BIZCOMMUNITY

To succeed in Africa, look at its retail data

By Zeenat Moorad

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It turns out that soaring gross domestic product, population and governance alone are not enough to predict brand success in Africa.

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Rising affluence has turned the continent's biggest economies into modern-day Meccas for consumer industries, with a growing middle class clamouring for high-quality branded goods.

However, a report by global marketing research firm Nielsen yesterday, 11 March 2015, showed that companies that combine retail data from both modern and traditional trade and consumer shopping behaviour with broader, macroenvironment indicators, would be better positioned to identify the right retail execution strategies that lead to sustainable growth and profitability in Africa.

"Successful consumer brands in Africa understand three key pieces of retail information: who shops where and for what; which retail outlets are the best for the product to generate sales, and how to build demand among retailers and consumers," said the head of Africa for Nielsen, Allen Burch.

For most of Africa, the percentage of sales through modern trade is still small. While international retailers are making investments in modern trade formats, traditional retail, such as the kiosk and table top (a stall set up on the roadside or in a local market area to capture passing trade) is where the majority of consumer retail transactions occur.

Even in SA, which has the most modern trade within sub-Saharan Africa, 40% of sales come from traditional retailers. What a given retailer keeps on its shelves, in what quantity, the price, the supplier and how often stocks are replenished, varies by retail format. "This also influences the purpose and frequency of consumer visits," Nielsen said.

Depending on the country or urban area, consumers may shop at grocers or supermarkets less frequently because of transportation challenges, but visit local table tops daily to stock up on day-to-day items.

"With six of the 10 fastest-growing economies in the world located in sub-Saharan Africa, and populations growing in size and spending power, there is tremendous promise and opportunity for consumer brands in Africa. Companies, be they global multinationals or the rapidly growing slate of home-grown African brands, that look beyond macroenvironmental data will be best positioned to meet the needs of consumers in this important region," Mr Burch said.

Though Africa does present a compelling case for consumer-facing groups, there is a gap between economic growth and the rate of infrastructure investment. Other risks include a lack of suitable property, currency volatility, corruption and red tape. Shoprite, a trailblazer in Africa, having first ventured north in the 1990s, is reviewing a further 88 supermarkets that it is either in the process of signing up, or getting land finalised for. The grocer has partnered with Resilient Property to build 10 malls in Nigeria, in a R1bn-plus deal that also involves Standard Bank and Group Five.

Still, its expansion has been held back by many obstacles. It was CE Whitey Basson who once put it succinctly: "Africa is not for sissies."

Source: Business Day via I-Net Bridge