

Kenyans’ taste for classy cars evolves

Mercedes, once deluxe brand of choice, is facing new challengers. Now Range Rover is gearing up for the top spot, writes *Katrina Manson*

Sanjiv Shah has sold only a measly three top-of-the-range Jaguars this year. But given their \$200,000 price tags, the luxury car salesman is far from distressed. Plus, unlike in the past, when expatriates, corporates and government purchases dominated the luxury market, all three were bought by private Kenyan businessmen – which indicates scope for growth.

“The indigenous retail luxury market is bigger than ever,” says Mr Shah, chief executive of RMA Motors in Kenya, in his Nairobi office above a showroom gleaming with new cars.

But although Kenya is the third-largest market in sub-Saharan Africa after South Africa and Nigeria for RMA – a subsidiary of the Thailand-based US family business that markets Jaguar and Land Rover – it remains tiny. While RMA sells 7,000 units a year in South Africa, it is targeting sales of 250 this year in Kenya. After all, only 14,000 new vehicles in total were registered in Kenya last year, and most of those were pickups, trucks or similar.

Even the most aspirational Kenyans still overwhelmingly rely on second-hand imports for their wheels, including luxury sports utility vehicles. Only 1,700 new SUVs were registered last year – often four times as expensive as the same models second-hand, even though RMA has striven to bring down prices for entry models.

But Kenya’s luxury car market is changing in other ways too. In the past, old money made itself known via a top-end Mercedes-Benz, even giving rise to the Swahili word *wabenzi* – “the Benz people” – to describe their fat-cat owners.

But today, luxury SUVs are gathering pace as a new status symbol signifying modern success, embraced by everyone



On the road: SUVs are a status symbol for the modern elite, and sales are booming – AFP

from the president to Kenya’s richest self-made men. Mr Shah plans to sell 225 of the more expensive Range Rovers (\$73,000–\$290,000) this year and only 25 Jaguars (with models priced from \$73,000 to \$200,000).

“Luxury sedan car sales have actually been eroded,” says Mr Shah, who is a former rally driver. He points to the impact of poor roads, as well as a shift in aspirations. “It’s not cool to be seen in a Merc any more, it’s cool to be seen in an SUV. My customers tell me: ‘If I’m seen in a Mercedes, people will think I made my money through the government a long time ago. If I’m in a Range Rover, they don’t know where I made my money.’”

Mr Shah says the very top slice of Kenya’s elite these days tends to have both a Range Rover and a Mercedes parked in the driveway. “I want that

Merc to be a Jag,” he says. “We have to be creative in increasing Jaguar’s market share – some of that will come from Mercedes, and some will be new.”

It is clear that a growing number of Kenyans have this sort of money. In fact, the most common way of paying for the most expensive vehicles is not through the popular asset-financing model used for the cheaper luxury cars, where buyers take out a 36–48 month loan, but in cash – which could prompt fears of money laundering.

“Outright purchase is very popular, strangely enough, for units above KSh15m (\$170,000),” says Mr Shah. However, he insists that most of these customers are not politicians but entrepreneurs, and that his company receives such funds via bank-to-bank transfers or bankers’ cheques, rather than accepting carrier bags full of cash.

RMA is also thinking up new ways of “grooming” the minds and growing wallets of younger newcomers to Kenya’s elite for when they can afford such cars. The company plans to open branches in Mombasa and Nanyuki, and further into Uganda, and to create experience-based events to send its target audience home “bragging” about the brands.

The company, which won the dealership only last year, has so far marketed its wares at an upscale marathon and a private school. RMA even sends groups of 16 Kenyan invitees at a time to South Africa six times a year, to test-drive the vehicles off-road and around a race-course.

Only two or three invitees go on to buy each time, but Mr Shah insists it is worth it, because “they show off about it all before they go and after they come back. We’re trying to change our buyers.”

From dandies of the 1950s to the top designers of today

GUEST COLUMN

Thebe Ikalafeng

With its members’ flamboyant couture, the Society of Elegant Persons of the Congo was the embodiment of exaggerated elegance and nonchalance – in stark contrast to their environment of poverty and political upheaval.

Founded in Brazzaville in the 1950s, the society was inspired by the 1920s dandy styles of the former French and Belgian colonial masters who sought to “civilise” “naked” Africans by “paying” them with second-hand clothing from Europe.

In similar vein, after work, migrant miners in South Africa’s poorest neighbourhoods in the 1950s would exchange filthy overalls for finery and compete in dancing and singing contests for the title of “the best-dressed man”.

Such events were common across many parts of Africa.

Post independence, a new elite with the right connections gained access to unimaginable wealth that enabled them to splash out on senseless luxury lifestyles in the midst of poverty.

But as poverty has declined and increasing numbers of people are moving into higher income segments, a new class of wealthy Africans is emerging.

In 2011–12, the number of high-net-worth individuals in Africa grew by 9.9 per cent, the second-highest growth rate in the world after North America, according to the World Wealth Report by Capgemini. That growth rate had dipped to 3.7 per cent by 2013, according to the latest Capgemini report, but it is still positive. The number of dollar millionaires in sub-Saharan Africa’s biggest capital cities, Capgemini says, is growing at a rapid rate.

As Africans become wealthier, they have been seeking out a growing number of luxury brands.

While Porsche has been in South Africa since 1952, the local Daytona Group has over the past 12 years built a \$200m luxury car business that has seen increasing numbers of Rolls-Royces, Bentleys, Aston Martins, Lamborghinis and McLarens on the roads.

Inspired by the success of British-born Ghanaian Savile Row tailor Oswald Boateng, African designers are also gaining confidence to create “Made in Africa” luxury brands to sell abroad.

Hollywood-based Nigerian jewellery designer Chris Aire, celebrates the film world glamour of the 1930s with ranges retailing to celebrities for between \$500 and \$50,000.

Swaady Martin-Leke, the elegant South Africa-based Ivorian entrepreneur, founded Yswara, an African luxury brand selling gourmet teas, chocolates and homeware.

South African publisher Khanyi Dhlomo, recently launched Luminance,

Sandton City is creating a luxury precinct to accommodate brands such as Dunhill and Gucci

the first luxury boutique department store in Johannesburg. And Africa’s best known mall, Sandton City, also in Johannesburg, is creating a luxury precinct to accommodate brands such as Dunhill, Gucci and Louis Vuitton.

The recent Brand Africa 100 survey, which examines the 100 most admired companies in Africa, found that homegrown names now account for 33.7 per cent of valued brands. And with Africans such as Oscar-winning Kenyan Lupita Nyong’o now the face of luxury brands such as Miu Miu, it seems they are no longer trying to emulate their former masters with hand-me-downs but are set to lead trends globally.

Thebe Ikalafeng is a global African branding and reputation consultant and founder of Brand Africa and Brand Leadership. @ThebeIkalafeng.

Africa is finally on the path to becoming a consumer society

As *Brian Bollen* explains, most citizens on the continent have a long way to go before they can afford a Rolex

For readers of a certain age, the name of Africa will never sit comfortably alongside the word luxury. Recollections of donating scarce pennies to feed starving children spring to mind more readily than visions of the purchase of Rolex watches and/or Louis Vuitton handbags.

But even as the Boko Haram group in Nigeria continues to capture and hold vulnerable young girls in a way that is reminiscent of medieval warfare, the broader continent is changing, and changing fast.

Africa is on the march, it seems, towards a consumer society. Mark Mobius, executive chairman of Templeton Emerging Markets Group, who manages a suite of funds including the Templeton Africa fund, says: “In terms of development, Africa today is where much of Asia stood a decade or so ago.”

Taken at face value, the talk of macro-economic and social progress sounds compelling. Especially if the transparency created by the entrenchment of mobile telecommunications and the alternative payments network offered by the widespread use of mobile telephones are changing the political and financial services landscapes, as some close observers believe.

Many cite the same underlying driving forces. Penelope Biggs, head of the institutional investor group, Emea, for Northern Trust, an asset and wealth manager, says: “All across Africa, we are seeing a steady increase in GDP,



Mark Mobius: ‘Africa is where Asia stood’

The future Investing in utility rather than luxury

The Templeton Africa Fund was launched in May 2012 and had amassed a relatively modest \$143m in assets under management by the end of July, although its manager Mark Mobius says its value is up 25 per cent since inception.

Banks and other financial institutions dominate the portfolio, accounting for 41 per cent, followed by consumer staples with 26 per cent. Consumer discretionary, which includes clothing, accounts for just 5 per cent.

Nigeria, South Africa and Egypt

account for the bulk of the fund (33, 21 and 12 per cent respectively). Africa-orientated companies with direct or indirect listings on the London Stock Exchange make up a further 3.88 per cent.

Templeton has some exposure to the luxury sector via private equity-style investing in shopping malls. These are increasingly common in Africa, often driven by the major South African retailers expanding beyond their home market. “We are currently evaluating a shopping mall opportunity,” says Mr Mobius.

foreign exchange reserves and the creation of sovereign wealth funds, as these emerging countries start to benefit from fast growing revenues from their myriad natural resources.”

She describes these dynamics as the first signs of wealth accumulation. Over a relatively short period of time, this growing wealth will drive up the standard of living across the population.

This will fuel the demand for more advanced adult education, creating more entrepreneurs and more leaders across the region, she adds. This will in turn form the core of tomorrow’s wealthy population, the group that will buy luxury goods, will create business ventures and lead the economy as it takes Africa and African investors to the forefront of the market.

“What China did 10–15 years ago, we’ll see happen with Nigeria, the biggest consumer market in Africa,” says Nicolas Clavel of commodities specialist Scipion.

As sub-Saharan Africa has become wealthier – GDP has grown at an average of 5.1 per cent a year since 2000, according to the International Monetary Fund Regional Economic Outlook – there are more imports into Africa. Imports

from China and Europe have steadily increased, even after the value and volume of exports reduced by almost a third in 2009.

There is more to the story than quantitative change – the types of products Africa is beginning to import reflect the growth of Africa’s middle class. For instance, Prada and Cartier are opening stores in Nigeria and Angola, adds Mr Clavel. Stephen Blackshaw, partner at Sidley Austin, the corporate law firm, notes: “Anywhere there is a huge concentration of wealth, you will see luxury goods.”

For the moment, though, African luxury goods purchases remain mostly the domain of globe-trotting politicians and self-made business people who are unusually rich by local standards. While they return to base with a Patek Philippe timepiece or Prada handbag, luxury for their compatriots is more likely to be represented by a modest excess of food and cash in any given week.

A recently published paper from the McKinsey Global Institute calculates that Nigeria has a “rebased” GDP of \$510bn and almost 40m consuming-class households. The country has the potential to grow these figures to \$1.6tn and 160m by 2030, says the MGI paper.

But while the number of local currency millionaires is growing rapidly, if the middle classes are earning the equivalent of between two and 20 US dollars a day, as calculated by the African Development Bank, they face a long wait for a Rolex.

OURS

M A G A Z I N E

The conscious and critical magazine for the curious citizen.

www.ours-mag.com



@OursMagazine

@OursMagazine

@OursMagazineOfficial

Why Lagos, London and Geneva ?

London is Europe’s cultural centre for creativity and uninhibited expression, making it inextricably linked to Geneva, the international centre of development. London and Lagos are inherently interlinked and have been that way for over a century. We believe that for the first time they are ever more so culturally interlinked in terms of art, fashion, music and literature being exchanged. A Nigerian artist can top the British charts and stay there for weeks, think of D’Banj’s single Oliver Twist. Traditional African prints have been a recent trend in London Fashion. More and more international brands are migrating to Lagos, Nigeria’s economic capital. The young multicultural and open minded creatives that fuel these arts and developments are linked with OURS. This is where they share and exchange ideas.

What do you hope to achieve with the publication ?

Create a platform for the exchange of open-minded and progressive ideas of development and art that will promote active change and acceptance amongst different cultures and ethnicities.

How would you define your readers ?

Our readers are conscious, critical, curious, creative, progressive and seek to live sustainably.