

# *Consumer as King or Slave ??*



# The Embattled Consumer

“Customer is the king in marketing”

Philip Kotler

“The customer is always right”

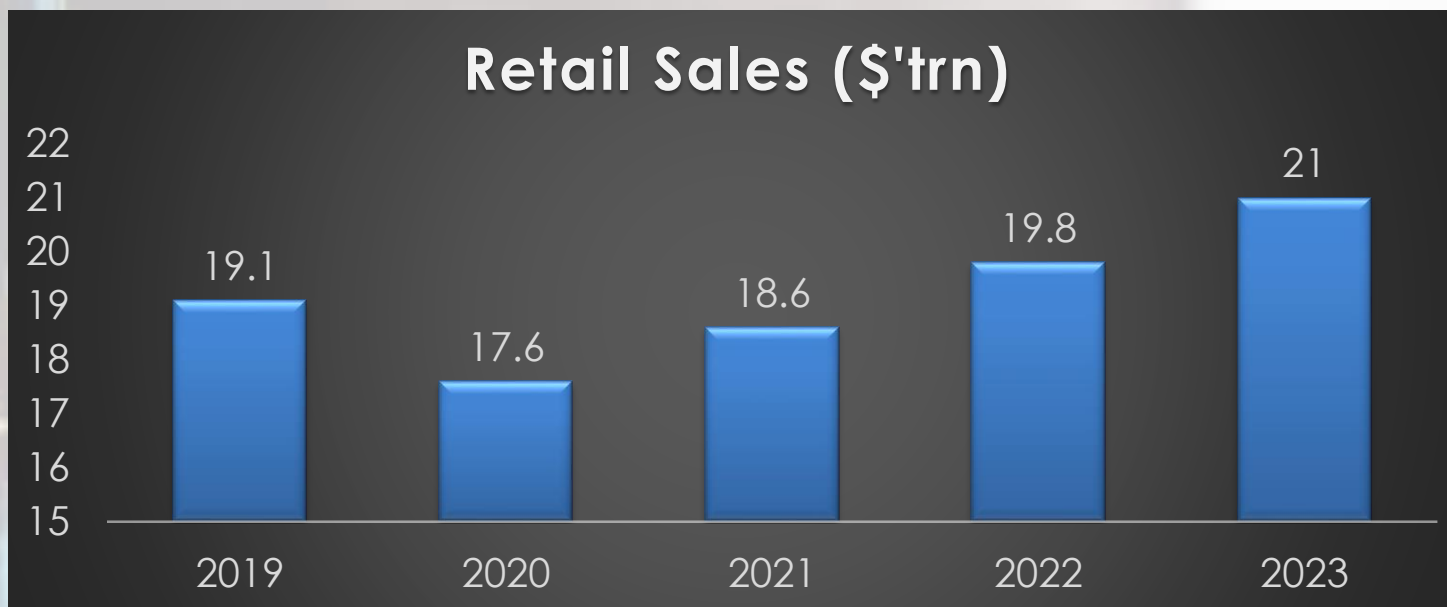
Gordon Selfridge

“It has taken 100 years to make the link  
between customer experience and the  
bottom line”

Marshall Field



# COVID and the Consumer - EIU



- ✓ Total consumer expenditure globally will fall by 6.3% to \$17.6trn from \$19.1trn
- ✓ Supply chain disruptions pushed up prices of food and electronics
- ✓ E-commerce got a major boost during lockdown
- ✓ Bankruptcies in the US are up 43%
- ✓ Unemployed & nonessential retailers are down and out

# Across Regions

Source - EIU



- ✓ Western Europe facing the worst recession in a century
- ✓ Retail market that was weak is now battered
- ✓ The US with the highest unemployment in decades will face a retail earthquake
- ✓ J.C. Penney, Neiman Marcus, True Religion, Aldo, are all in bankruptcy
- ✓ In SSA, the young demography are mostly unemployed (54% in Nigeria)



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# New Trends

- ✓ Eating out is sharply down
- ✓ At-home consumption is up
- ✓ Home delivery of food by big brands
- ✓ Hot beverages are up - consumed at home
- ✓ Starbucks in trouble
- ✓ Having coffee is not socially distant



## Winners

- ✓ Soap & cleaners +0.65%
- ✓ Food and beverage +0.2%
- ✓ PCs +2%

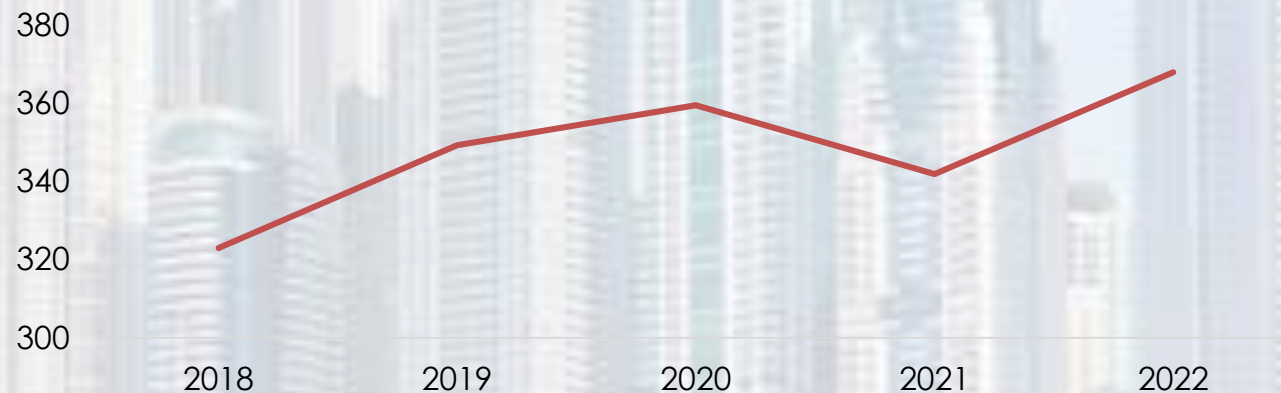
## Losers

- ✓ Clothing -9.9%
- ✓ Footwear -10.4%
- ✓ Furniture -9.4%

# The Consumption Function

- ✓ Consumption is the use of goods and services by households in an economy
- ✓ Consumption function describes the relationship between consumption and disposable income
- ✓ Aggregate consumption to decline
  - From \$359bn to \$342bn (4.7%) in 2021
  - Will recover marginally in 2022 (\$368bn)

## Aggregate consumption



Source EIU



# Impact of Reform Policies on Consumption

- ✓ Subsidies are reversed taxes
- ✓ FGN has reduced/removed some subsidy
- ✓ Every drop in subsidy reduces disposable income
- ✓ A decline in disposable income is a decline in consumption



# Impact of Reform Policies on Consumption

	Old	New	Difference	Additional Spending (N bn)	% of personal consumption
Petrol Price (N'liter)	123	161	38	804.46	0.59
Exchange rate (N/\$)	360	380	20	876	0.64
Electricity Tariff (N/KW)	30.23	62.33	32.1	46.87	0.03
<b>Total</b>				<b>1,727.33</b>	<b>1.26</b>



The impact of the reform policies includes:

- ✓ Fall in household disposable income
- ✓ Fall in aggregate spending by N1.73trn (1.26% of aggregate consumption-N136,031trn)
- ✓ Fall in aggregate supply falls

# Impact on the Poor-Squeezed

- ✓ 110 million living in poverty
- ✓ Policy impact is excruciating on the poor
- ✓ Large income inequality gap
- ✓ Slow growth rate and low-income level
- ✓ Gini coefficient
  - ✓ Nigeria 43.0
  - ✓ South Africa 62.5
  - ✓ Mexico 42.4

Million population	\$/day	% of population
110	Less than 2	52%
70	Less than 5	33%
10	Less than 10	5%
20	Above 50	10%



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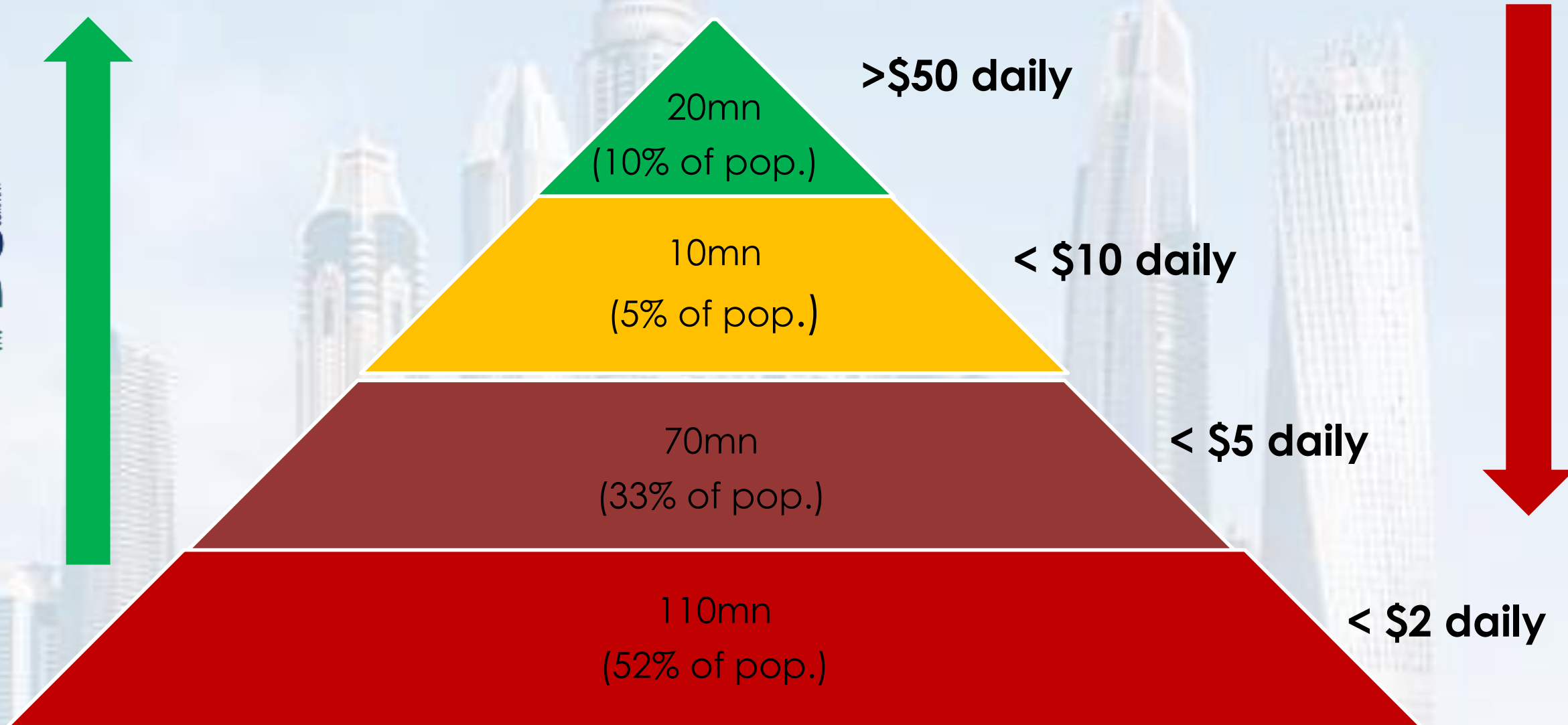
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# Reform Impact on the Income Pyramid

Impact decreases as income level increases



# Conclusion - Impact of Reforms

- ✓ Impact of reform policies are negative on all classes in the short run
- ✓ Impact of reform policies are positive on all classes

Class of consumers	Daily consumption	Short run impact	Long run Impact	% of population
Elites and Affluent	>\$50 daily	Negative but not killing	Positive Impact	10%
Middle Class	< \$10 daily	Negative and back breaking	Positive Impact	5%
Survivors	< \$ 5 daily	Crushing impact	Positive Impact	33%
Multi-dimensionally Poor	< \$ 2 daily	Excruciating	Positive Impact	52%

# Medium to Long Term Impact

## Government investment in infrastructure

Plus

**Private investment growth of 2.1% in 2021 to \$104bn**

Plus

## **Investment multiplier**

- ✓ Will push up total factor productivity by 0.6% from a 5-year average of -1.27%
- ✓ Total GDP = \$483bn
- ✓ Income per capita = \$2,228



# Stimulants/Palliatives

- ✓ More palliatives but it will not be enough
- ✓ Need to boost capital stock and total factor productivity
- ✓ Investment is key
  - ✓ Need for aggressive investment in human capital i.e. education
  - ✓ Aggressive investment in physical infrastructure

A collage of various colored envelopes (red, blue, teal, purple, yellow) with a central white envelope. A white note is placed on top of the white envelope, with the words "THANK YOU!" written in black, handwritten-style capital letters. The entire composition is set against a white background with a slightly distressed, torn-edge effect.

THANK YOU!