

# THE FUTURE OF RETAIL IN AFRICA

5 trends reshaping African retail in 2019 and beyond!

## Every business professional operating across the continent is asking:

‘What’s next in the African retail landscape?’ Let’s get some disclaimers out of the way. Bad infrastructure? Yep. Below global average internet penetration? For sure. Poor service delivery? You get the point. But these metrics only tell half the story. In the face of these issues comes ingenious innovations which often give the West a run for its money.

Let’s also not forget that Africa was never dealt a fair hand to begin with. The continent has struggled with extracting value from the globe’s ‘free’ markets and supply chains, despite the fact that natural resources or ideas were never an issue domestically. Take chocolate – 75% of the world’s cocoa production comes from Africa and yet, it only receives 5% of the USD 100 billion annual revenue. Lately, this lag has forced local brands to sit up and consider new ways to flip the script.

In the race to catch up with the rest of the retail world, highly-expectant, globally-aware African consumers will see brands cater to them in ways previously unimaginable. As local companies utilize online and offline channels, Africa is primed to educate the rest of the world about the ultimate retail experience.

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If you've read our [Global Future of Retail](#) report, you'll know that this publication is not about matter-of-fact macro-trends on the state of African retail. There are already countless reports out there that capture the region's economic growth rates, e-commerce penetration, experiential retail, millennials' shopping habits – the list goes on.

Instead, we are highlighting the five *tactical* opportunities you can tap into, to fuel your next winning retail innovation. These trends point out where shopper expectations are headed to, and what they will start demanding from you.

#### **1. MODERN MARKETPLACES**

E-commerce Africanized = retail e-clusters.

#### **2. DELIVERY DELIGHT**

How logistics solutions will leapfrog lagging infrastructure.

#### **3. PROUDLY AFRICAN**

As the retail economy roars, its 'Africanness' roars too!

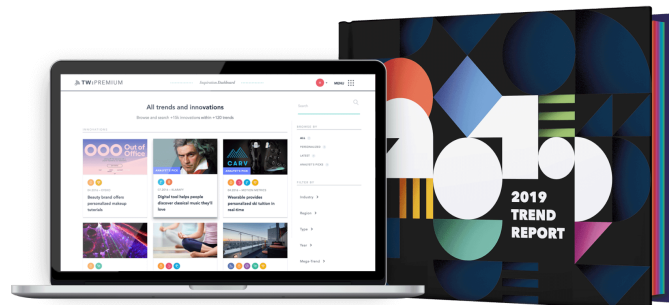
#### **4. BEST BEHAVIOR BRANDS**

In 2018, every retail brand must ooze positivity.

#### **5. TOUCHPOINT RELEVANCE**

Retail in the right channel and the right context.

**Ready to dive right in? Good luck!**



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## **1. MODERN MARKETPLACES**

E-commerce Africanized = retail e-clusters.

Africa accounts for just 2% of online purchases globally (E-Marketer / Africa Middle East, April 2017). The promise of e-commerce nirvana is only just starting to manifest across Africa. But if it's to be fully actualized, it has to be done the 'African way'. That is, not via online stores owned by a single brand, but by online clusters offering multiple brands, selling various wares in a single hub!

Medinas and marketplaces are common across Africa and bartering, communal transactions, active price comparisons and even socializing are part of the informal network they create. In Africa, 85.8% of employment is informal, compared with 25.1% in Europe and Central Asia (International Labour Organization, April 2018).

The delayed adoption of e-commerce solutions can, in fact, be partly attributed to the fact that many consumers don't immediately see a need to convert to a more formalized, digitized mode of shopping. But now, the internet is forcing sellers to think digitally, to consider MODERN MARKETPLACES where a variety of entities can be accessed on one branded platform.

Let's look at the very specific ways in which Africans approach shopping in the first place.

## **Why now?**

### **She wears the pants**

Women are typically accountable for purchasing groceries and household goods. With the shift in working dynamics, and as people work longer hours, women have less time to go to the marketplace and are turning to online shopping. South African women are the fastest growing online demographic, and now accounting for 47% of the country's e-commerce market (FASTMOVING, May 2018). These women expect online retail apps that mimic their offline shopping experience.

### **Omnipresent POS**

African consumers are already accustomed to informal 'points of sale' such as market sellers, street hawkers and informal retailers aligned within a single space, along a certain road, underneath a particular bridge or within a demarcated area. This year's clash in downtown Nairobi, where 80 hawkers

were arrested and illegal retail structures were demolished, highlights the resilience of, and demand for, these interwoven transaction hubs, in contrast to more disconnected destinations.

### Mobile first

With 96% of web traffic attributed to mobile, Mali saw 460% annual digital growth of internet users between 2017 and 2018 (Hootsuite / We Are Social, Jan 2018). As the amount of information available to consumers continues to grow, so do expectations around information speed and immediacy. The expectation that informal markets increase their standards is an opportunity for MODERN MARKETPLACES to create new digital platforms that allow consumers to access, communicate with and review sellers of all types.

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## Examples



**SKY.GARDEN** – E-commerce platform provides opportunities for local traders - February 2018 saw Kenya-based e-commerce startup Sky.Garden raise USD 1.2 million in funding. Sky.Garden is a mobile software service platform that allows small business and informal traders from across Africa to sell their products online. Since its launch in Q4 2017, Sky.Garden has over 3,000 registered sellers with over 23,000 products on sale.

**INTELWORLD** – Marketplace provides a global platform for Ugandan merchants - Xente is an online marketplace developed by Uganda-based Intelworld. The marketplace features over 50 Ugandan merchants selling digital products such as cell phone credit and TV subscriptions. Users from across the world can shop, pay bills, buy tickets and search for discounts. Payments can be made by credit card, mobile money or bitcoin, with the option to pay later or in instalments. In Q3 2018, Xente announced plans to expand to include Ugandan merchants who sell physical products.

**HMIZATE** – services - platform HmizatePa Via the platform can be used and rewarded designed to payment n

## Your move

Daring brands can provide a MODERN MARKETPLACE for other businesses to offer goods and services to African consumers. But it's essential to provide the benefits of e-commerce (convenience, accountability, security and more) whilst retaining the dynamic elements that make offline experiences enjoyable. If you're going to take consumers out of their comfort zone by helping them to pay bills, as Jumia and Hmizate do, take it slowly. Once users are familiar with your merchant aggregating platform, transition them to

brand-driven services.

However, wasting too much time building a branded e-commerce proprietary platform might not be the right investment. If you already have a product or service, choose a MODERN MARKETPLACE that fits your brand, but also ask if your brand is visible within its platform? Just like offline marketplaces, consider how your brand could stand out on retail e-clusters. Flash sales? Targeted offerings or product customization? If you're feeling generous, free delivery could attract new (hopefully repeat) customers, in a space where such perks are not yet commonplace.

Alternatively, consider services that complement MODERN MARKETPLACES. First-time and anxious e-commerce customers might require insurance or warranties – especially if you're not a financial services provider. The opportunities here are broad – brainstorm until you've exhausted all your options!



#### 2019 TREND REPORT

Our 2019 Trend Report is now making its way around the offices of our Premium clients, from Shanghai to San Francisco.

Packed with 100+ trend-driven insights and innovation opportunities, our Premium clients will now use the 2019 Trend Report and its supporting frameworks to understand and identify the customer-delighting opportunities that next year presents to their organization.

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## 2. DELIVERY DELIGHT

How logistics solutions will leapfrog lagging infrastructure.

We all know that the struggle is real when it comes to infrastructure (or the lack thereof) in Africa. Not only is it a major strain on daily living for the average consumer, it also makes the most basic tasks such as grabbing lunch burdensome.

As the continent continues to develop and grow, expectations about the level and quality of service delivery Africans receive are rising. 2017's much-heralded collaboration between UNICEF and drone company Zipline created the continent's first air corridor. It has now successfully delivered over 7,000 units of blood in Rwanda (CNBC, May 2018), proving that bad infrastructure is no longer an excuse for poor service.

Innovative brands now understand that, in order to realize the full potential of the retail industry, overcoming the logistics quandary is an absolute priority.

## **Why now?**

### **Right here, right now**

Globally, 40% of logistics companies are expected to provide delivery within two hours of ordering by 2028 (Zebra, April 2018). African consumers don't exist in a bubble – what they will witness on a global will impact their expectation of local players operating in Africa.

### **Challenging the status quo**

African consumers are over lamenting how bad the macro issues impacting their communities and countries are. Businesses of all shapes and sizes are responding in kind by attacking seemingly-gargantuan issues head-on. 22% of Africa's working-age population are starting new businesses, the highest rate of any region in the world (African Development Bank, May 2017). This surge means new ideas, services and solutions – all resulting in improved delivery standards.

### **Delivery democratized**

What the affluent within Africa have always been able to pay their way to get is now being demanded by the working classes. At the same time, migration to cities and maintained connections between family members means that even those living in the most rural areas are aware of what good service looks like in urban settings and demand it too. Around 50% of rural households in Nigeria, Tanzania and Mali have a family member who has moved to an urban city (UN, Sept 2017).

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## Examples



**MOBAR** – App delivers alcohol in less than one hour - Q4 2017 saw the launch of MoBar: a delivery service connecting customers with distributors in Kenya. Via the service, customers can order from local businesses, with guaranteed courier delivery within one hour. MoBar initially partnered with Jeyfine Wines to deliver alcohol; brand plan to develop further partnerships and offer different products in the future. As of April 2018, MoBar had a monthly user base of 1,500 people and earned approximately KES 3.5million (USD 35,000) in revenue.

**ZULZI** – South African delivery service expands after gaining 10,000 subscribers - January 2018 saw delivery service Zulzi announce plans to expand from Johannesburg to Cape Town Durban and Pretoria after successfully gaining 10,000 subscribers. Initially, the service delivered textbooks and gadgets to students within one hour but was expanded to include groceries, pharmacy items and alcohol. Zulzi has partnered with shops (who pay 7 - 15% commission per order) as well as packaging companies who offer discounts and advertise via the platform.

**SOKOWATO** – Small business delivery network - Q3 2018. Sokowato is a small business delivery network that notifies small businesses of delivery orders and allows them to place orders directly through the app.

### Your move

In the same way that Tupuca utilizes cellphones to mobilize citizens operating in the gig economy, think about how your brand can employ and organize networks of otherwise dormant workers, with resources they might already be equipped with (and a clever app of course!).

Convenience is everything in this trend, so there's no point in providing a delivery solution if other moments of exchange are long-winded. Let's not forget that mobile money is growing five times faster in Africa than in any other region (McKinsey, Oct 2017), so ensure that every element of the transaction process, from payment to communications, don't undo the value that's been gained and the time that's been saved.

If you're not close enough to your customers to meet their specific logistical needs, work with local businesses. If Zipline and UNICEF can solve the challenge of delivering blood on time, getting a takeaway meal to a customer cold, or a birthday gift to its recipient late, is unacceptable. If you're already collaborating with a spectacularly efficient delivery brand, think about how your brand can apply the newly freed-up time to provide an even better after-sales service. It's about time all retail and customer service levels caught up with the rest of the world!

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### 3. PROUDLY AFRICAN

As the retail economy roars, its 'Africanness' roars too!

For Africans By Africans. African Pride. Afrofuturism. Africa Rising. The 'Made in Africa' narrative is evergreen, but it has a right to be so. Why? Because we are yet to see the peak of African influence in the global retail arena.

Consider the fact that one in four of the global population will be African by 2050. Africa isn't just growing physically – the socio-cultural and political influence of ~~Wakanda~~ Africa will be even more pronounced globally.

2018 will see a new iteration of 'Proudly African' rise in retail. African products, ingredients, symbols, lifestyles and traditions that were previously downplayed, will increasingly become modernized to service the cultural needs of domestic consumers, and excite otherwise disconnected global consumers.

#### Why now?

##### Top down policies

Be it for austerity reasons or national pride, a number of African countries are banning or placing high tariffs on foreign imports such as clothes. Countries including Rwanda have blamed foreign garments for the stifling of the fashion industry – in May 2018 the government placed a ban on second-hand clothes from the US in order to bolster domestic trade. Nigeria introduced a similar ban on 41 items that are usually imported. These policies are forcing



consumers to look for local alternatives.

### **Pride in the middle**

63% of African respondents prefer to buy African own brands whenever possible (How we made it in Africa, June 2017). The continent's much-disputed emerging middle class are finally on the rise and are seeking to preserve traditions and maintain heritage. That doesn't mean to these aspirational consumers won't acquire foreign products once they're financially able to do so, but Western brands are no longer the de facto choice. These young, dynamic Africans derive economic and cultural status from a mix of global and local 'cool' brands.

### **Outsiders looking in**

As Western markets become increasingly saturated, brands look further afield to generate revenue. The African market, and its affluent customers, are an attractive option. One example of that? In April 2018, luxury German watchmaker A. Lange & Söhne opened their first store in South Africa. Today's African consumers are aware of this new attention and don't take it for granted. They're using their new purchasing power - and the validation that being recognized brings - to demand that global brands pay homage to their personal and cultural preferences.

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## **amples**



**PALACE TRAVEL** – Travel agency gives Africans a chance to discover their ancestry - In August 2019, US-based travel agency Palace Travel will host a tour 10-day of Ghana West. Aimed at Ghanaian descendants of those formerly enslaved, the tour will enable people take part in a number of cultural activities - including being met by Ghana's government representatives with a proclamation recognizing participants as an African Diaspora, and ceremony in which travelers will be given their African names. The trip will coincide with the 400th anniversary of the first recorded landing of a slave ship in Virginia. Prices start at USD 4,895.

**TALATA** – Interior design brand spotlights Egyptian aesthetic - Talata, formed by three friends from Egypt, held its Dubai pop-up in May 2018. The UAE-based home brand offers home furnishings and an interior design service, with products made by hand in Egypt, and seeks to represent an Egyptian aesthetic. The 'affordable luxury' jewellery, r company also partners with up-and-coming designers, in Egypt and other countries across the Middle East.

**OZIDU HOUSE** – Historic photographs of colonial era ethnic accessories - Ozidu House talks about Nigerian artists in N

## Your move

Any local retailers that still believe 'West is best' need to fast update their strategy. Yes, there's still some time to tinker with demographic segments who yearn for Western products but if you're operating in that territory, make sure you're offering the very best. European luxury brands, like A. Lange & Söhne who handcraft only a few thousand gold and platinum wristwatches per year, still have a stronghold grip over the world's wealthy – and that's not going to change any time soon.

However, the bulk of new consumers are moving on and finding more local (read: more relevant and more practical) status symbols. How can you look inwards and embed quintessentially African culture, aesthetics and narratives into your offerings?

Don't forget that thanks to the new wave of domestically protective regulations, setting up shop in Africa isn't what it used to be. The African Continental Free Trade Area, announced in March 2018, is one of the world's largest free trade blocs, involving 44 African nations. So, if you're a global brand looking to get your foot through the door, find a local player to partner with to establish authenticity and build credibility but also just to get things done!

## 4. BEST BEHAVIOR BRANDS

In 2018, every retail brand must ooze positivity.

Global lifestyle giants such as Apple, Nike, Pepsi, Facebook or even Uber are typically held to account by their customers / followers / fans for not embodying the right values, for failing to take a stand on issues, even for disingenuous campaigns. Zoom into Africa, and incessantly maltreated customers have become increasingly tired of how corporate entities interact with the continent.

In 2018, these consumers will expect only the very best behavior, not only

from overtly 'brand-driven' businesses who are supposed to represent the right ideals, but also from the most invisible and commoditized retail brands too.

This trend has largely been seen in South Africa. However, with the continent converging, dissatisfaction of mass-market brands that lag behind will spread across African countries. BEST BEHAVIOR BRANDS will rise up from sectors of the retail industry that are typically more lenient to address real issues and deliver genuine initiatives that bolster brand image and ultimately generate more sales.

## Why now?

### **Citizen woke**

Many African shoppers were previously implicit in allowing retail players to not give them their due respect. The status accrued by acquiring coveted products superseded the need to question a retailers' ethos. But national pride has created a shift in attitudes. South African fashion designer MaXhosa by Laduma launched a lawsuit against Zara, alleging the global retailer had copied one of his designs. In 2018, consumers will scrutinize the entire business chain, and are increasingly aware of cultural preservation and the social value of every purchase.

### **The 'returnee' class**

The remittances Ethiopia receives represents a quarter of the country's foreign exchange earnings and, in 10 months in 2016, exceeded overall export earnings. But returnees and the African diaspora bring more than money and progressive socio-environmental attitudes. This increasingly powerful consumer set are paying greater attention to businesses, calling out bad behavior on social media and, in the process, are influencing brand actions and the shopping habits of other consumers too.

### **Treat me fairly**

Brands are no longer safe from the backlash that occurs when they are deemed to be exploitative or make blunders that damage the image of Africans and the diaspora. After fashion retailer H&M featured an image of a black child model wearing a hoodie with the phrase 'coolest monkey in the jungle' on the brand's website, protesters from the Economic Freedom Fighters (a vigilante arm of a pro-black political party) showed their anger by ransacking six H&M stores.

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## Examples

SHOPRITE – Supermarket offers employees accredited training and mentorship - April 2018 saw Shoprite launch an initiative to upskill over 4,000 employees. Accredited assistant chef training courses were offered to the South African food retailer's employees working in bakeries, delis and fish departments, with the course lasting four months with ongoing mentorship. Employees were encouraged to use their new skills to provide more varied offers - for example preparing their own relishes which could then be sold in store.

PIZZA HUT – Pizza Hut partners with READ to deliver literacy boxes in South Africa - April 2018 saw The Pizza Hut African Literacy Project launch in Cape Town. Collaborating with the educational trust READ, the pizza franchise aims to improve literacy amongst children in Africa. The 2018 launch event was held at the Kloof Street Pizza Hut franchise where children were treated to pizza and Red Reading Boxes. The 'Slice of Africa' team will deliver reading boxes to 12 countries across Africa in Q3 2018. The Literacy Project launched in 2016; as of 2018 over 275,000 books have been distributed across the US, Brazil, Canada and South Africa.

CHECKERS - encourage saw South campaign together. F customers 24 differen flowers an biodegrad Little Gard gloves.

## Your move

The key takeaway? Nothing less than BEST BEHAVIOR will be tolerated, for even the less aspirational brands operating in the retail industry.

Whatever you call it: social enterprise, triple bottom line, shared value... Every business that delivers on this trend, will sustain a long-term competitive advantage. Consumers will appreciate brands who align with causes they care about and show respect to them as customers.

And speaking of CSR... rolling out classic corporate social responsibility templates is a no-no. Being a BEST BEHAVIOR BRAND is not about good photo opportunities. Ensure that whatever cause you choose to champion is a genuine one, isn't short-lived nor patronizing to the recipients of your generosity and / or gestures. See how Mastercard boldly set a global goal of 100 million meals - this isn't a trend to rush into!

## 5. TOUCHPOINT RELEVANCE

Retail in the right channel and the right context.

Africa is a myriad of retail ecosystems, where specificity should be key – but usually isn't. Stressed consumers don't need every brand to be everywhere, all the time.

Instead, shoppers will increasingly embrace savvy sellers that employ TOUCHPOINT RELEVANCE to match their idiosyncrasies and are there as and when they're needed.

If MODERN MARKETPLACES is about taking the tried-and-tested offline shopping experiences online, then TOUCHPOINT RELEVANCE is about inventing new ways of connecting with customers, that supersede those methods.

## **Why now?**

### **You snooze, you lose**

Tech hubs across Africa have grown by 40% in the last two years (Quartz Africa, March 2018). Aggressive start-ups are entering the consumer landscape at an unprecedented rate, looking to reap the benefits of selling to VIRGIN CONSUMERS. These competitors need to find unorthodox and exciting ways to connect with potential customers and will stop at nothing to reach them. Even brands that have long been on the ground are no longer limiting their reach to traditional channels and are using newer, more novel customer touch-points.

### **Communication is king**

Africa boasted a 12% growth in active social media users in 2017 (Hootsuite / We Are Social, Jan 2018). Two platforms were responsible for that growth: WhatsApp and Facebook Messenger. If communication is king, social media is the kingdom where African customers are waiting for brands to join in the (retail) fun. Poor customer service and complicated purchasing remain a reality for many. This, combined with the growth of online networks and messenger apps, is creating a new context that's particularly relevant to African consumers: chat.

### **Beyond convenience**

Amenities such as pharmacies should be a common sight in local communities. But this is often not the case in many African neighborhoods, where poor transport networks could result in a lack of access to useful services such as drugs. At best this is an inconvenience, at worst it's life-threatening. As with DELIVERY DELIGHT, it is increasingly urgent for brands to find quirky yet impactful ways to reach customers through new channels.

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## Examples



GAUTENG HEALTH DEPARTMENT – Drugs dispensed via ATM interface - March 2018 saw the introduction of South Africa's first ATM pharmacy. Created by the Gauteng Health Department, the free ATM dispenses repeat medication for patients with chronic illnesses. Users are able to interact with pharmacists, via a Skype-like interface, and receive their medication within three minutes.

HARAQISHA – Supermarket partners with local stores to simplify shopping - February 2018 saw the launch of Haraqisha (Swahili for 'hurry up'): an online supermarket based in Kenya. Partnering with local stores, Haraqisha lists available stock on a mobile app, customers choose the goods they want and the local store will prepare orders for delivery or collection. Via partnerships with local couriers, deliveries can be made within two hours and tracked in real time. Haraqisha was initially available in Nairobi.

SAFARICOM – Integrated money transfer platform called M-Pesa Bonga ('to Bonga' means 'to Bonga' while they are on the M-Pesa platform) with 30 million users.

## Your move

Whether offline or online, maintain your retail product, service or experience distribution to traditional channels at your peril! Put yourself in the shoes of the user, and ask where they're most likely to be struck with a need that you can meet. Create a new channel and get there before your competitors!

Are you a small brand, without the resources to create true TOUCHPOINT RELEVANCE? Consider creating a larger brand ecosystem and piggybacking off pre-existing platforms, to extend your reach to customers in more exciting ways. Like Haraqisha, who brought their online offerings offline, seek out counter-intuitive partners (tech or not) that you can use to your advantage!

But remember: TOUCHPOINT RELEVANCE isn't just about finding new channels to reach your customers. It's also about understanding customer nuances and applying them in new contexts. Turning an offering on its head by inventing a new context and embedding your offering into it can equally be as compelling a solution. Safaricom turned retail banking on its head by creating a new social messaging platform instead of a new money transfer platform. Think about how your customer base is evolving and what tools you might offer them to make their lives more enjoyable and tasks less visible.

## THE BIGGER PICTURE

The five trends featured here present five key new directions in the future of retail. Of course, these five trends represent just a small fraction of the trends currently reshaping the consumer landscape.

At TrendWatching, we're obsessed with those trends. And we've been tracking them across the globe and in 16 B2C industries for longer than we care to remember.

Clients of our [Premium Service](#) have access to our entire Trend Framework, built around the 16 mega-trends that define modern consumerism. Beneath those sit 120+ actionable trends, all illustrated with 20,000+ hand-curated, best practice innovations. Plus a host of simple, powerful ideation tools to help turn trends into concrete new ideas.

It's an entire trend department ready to go. If you're serious about trends, it's a no-brainer.

## GET GOING

We've stressed this all along but just in case you missed it: these trends are opportunities. Opportunities to create your next retail product, service, platform, app, experience, or business model. Opportunities to delight existing consumers and win new ones.

That means they're useless if you don't act.

But you don't have to start with a two-day ideation session, a week-long hackathon, or a pitch to the CEO (that can all come later). Here's a minimum viable first step. Just take a single innovation example featured here back to your team and ask one simple question: when people see this, what will they start to expect from us?

That question encapsulates everything that's important about Trend-Driven Innovation. That is, that game-changing innovations – such as those featured in this report – create new customer expectations. That those expectations once created will spread, and eventually find you. And that if you can see those expectations coming in advance and innovate to meet them, you can win!

So start with one innovation and a simple question. Once the debate is raging, hit them with some trend theory and win some kudos. Do it today!

And good luck :)

ABOUT THE AUTHOR:

# Reinier

## IT TAKES A TEAM

This Trend Briefing has many hands on it. A huge thanks to the team that pulled this together with such positivity and enthusiasm, especially: Henry Mason, Vicki Loomes, Alida Urban, Vicky Kim and Nikki Ritmeijer, and also Harry Metzger, Harvey Gomez, Jonathan Herbst, Lisa Feierstein, and Tash Cohen. THANK YOU!

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