

Digital adopters are economy-agnostic and growing at 80% annually

By [Vukani Mngxati](#)

22 Sep 2021

By December 2020 the pandemic forced the closure of almost half of SA's SMMEs, yet a handful of high-growth, digitally-led businesses have done the complete opposite. 'They've grown exponentially because of, not despite, Covid-19'.



Vukani Mngxati, CEO at Accenture

These businesses are economy-agnostic and, during this period, continued to grow in revenue and staff capitalising on the underlying trend of digital adoption and disruption of the 'old world' thanks to their agility and ability. The main beneficiaries of this have been in sectors that have already been ripe for disruption, such as fintech, edtech, logistics and e-commerce (online retail), and among those in the South African Endeavor portfolio. Such companies have shown strong performance, growing revenue at +80% p.a. and attracted 3x the capital in 2020 versus 2019. Likewise, headcount grows +27% p.a. with >75% staff being black. We need to learn from this sector and replicate it at scale.

Changing with the times

While growth rates of close to 100% may seem exceptional, these businesses share a common theme: resilience; they have adapted to the changing consumer landscape [increased consumer demand for tech] and are delivering products and services that meet this increased demand.

A year ago it would seem unfathomable to think that online car sales would grow by 65% p.a., but this is what is happening in the UK and US. Pre-Covid-19, you'd walk into a car showroom and test drive a new vehicle. Now, with e-commerce sales growing at pace, new wheels are delivered to their owners' doors within a few clicks. In fact, this is something Flexclub, an Endeavor Entrepreneur is already doing in South Africa.

This is being driven by the changing consumer's needs. And while digital adoption was building pre-Covid-19 it has been expedited by 20 years, where we are now quite literally living in the future.

Think about telemedicine. In the past, we went to see a doctor in person. Now we make a call, receive an electronic script, send it to the pharmacy and have our medication delivered within hours.

This change in consumer behaviour and perception of what is possible – in the early 1800s a motor car was impossible, soon we will be flying one – is driving innovation and it is high-growth, tech-enabled businesses that are responding to this, at scale.

Every business today needs to be tech-led and every CEO needs to be tech-savvy. In the past leaders needed business acumen and financial prowess. Today they need to fully grasp the implications of tech to make it in our highly competitive, changing, and digital-world.

Global gateway

And there is a big opportunity: and it is global. Technology enables all businesses to trade internationally far more efficiently and effectively compared to 'legacy industries'. A tech-enabled business can access relatively low cost skilled labour while selling more easily into global markets and leverage this scale effect. Edtech is a prime example. Students can access online campuses from anywhere. Once enrolled they can learn from the comfort of their own home, acquiring skills from international institutions.

Or, consider retail: consumers can buy products locally or globally, and receive the goods within days of purchase. The game has well and truly changed.

It's a mistake to think it's the younger generation that is driving this evolution. Older consumers have turned to online solutions in their millions. Just look at the rate of adoption of the online grocery shopping in South Africa. SA's leading grocery app has more than 1,5 million downloads last year alone. If grocery is their e-commerce gateway, they are also turning to clothing, medicine, beauty products, books and booze. The product isn't relevant, its online proximity to its new cohort of online customers is. Digital has closed the gap and made shopping for anything, accessible and instant.

These new 'online' behaviours are here to stay, and most will be entrenched before the end of the pandemic. More tech-led businesses will emerge but it is those that understand the future needs of customers that will win. We can expect to see 'super-apps' emerge in the coming years. Much like WeChat in China, I predict that Africa will see its own super-app conglomerate where you will be able to do and find anything using its platform. Retailers and banks are well poised to take advantage of this.

Dire demand for digital skills

But he cautions that with this massive rise in tech-led solutions, the need for digital skills will become even greater and these skills are not necessarily available. South Africa has a serious digital skills shortage, which is in fact a wonderful opportunity given our high unemployment.

We need to develop data analysts, custom engineers, coders and professionals who can work in the cloud – to start. It is critical that new entrants into the South Africans workforce become trained in digitally-led skills, especially among the youth where unemployment is at its peak. And this needs to be done at speed, otherwise these companies (which are hiring at pace of 27%pa) will begin to look outside of South Africa to find these skills.

We desperately need to put the right tech training programmes in place that upskill our people, and equip them and South Africa can have a brighter future. The jobs are there, it's up to us to digitally skill our youth.

ABOUT VUKANI MNGXATI

CEO at Accenture

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