

# The changing face of retail in Africa

By [Gareth Pearson](#), issued by [BMI Research](#)

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South African retailers are revolutionising consumer shopping habits across the whole continent, changing the way consumers shop and what they buy.

With the South African market maturing, many retailers and fast-food chains have ventured north of the border with Africa providing them with huge opportunities to reach relatively untapped markets which add healthy margin growth.

The changing face of retail in Africa is most evident in those capital cities which have the highest concentration of affluent consumers and expatriates who have previously been exposed to formal retail. However, the real momentum for the transformation has come from the major retail chains and property developers who have worked together to pioneer a new 'shopping mall culture' in many of the major centres.

A consumer culture has not been the norm across the continent, but the growing presence of many of the big retailers including Clicks, Edgars, Game, Jet, Mr Price, Pep, Pick n Pay, Shoprite, Truworths and Woolworths has provided the more affluent and middle-income consumer with access to formal retail shopping for the first time. Never before have consumers had access to such choice and convenience - and this new landscape is having a major impact on driving consumption demand.

The new retail precincts are not only changing consumers' buying behaviour but are also changing their social behaviour by providing a venue for consumers to congregate. In fact, many people are foregoing other activities and traditional meeting places in favour of 'mall socialising'.

One of the most significant retail trends emerging in Africa is the offering of quality goods in a first-world retail outlet such as fresh deli and butchery. It's also an irreversible trend. Younger consumers will become accustomed to the new retail offering and the combination of convenience and aspiration will drive demand.

The advancement of South African retailers is predominantly in Sub-Saharan Africa but as more and more organisations recognise the growth opportunities in untapped markets, the footprint will expand. Distribution and the cold chain in particular is - and remains - a major obstacle to successful operation, but there are many retailers and retail suppliers who have invested in Africa and are realising robust margin growth. This is sweetened by the fact that consumer credit is still not an option in many countries, and cash is the major currency which enables retailers to build robust and liquid trading platforms with limited financial risks other than low trade volumes and interest rate fluctuations. When there is increased access to consumer credit (by the financial institutions and/or the retailers themselves), this will provide even greater impetus for growth but will also increase trading risks for the retailers.

Opportunities for growth remain open to both existing as well as new entrants, but site selection is paramount and latecomers could miss out. Location, leases, management, logistics, local legislation and supplier agreements are also pivotal to success - as is a deep and thorough understanding of local consumer trends and preferences. Efficient product merchandising is also vital and those retailers that deliver on the fundamentals of value, convenience and product availability will be the success stories.

The global trend of urbanisation is also very evident throughout Africa with the result that retailers now have sufficient numbers of consumers driving a sustainable demand for their goods. In turn, this means choice and convenience available to consumers where previously there had been none.

This formal retail advancement comes at the expense of the informal trader as economies of scale enable the more

sophisticated retailers to offer consumers cheaper prices, greater value and a much wider range of products. Despite the changes however, the informal sector will always have its place as consumers will 'top up' their primary purchases with products supplied by a nearby informal outlet or street trader.

Africa's formal retail growth could impact on the number of 'tourist consumers' who have traditionally visited South Africa to shop, but the upswing in trade in the new markets would more than offset any decline in volumes. South Africa will continue to be seen as an aspirational destination and despite the growing presence of South African retailers and products in tourists' own countries, they will continue to travel south to purchase luxury items.

The increased strategic focus on Africa by the major retailers also provides significant growth opportunities for secondary and specialist retailers as well as for service providers.

Observing the many people stepping onto an escalator in a shopping mall in cities across Africa for the very first time, it's clear that the only way for retail on the continent is up.

## ABOUT THE AUTHOR

CEO of BMi Research (Pty) (Ltd)

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