

How retailers are increasingly diversifying offerings to remain relevant

Driven by changing consumer trends, the aftermath of Covid-19 lockdowns and a need to differentiate themselves, South African retailers are increasingly diversifying their offerings, says Arthur Butler, sector head: retail at FNB Franchising. Butler says that we have seen a rush of diversification from retailers over the past two years, partially in response to Covid-19 but not short-term in nature.



Source: [Freepik](#)

Retailers are exploring new products, new ways of delivering products, and new partnerships and loyalty programmes to create retail ecosystems. When done well this has resulted in innovative projects that improve the customer experience, lead to growth opportunities, and broaden revenue streams.

E-commerce

Covid-19 accelerated the trend, but e-commerce has been gaining traction for over a decade. When customers were faced with restrictions on movement and physical gatherings, companies from SMMEs to national chains scrambled to launch or expand their online offerings, alongside the logistical infrastructure to support them.

This trend is unlikely to reverse. Millennials and Gen-Z are ever more digitally entrenched and will continue to expect seamless online retail experiences. FNB research suggests that the South African e-commerce market will reach more than R400bn by 2025 on the back of more than 1 billion transactions per annum.

Delivery

Alongside the growth of e-commerce, retailers have rapidly expanded their delivery and logistical capabilities. For example, one of the leading FMCG retailers in the country was the first to aggressively push delivery through an innovative app-based service. Its breakthrough success led the way for other brands to follow, as well as focused delivery services that have added groceries to their list of supported products. As long as the field remains competitive and pricing affordable, it's unlikely that shoppers will give up the convenience this allows.



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Products

Covid-19 hit the pockets of some consumers hard. Those whose work was curtailed due to lockdowns have had to budget carefully and have spent more on basics as a result. These basics – for example milk, bread and grains – are typically low-margin items for retailers. It's thus important to offer a range of products that might entice low-income shoppers to splurge, as well as maintain a healthy stream of shoppers who are still in a position to spend. As a result, we're seeing retailers increasingly offer hot foods and on-the-go meals, as well as appliances and other non-food items.

In-store partnerships

But it's not just the environment outside their stores that retailers are adapting. They are increasingly looking to broaden the appeal of their physical stores through partnerships with other companies. You are likely to see increasing numbers of in-store franchises, for example fast-food restaurants or coffee shops, within the larger retailers.

Financial services

A growing area of partnership has been between large retailers and financial institutions, which have allowed customers to, for example, withdraw cash from till points, pay bills, receive government grants, purchase electricity and event tickets, and be onboarded for new bank accounts. This has benefited both retailers, who benefit from increased foot traffic, and customers, who are more easily able to access financial services, leading to greater financial inclusion.

Ecosystems and loyalty programmes

Several retailers are encompassing their partnerships and expanding services under loyalty programmes. By offering points and rewards for interacting and transacting within the ecosystem, retailers encourage customer loyalty, and generate vast amounts of data that can be applied to improve and tailor the customer experience.



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Widespread benefit

"In the long run, retailers are driven by competition and the need to innovate to differentiate and stay ahead of the pack. Apart from offering a broader range of products and services, the trend towards diversification is unlocking innovative approaches and partnerships. It's an exciting time to be involved in South African retail, and we're likely to see customers benefiting in the short to medium term," concludes Butler.