



TRENDS IN ALCOHOLIC INDUSTRY IN NIGERIA

13th March, 2019



Baker Magunda

Role	Managing Director, Guinness Nigeria
About	<p>Baker gained his first degree in Economics at Makerere University in Uganda and Makerere University Business School. He also attended IESE and Strathmore Business Schools for postgraduate studies in Business and Leadership.</p> <p>He started his career in Sales and Marketing at Coca-Cola Sabco in 1991. He was made Head of Sales in 1996 before joining Diageo in 1999. At Diageo, he served in several marketing roles before becoming Managing Director for Diageo's businesses in Uganda, Kenya, Cameroon</p> <p>Prior to joining the Guinness Nigeria team, he was Managing Director of Diageo Ethiopia and the Indian Ocean Markets. His life's purpose is to unleash the genius in every one. An avid Arsenal fan, Baker is married with children.</p>



Outline



Economy Overview

FMCG Industry

Beverage Industry



● *Category Drivers*

● *Consumer Trends*

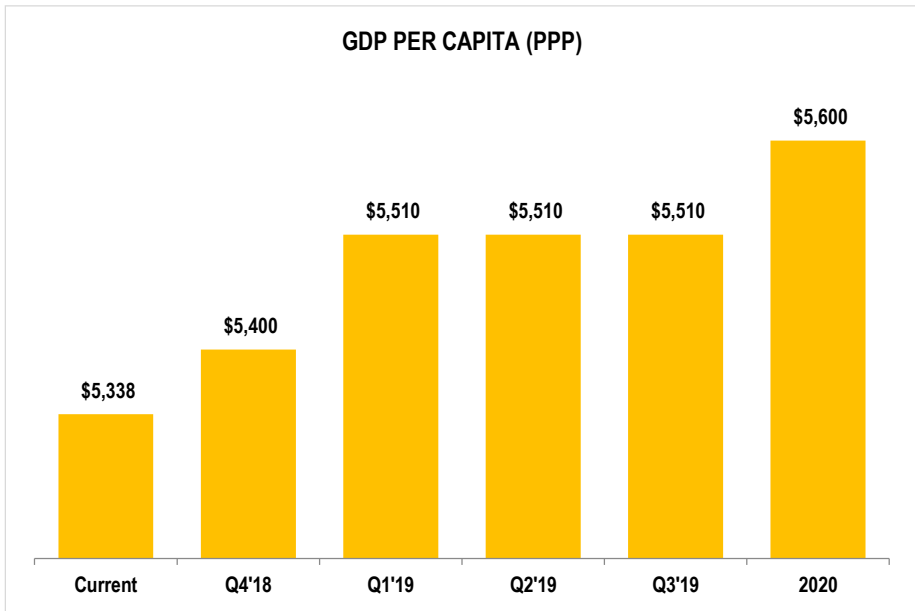
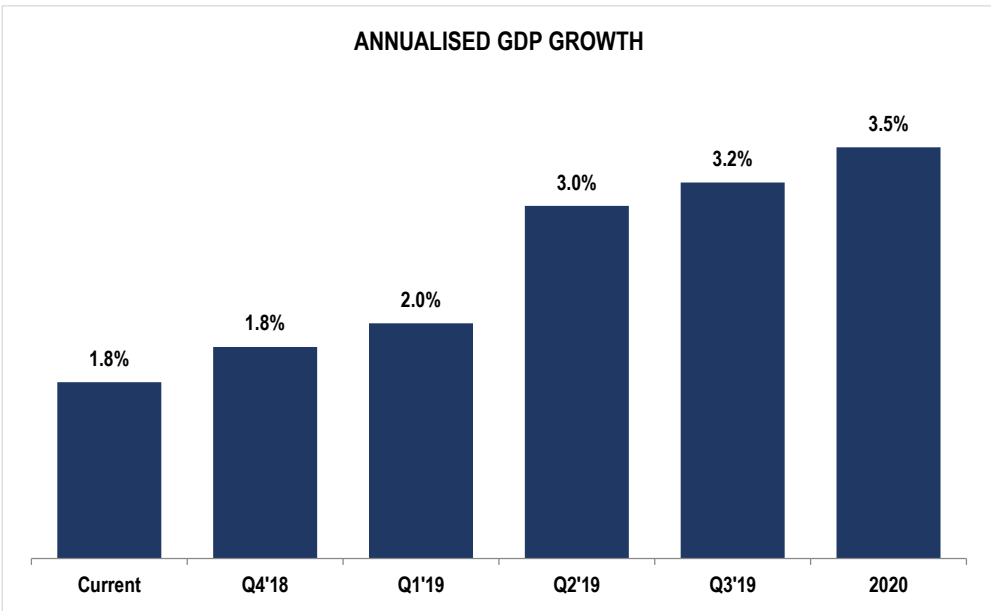
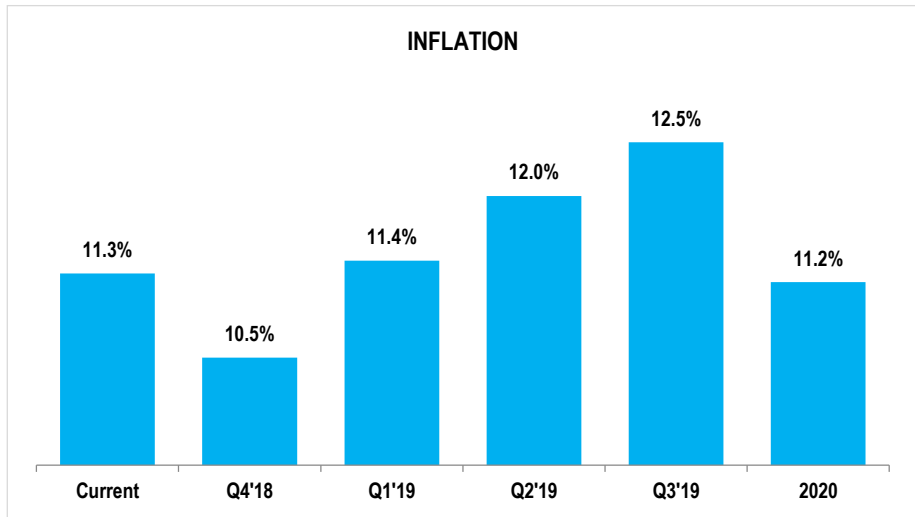
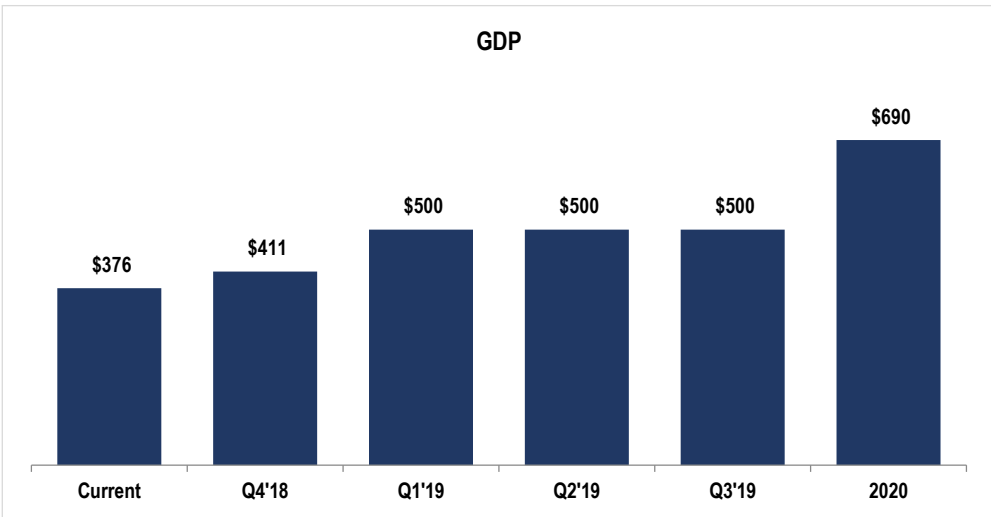
● *Implications on Consumer Choices*

DIAGEO

Nigeria Future Outlook – There is a slow economy recovery



...but consumers are likely to remain under pressure from inflation

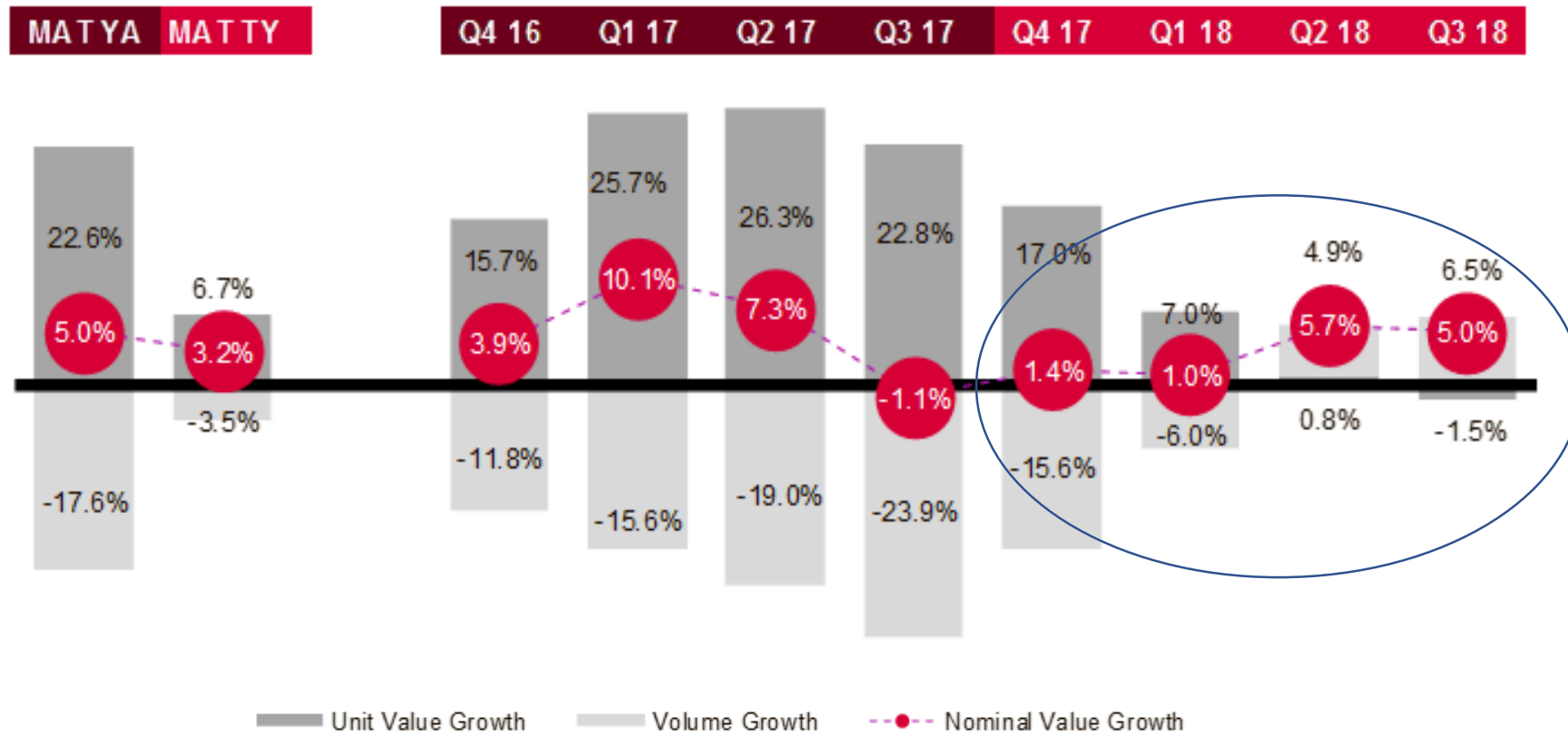


Source: Trading Economics, December 2018

FMCG Industry is gradually recovering post –recession



FMCG MARKET DYNAMICS (weighted average)



FMCG Industry is buoyant as essentials are added back into the basket



..while beverage is still in a decline, although still the most important category owning almost half of the pie.

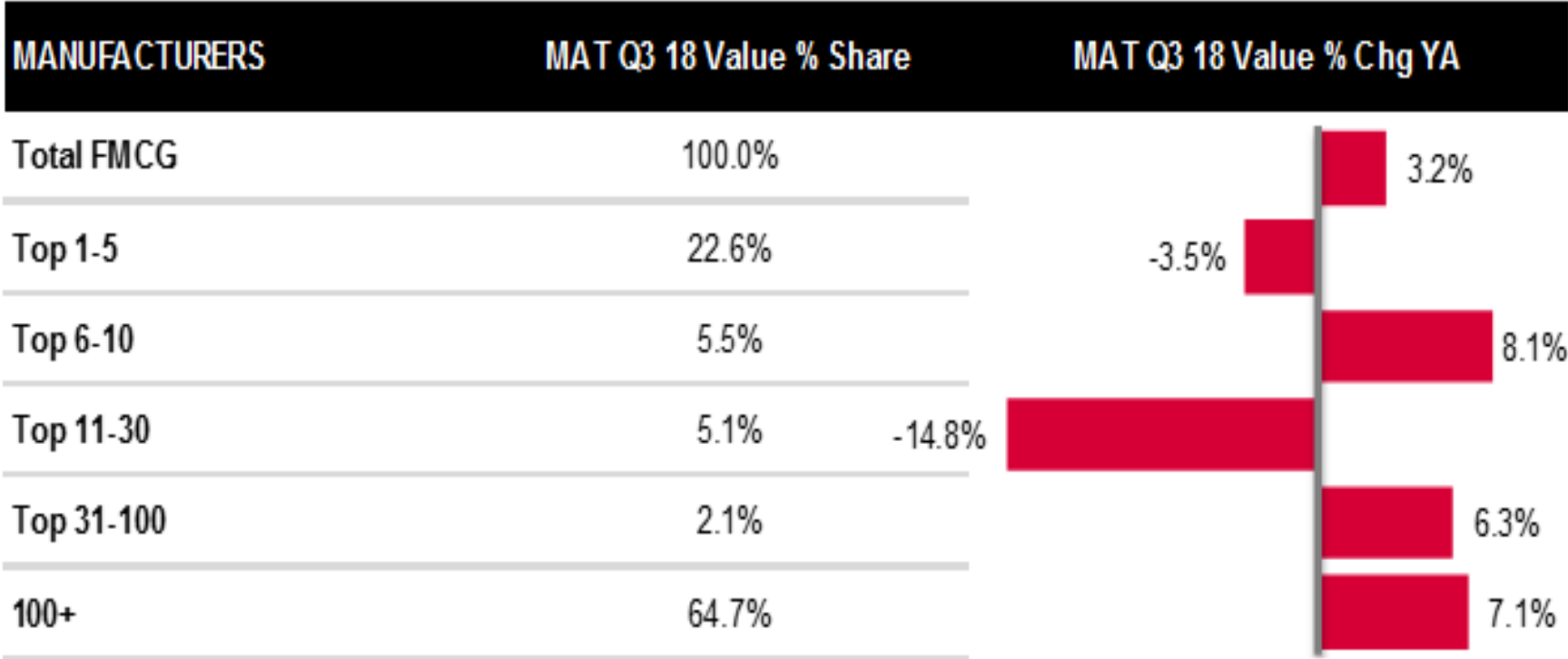
SUPER CATEGORY PERFORMANCE

SUPER CATEGORIES	MAT Q3 18 Value % Share	MAT Q3 18 Value % Chg YA
Total FMCG	100.0%	2.6%
Beverages	43.1%	-4.8%
Food	36.0%	1.1%
Personal Care	10.3%	8.5%
Home Care	7.6%	1.0%
Health Care	3.0%	-1.1%



High levels of fragmentation, with small, local manufacturers capitalizing on VFM opportunities.

FMCG MANUFACTURERS' PERFORMANCE



Business priorities are changing because of local manufacturer influence



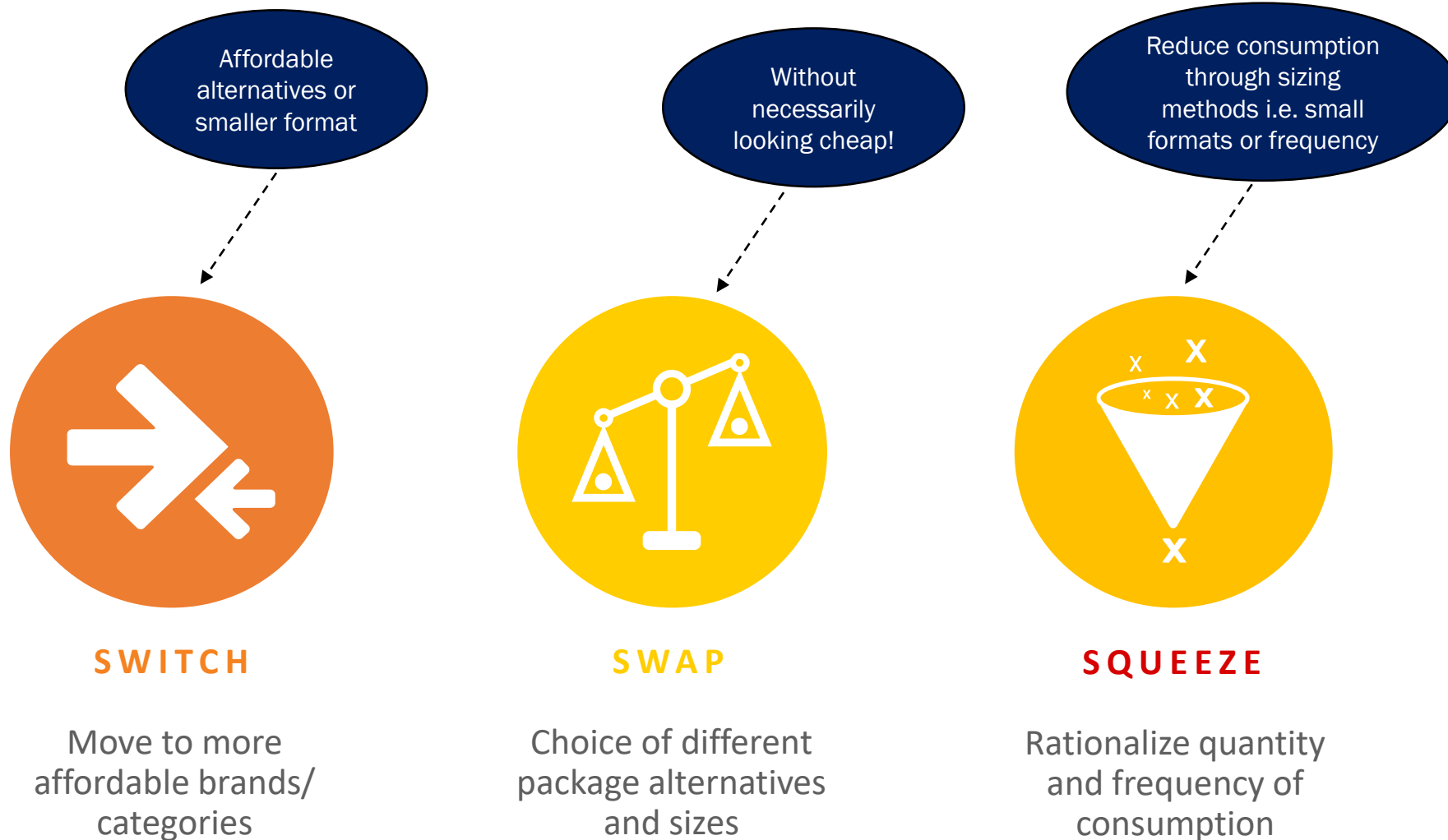
..adapting to consumer's needs with innovation, availability and right pricing has become important in recent times

BUSINESS PRIORITIES

2 YEARS AGO (Q4'15)		2017 (Q4'17)		2018 (Q2'18)		NIGERIA - CURRENT	
1	ROUTE TO MARKET/ DISTRIBUTION	1	ROUTE TO MARKET/ DISTRIBUTION	1	ROUTE TO MARKET/ DISTRIBUTION	1	CONSUMER DEMAND
2	RETAIL EXECUTION	2	CONSUMER DEMAND	2	CONSUMER DEMAND	2	INNOVATION
3	SUPPLY CHAIN	3	SUPPLY CHAIN	3	INNOVATION	3	RTM/ DISTRIBUTION
4	INSIGHT & METRICS	4	GROWTH FORECAST	4	MARKETING & MEDIA	4	OPERATIONS OPTIMISATION
5	STOCK MANAGEMENT	5	INNOVATION	5	OPERATIONS OPTIMISATION	5	MARKETING & MEDIA

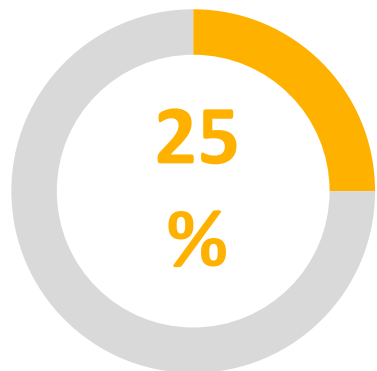
OTHER AREAS: Retail Execution, Insights & Metrics, Governance/Regulation, Growth Forecast, Supply Chain, Talent Attraction & Development, Technology & Digitisation, Competitive Threats, Social Responsibility, Infrastructure

..As Consumers are redefining “VALUE” through “3S”

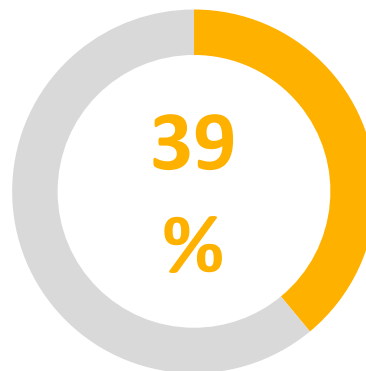




..With **STRONG** Spending Intentions in 2019



CONSUMER SPEND
IN STORE
% INCREASING



WILLINGNESS TO TRY
NEW PRODUCTS
% INCREASING



**STRONGER
SPENDING
INTENTIONS**

So, Companies with flexible and smart options are likely to win in 2019 and outer years..



*Be in the right
FORMAT and be
AFFORDABLE*



Right Size | Right Price

Generate Trial
Fulfil Demand

*Have the right **FORMAT**
in the right **OUTLET***



Right Stores | Right Products

Closer to the Retail Recommenders
Build Demand (Collaterals)

*Deliver it with a **GREAT**
APPEALING CAMPAIGN*



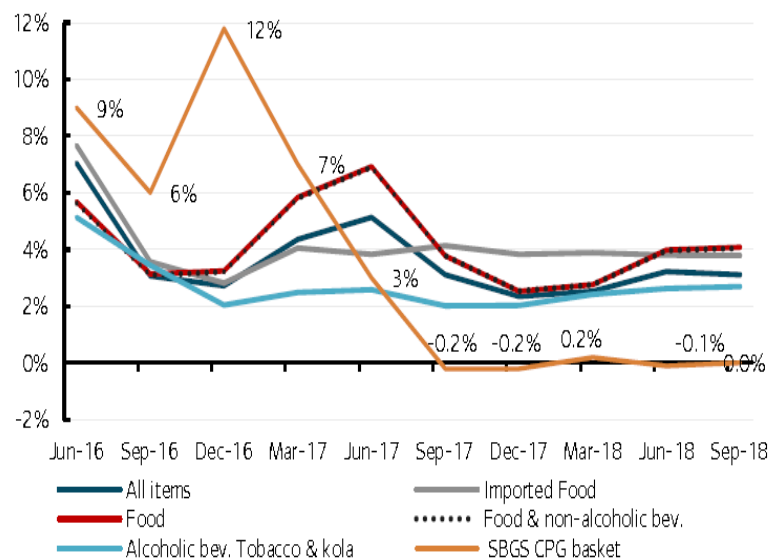
Right Medium | Right Message

Connect to the Consumer
Build Demand (Adverts and Promo)

...but Margin Growth remains biggest challenge

Figure 2: Urban CPI quarterly increase vs. SBGS CPG basket

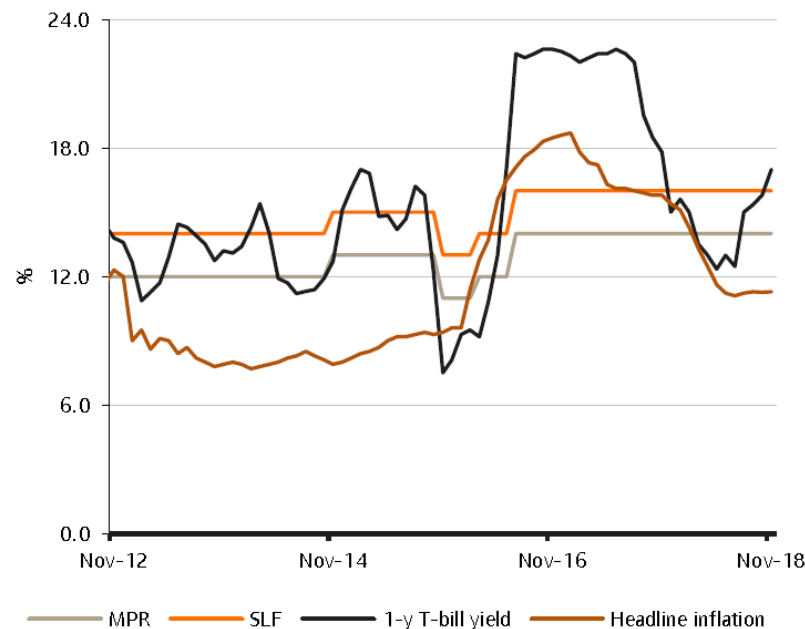
Figure 2: Urban CPI quarterly increase vs. SBGS CPG basket



Source: SBG Securities analysis, National Bureau of Statistics

Inflation and interest rates

Inflation and interest rates

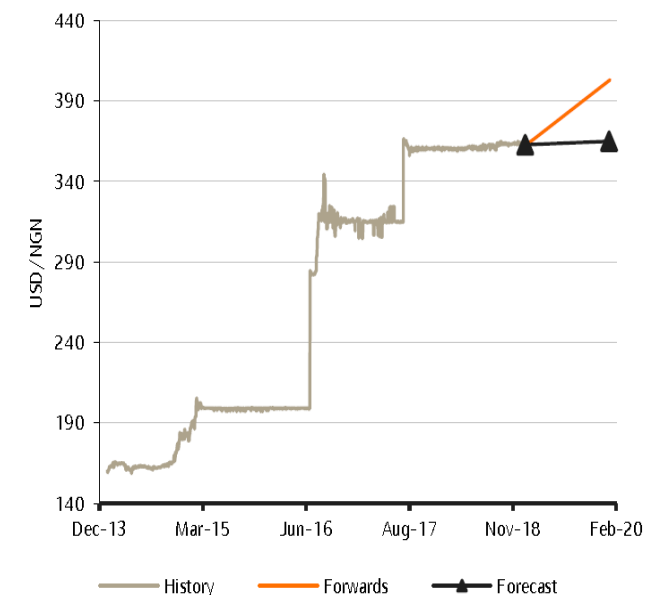


Source: Central Bank of Nigeria, FMDQ, National Bureau of Statistics, Standard Bank Research



USD/NGN: forwards versus forecasts

USD/NGN: forwards versus forecasts



Source: Bloomberg; Standard Bank Research

Combination of reduced capacity to take price, overlaid with high inflation and fx depreciation has had a significant impact on industry margins



THANK YOU

13th March, 2019