



THE CHANGING PATTERNS OF THE NIGERIAN FAST-MOVING CONSUMER GOODS MARKET

SUMMARY

After a successful recovery from the 2016 economic recession, the Federal Government of Nigeria has adopted a new strategy with the purpose of enabling multisectoral growth and decreasing the country's dependence on oil revenues. The overall economic development led to the birth of what is now referred to as “the emerging Nigerian middle-class population.

Besides having a relatively higher purchase power, the newly formed middle-class has also developed new consumption patterns that have played a major role in directing the Nigerian market.

However, local FMCG manufacturing and retail activities are still at a very early stage of their development, thus offering several opportunities for foreign business interventions and innovation.

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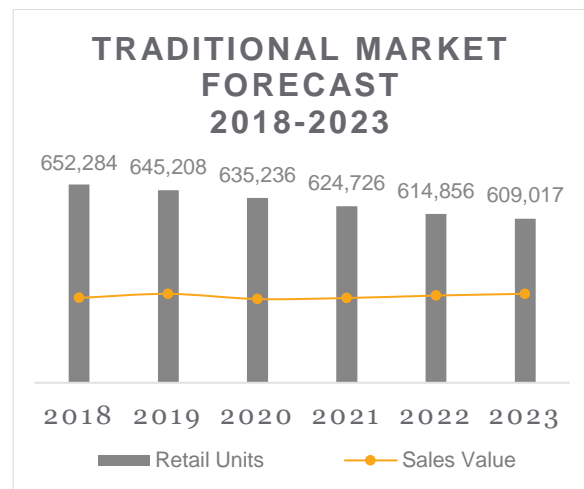
TRANSITION FROM TRADITIONAL TO formal shopping venues

To this day, traditional markets have constituted and still constitute an important portion of the retail landscape in West Africa. With more than 90 percent of the goods being distributed through open markets, Nigeria does not differ from its regional counterparts. However, the shopping trends for fast-moving consumer goods are slowly transitioning towards more conventional outlets, supported by the growing middle-class and the changing consumers shopping behavior. With many switching towards more comfortable modern outlets –which offer a wider variety of products under the same roof– informal grocery shopping will keep on decreasing with time as more supermarket chains are established.



While big Nigerian and international retail stores are slowly settling in Nigeria, informal retailing remains prevalent and accounts for an approximated 95 percent of today's total sales value. Even though the transition is inevitable, the outlook for informal sales value remains almost constant over the forecast period. In fact, a mobile segment of the informal market known as “hawkers”, can still count on the urban mobility deficiencies of the large metropolitan areas to keep on thriving. While the growing formal segment surely provides a convenient shopping option

beyond the work hours, commuters still turn to the informal outlets to purchase different types of traditional and packaged snacks when stuck in traffic or lacking proximity to formal retail units.



In that sense, the traditional retail channels will surely keep on supplying the market as long as the socio-economic flaws that limit the consumer's access to goods remain. However, the strong competition from modern channels and regulatory actions against open markets are slowly shutting down the segment's operations in favor of the emerging convenience stores, megamarkets and shopping malls.

THE POWER OF AESTHETICS

Along the development of the middle-class portion of the population, a new consumption sub-culture has also emerged. The middle-class segment that has yet to recover from the recent recession, can be described as price-driven while being very demanding. As an answer to that, adequate and attractive packaging was proven to be very efficient on the Nigerian market. In other terms, the consumer base prefers modern looking packages as they are socially considered to be a better representation of the emerging middle-class and the higher quality products it can afford. In the packaged foods segment for instance, these parameters played a major role in influencing the major brands which started opting for modern designs and practical containers, slowly adapting to the international norms.

To cope with the growing expenses of packaging, local manufacturers and well-established international brands directed their product offerings towards smaller quantities and plastic packages. The latter do not only go along the cost-savvy strategy of the companies but also offer a practical option for the traditional markets where products are subject to poor storage methods and the harsh conditions of the Nigerian tropical climate. On the other hand, foreign products constitute a symbol of wealth and social status in the contemporary Nigerian culture while fully satisfying the expectations of the Nigerian consumer base, the upper social classes prefer foreign products even though they generally happen to be more expensive than local brands. How these brands market themselves also proves that there exists a correlation between the sales volumes and how well they portray and promote their foreign origin. This representation generally comes under the form of symbolic imagery in the logos and packages such as landscape, flags or ethnic characters or else plainly stated in brand slogans and descriptions.

FOREIGN DIRECT INVESTMENT OPPORTUNITIES FOR SWEDISH COMPANIES

Within the same context, Swedish companies and their expertise in the fast-moving consumer goods segment opens the door to several business opportunities in the country. In that sense, Swedish brands can intervene in anything ranging from the distribution of packaged goods to the operational side of the industry. These include but are not limited to, machinery and equipment used in manufacturing, raw materials for the agri-food segment in addition to ready-to-eat sweets and savory snacks.

Furthermore, the lack of adequate management and incompetency at the institutional level - which is sometimes due to a general disorganization or a bribery-dependent mentality - when summed up with poor infrastructure and energy coverage also constitute a major concern for Swedish investors.

All of these have contributed to a poor position of 146 out of 190 countries globally, and 8 out of 15 in the Sub-Saharan region for the 2018 ease of doing business ranking.

Nonetheless, Nigeria has witnessed an upward trend in the ease of doing business index, moving from the 170th position in 2014, to the 169th position in 2016 before experiencing a major improvement and stabilizing at the 146th rank ever since.

Even though the country has been showing great progress in the overall business landscape, it is very important for any Swedish company considering a direct investment in Nigeria to perform an in-depth market analysis and due diligence on every or major factors that can affect the company's business before venturing into the market. This is to help build a right strategy for the market, mitigate the risks and ensure ability to pivot on ground.

Business Sweden North & West Africa team can act as support to Swedish investors by shortening their time to market, find new revenue streams and minimize risk via

- Market Expansion (Market entry strategies based on market and competitor analysis, product & customer mix, Sales channel set-up, M&A and alliances, global footprint)
- Sales Acceleration (Interim business development, sales execution, partner search & selection, sales & partner management, mega deals/tender support)
- Business Incubation & Operations (Registrations & incorporations, co-working space, finance & controlling, employment & HR services, recruiting)
- Public Affairs (B2G Strategy, Stakeholder analysis, strategic messaging & communication, stakeholder engagement)



We help Swedish companies grow global sales and international companies invest and expand in Sweden.

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