



# Shifts in Consumer Behaviour

Implications for Business & Policy

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27<sup>th</sup> of August 2020



**AMERICAN  
BUSINESS COUNCIL**  
Promoting Nigeria-America Economic  
Partnership

## OUTLINE

- Macroeconomic Snapshot & Sector Growth Review
- Key Trends in Consumer Behaviour
- Implications for Business & Policy
- Case Study



## BACKGROUND

We are living in interesting times; consumer preferences & behaviour are shifting in response to COVID

*How must business leaders respond to changing consumer behaviour...?*



*What is the role of policy makers in ensuring that businesses and consumers can thrive despite the challenges ...?*



# Macroeconomic Snapshot



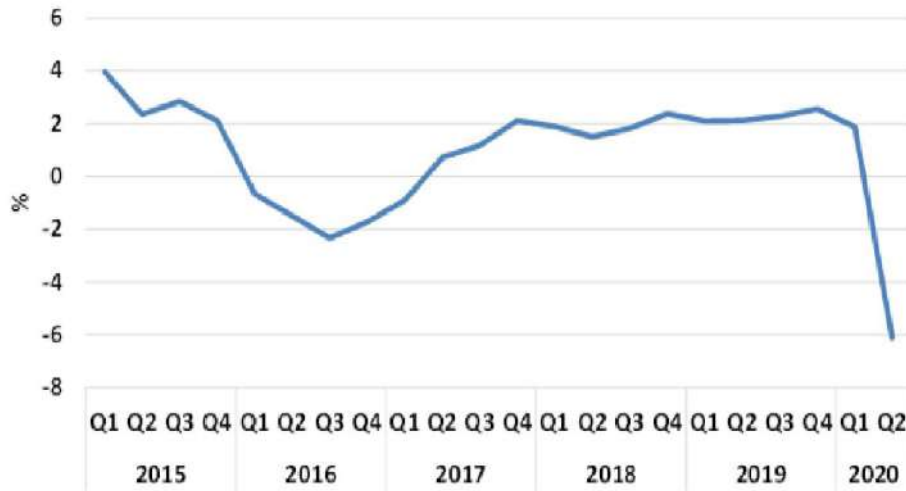
## MACRO ECONOMIC SNAPSHOT – POST COVID GROWTH PROJECTIONS



- **Global growth forecasts have taken a downward trend** due to the Covid effect
- Majority of countries are **not expected to reach pre-2020 growth estimates for another 3 to 4 years**
- Asian economies lead the return to growth with countries like **China still showing positive growth (1.7%) in 2020**
- For Sub –Saharan Africa, **East and North Africa** are expected to lead the return to **SSA Growth in 2021**
- South Africa has been the most Covid – impacted region on the continent and expectations are for a slower than average return to growth in 2021
- West Africa’s return to growth in 2021 may be dampened by commodity price, devaluation and rising debt risk

Negative GDP growth with other key indicators such as inflation, unemployment, FX rate under pressure

Real GDP Year on Year Growth



Source: NBS

## Indicators in Decline

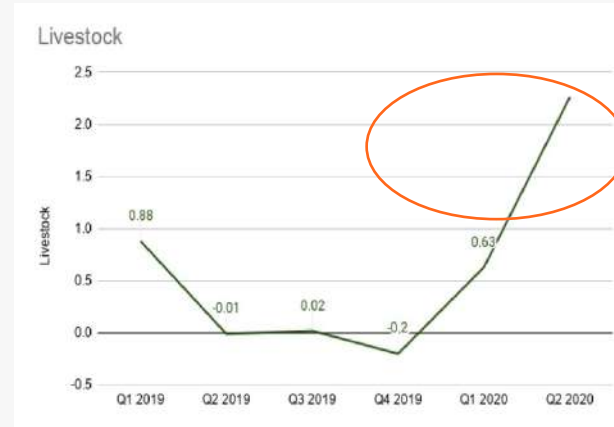
GDP Growth	<b>- 6.1% YOY</b>
FX rate to \$1 (Official)	<b>Devalued from N360 to N381;</b> With N100 spread in parallel market
Inflation	<b>12.8%</b> double digit rates
Unemployment	<b>27.1%</b>
Consumer Price Index (food)	<b>15.8%</b>

*Despite the headwinds  
some sectors have shown  
positive growth YTD*



## SECTORAL REVIEW – AGRICULTURE

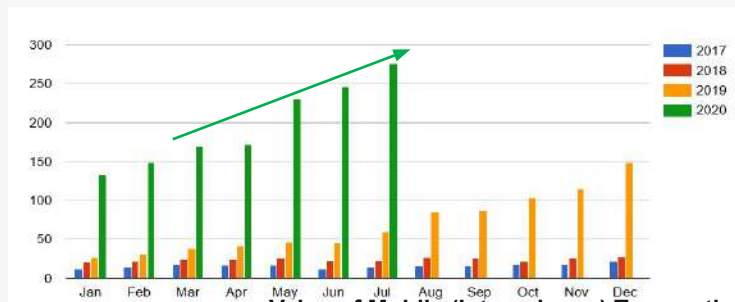
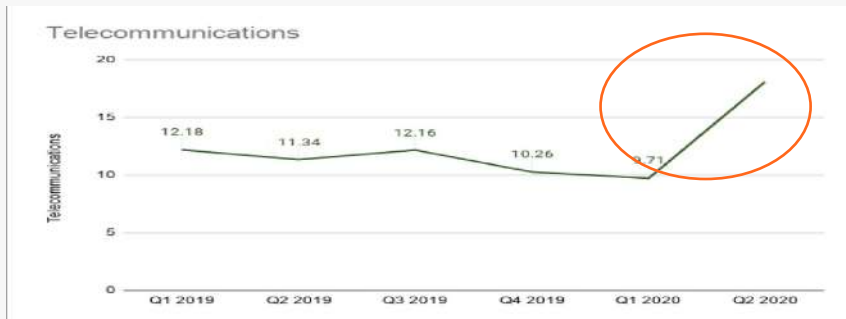
Agriculture was the leading contributor to Nigeria GDP in 2019 (25% of GDP). There was however a growth decline in Q2 2020 (-2.57%).



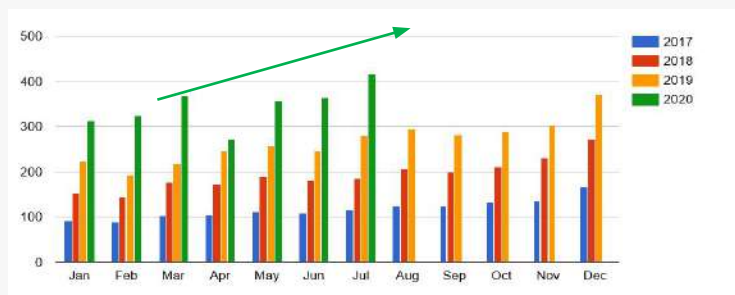
- The Livestock and Fishery subsectors showed positive growth in Q2 whilst crop production and forestry experienced a Q2 decline
- The **crop production growth for Q3 will be critical from an inflation and food security perspective**



# SECTORAL REVIEW: FINANCIAL SERVICES & TELECOMS



Value of Mobile (Interscheme) Transactions



Value of POS Transactions

Source: NIBSS and NBS

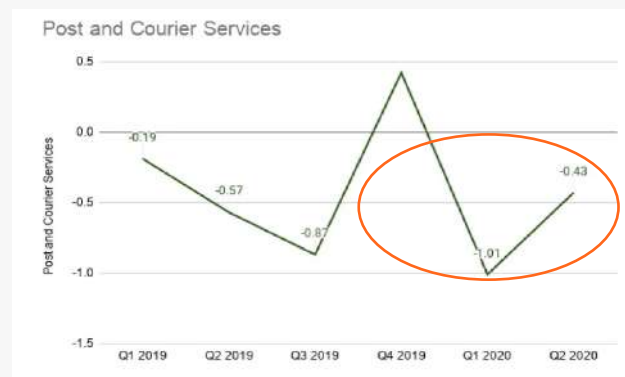
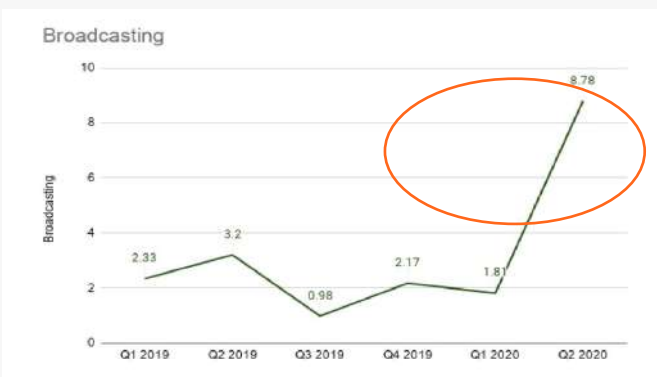
- As consumers shift to cashless payments, there has been positive growth for financial services
- POS transaction volume and value have reached a 4 year high with **N416Bn of Transactions in July**
- Mobile Transactions (interscheme) value also reached a 4 year high at **N275bn of transactions**
- Increased use of Digital & Mobile platforms has also had a **positive growth impact on the telecoms sector**





## SECTORAL REVIEW – OTHER GROWTH SECTORS YTD

Sectors such as healthcare, pharmaceuticals, broadcasting and courier services continue to experience growth in response to changing consumer behaviour



- As expected , **healthcare and pharmaceutical** sectors also showed positive growth YTD
- This trend will continue into 2021 depending on the rate of spread and commercialisation of a vaccine

- Social distancing also led to **growth in sectors such as such as Courier services**
- **Broadcasting** also grew significantly during the lockdown months

# Shifts in Consumer Behaviour

Implications for

- Business
- Policy



## SHIFTS IN CONSUMER BEHAVIOUR

Consumer behaviour is changing with implications for business and policy

### Hygiene Issues with Cash



- As Corona Virus cases persists, the World Health Organisation (WHO) has encouraged the use of cashless payment forms to curb the spread
- Consumers and some businesses are insisting on cashless transactions

- **The “psychological factor” of people thinking of cash as “unclean” is changing consumer behaviour to shift towards card, digital and contactless payment forms**

### Ecommerce Preference



- Significant growth in ecommerce as consumers embrace social distancing and limit physical options
- Cross- Border shoppers limited by travel restrictions have taken to ecommerce platforms as an alternative to foreign shopping trips

- **Ecommerce platforms have become the norm for a fast-growing category of consumers who want convenience, speed and safety**

### Consumers Focus on Essentials



- Majority of Nigerian consumers remain cautious about the Covid spread and focus on ensuring stock of food, health care and other essential products to prepare for potential supply disruptions

- **Luxury and non-essentials have taken a back seat in terms of consumer preference**

## Description

## Consumer Shift



## SHIFTS IN CONSUMER BEHAVIOUR

Consumer behaviour is changing with implications for business and policy

### Digital Replacing Physical



- Physical work, entertainment, education, lifestyle and networking needs are migrating to Digital channels
- Online learning, music/movie streaming and work from home have become a viable alternative to physical activity

- **A growing dependence on reliable internet connectivity to support home based work/entertainment**

### Health First



- Lifestyle diseases such as cardiovascular, diabetes, high blood pressure etc have been identified as a catalyst for covid related deaths
- Consumers are investing more in exercise, physical activity and healthy eating

- **A consumer mindset shift towards attaching “value” to exercise and healthy living and any incentives that offer that value**

### Courier & Delivery Services Trust Shift



- Increased penetration of structured professional delivery companies
- Courier/Delivery companies are forming partnerships with trusted brands (pharma, food, grocery, lifestyle for improved convenience)

- **Consumer trust for couriers/delivery companies as an alternative is now embedded**

**Description**

**Consumer Shift**



# Implications for Business & Policy



## Strategy Revalidation



**Consumer led strategy**- Revalidate your business strategy & budgets to ensure it is relevant to the changing customer behaviour. **Obsession with customer is key**



**Build in Digital**- Revalidate your business strategy to embed Digital



**Build in Flexibility** - Balance your long term strategy with **tactical action plans that respond to an unpredictable market**



**Innovate & Partner** - deploy **dynamic business models via partnerships & alliances** (e.g. courier services example)

## Data & Analytics



**Data is King** . Ensure that decision making and strategic bets are data driven



**Predictive Analytics** - **Invest in predictive analytic platforms** (propensity modelling etc.) to model future trends and also as a hedge against unpredictable times



**Data Driven Cybersecurity and fraud prevention** platforms are also critical as digital traffic increases

**Anchored**

## Marketing & Customer Engagement



**Voice of Customer – create multiple customer engagement channels** for repositioning your products and services (online forums, surveys etc)



**Customer journey mapping** - **develop an obsession** with understanding every step of the **customer journey** and how your business can **add value**



**Reward positive consumer behaviour** (e.g. discounts on cashless payments)



**Customer led marketing** - align marketing/communication spend with consumer engagement preferences.

## Policy framework aligned to evolving consumer needs

**1. Policy & guidelines must be consistent and reflect the shift in consumer environment**

For example - current Cashless Policy penalizes the consumer for making cashless payments (N50 for payments over N10,000)

**2. Partnership with Private Sector to feel consumer pulse**  
Policy makers should leverage private sectors proximity to the consumer for shaping policies that will enhance consumer experience



**Contactless** is a type of payment transaction performed by a simple tap of the payment device (card, mobile, or wearable) on a payment acceptance terminal without the need to enter a PIN or touch the device.

### Consumers Wants

“Speed and efficient transactions that **reduce my time spent in queue**”

“A payment platform that **reduces my risk of coming into contact with COVID 19** “

“A payment solution that gives me **access to closed loop merchants such as Toll Gates and Mall & Airport car parks...**”

### Solution is here Contactless Cards & Devices



- ✓ Faster
- ✓ Safer
- ✓ Reduces COVID exposure
- ✓ Access to closed loop merchants (e.g. Toll Gates) that install terminals
- ✓ Implemented globally (London Transport etc)

### Why are Nigerians not benefitting from this ?

- ✓ Although contactless cards are in circulation, **Industry stakeholders yet to define standard transaction limits (without PIN); also know as the Cardholder Verification Method (CVM)**
- ✓ Without this industry wide alignment, Nigerians will not get the full benefit of contactless technology

### What Needs to Be Done?

#### Policy (CBN)

- ✓ In line with global best practice and growing health concerns, **CBN should issue CVM policy on contactless in line with global standards**

#### (Circa \$25) Business Leaders

- ✓ Respond to consumer needs
- ✓ Apply CVM limits in line with global practice



**Thank You!**

