

Smart African retailers are rising from the ashes. Here's how

By  Lee Naik

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To hear some industry commentators tell it, Covid-19 is going to be the final nail in the coffin of retail as we know it. At best, they're over-simplifying. At worst, they're just wrong. Retail was in dire need of change long before the pandemic struck - Covid just gave it an extra shove.



Here's the thing. The real burning platform for change in Africa's retail industry lies in the fact that the way people think, how they behave, and what they regard as important, has fundamentally changed. There are three main reasons for this.

Modern consumers want the digital world experience to translate seamlessly to the physical world. We're living in a time of phygital consumer experiences. People live online. They use TikTok, Instagram and a host of digital applications constantly. They see content that relates to the physical world, and want to transact and engage with that brand or experience instantly. It's instant gratification on digital steroids.



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Customers are increasingly shopping across the value chain. Even before Covid, we knew customers were getting used to being in control of their spending – and that included a clear move away from shopping exclusively at single brands, and a greater emphasis on shopping around.

Part of this behaviour is being driven by growing financial stress. If you can get a black t-shirt for R50 at retailer X, why spend R100 at retailer Y? Since Covid-19, this financial pressure has only increased, with TransUnion's ongoing Financial Hardship Surveys showing that many people have cut their discretionary spend by up to 60% as they struggle to survive the storm.

Covid-19 has made a lot of consumers reassess what they want from their lives. In a post-Covid world, people aren't just rethinking their spending patterns to survive financially. They're fundamentally reconsidering what they spend their money on in general, and what value their future purchases will add to their lives.

They're rethinking their health, their relationships, and what's really important to them in this time. Consumers aren't taking a temporary time-out: their expectations of retail have changed, along with their behaviour.

Is going digital the silver bullet that will save retail?

Read any banking or retail annual report right now, and they're all talking about their investments in digital and why this will pay dividends. In South Africa, [The Foschini Group has invested heavily](#) in building its digital channels over the last few years, and this has clearly given it a competitive edge.

[E-commerce is booming](#), with some retailers saying it's like Black Friday every day. Clothing retailer Mr Price saw its [online sales surge](#) by a massive 90% between April and June, and we've seen similar success stories from online retailers [like OneDayOnly](#) and Takealot.



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What smart retailers are doing right

But look behind the scenes, and these success stories aren't built simply on having a digital platform. Retail won't reinvent itself by transferring its old model online. There are three big things smart retailers are realising right now:

1. Their focus isn't on owning their customer; it's on understanding them

The days of 'owning' a customer are long gone. Savvy retailers want to understand what customers need, and how customers can engage with them at any time, on any channel.

They're using their physical spaces to deliver more value to their customers. We've seen grocery retailers introducing a number of new ways to shop - [click-and-collect](#), [email ordering](#), [mobile shopping](#), and more. Malls like Cape Town's V&A Waterfront are offering [a click-and-collect service](#) that allows customers to place online orders with multiple stores, and then to collect the parcels themselves at a drive-through kiosk.

Clothing brands [like Under Armour](#) are offering a full digital retail experience, including virtual walkthroughs and getting their clothing delivered for at-home fitting.



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2. They understand the power of the sharing economy

Right now, retail is all about maximising revenues – and instead of trying to go it alone and do all their marketing themselves, some of the most successful retailers are partnering with online platforms and other distribution players. Their thinking is simple: if you can get your product or service in front of a customer, they will consume it.

3. When they think digital, they don't think digital

Digital isn't some separate business strategy that retailers need to adopt. It's not 'a thing': it's everything. To reinvent yourself as a retailer, you don't appoint a digital guy. You start by asking how you organise your business, grab the attention of consumers, and stay relevant in a world that is digital by default.

So no, Covid didn't kill retail. It just poured fuel on a burning platform that was overdue for change anyway. I, for one, can't wait to see the rise of a new African retail industry that's focused on the consumer.

ABOUT LEE NAIK

Lee Naik is the CEO of TransUnion Africa.

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