How to increase ad spend in Nigeria

By Mike Archer

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"There's plenty, plenty money in Nigeria," Dele, an Uber driver in Lagos, tells me and he's right. The glitter and gold palaces on Banana Island are testament to the fact that Nigeria is the largest economy in Africa. Or it was until the crash in the international oil price, which hit a low of $26 per barrel in January 2016, at a time when Nigeria's budget was predicated on an average oil price of $75 per barrel.

Mike Archer, creative director, Adwork, Lagos, Nigeria.

The result of the recession for the marketing industry was predictable. Clients went into survival mode and marketing budgets simply dried up.

2017 saw the Nigerian economy slowly turn the corner and reverse a five-quarter slide as it edged back into positive territory. It's still too early for the trickle-down effect, if there is such a thing, to impact mass unemployment and poverty but it provides a glimmer of hope.

The real challenge facing Africa's most populous nation lies in converting GDP growth into employment opportunities and improved living standards for the millions who lost their jobs in the aftermath of the crash. Figures bandied about put job losses at around four million.

Inclusive growth

If new economic policies do not focus on inclusive growth, and instead continue to follow the same pattern of economic growth experienced between 2000 and 2015, employment levels and poverty will not be reversed and full economic recovery will remain a pipe dream.

Between 2000 and 2015, according to the Nigerian Economic Summit Group's (NESG) 2018 Economic Outlook, the services sector (financial services, telecomms, real estate and trade) contributed over 60% to GDP growth. Manufacturing, construction and the agro-processing sectors on the other hand contributed only 15% to GDP. Evidence shows that service sector growth failed to address growing unemployment and living standards, with joblessness rising to 29% over the same period. By the end of the third quarter of 2017 however unemployment has rocketed to around 40%.

> " ***Predictions that the population will balloon to 399 million by 2050… There's a very viable domestic market if you can get your product quality, pack sizes, pricing and distribution right.*** "

The economic reforms introduced in 2017 calmed volatile foreign exchange rates which had put the brakes on manufacturing. These reforms contributed significantly to the ease-of-doing- business in the country.

Reforms

It's clear much more reform and investment is needed though, particularly in the areas of power generation (one of the biggest costs to businesses is the cost of keeping the lights on through generators) manufacturing, infrastructure, agriculture and vocational training in order to get millions back to work and POS machines buzzing.

President Buhari is not blind to the facts. He tweeted on January 23 (@MBuhari): "Our focus in 2018 is infrastructure: roads, our railway projects, power, and airport concessions. We will intensify our efforts, and you will see progress. In this regard we are very grateful for what the Chinese are doing to support us." The big question though is what took them so long to come to this realisation.

Without affordable power Nigerian manufacturers will struggle to be competitive internationally. However with a population currently somewhere between180 and 200 million and predictions that the population will balloon to 399 million by 2050, there's a very viable domestic market if you can get your product quality, pack sizes, pricing and distribution right. The fortune at the bottom of the pyramid is real but elusive.

Will brands return?

What has all this meant to advertisers? Barring a few notable exceptions, multinationals in the 2000s appeared happy to pay lip service to building their brands. Marketing directors were under extreme pressure to meet quarterly results and they seemed perfectly happy to do the bare minimum as long as they met sales targets and repatriated the profits.

Come the crash and even this spend largely dried up. Every last *Kobo* (let alone *Naira*) was directed towards procuring raw materials and supporting the trade.

Imported brands have faced atmospheric price increases slashing volumes and many products have simply disappeared from supermarket shelves and open market tables. Will they return? I suspect they will.

GDP predicted to double

After all, the NESG predicts that if Nigeria can sustain 7% growth from 2019, GDP will double by 2030, placing Nigeria among the top 20 economies in the world. If that growth is driven by improved power supply, infrastructural development and manufacturing, employment will grow as will the sales of toasters, kettles, cars and homes.

We’re seeing the first tentative shoots of adspend growth and confidence returning but the market place is very different to the one they left just a few short years ago. The explosive growth of cellphones and on-line shopping has altered the balance of power in favour of consumers. How marketers respond to these seismic shifts will sort the wheat from the chaff.

There’s plenty of money in Nigeria as Dele says, but the brands that ran for cover when times were tough have a lot of ground to make up.

ABOUT THE AUTHOR

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