

Africa emerging as next big retail hotspot - Kearney report

The bi-annual [Global Retail Development Index](#) (GRDI), which is a study of the global retailing landscape, reveals that Africa is poised to move away from traditional retail models and become the fastest-growing, richest, and most sophisticated market in the world.



Source: Supplied

Prashaen Reddy, a partner at management consulting firm Kearney says that this is thanks to the explosive growth of young, urban, and digitally savvy consumers; increasing mobile phone penetration; the creation of digital payment and shopping networks; favourable governmental regulations and spending initiatives; and significant investment by both foreign and domestic companies.

In the most stable times, retailers expanding their global footprint face a series of difficult decisions. Yet in the wake of Covid-19, together, these forces are transforming the face of African retailing and providing a blueprint for the development of other emerging markets, seeing Morocco, Egypt and Ghana making the top 10.

Determining which markets are growing, attractive, and relatively risk-free is one of the goals of Kearney's GRDI which ranks 35 emerging countries based on a set of 26 factors, including four key variables: country risk, market attractiveness, market saturation, and sales growth.

Questions GRDI asked were, should retail enter new markets? Expand their operations in emerging nations that may or may not be yielding returns, or cut their losses?

How to evaluate the comparative potential of modern retailing in nations still dominated by informal or traditional vendors?

These are some of the questions the Global Retail Development Index (GRDI), which tracks selected emerging retail markets, was created to answer. (See graph to the left.)

Population, disposable income growth

Figure 1
2021 Global Retail Development Index

2021 rank	Country	Population (millions)	GDP PPP per capita (USD)	National retail sales (USD billions)	Market attractiveness	Country risk	Market attractiveness	Total score	Final 2021 rank vs. 2018
1	China	1,402	12,586	4,072	76.5	74.4	74.4	100.0	0
2	India	1,400	6,881	1,913	56.1	50.7	50.7	90.8	0
3	Indonesia	271	22,402	702	74.5	74.5	74.5	84.1	0
4	Indonesia	271	12,222	407	51.3	50.7	50.7	80.0	+1
5	Brazil	215	12,207	571	75.7	75.7	75.7	79.0	New
6	Mexico	128	7,820	446	75.5	75.5	75.5	78.2	+10
7	Egypt	101	12,780	200	54.3	50.5	51.2	70.0	+10
8	China	27	1,054	21	12.2	102.7	102.9	67.0	-1
9	Vietnam	98	10,808	105	50.0	49.2	49.2	65.8	-12
10	Dominican Republic	11	16,408	25	44.5	70.5	70.5	65.1	+4
11	Spain	47	30,146	21	67.9	66.5	67.1	64.8	+10
12	South Africa	28	48,891	100	71.4	64.6	64.6	60.6	-1
13	Kazakhstan	18	24,500	24	52.8	74.5	74.5	60.2	-12
14	United Arab Emirates	10	58,753	71	76.4	66.6	66.6	59.0	-1
15	Russia	147	21,019	428	75.5	75.5	75.5	49.5	+10
16	Costa Rica	5	9,264	10	70.0	67.0	67.0	49.0	New
17	Jordan	10	12,208	16	50.0	49.2	49.2	48.0	-1
18	Germany	83	4,476	11	70.0	67.0	67.0	48.0	-12
19	Bulgaria	7	22,007	23	54.9	60.0	60.0	47.0	-12
20	Azerbaijan	10	14,420	16	50.7	60.7	60.7	47.0	-1
21	Turkey	84	34,253	181	60.1	40.4	40.7	45.0	+1
22	Romania	19	30,326	72	61.1	56.1	56.1	45.0	New
23	Bolivia	12	8,344	17	54.5	51.0	51.0	45.2	New
24	Nepal	34	4,208	20	5.1	51.1	51.1	45.1	New
25	Guatemala	16	6,264	47	28.0	51.5	51.5	44.1	-1
26	Si Leone	22	10,276	20	20.2	50.0	50.0	44.1	-1
27	Peru	33	10,871	58	21.2	76.5	66.5	43.8	-10
28	Colombia	49	10,024	70	24.8	60.2	61.1	43.7	-10
29	Tunisia	12	10,020	10	38.3	50.8	50.1	43.0	-1
30	Paraguay	7	12,881	11	51.5	51.5	51.5	42.0	-1
31	Neal	20	4,000	10	0.0	50.3	50.3	42.0	New
32	Cameroon	27	2,648	20	9.0	1.0	40.7	41.7	New
33	Chad	17	1,054	10	28.0	50.0	50.0	40.0	New
34	Nigeria	208	5,587	108	14.5	14.5	14.5	39.0	-1
35	Philippines	101	8,450	170	20.8	40.5	40.5	39.0	-1

Source: Statista analysis
Data: Supplied
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Reddy adds, “The global population is expected to increase by 2 billion by 2050, and Africa will be home to the majority of these new lives. The population of sub-Saharan Africa (SSA) alone is expected to double by 2050, with Nigeria expected to be the third-largest country in the world.”

This is one of the reasons we will see the growth in Asia begin to slow down and Africa emerge as the next big retail hotspot. It’s also predicted SSA will enjoy the highest rate of disposable income growth on Earth, about 9% CAGR.

There are four classes of SSA retail – informal, traditional, modern, and illicit – with modern retailing dominated by regional players, primarily South African operators, such as Shoprite, Mr Price, and Pick n Pay, and a few international players.

With South Africa not making the top 30, we need to look at the where and why South Africa fits into the closing bracket within the GRDI property scale of window of opportunities. This means consumers are used to more modern retail, the discretionary spending is higher and there is a fierce competition from both local and foreign retailers. This closing segment is where investments are ripe for acquisitions.

Focus for African retailers

In the face of increasing competition and margin pressures, Africa’s retailers are focusing on ROI; adopting franchising and other new business models; and rationalising store footprints following the lead of Massmart, which recently announced it would be closing the 8% of its stores that were underperforming which includes plans to double down on African countries, focusing on price, private label, and building customer loyalty.

“The main challenges are corruption, widespread poverty, security concerns, supply chain issues, lack of infrastructure, active conflicts, archaic governmental retail policies and practices, and isolation, which are as real as the potential. At 18%, for example, SSA has the lowest rate of intra-regional trade on the planet,” says Reddy.

Retailers and central banks in various countries are working toward developing and facilitating digital ecosystems by reducing transaction costs on electronic payments, but gaps in e-payment infrastructure supply, logistical inefficiencies, and trust issues are slowing down both existing and future growth opportunities, with Africa accounting for about 50% in mobile money transactions globally.



Africa shifts to online shopping

30 Dec 2021



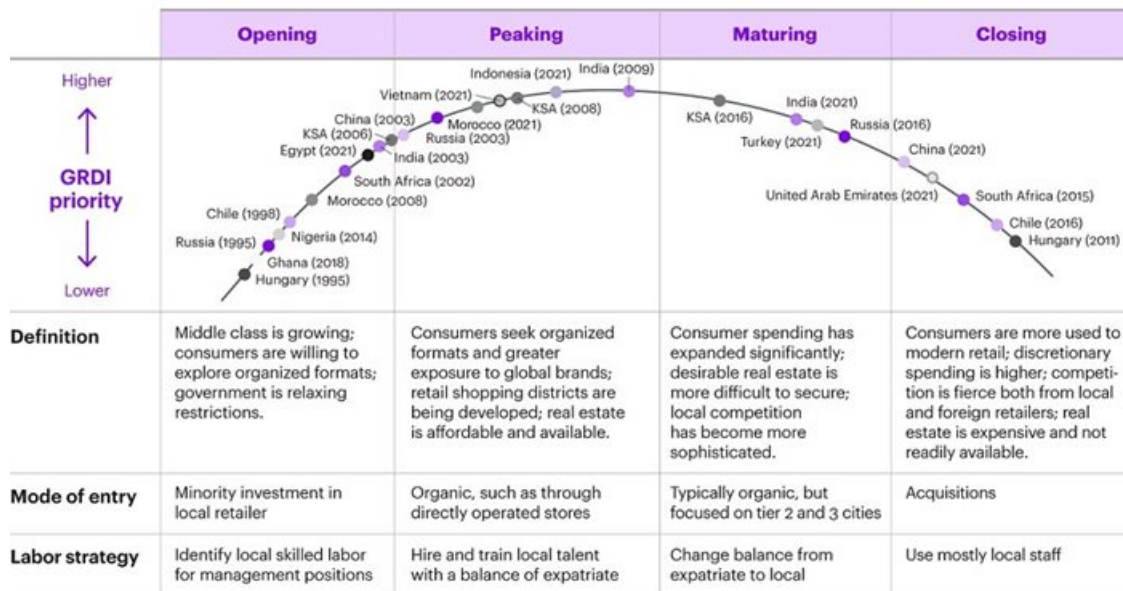
Top takeaways from the 2021 GRDI report

In crucial markets like Latin America, the Middle East, and Africa who are fossil fuel-dependent governments are increasingly turning to retail to diversify their economies and wean them away from oil dependency.

It’s vital to remember that emerging nations can simultaneously occupy multiple positions on the window of opportunity chart (as seen [in the report](#)). There is a significant difference between urban and rural China and India, so much so that we are well-advised to think of them as not one market but two or three.

Figure 2
The GRDI window of opportunity

Non-exhaustive



Source: Kearney analysis

Source: Supplied

[click to enlarge](#)

Understanding consumer attitudes, situations, and dynamics is the basis of all retail success and the world's consumer spending centre of gravity is slowly shifting from the US and developed European markets to emerging markets in Asia, Africa, and the Middle East. This won't happen overnight but at least that seems to be where the arc of commercial history seems to be bending.

The pace of this development is directly linked to the innovation, penetration, and acceptance of consumer and retail technologies, from simple mobile phone connectivity to sophisticated and secure electronic payment systems.

Reddy concludes by saying "that the real lesson is that all things, especially markets, change – often, as in the case of Covid-19, with little or no warning. So, there is no effective substitute for contemporaneous in-market knowledge."

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