Luxury brands turn attention to Africa

By Zeenat Moorad

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Africa's growing middle class has expensive tastes and research by Bain & Company suggests that luxury goods sales will increase by 11% this year - demonstrating the continent's potential for upmarket goods.

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Moreover, recent mineral discoveries have swayed the continent's fortunes and given rise to a band of super-wealthy individuals in Nigeria, Angola, Ghana, Mozambique and Kenya with expensive tastes.

Total luxury goods revenue in Africa is expected to reach €2bn this year from €1.5bn in 2011, according to Paris-based Bain's worldwide market study.

Other luxury goods groups such as Cartier, Louis Vuitton, Burberry, Gucci, Fendi and Salvatore Ferragamo all have a presence on the continent.

In Lagos's wealthiest district, Victoria Island, Ermenegildo Zegna opened a store this year on the same strip as luxury car maker Porsche. The Italian luxury fashion house makes made-to-measure suits for Hollywood stars Tom Cruise and Robert De Niro among many others.

Two months earlier, Hugo Boss opened a store in the city.

Current sales come from SA and Morocco

Luxury brands are starting to flow into Africa. Image: Luxurty Society

Bain partner Claudia D'Arpizio, the lead author of the study, says with China's growth slowing, Africa is poised to have some of the fastest-growing economies in the world. "Luxury sales are still very concentrated in SA and Morocco, but brands are starting to expand in new markets like Angola and Nigeria," the report said.

Growth in China cooled after a state crackdown on public officials' spending on luxury goods as part of widespread and anti-corruption campaigns.

Bain's findings on Africa support a report from London-based Euromonitor, which last month said sub-Saharan Africa was set to become a key battleground for the luxury goods sector.

"Between 2008 and this year, sales of luxury goods grew 35% in current value terms and are set to increase by a further 33% in the next five years in constant terms," the research firm said.

According to the Euromonitor, sub-Saharan Africa was experiencing the second-fastest global economic growth - behind Asia-Pacific - and is home to five of the 10 fastest-growing economies in the world. These include Nigeria, for instance, which last year was the third-fastest growing market in the world for champagne.

Many challenges

Euromonitor luxury goods research head Fflur Roberts said luxury brands and retailers are facing many challenges. "Poverty remains widespread, infrastructure is weak, retail markets are undeveloped and brand awareness is lacking. Corruption can also be a problem, as can political instability in some countries ."

Euromonitor says a deluge of counterfeit luxury products remained an issue.

Nonetheless, Roberts said more luxury brands were certain to open new outlets in the sub-Saharan Africa region. "Prada, for example, has confirmed plans to open in Angola, which could also be a good bet for Nigeria next year. To succeed, brands have to overcome the challenges of the different African markets through careful research of suppliers, using local partners, understanding consumers and the business environment."

Wealth-X, in its UBS World Ultra Wealth Report also revealed last week that Africa's ultra-high net worth population had increased by 9.5% this year and individuals had a combined wealth of US$350bn - a 7.7% rise from last year.