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By Sarah McGregor and Andres R. Martinez

May 9 (Bloomberg) -- Teddy Muthusi goes to Kentucky Fried Chicken in Kenya's capital, Nairobi, for more than just fried food: it's a status symbol.

Muthusi gladly spends 1,870 shillings (\$22), a quarter of the national monthly minimum wage, to treat his girlfriend at the country's first U.S.-based fast-food company's outlet that opened in August. He can afford what many can't. About 45 percent of Kenya's population live on less than \$1.25 a day, according to the World Bank.

"I'm willing to fork out more because it's cool, it's trendy, it's a great place to be seen, and the food is good,"

Muthusi, a 36-year-old creative manager at Easy FM radio station said in an interview on April 20, raising his voice above the pop music blaring through speakers. "Kenyans have that feeling if you can eat at KFC, you've made it."

Muthusi is one of the upwardly-mobile, young and growing middle class of consumers in Africa that retailers including YUM! Brands Inc.'s KFC are targeting to compensate for slower growth in developed markets. Household spending is set to expand 63 percent to \$1.4 trillion in Africa by 2020, home to the world's youngest and fastest-growing population, according to a 2010 report by McKinsey & Co.

Doug McMillon, chief executive officer of the international operations of Wal-Mart Stores Inc., the world's largest retailer, will join other executives seeking a foothold in Africa when the World Economic Forum's annual Africa meeting begins in Addis Ababa, Ethiopia's capital, today. LVMH Moet Hennessy Louis Vuitton SA, the world's largest maker of luxury goods, Coca-Cola Co., the world's biggest soft-drinks producer, and PepsiCo Inc. will also be represented at the three-day conference.

Commodity Boom

Consumer spending in Africa rose at a faster pace than India and Brazil in the past decade, according to the World Economic Forum, as surging commodity prices, debt relief and a move to freer economies helped to boost economic growth. Sub-Saharan Africa's economy will expand 5.4 percent this year, the fastest-growing region after developing Asian nations, the International Monetary Fund said on April 17.

"With the commodity boom that Africa has seen over the last decade or so, that is building a middle class and there is a wave of private consumption," Matthew Searle, sub-Saharan Africa analyst with Business Monitor International, said in a phone interview from London on April 20. "Whereas previously Africa has been seen as a commodity source, global multinational companies are now seeing the importance of it for consumerism."

Brand Loyalty

The Johannesburg Stock Exchange's retailers index has gained more than a third over the past year, compared with an about 6.5 percent increase for the exchange's All-Share Index.

Uchumi Supermarkets Ltd., Kenya's only publicly traded retail chain, has doubled this year.

About 200 million to 300 million people in Africa earn \$730 to \$3,650 a year, according to Shantayanan Devarajan, chief economist for Africa at the Washington-based World Bank.

"That's a healthy market for consumer-goods producers,"

Devarajan said in a phone interview from Washington on May 2.

"This is a very good time for retailers to get a foothold in Africa. There is a recognition of brand loyalty if you get in on the bottom floor and you don't want to be the last one in."

Investing in Africa doesn't come without challenges.

Retailers must contend with poor infrastructure for roads, railways and electricity, which hinders trade.

Nigeria, the continent's largest oil producer, needs as much as \$20 billion over three years to boost power generation, according to the nation's Bureau of Public Enterprises. In Kenya, the government is spending 80 billion shillings to expand roads in Nairobi to ease congestion.

Poverty Falling

According to Devarajan, the potential for growth in consumer spending is greatest in Ghana, where an oil boom fueled economic growth of 14.4 percent in 2011. Nigeria, Africa's most-populous nation of more than 160 million people and Kenya, East Africa's largest economy that expanded an average 5.6 percent a year since 2007, will probably also see an increase in retail demand.

While the region is still the world's poorest, the number of people living on less than \$1.25 a day declined for the first time during the four-year period that ended in 2009, according to the World Bank.

Consumer Boom

Retailers may view Africa's nascent consumer boom as reminiscent of China's 15 years ago, said Simon Freemantle, an Africa analyst at Johannesburg-based Standard Bank Group Ltd., the continent's largest lender.

"There is an increasing view to look at Africa through a different lens than a single-track commodity growth story,"

Freemantle said in a telephone interview on May 3. "The opportunity now is to try to get brand presence and brand loyalty at the early stages of growth."

Inditex SA's Zara opened its first store in sub-Saharan Africa in Johannesburg last year, while KFC will open restaurants in at least seven African countries this year, including war-torn Democratic Republic of Congo. Wal-Mart, based in Bentonville, Arkansas, paid 16.5 billion rand (\$2.1 billion) for a 51 percent stake in Massmart Holdings Ltd., South Africa's biggest food and general-goods wholesaler, last year.

For brand-conscious consumers like Muthusi, he'll pay more to indulge in some of KFC's fried chicken every once in awhile.

"You want to be part of that KFC conversation with friends, on Facebook, in the office," he said.

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--Editors: Nasreen Seria, Gordon Bell, Hilton Shone

To contact the reporters on this story:

Andres R. Martinez in Johannesburg at +27-11-286-1916 or amartinez28@bloomberg.net; Sarah McGregor in Nairobi at +254-20-34-3510 or smcgregor5@bloomberg.net

To contact the editor responsible for this story:
Andrew J. Barden at +971-4-364-1057 or
barden@bloomberg.net