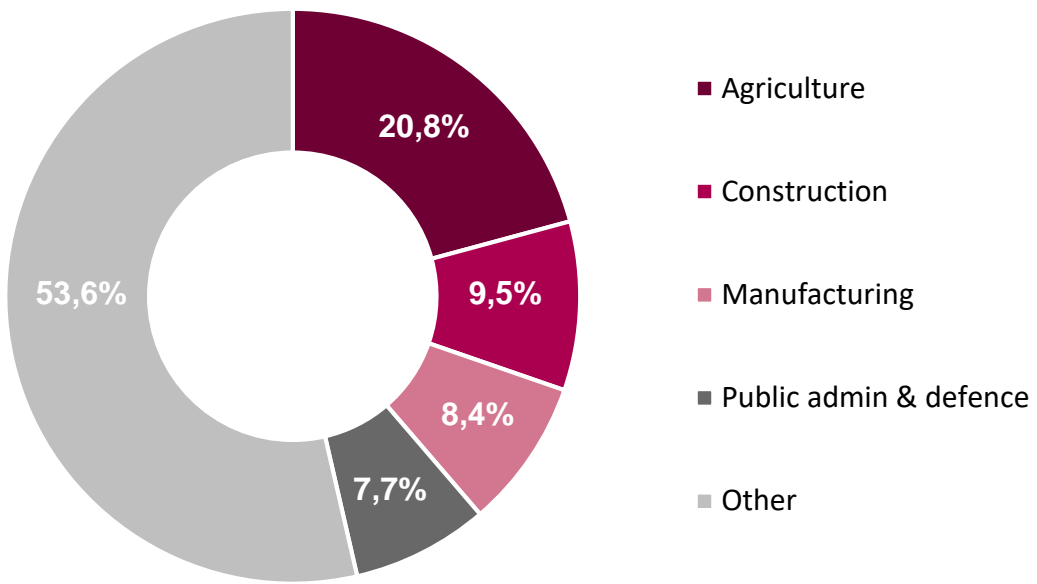
MACRO

SBGE now expects GDP growth to slide to 3.0% y/y in 2020, from the previous forecast of 5.9% y/y. Due to adverse weather conditions, GDP growth already slowed to 5.4% y/y in 2019, from 6.3% y/y in 2018, with the economy dependant on the agriculture sector.

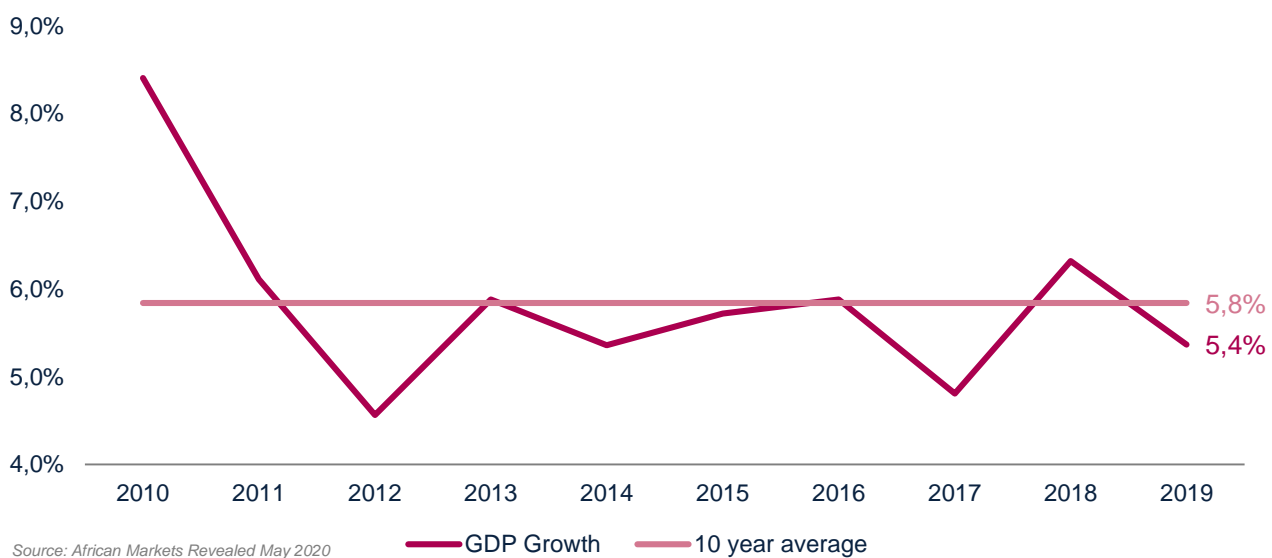
Pre-pandemic, there was a great deal of optimism for a rebound in economic activity, spurred by improved weather conditions, repealed interest

rate capping (which had restrained private sector credit growth), and a reduced backlog of government payments to the private sector. The pandemic's impact is expected to be far-reaching, with key industries including trade, tourism, and floriculture expected to be hardest hit. Recovery views are mixed – while trade may improve as restrictions ease, and cargo flights resume, tourism levels may only normalise once a vaccine has been found, or infection rates approach zero.

GDP by industry



Long-term GDP performance





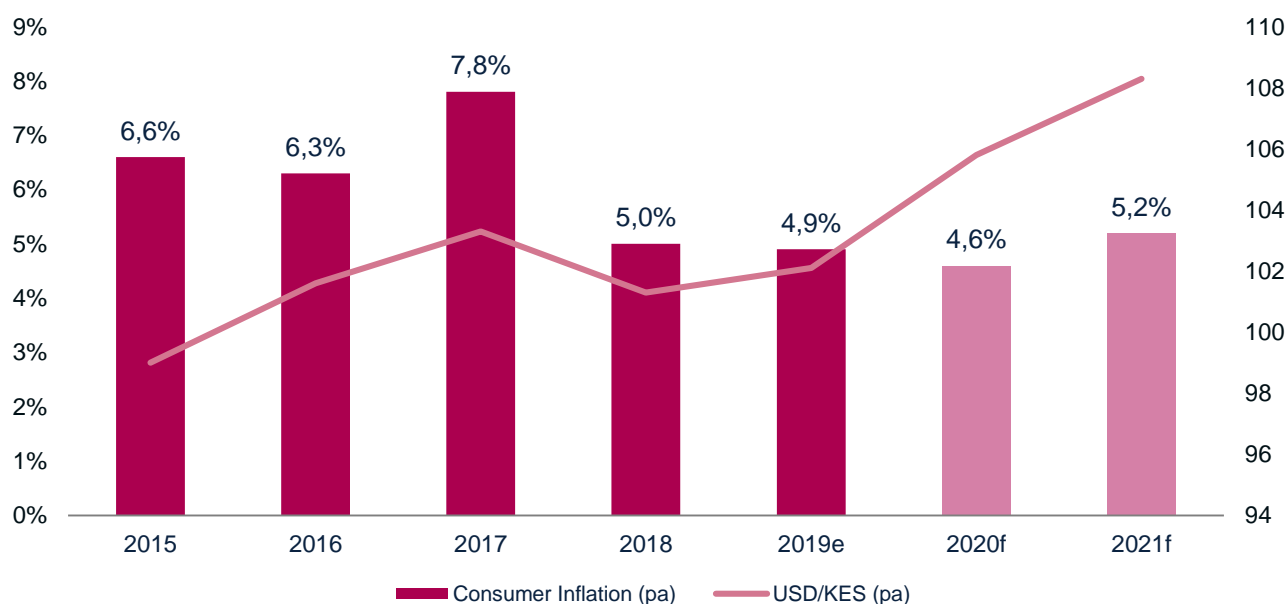
CONSUMER

Consumer spending in Kenya is now expected to grow by 4.8% in the current year, down 1.2% from pre-pandemic estimates. This compares to 4.4% growth in 2019. In the medium term, the outlook is constructive, with a steady expansion of the middle class, a well-established retail sector, and overall improved income. However, this consumption will remain in essential, low-value and high-volume items.

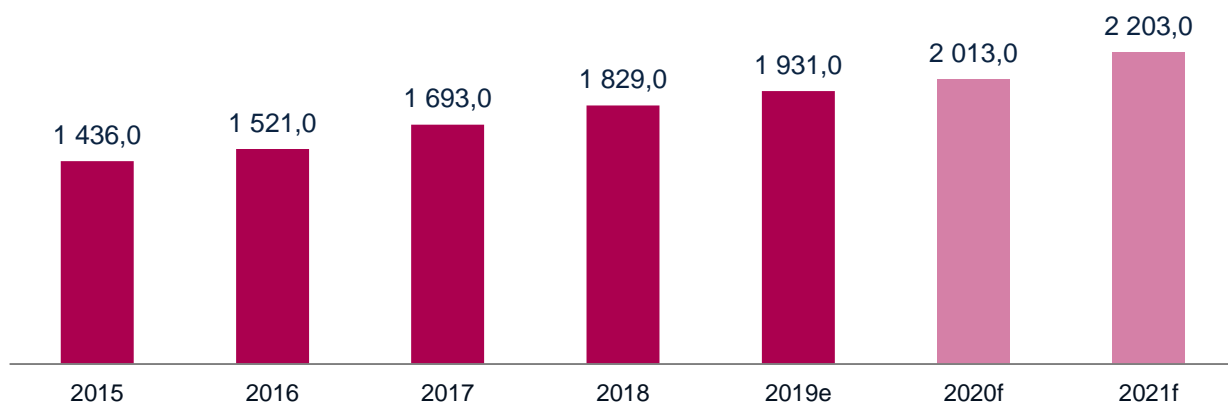
On the downside, inflation in Kenya will rise over 2020, mainly due to rising food prices and a continuation of fuel price increases. However, it should remain within the Central Bank of Kenya's 2.5-7.5% target range.

Elevated unemployment limits the extent to which consumer spending can grow. Over 2020, unemployment is expected to average around 9.2% of the labour force.

CPI% vs Exchange Rate



GDP per capita (USD)



Source: African Markets Revealed May 2020

ANNUAL INDICATORS

	2015	2016	2017	2018	2019e	2020f	2021f
Output							
Population (million)	44,2	45,5	46,7	48	49,4	50,7	52,1
Nominal GDP (KESbn)	6284	7022	8165	8892	9740	10800	12430
Nominal GDP (USDbn)	63,5	69,1	79	87,8	95,4	102,1	114,8
GDP / capita (USD)	1436	1521	1693	1829	1931	2013	2203
Real GDP growth (%)	5,7	5,9	4,9	6,3	5,4	3	6
Coffee production ('000 tons)	32,2	39,6	33,2	35,5	36,2	40,2	38,5
Tea production ('000 tons)	399,2	471,2	439,8	485,5	445	475,6	461,3
Central Government Operations							
Budget balance (excl. Grants) / GDP	-8,4	-8,4	-9,3	-7,4	-7,9	-7,6	-8,9
Budget balance (incl. Grants) / GDP	-7,9	-7,9	-9,1	7,3	-7,7	-6,3	-7,8
Domestic debt / GDP (%)	26,1	27,5	28,4	28,8	28,9	29,2	29,9
External debt / GDP (%)	25,5	27,3	29,5	30,5	33,4	35,5	36,2
Balance Of Payments							
Exports of goods (USDbn)	5,9	5,7	5,8	6,1	5,9	5,3	5,5
Imports of goods (USDbn)	15,6	13,6	15,9	16,3	16,2	14,9	15,8
Trade balance (USDbn)	-9,7	-7,9	-10,1	-10,2	-10,3	-9,6	-10,3
Current account (USDbn)	-4,3	-3,6	-5,1	-4,4	-4,4	-5	-5,9
- % of GDP	-6,77	-5,21	-6,45	-5,01	-4,81	-5,1	-5,34
Financial account (USDbn)	5,1	4,1	4,6	5,3	6,1	5,7	5,7
- FDI (USDbn)	0,52	0,39	0,55	0,75	0,74	0,65	0,82
Basic balance / GDP (%)	-5,96	-4,64	-5,76	-4,16	-3,84	-4,26	-4,43
FX reserves (USDbn) pe	7,1	7	7,1	8	8,8	9,5	9,8
- Import cover (mths) pe	4,5	4,5	4,7	5,2	5,4	5,3	5
Sovereign Credit Rating							
S&P	B+	B+	B+	B+	B+	B+	B+
Moody's	B1	B1	B1	B2	B2	B2	B2
Fitch	B+	B+	B+	B+	B+	B+	B+
Monetary & Financial Indicators							
Consumer inflation (%) pa	6,6	6,3	7,8	5	4,9	4,6	5,2
Consumer inflation (%) pe	7,4	6,4	4,5	5,7	5,8	4	4,3
M3 money supply (% y/y) pa	15,4	7,7	7,4	8,7	8,4	8,1	12,4
M3 money supply (% y/y) pe	13,7	3,6	9,5	10,1	5,6	6,9	10,5
Policy interest rate (%) pa	10,1	11	10	9,1	8,9	7	6,5
Policy interest rate (%) pe	11,5	10	10	9	8,5	6,5	6,5
3-m rate (%) pe	10,4	8,6	8,1	7,3	7,2	6,8	7,2
1-y rate (%) pe	12,8	11	11,1	10	9,8	8,7	9,1
2-y rate (%) pe	12,3	12,6	11,7	10,8	10,4	10,3	11,2
5-y rate (%) pe	13,8	14,4	12,5	11,6	11,5	11,4	12
USD/KES pa	99	101,6	103,3	101,3	102,1	105,8	108,3
USD/KES pe	102,3	102,5	103,3	102	101,4	105	108,5

Source: Central Bank of Kenya; National Treasury; Kenya National Bureau of Statistics; Bloomberg; Standard Bank Research. Notes: pe – period end; pa – a period average

CATEGORIES AND BASKETS

The Kenyan consumer basket is still dominated by basic food items

Categories such as maize, bread and dairy remain the leaders in the packaged food space in Kenya. The use of traditional milk stations, also referred to as “Milk ATMs” are more widely available in residential areas and preferred by many consumers due to their affordable prices. All a consumer needs to do is take along a clean milk bottle to a milk station, which they can then have

filled with a litre of milk for around KES60-70. In comparison, a 500ml pack of branded milk retails for KES50 in modern grocery retail stores. Milk is a commodity that is frequently consumed in households and in bulk, due to many consumers being price-sensitive they will usually opt for the cheaper alternative.



Kenya's milk ATMs. Source: Dairy Africa and Vida Trading

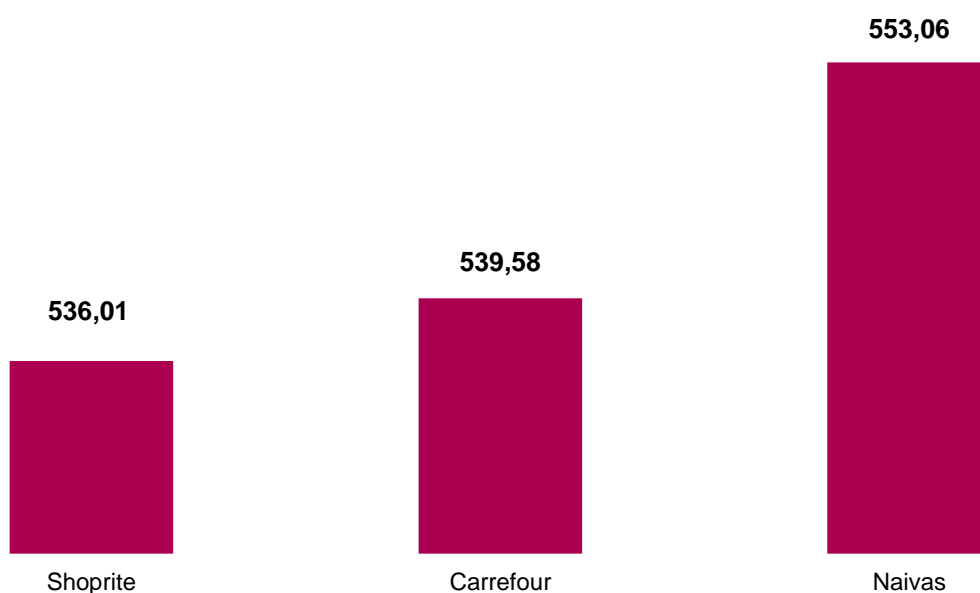
Bread also remains a key item in consumer baskets. Most modern supermarkets come with an in-house bakery where they not only bake bread but also cater to consumers who have specialist needs. These in-house bakeries tend to

be cheaper than packaged branded bread and we are starting to see more consumers shift to private label, supermarket-owned bread and other food items.

Price analysis for the in-country stores visited

	Food Basket Item	Brand	Quantity	Carrefour	Shoprite	Naivas
1	Bread	Supa loaf	400g	7,44	7,28	7,44
2	Maize	Pembe	5kg	48,19	47,88	48,81
3	Rice	Pearl	2kg	72,37	72,06	77,02
4	Sugar	Kabras	2kg	30,84	33,94	34,87
5	Canned Pilchards	Sea Korus	155g	14,72	14,72	14,72
6	Peanut Butter	Skippy	340g	83,68	83,68	83,68
7	Tea Bags	Ketapa Pride	50 teabags	17,67	17,82	16,27
8	Tomato Sauce	Zesta (or closest competitor in store)	400g	25,41	16,27	26,81
9	Long life milk	Daima (or closest competitor in store)	500ml	7,28	6,97	7,13
10	Carbonates	Coca-Cola	2l	24,64	24,02	26,34
11	Baby-formula	Nan	400g	193,70	193,55	193,70
12	Eggs	The good diet (or closest competitor in store)	6 eggs	13,64	17,82	16,27
Average basket price				R539,58	R536,01	R553,06
Price differences				101%	100%	103%

Naivas was slightly more expensive compared to the other two stores on a basket of basic food items



Naivas was more expensive on maize, sugar, tomato sauce and carbonated soft drinks of the same quantity as the other stores. When creating the baskets, we also found that Shoprite tends to have smaller quantities of various items than the other stores visited. In South Africa the same

basket from a Shoprite was ZAR370,09 compared to ZAR536,01 in Shoprite Kenya, which shows that the exact same basket bought at a Shoprite Kenya tends to be more expensive than at a Shoprite in South Africa.



Price difference between Shoprite in South Africa and Kenya for a 400g tin of Nan 1 (equivalent to ZAR193.55 vs ZAR78.99 in South Africa)

The Kenyan market is ready for premiumisation in certain categories

Seeing the differential pricing strategy play out in the HPC space in Kenya was interesting. Of all the countries visited, Kenya is the only market that provides a wide variety of the same product at different price points.

Toothpaste provides a clear example of this strategy. Within the toothpaste aisle, one can find

standard minty toothpaste, and various premium offerings ranging from toothpaste for sensitive teeth and gums, to charcoal infused, and ones with whitening agents. These toothpastes have a different price for each size and flavour.



Storefront of Naivas food market in Nairobi, Kenya.

Protex and Geisha are the two most prominent bar soaps in Kenya. These preferences show that consumers have a higher preference for anti-bacterial soap and are more likely to purchase bar soaps or body washes that highlight the hygienic aspect of health on their packaging.

In Kenya, roll-on deodorant is most preferred with an increasing interest in deodorant sticks as they don't ruin or stain clothes and are perceived to be more effective. Irrespective of how expensive the Nivea roll on is in Kenya, consumers still prefer it because of the perceived value/ quality and long-standing brand presence.

Home care products come in larger pack sizes and compensate for high pricing



Some of the laundry care items present in Shoprite store in Nairobi, Kenya.

The most prominent size of bleach in stores is the one litre bottle. The average price of bleach in Nairobi is ZAR34,75. This

is more expensive than the average South African market price, however, the Kenyan offering is 250ml larger.

Price analysis for the in-country stores visited

	HPC Basket Item	Brand	Quantity	Shoprite	Naivas	Carrefour
1	Bar Soap	Geisha (or closest competitor in store)	150g	7,66	14,56	12,72
2	Roll on	Nivea	50ml	45,83	45,99	36,64
3	Toothpaste	Colgate	150ml	36,64	30,66	24,37
4	Body lotion	Nivea (or closest competitor in store)	400ml	62,70	51,51	58,10
5	Sanitary towels	Always	7 pads	13,03	13,03	12,11
6	Washing powder	Ariel (or closest competitor in store)	3.5kg	151,60	122,63	122,63
7	Bleach	Topex	1l	29,13	43,07	32,04
8	Dishwashing liquid	Morning Fresh (or closest competitor in store)	750ml	38,32	38,32	37,56
9	Laundry bar soap	Sunlight (or closest competitor in store)	700g	19,93	24,53	19,16
Average basket price				R 404,84	R384,30	R355,33
Price differences				100%	95%	88%

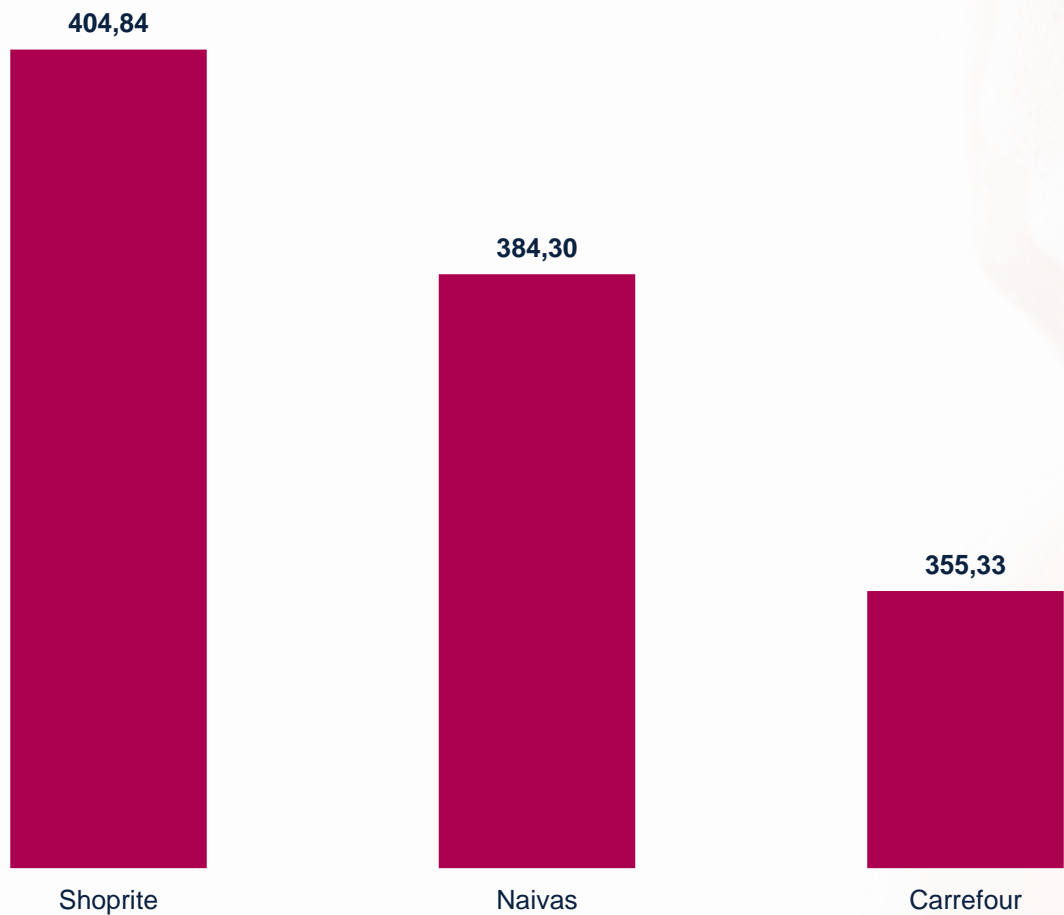
Nivea, owned by Beiersdorf, is the most visible brand in stores with a 50ml roll-on priced between ZAR36-ZAR46, which is more than double (122% higher) the South African price.

The leading brand in dishwashing soap is a brand called Morning Fresh. The size as well as the price of dishwashing liquid in Kenya is like the other markets including South Africa, with no key standouts in the Kenyan offering.

The laundry bar soap is the flagship product in laundry care in Kenya. It has a multi-purpose

functionality and Kenyans use it for both personal and home care tasks. The leading brands in laundry care are Sunlight and Menengai – both widely available. In all the stores visited, Menengai is cheaper and 100g larger than the 700g Sunlight laundry bar soap. Although 200g larger than South Africa's laundry bar soap, the average price of the bar in Kenya is double the South African price at ZAR21,21. When adjusted to match the South African quantity, we found that the adjusted price is only 8% higher.

Shoprite the most expensive on a basket of personal and home care items in Kenya



Shoprite is the most expensive store to purchase HPC items in Nairobi and compared to all the Shoprite stores visited in the other markets, Kenya is the most expensive.

The four items that contribute most to the inflated basket price in Kenya are washing powder, body lotion, the laundry bar and roll on.



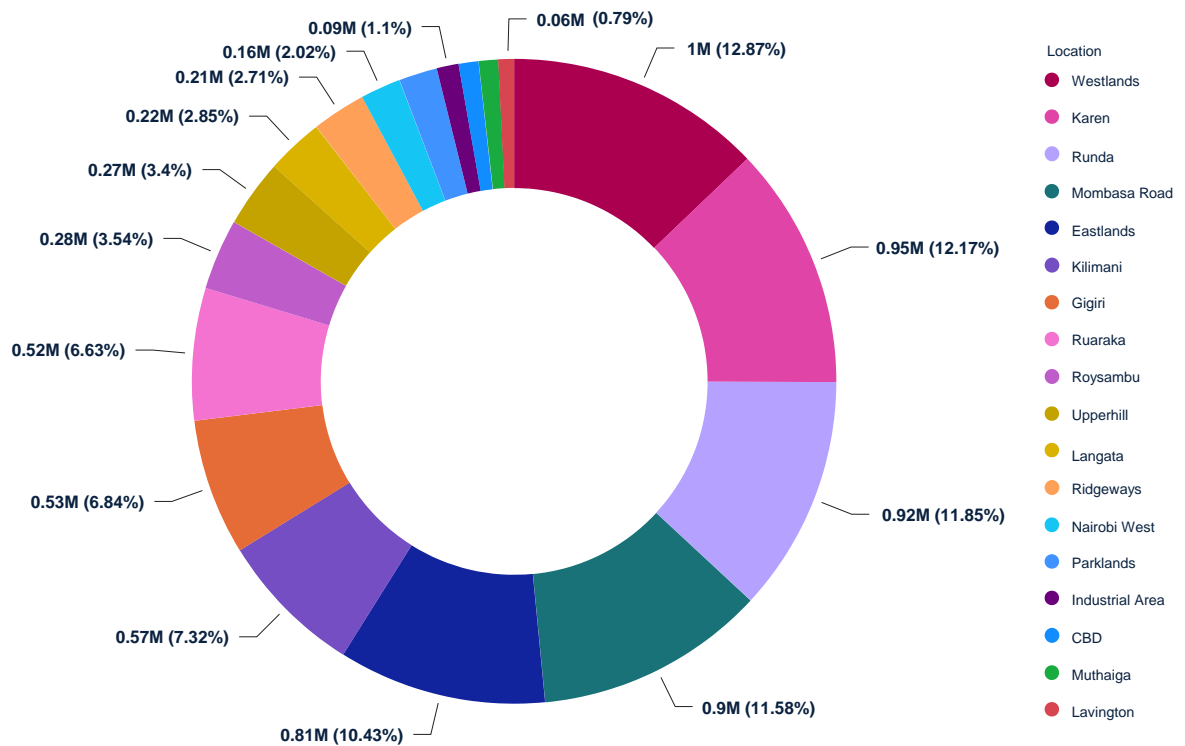
MODERN RETAIL LANDSCAPE

Kenya’s retail real estate sector remains a significant focus for development

The modern retail sector in Kenya has experienced exponential growth in activity from both retailers and developers. The significant entry of international retailers such as Carrefour, LC Waikiki and Game stores have reduced the dominance local retailers once had. In July 2019, South African retailer Game opened its third store at Kisumu’s Mega City Mall. Meanwhile, Shoprite has announced its exit from the Kenyan market due to non-profitability and movement restrictions put in place since the outbreak of COVID-19.

Tuskys Supermarkets, a Kenyan family-owned retail chain, is also under financial strain and has been placed on the government’s watchlist after failing to pay suppliers. The country’s competition watchdog found that the company was under-reporting its debt obligations. Consumers are comparing the empty shelves of Tuskys to those of Nakumatt Holdings, which at its peak had over 60 stores across East Africa. The retailer collapsed in phases before its creditors decided to liquidate. Tuskys is now under a regulator-mandated payment plan and hopes to not follow the same fate as Nakumatt.

Nairobi Retail Space Distribution



Source: Knight Frank Kenya

Rents for prime retail stores in the country have been gradually dropping as there is currently an oversupply of retail space in certain locations and reduced consumer spending due to the current economic environment. These factors have resulted in the retail sector remaining a tenants’ market, with landlords having to increasingly make

concessions to compete with other retail centres for occupiers.



Modern retail stores visited in Nairobi, Kenya.

APPENDIX COUNTRY PROFILES **GHANA**



High view point cityscape of Accra Ghana, traffic jam on George Bush Highway in the distance.



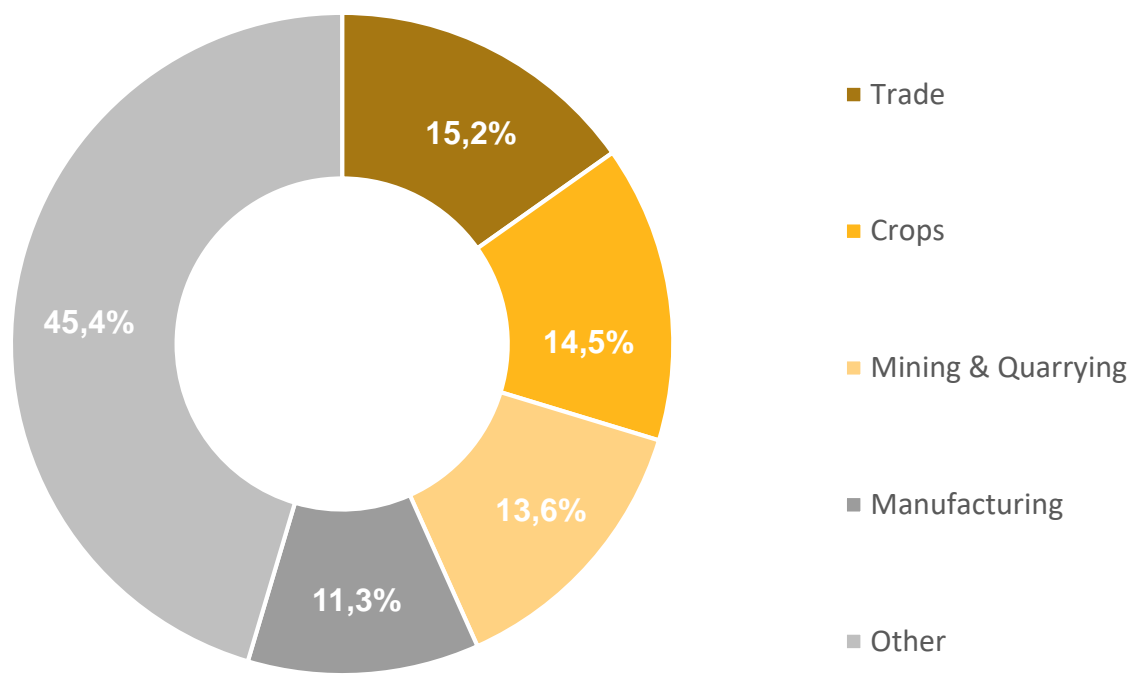
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MACRO

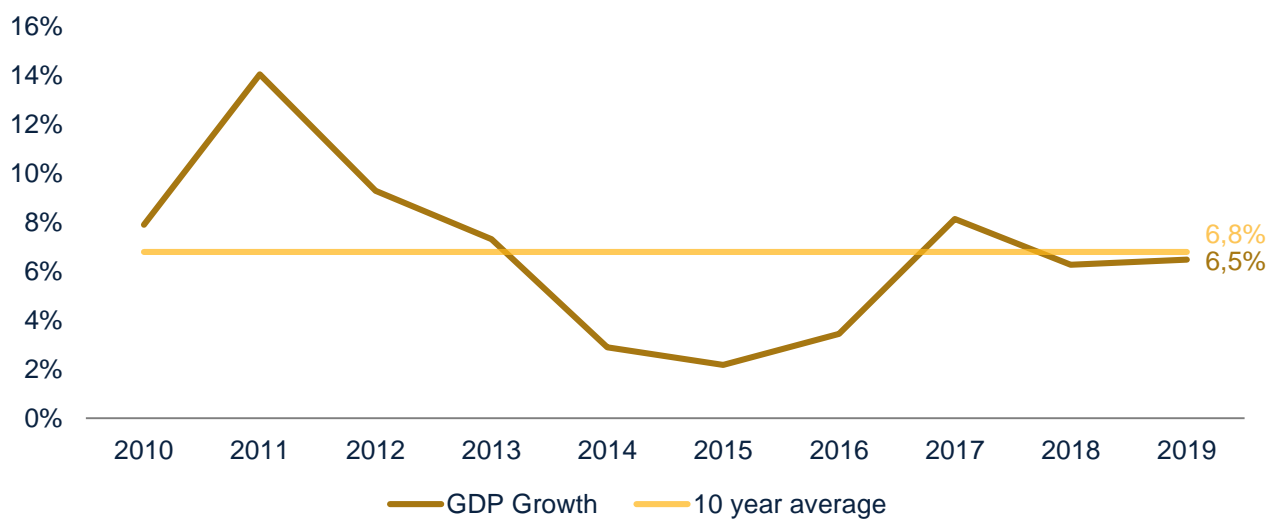
COVID-19 will undoubtedly affect economic growth meaningfully. Whereas growth of 6–8% y/y in the next two to three years seemed reasonable before, 1.0% y/y now seems likely in 2020, with a recovery from 2021 onwards.

Ghana's oil production will be restrained due to the oil price decline and a depressed demand outlook with the uncertain timeframe a further risk.

GDP by industry (2019)



Long-term GDP performance



Source: African Markets Revealed May 2020



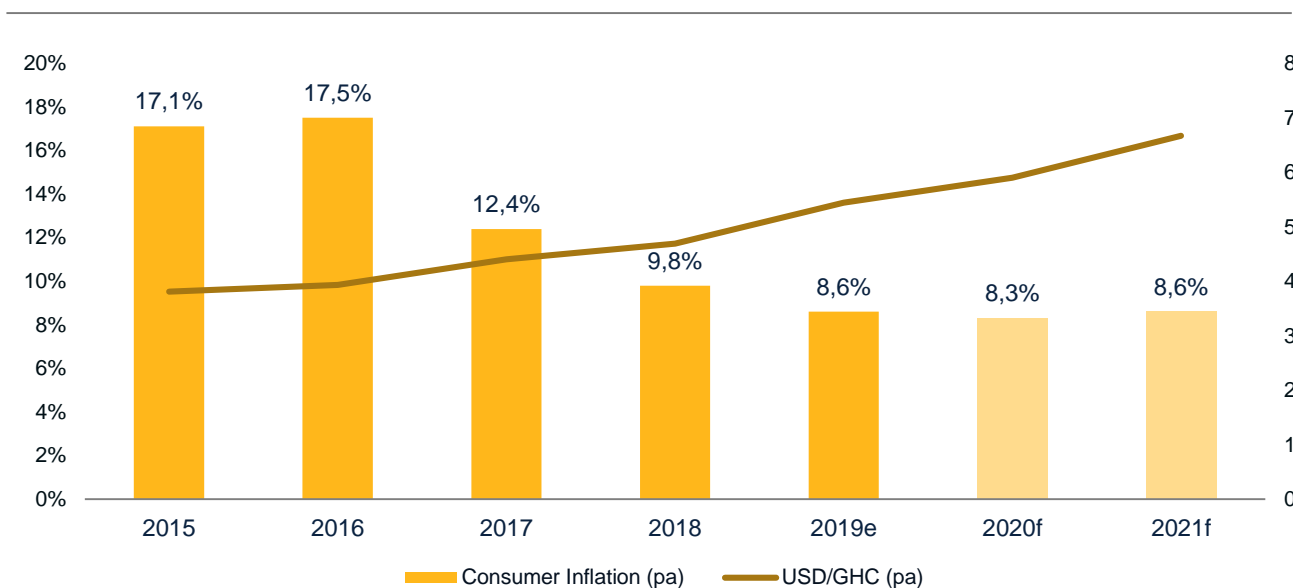
CONSUMER

Consumer spending growth is now expected to be 2.5% y/y versus the previously expected 4.9%.

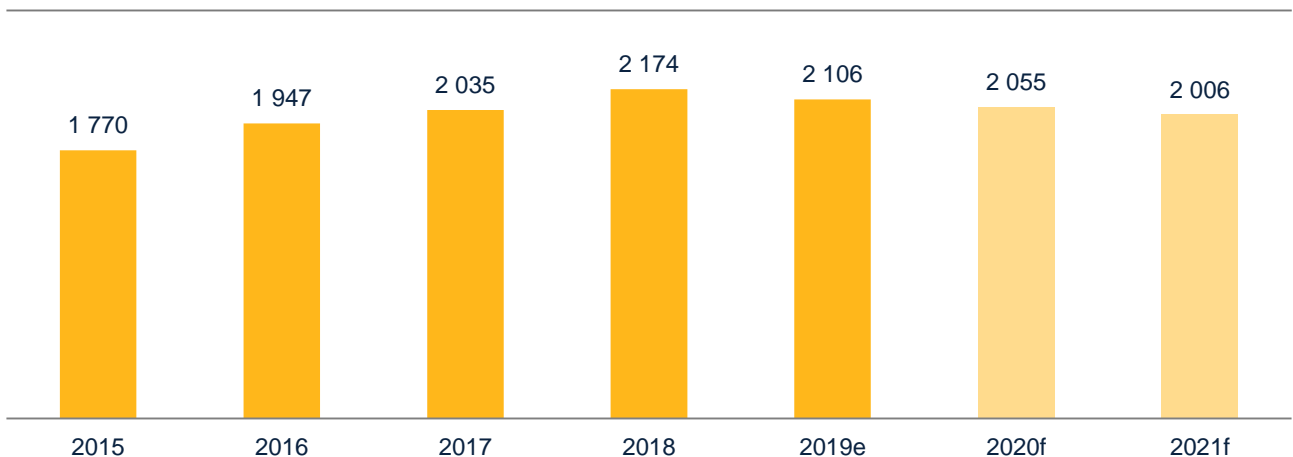
Over the medium term, improving economic and political conditions bode well for Ghanaian consumers, although disposable income remains low, with spend concentrated on essential items.

Improving access to credit should also assist consumers, while inflation is expected to be well managed. The Ghana Statistical Service rebased its inflation statistics in August 2019, bringing price growth down from an average of 9.3% y/y in Jan-Jul 2019 to 7.8% in Aug-Dec 2019.

CPI% vs Exchange Rate



GDP per capita (USD)



Source: African Markets Revealed May 2020

ANNUAL INDICATORS

	2015	2016	2017	2018	2019e	2020f	2021f
Output							
Population (million)	27	28	29	29	30	31	31
Nominal GDP (GHC bn)	180	215	257	298	343	375	421
Nominal GDP (USD bn)	47	55	58	64	63	63	63
GDP / capita (USD)	770	1 947	2 035	2 174	2 106	2 055	2 006
Real GDP growth (%)	2,2	3,5	8,2	6,3	6,5	1,1	3,5
Gold Production ('000 FO)	200	3 300	3 795	4 175	4 279	4 429	4 650
Cocoa bean production ('000 MT)	875	870	870	887	905	925	945
Oil production (k bpd)	103	101,7	81,2	135,4	165,5	135	160
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-6,5	-7,8	-5,4	-4,2	-5	-5,1	-4,7
Budget balance (incl. grants) / GDP (%)	-5,4	-7,3	-4,8	-3,8	-4,7	-4,7	-4,5
Domestic debt / GDP (%)	22,4	24,8	26	29,1	31	31	31,3
External debt / GDP (%)	33,2	32	29,5	28,8	30,2	30,8	31,8
Balance of Payments							
Exports of goods (USD bn)	10,3	11,1	13,8	14,9	15,6	14,8	16,3
Imports of goods (USD bn)	-13,5	-12,9	12,6	-13,1	-13,4	-14	-14,7
Trade Balance	-3,1	-1,8	1,2	1,8	2,3	0,8	1,5
Current account (USD bn)	-2,8	-2,8	-2	-2	-1,8	-2,9	-2,1
- % of GDP	-6	-5,2	-3,4	-3,2	-2,9	-4,6	-3,3
Capital & Financial account (USD bn)	3,1	2,6	3	1,8	3,1	5,4	2,6
- FDI (USD bn)	3	3,5	3,2	2,5	2,3	0,8	2,1
Basic balance / GDP (%)	0,3	1,2	2,1	0,7	0,7	-3,3	0
Gross FX reserves (USD bn) pe	5,9	6,2	7,6	7	8,3	10,8	11,3
- Import cover (months) pe	5,2	5,7	7,2	6,4	7,4	9,2	9,2
Sovereign Credit Rating							
S&P	BB-	BB-	B-	B-	B-	B-	B
Moody's	B3	B3	B3	B3	B3	B3	B3
Fitch	BB	BB	B	B	B	B	B
Monetary & Financial Indicators							
Consumer inflation (%) pa	17,1	17,5	12,4	9,8	8,6	8,3	8,6
Consumer inflation (%) pe	17,7	15,4	11,8	9,4	7,7	9,4	7,9
M2 money supply (% y/y) pa	25,1	24,2	28,5	19,5	16	13	20,1
M2 money supply (% y/y) pe	24,8	24,1	21,9	21	14,9	12,4	16,5
BOG prime rate (%) pa	23,6	25,9	22,7	17,7	16	14,3	13
BOG prime rate (%) pe	26	25,5	21	17	16	13	13
3-m rate (%) pe	22,8	19	11,5	16,5	15,1	15,3	15,8
1-y rate (%) pe	22,5	20,5	14,8	19,5	15,5	15,9	16
2-y rate (%) pe	22	20,9	18	21,3	19,3	20	19,5
5-y rate (%) pe	22	19	17,9	21,5	19	21,2	20
USD/GHC pa	3,81	3,93	4,4	4,69	5,44	5,94	6,67
USD/GHC pe	3,81	4,22	4,52	4,91	5,71	6,26	6,92

Source: Bank of Ghana; Ghana Statistical; Bloomberg; Ministry of Finance; Standard Bank Research

Notes: pa – period average; pe – period end

CATEGORIES AND BASKETS

Staples and essential foodstuffs remain key items in the food basket

Despite Ghana being classified as one of the fastest growing economies, this has yet to translate into improved living standards for many Ghanaians. A large share of consumer goods are imported from South Africa, China, Europe and the Middle East. Yet, due to the relatively small size of the modern retailers, Ghana remains dependent on small- to medium-sized multi-brand importers that often rely on shipments from third party countries, which increases unit prices.

It is common for the younger generation to consume packaged food such as confectionery and savory snacks. However, majority of the population still stick to Ghana's indigenous cuisine and the ingredients used to prepare it ranges from rice, yam, plantain and maize. Packaged instant maize and other instant starches that only need water to be added are gaining popularity as they reduce cooking time.



Traditional Ghanaian dishes, Baked tilapia served with red pepper sauce, and (Red-red) which consists of a broth of boiled cowpea beans served with palm oil and soft, fried plantains, topped with fresh avocado.

Packaged food such as rice, bread, tomato paste, evaporated milk and biscuits are the leading categories in the modern retail space.

Soft drinks consumption is also gaining popularity in the country due to its hot weather and poor-quality tap water, which makes soft drinks attractive to a large number of people looking for

refreshment and an energy boost. These are limited to just a few categories such as carbonated soft drinks, as they are more affordable than juice, and purified water sachets. The leading companies by market share of soft drinks in Ghana include Voltic, Special Ice Co and Kasapreko.

Source: Euromonitor

Price analysis for the in-country stores visited

	Consumer Food Basket Item	Brand	Quantity	Shoprite	Melcom	Marina
1	Bread	Private label	1kg	17,46	20,37	16,03
2	Sugar	Royal Daddy (or closest competitor in store)	1kg	20,37	20,37	22,58
3	Cooking oil	Sunny (or closest competitor in store)	3l	131,10	106,55	141,33
4	Canned Pilchards	Geisha (or closest competitor in store)	150g	10,75	10,17	8,71
5	Peanut Butter	Yum Yum (or closest competitor in store)	400g	64,08	-	56,82
6	Tea Bags	Lipton	25 teabags	11,63	13,08	12,38
7	Tomato Sauce	Heinz (or closest competitor in store)	500-600g	49,51	32,09	57,99
8	Long life milk	President (or closet competitor in store)	1l	21,83	29,11	37,15
9	Carbonates	Coca-Cola	300-500ml	10,17	5,80	6,56
10	Margarine	Blue Band (or closest competitor in store)	450g	19,79	18,91	24,77
11	Baby-formula	Nan	400g	116,53	110,70	101,26
12	Eggs	Meannan (or closest competitor in store)	6 eggs	21,83	-	18,94
Average basket price				R495,05	R367,15	R504,52
Price differences				100%		102%
Shoprite store slightly cheaper than Marina on a basket of basic food grocery items						



Based on these grocery items of the same quantity, Shoprite was slightly cheaper than Marina. It was difficult to compare the two stores with Melcom as quite a few of the basket items were not found in the store. In South Africa, the

same basket from a Shoprite was ZAR377,19 compared to ZAR495,05 in Shoprite Ghana, which again shows that grocery items of the same quantity in Ghana are more expensive than those in South Africa.



Price difference between Shoprite in South Africa and Ghana for 2l Oros concentrate (equivalent to ZAR84,72)



Modern retail stores visited in Accra, Ghana.

Ghana’s personal care prices are inflated when compared to the South African basket

Bar soap is another popular item in the personal care basket in Ghana and is available at competitive price points. Unilever’s Geisha is the country’s most popular brand. Interestingly, this bar soap is almost two times the size of a “standard” bar of soap (225g) yet priced cheaper (on average) than a 150g Lux or Dettol bar soap in South Africa. With many Ghanaians taking up to two showers a day in order to curb the heat from

the humidity of the country’s climate, purchasing a larger soap bar so it lasts longer is the most economical decision, hence why Geisha is such a popular choice. Social media has also played a key role in Geisha’s popularity and Unilever has, in the past, invested in social media advertising on platforms such as Facebook and YouTube to spread brand awareness and familiarity.



Various toothpaste brands in a Shoprite store in Accra, Ghana.

Educational campaigns funded by leading global players have been in existence since the mid-90s, and as a result the importance of oral care is widely understood among Ghana’s urban population. The most common oral care regimen

is basic, involving the brushing of teeth once, maybe twice a day, and does not go beyond this. Additions such as teeth whitening toothpastes, dental floss or mouth wash are seldom purchased.



Some home care items available in Ghana including the unpackaged “Key Soap” in bottom two photos.

When it comes to home care products, there are no substitutes. Ghanaians use packaged home care products. Depending on the income group, they may use products such as bar soap, laundry

bar and powder detergents as multi-purpose products, cleaning dishes, surfaces and laundry, as well as the body with the same product.

Unilever dominates the home care market in Ghana



Various laundry bar soaps available in Ghana including the unpackaged "Key Soap"

Unilever's Key Soap (unwrapped laundry bar soap) is one of the oldest and most popular laundry soap bars in the country. It is a long, unwrapped bar and the purpose of the packaging, or lack thereof, is meant to keep the price low but also to make it easy for consumers to cut and share the bar or distribute it in the different rooms it will be used in.

With the perception that washing machines are both expensive to operate and are ineffective,

many Ghanaians opt to hand wash their laundry. With the use of two buckets, a laundry bar and washing powder, laundry is thoroughly washed with the water and washing powder, and the laundry bar is used to tackle tough stains.

Bleach remains an essential in Ghanaian households and can easily be found in most supermarkets. Its popularity stems from its multi-purpose functionality and low price.

Price analysis for the in-country stores visited

	HPC Basket Item	Brand	Quantity	Shoprite	Marina	Melcom
1	Bar Soap	Geisha (or closest competitor in store)	225g	10,99	7,68	10,41
2	Roll on	Rexona (or closest competitor in store)	50ml	20,27	25,60	18,24
3	Toothpaste	CloseUp	140g	17,37	13,65	17,37
4	Body lotion	Nivea	400ml	86,95	68,27	68,10
5	Sanitary towels	Always (or closest competitor in store)	8 pads	13,89	23,90	14,47
6	Washing powder	Omo (or closest competitor in store)	900g	33,92	32,00	34,50
7	Bleach	Hypo (or closest competitor)	1 litre	78,25	21,34	15,34
8	Dishwashing liquid	Morning Fresh (or closest competitor in store)	750ml	28,96	27,74	22,30
9	Laundry bar soap	Sunlight (or closest competitor in store)	120g	3,74	4,27	3,45
Average basket price				R294,33	R224,44	R204,17
Price differences				100%	76%	69%

The two leading toothpaste brands are Pepsodent and CloseUp – both owned by Unilever. They are both similarly priced when compared to the South African basket. Where a 100ml tube costs on average ZAR13,99. In Ghana, a 140g tube is 15% higher at ZAR16,13.

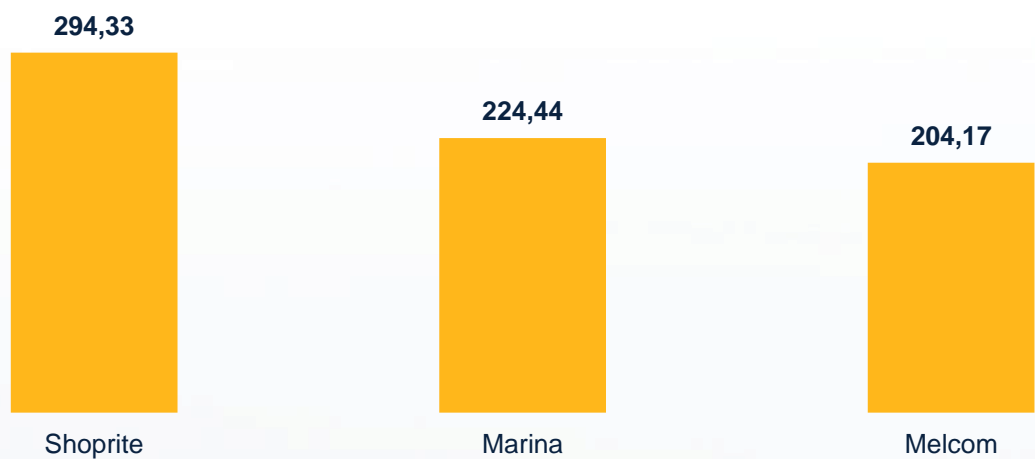
The leading brand in deodorants in Ghana is Rexona, which is an Australian deodorant brand and is not locally manufactured. It bears a very similar packaging and price point to South Africa's Shield and both are owned by Unilever.

The price of washing powder in Ghana is consistent across the stores surveyed. However, when compared to how much it costs in South Africa, washing powder in Ghana is relatively more expensive. A 900g bag of Omo cost

ZAR33,48 on average in Ghana, while in South Africa, the average price of a 2kg bag of Omo washing powder is ZAR52,32. The washing powder market in Ghana appears to be saturated and features many players like Sunda, Lexta and DH Industries, with more affordable offerings than Unilever, to cater for diverse consumer pockets. On the point of affordability, Ghana has washing powder offerings in small 100g and 200g sachets, which is something not observed in the Kenyan and Ethiopian markets where a sharing culture is more prevalent.

On average, dishwashing liquid soap in Ghana is 10% more expensive than in the South African market. The leading brands are Unilever's Sunlight and Morning Fresh, which is owned by PZ Cussons.

Shoprite most expensive on a basket of personal and home care items in Ghana



Shoprite is the most expensive store from a HPC basket perspective in Ghana. The most expensive products in the Ghanaian Shoprite basket are body lotion and bleach. A one litre bottle of Omo bleach costs ZAR78,25 in Shoprite, more than five times the price of Hypo bleach at Marina and

Melcom. Body lotion costs ZAR86,95, which is almost four times higher than the average price of the exact same body lotion in South Africa.

MODERN RETAIL LANDSCAPE

Could the market have overestimated the potential of modern retail in Ghana?

The modern retail market in Accra is defined by a few shopping malls, which are largely anchored by South African retailers. Accra Mall, which opened in 2008, was the first large-scale modern shopping centre in Ghana. Subsequent openings have included West Hills Mall and The Junction Shopping Centre.

The market currently has high vacancy rates in most of the malls and that has put pressure on rents resulting in cancellation of annual rental escalations in a bid to retain tenants. Prime rents go as high as US100/sq. m/month in the well-known malls.

The trend of mall development is also spreading to cities such as Takoradi and Kumasi as concerns increase that Accra is close to reaching its retail development capacity.

Yet, despite the entry of many international retailers and the development of shopping malls in the country, the market share of the modern retail sector remains small. According to Deloitte, more than 95% of all retail transactions in Ghana are carried out in the Main Market. Although shopping malls offer a more convenient and comfortable shopping experience, it has been difficult for retailers to attract shoppers as these large malls are often associated with 'expensive products' and are perceived to cater to only the affluent. Arguably some say the retailers and mall developers have overestimated the size and perhaps even near-term potential of the modern retail market in Ghana.

Source: Knight Frank and Deloitte



Image of Accra Mall.



APPENDIX
COUNTRY PROFILES
NIGERIA



Victoria Island, Lagos, Nigeria at night



Standard Bank **IT CAN BE™**

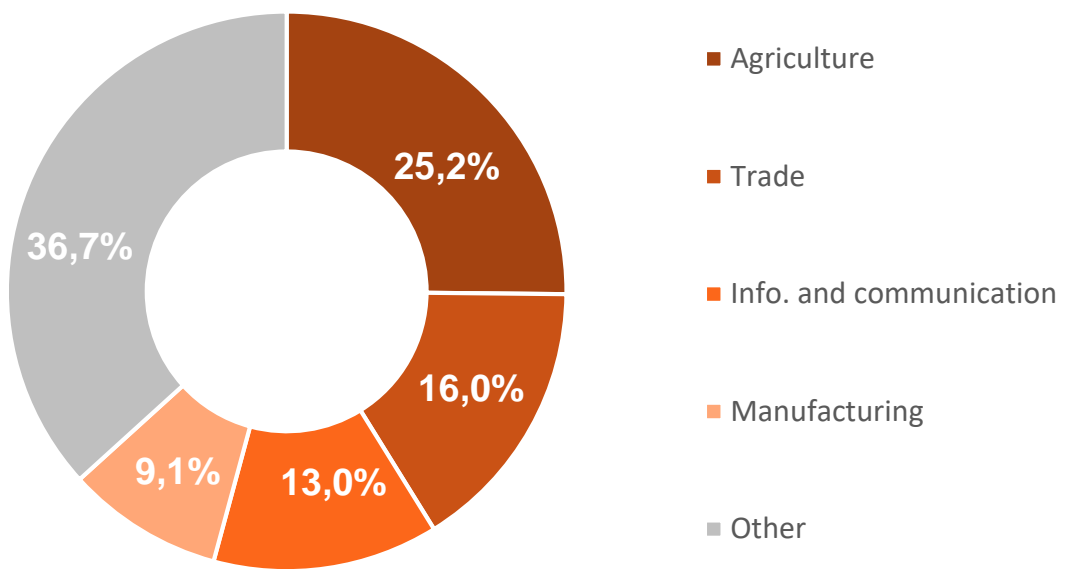
MACRO

The Nigerian economy will likely slide into a recession this year, barely four years after the last recession induced by the oil price crash in 2016. In truth, growth in Africa's largest economy has been sub-optimal during the previous four years, recording much slower growth on a purchasing power parity adjusted basis.

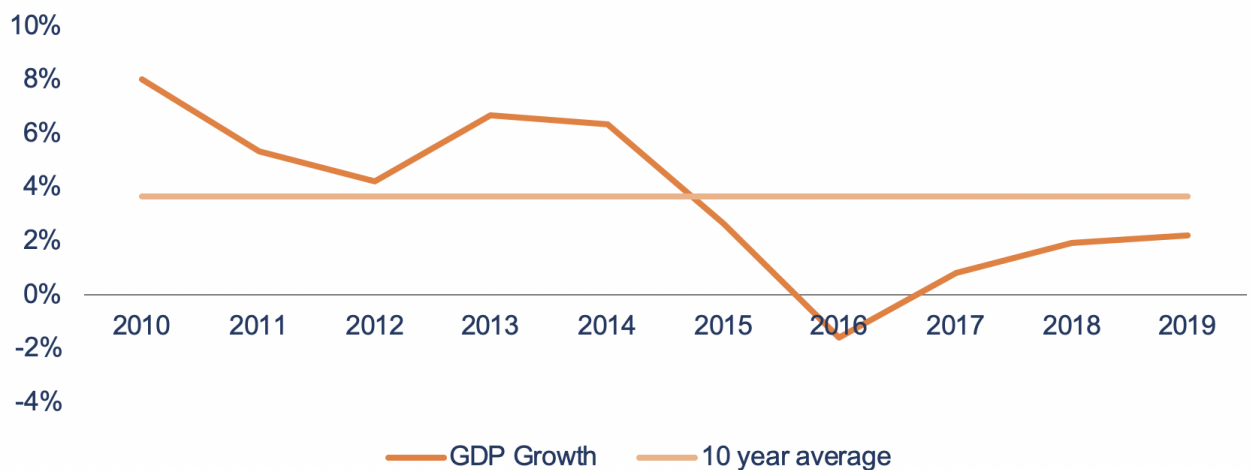
SBGE expect the Nigerian economy to contract by

3.3% y/y in 2020, before returning to 1.0% growth in 2021 post-pandemic. The trade sector will be one of the worst-hit industries owing to import contraction expected from multi-faceted supply-chain disruptions. There would have been restrictions on the movement of goods and services as a direct impact of the pandemic and FX liquidity/depreciation challenges faced by domestic corporates.

GDP by industry



Long-term GDP performance





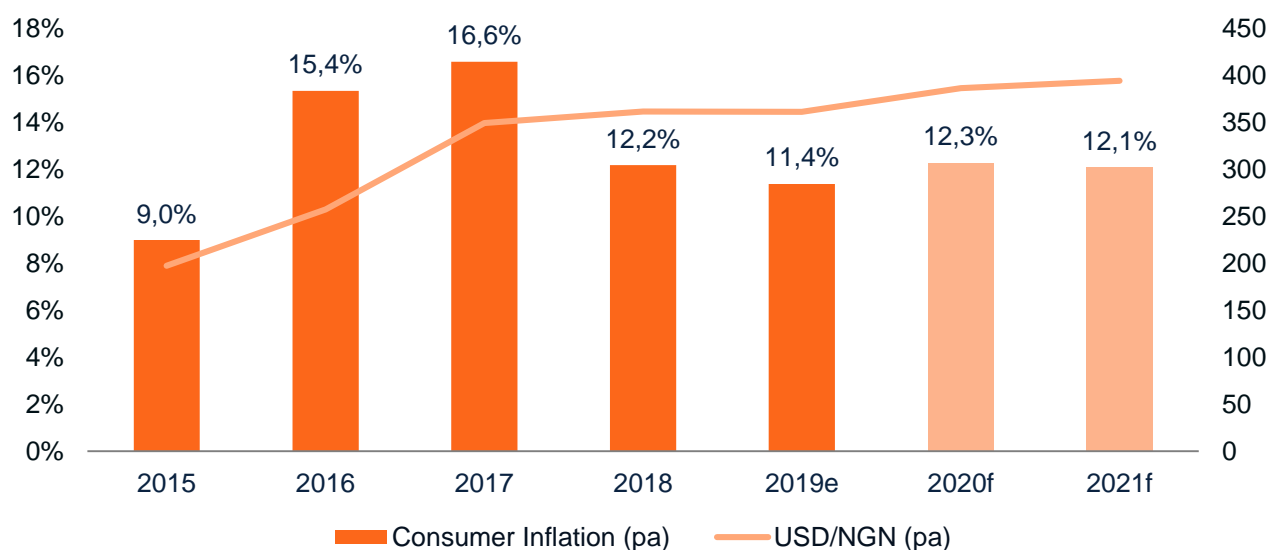
CONSUMER

Due to the COVID-19 pandemic, consumer spending growth for 2020 has been revised down and is now expected to contract by 2.8%, from our pre-COVID-19 forecast for 2020 of 3.9% growth y/y. Over the medium term, we foresee real spending to enter positive growth, averaging 2.3% per year.

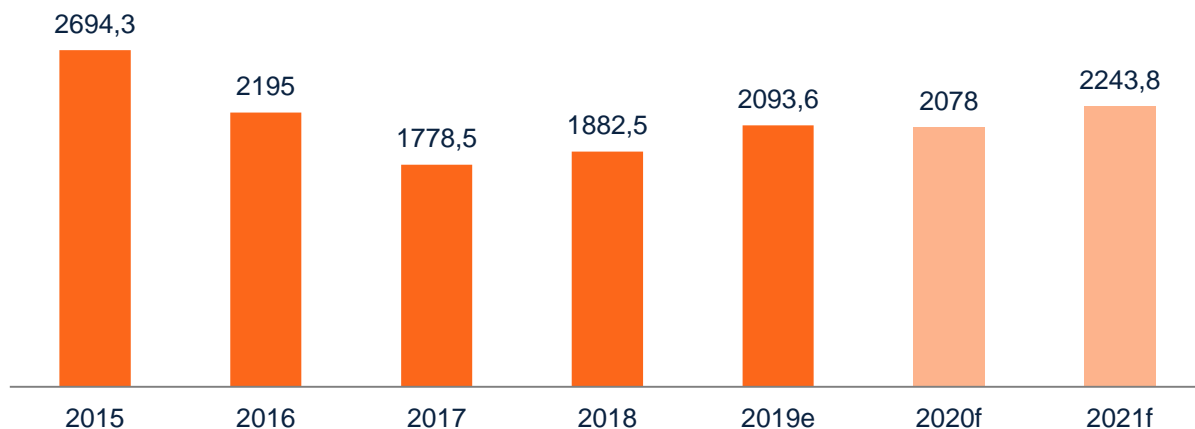
Before the volatility of 2020, the Nigerian household was still recovering from its economic slump in 2018. Real growth bounced back over 2019, estimated to have grown by 4.2% y/y. This year (2020) will be negative for consumer spending, as the consumer braces for the twin impact of COVID-19 related lockdowns and the economic recession – induced from the crash in the oil price (the country's main export).

The inflation rate in Nigeria is relatively high, so it does substantially influence nominal growth rates. Inflation is expected to average 13.5% over the year.

CPI% vs Exchange Rate



GDP per capita (USD)



ANNUAL INDICATORS

	2015	2016	2017	2018	2019e	2020f	2021f
Output							
Population (million)	178,6	181,3	182,7	187,5	192,3	197,3	202,5
Nominal GDP (NGNbn)	95177	102575	113712	127762	145639	158702	179461
Nominal GDP (USDbn)	481,2	397,9	325	352,9	402,7	410,1	454,3
GDP / capita (USD)	2694,3	2195	1778,5	1882,5	2093,6	2078	2243,8
Real GDP growth (%)	2,8	-1,5	0,8	1,8	2,3	-3,3	1
Crude oil production (mbpd) pa	1,9	1,7	1,8	1,8	2	1,7	1,8
Central Government Operations							
Budget balance / GDP (%)	-1,1	-2,2	-3,3	-3,4	-4,5	-6,9	-6,2
Domestic debt / GDP (%)	8,3	11,1	11,1	12,9	12,6	14	15,3
External debt / GDP (%)	2	2,9	5,8	7,1	6,9	9	9,5
Excess crude account/SWF (USD bn)	0	0	2,3	2	0,3	0	0
Balance of Payments							
Exports (USDbn)	45,9	34,7	45,8	63,1	65	35	45,5
Imports (USDbn)	52,3	35,2	32,7	40,8	62,1	45,5	50,5
Trade balance (USDbn)	-6,4	-0,5	13,1	22,3	2,9	-10,5	-5
Current account (USDbn)	-15,4	2,3	10,4	5,3	-17	-15,5	-14
- % of GDP	-3,2	0,6	3,2	1,5	-4,2	-3,8	-3,1
Financial account (USDbn)	9,4	-5	-4,3	3,5	18,1	8,1	17,3
FDI (USDbn)	1,4	1	1	1,3	0,9	1,1	1,3
Basic balance / GDP (%)	-2,9	1,4	4,1	4,6	4,5	-3,5	-2,8
FX reserves (USDbn) pe	28,5	25,8	38,8	43	38,6	31,2	34,5
Import cover (mths) pe	6,5	8,8	14,3	12,7	7,5	6	8,2
Sovereign Credit Rating							
S&P BMoody's	B+	B	B	B	B	B-	B
Moodys	Ba3	B1	B1	B2	B2	B2	B2
Fitch	BB-	BB-	B+	B+	B+	B	B
Monetary and financial Indicators							
Headline inflation pa	9	15,6	16,6	12,2	11,4	12,3	12,1
All items less farm produce CPI pa	8,2	15,2	13,6	10,6	9,2	10,2	10,5
Food CPI pa	9,9	14,9	19,5	14,5	13,7	14,8	15,2
M2 money supply (% y/y) pa	17,3	14	4,2	4,6	15,5	0,9	5
M2 money supply (% y/y) pe	19	18,4	1,2	16,4	4,2	6,3	10
Policy interest rate (%) pa	12,8	13,2	14	14	13,6	13,5	13,5
Policy interest rate (%) pe	11	14	14	14	13,5	13,5	13,5
3-mth rate (%) pe	3,5	14,5	12,5	12,3	3,8	2	3,5
1-yr rate (%) pe	7,7	17	14	17	4,4	4,5	5,8
3-yr rate (%) pe	8,6	15,5	14	15,2	10	7,8	8,5
5-yr rate (%) pe	10,9	15,6	14,4	15	10	9	11
USD/NGN pa	197,8	257,8	349,9	362	361,7	387	395
USD/NGN pe	199,3	315	362	365	364,7	390	410

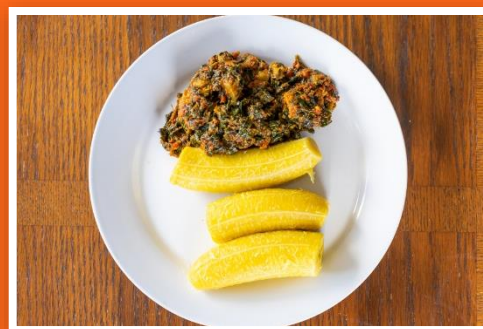
Source: Central Bank of Nigeria; Federal Ministry of Finance; National Bureau of Statistics; International Monetary Fund; Bloomberg; Standard Bank Research

CATEGORIES AND BASKETS

Basic staples and cooking ingredients remain the leading categories in consumers' food baskets

Essential ingredients used in Nigerian cooking such as tomato pastes and purees, stock cubes, edible oils, rice and noodles remain important items in a typical food basket bought by a consumer in a modern retail store. Tomato paste, in particular, is an important ingredient in the popular dish of jollof rice. However, the cost of

imported high-quality rice has soared by 28% from a year ago, forcing many to alter their diets to local foods. Bread, local rice and a variety of other local foods, are still preferred for breakfast by many consumers and with busier lifestyles this is expected to lead urban consumers to switch mainly to bread for breakfast.



Typical Nigerian cuisine.

Dairy is also a growing category in the country and with per capita consumption of milk remaining low, this category offers significant scope for growth. Powdered milk has become the preferred form of milk consumption in Nigeria as it is convenient, cheap and also available in small pack sizes. The greatest convenience is the fact that it does not require refrigeration.

ingredients. Modern retailers have established bulk-buying arrangements with soft drinks manufacturers, enabling them to sell drinks at much lower prices than the open markets and kiosks. Therefore, even if some consumers do not shop at the modern retail stores, when it comes to purchasing soft drinks, they would usually do it there as it is cheaper.

The lack of availability of safe drinking water continues to drive the growth of bottled water in the country. Carbonated soft drinks also continue to grow despite new regulation from the National Agency for Food and Drugs Administration and Control (NAFDAC), which compelled soft drinks manufacturers to provide information on product

Manufacturers of packaged food have also improved the affordability of many products by ensuring the availability of products in smaller pack sizes, with this further encouraging consumers to switch to packaged food from unpackaged.

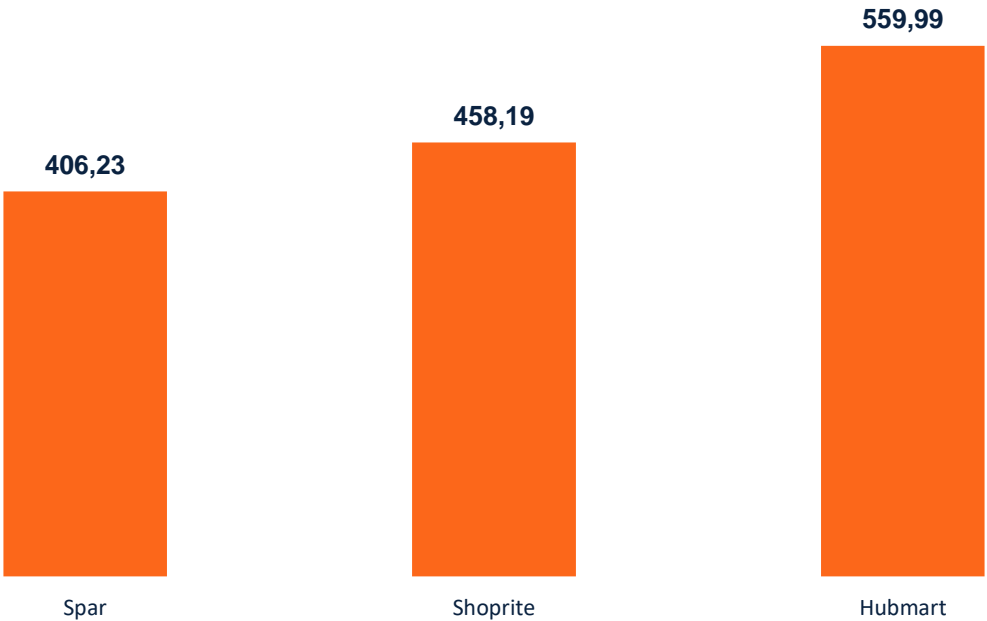


Images depicting the smaller pack sizes found in Nigeria.

Price analysis for the in-country stores visited

	Consumer Food Basket Item	Brand	Quantity	Spar	Shoprite	Hubmart
1	Bread	Private label	800g	15,48	15,44	17,20
2	Sugar	Dangote (or closest competitor in store)	1kg	18,06	26,45	29,25
3	Canned Pilchards	Titus (or closest competitor in store)	125g	7,96	9,72	9,89
4	Peanut Butter	Nutzy (or closest competitor in store)	510g-800g	36,56	39,66	111,83
5	Tea Bags	Lipton	25 teabags	10,75	10,15	9,46
6	Tomato Sauce	Frolic (or closest competitor in store)	420g	24,95	28,69	39,57
7	Long life milk	Peak (or closet competitor in store)	1l	24,09	26,45	27,53
8	Carbonates	Coca-Cola	500-600ml	4,09	3,87	4,30
9	Margarine	Blue Band	450g	19,35	19,35	20,64
10	Baby-formula	Nan	400g	105,80	107,53	107,53
11	Eggs	Funtuna (or closest competitor in store)	6 eggs	16,56	16,56	12,90
12	Cooking Oil	Laser	3l	122,58	154,32	169,89
Average basket price				R406,23	R458,19	R559,99
Price differences				89%	100%	122%

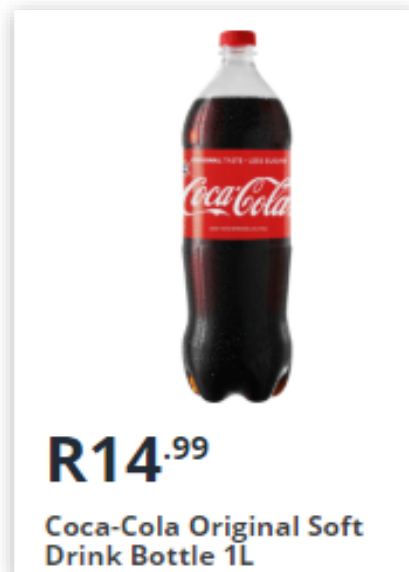
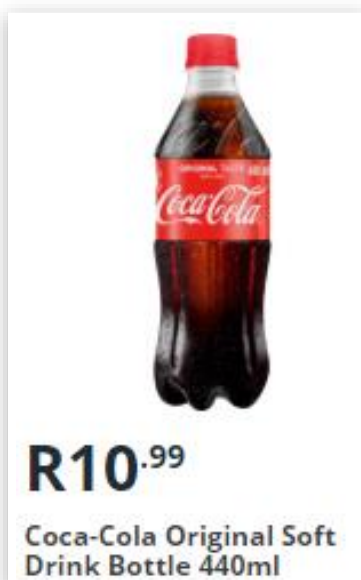
Spar the cheapest store on a basket of basic food items



From our analysis, we discovered that out of the 12 items, six were the cheapest at Spar compared to Shoprite and Hubmart. There was usually one brand per category at Hubmart compared to Spar and Shoprite, which both had many brands per category. In South Africa, the same basket from a Shoprite was ZAR377,19 compared to

ZAR458,19 in Shoprite Nigeria.

Interestingly, we also discovered that carbonated soft drinks were significantly cheaper in Nigeria than the other countries including South Africa. The below pictures display the wide price difference.



Price differences between a Shoprite in Nigeria compared to one in South Africa for a 500ml Coca-Cola (naira value equivalent to ZAR4,14)



Modern retail stores visited in Lagos, Nigeria.

Personal care products are now perceived as essentials in Nigeria

Unlike in Kenya where consumers have entered the premiumisation era, most of the Nigerian market falls within the mass market category because of limited disposable incomes. We see this effect manifest itself in smaller pack sizes and affordable pricing. With suppressed economic growth in the country, many manufacturers opted

to rebrand and reduce pack sizes to retain sales volumes and affordability. Mass brands have a greater demand in Nigeria due to affordability, especially with most of the Nigeria's economy falling within the lower and middle-income brackets.



Personal care products in Lagos, Nigeria.

The popularity of deodorant stems from the Nigerian youth and those entering the workforce. The average price of a bottle of Nivea roll on is ZAR26,17 in Nigeria, 35% higher than the price in South Africa with Kenya having the highest-priced 50ml bottle of Nivea roll on at ZAR45,99.

The key driver of growth in the oral care category has been increased awareness of good oral care to combat tooth decay and bad breath. Many educational drives and initiatives take place in the

country and there were also numerous promotional staff in-store who were well equipped with the basics of oral care, ready to inform consumers. The two main flavour preferences in the Nigerian market are herbal toothpaste as well as toothpaste with teeth whitening properties. Nigerians also prefer gel toothpaste over the white fluoride toothpaste as they perceive the gel to be more effective.

Home care in Nigeria is experiencing an influx of local players offering numerous innovative products



Home care items in Lagos, Nigeria with unique Sunlight Oud in middle photo.

Bleach is a universally popular product and loved for its multi-use function. The wide possibilities of use for bleach continue to benefit consumers also because of its low average price point compared to single-use products such as surface care, floor polish or toilet care.

Dishwashing liquid is another popular product in the Nigerian market. The lower-income bracket gravitates towards the more affordable, local offerings that are sold in a multitude of pack sizes while middle- to upper middle-income earners prefer the international brands. It is also important to note that the dishwashing liquid soap is one of the most locally made goods, so substitution happens frequently and only about 20-30% is purchased from modern retail.

The two products with the most significant brand presence in the market are Morning Fresh and Sunlight. Although they compete for the same consumer, Morning Fresh, priced 16% higher, is packaged with 250ml more dishwashing liquid than Sunlight and may be perceived as the more economical option between the two.

Washing powder and laundry bars are the most used products in laundry care. Washing powder in Nigeria has multiple uses including cleaning surfaces, dishwashing and even toilet cleaning. The washing powder market in Nigeria is competitive with a blend of international and domestic offerings. Omo, Sunlight and So Klin, a local brand, dominate the brand space in Lagos.



Price analysis for the in-country stores visited

	HPC Basket Item	Brand	Quantity	Shoprite	Hubmart	Spar
1	Bar Soap	Dettol (or closest competitor in store)	110g	14,47	7,68	13,65
2	Roll on	Nivea	50ml	26,24	25,60	26,67
3	Toothpaste	CloseUp (or closest competitor in store)	140g	12,80	13,65	12,59
4	Body lotion	Nivea	400ml	78,73	68,27	75,10
5	Sanitary towels	Always	8 pads	16,64	23,90	10,03
6	Washing powder	Omo	900g	30,64	32,00	29,66
7	Bleach	Hypo	1 litre	24,07	21,34	22,19
8	Dishwashing Liquid	Sunlight	750ml	21,89	23,47	21,12
9	Laundry bar soap	Sunlight (or closest competitor in store)	120g	3,97	4,27	4,27
Average basket price				R229,44	R220,18	R215,27
Price differences				100%	107%	102%

The leading bar soap brand in the market is Dettol, owned by Reckitt Benckiser and the average price of bar soap is aligned to the South African market.

CloseUp and Pepsodent are found to be the two leading toothpaste brands in the market with both their offerings priced between ZAR12 and ZAR14 for a 140g tube of toothpaste.

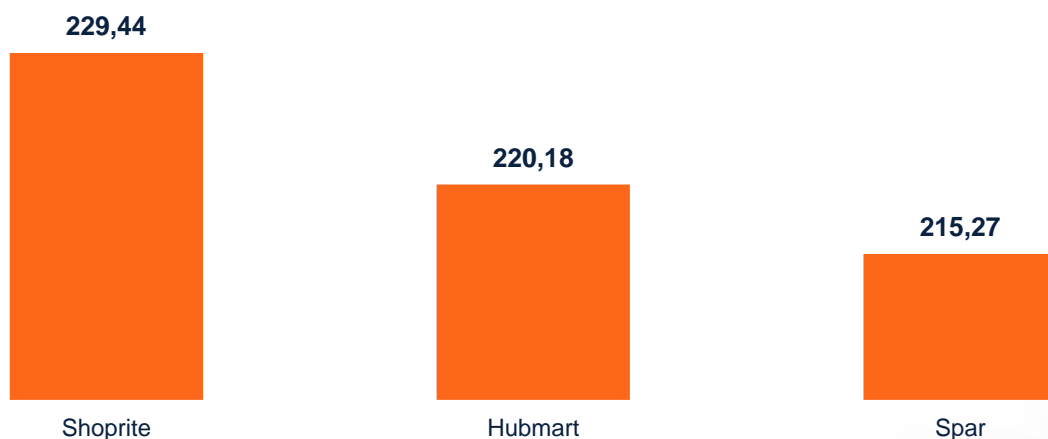
Washing powder is 41% cheaper in Nigeria when compared to South Africa mainly because the washing powder offering in the stores visited in Lagos is 900g compared to 2kg in South Africa. However, even when adjusting the quantity,

washing powder in Nigeria is still 30% more expensive.

The leading brands for bleach in Nigeria are Hypo and Jik and a one litre of either option is priced at no more than ZAR25.

The laundry bar soap in this market is also small with a 120g offering. Hence the 70% difference in pricing when compared to the South African market, which offers 500g at an average price of ZAR13,99. When adjusted, the price is still higher than South Africa for the offering of 120g.

Shoprite the most expensive on a basket of personal and home care items in Nigeria



Shoprite has the most expensive HPC basket compared to Spar and Hubmart. Both Spar and Hubmart are considered affluent grocery stores in Lagos. Another observation is the similarity of the

Shoprite pricing to the Checkers basket in South Africa, with less than ZAR6 pricing difference between the overall basket price for both.

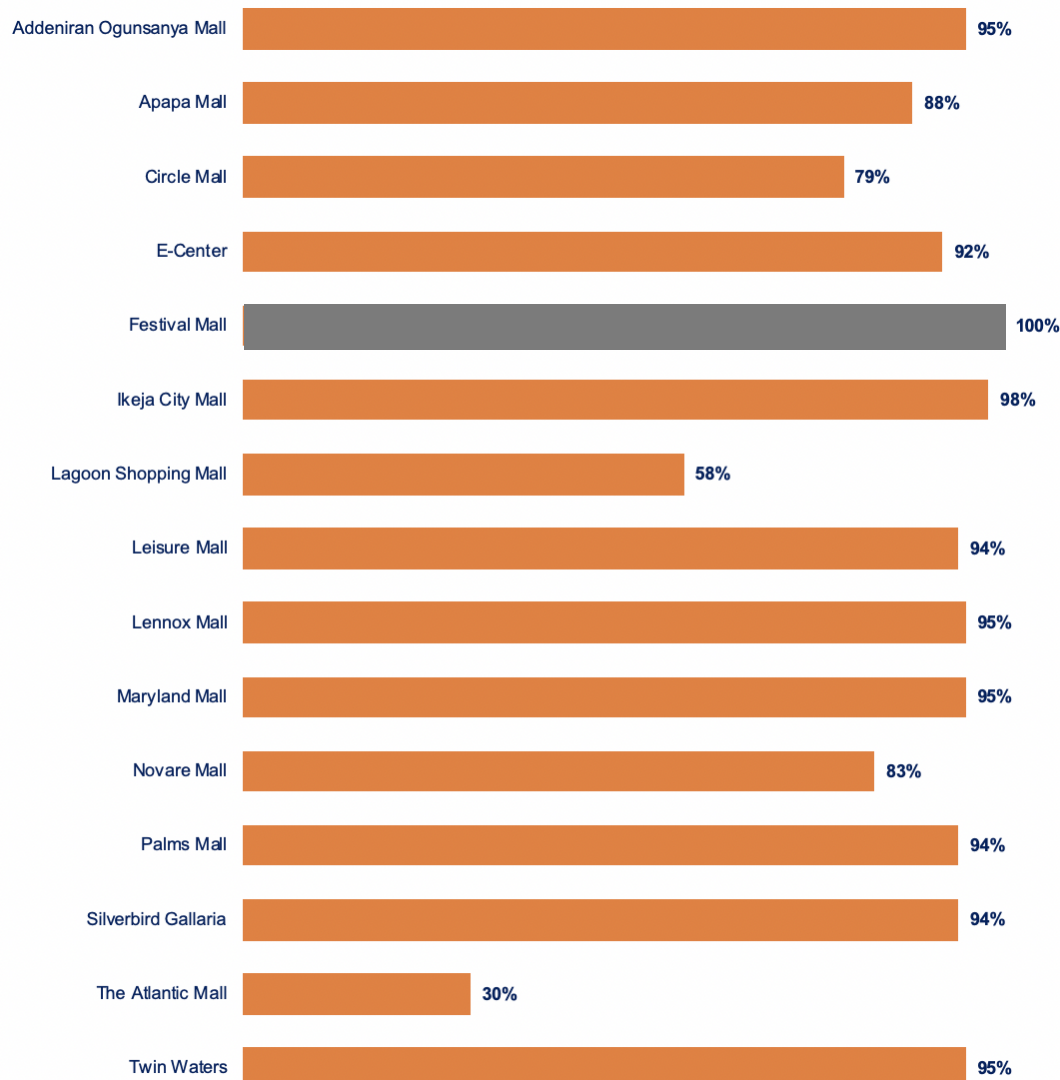
MODERN RETAIL LANDSCAPE

Nigeria's modern retail sector shifts strategy towards smaller and localised retail developments

Actis pioneered modern shopping mall development in Nigeria, building Ikeja City Mall and the Palms Mall in Lagos in partnership with the Persianas Group. Although modern retail development has accelerated since the early 2000s, the retail sector continues to be dominated by traditional open markets and kiosks. Following a decade-long period of growth, in which modern retail supplies more than tripled, Nigeria's retail sector is currently facing challenging years and this has impacted retailers and consumers alike. Purchasing power and household incomes have declined, while input costs and vacancy rates simultaneously increased.

No new developments in the modern retail space are expected and landlords do not foresee a scenario where there is an upward revision in rents in the near future given current sluggish growth, rising inflation and devaluation risks. Majority of landlords also still quote rents in dollars, making it more expensive and volatile for tenants who earn revenue in Nairas. Asking rentals in the successful malls in Lagos are above US100/m²/month for 50m² and US50/m²/month for larger 200m² stores. Prime yields are approximately 8.5% in Lagos and 9.0% in Abuja and occupancy rates remain healthy except for Lagoon Shopping Centre and Atlantic Mall as seen in the graph below.

Retail occupancy rates (%)



Source: Knight Frank

The bulk of modern retail space is in the consumer-packaged goods category, with some malls exhausting their capacity to absorb retailers in this category going forward.

International retailers continue to remain reluctant about rolling out operations in the country on their own balance sheet and therefore continue to rely on local operators to franchise their brands. Those already in the country are increasingly reviewing their current operations to either downsizing or exiting the country entirely - with Shoprite being the most recent example.

Despite these recent economic challenges, the country remains one of Africa's most attractive retail investment destinations for local and foreign investors. In the longer term, resurgent middle-class growth, supported by improving oil prices and strengthening macroeconomic fundamentals, should see a return to large scale, high-end regional retail centres.

The COVID-19 pandemic has also directed shoppers to modern retail stores for health reasons and the fact that the open markets were closed for an extended period of time, opening the eyes of the population to the ease and prices offered in these modern stores.

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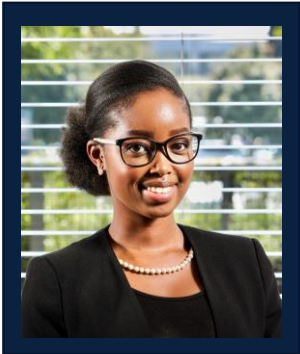
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