

The subscription revolution in South Africa

Globally, the pandemic has seen consumers making an accelerated shift to subscription models instead of opting for ownership, as evidenced by eight out of ten subscription-based businesses sustaining or growing their subscriber base during this time.



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What's more, a recent international survey has found that 71% of adults across 12 countries have subscription services and 74% believe that, in the future, people will subscribe to even more services and own fewer physical goods.

"Locally, we are seeing the same thing too," says Mishaan Ratan, co-founder of Rentoza, an on-demand subscription platform.

"The subscription economy has been gaining traction for some time, with consumers increasingly opting for access to what they need over the burden of product ownership. But now, more than ever, South Africans are signing up for a variety of services and products ranging from entertainment and education to electronics and appliances."

Offering an explanation for the uptick is Tien Tzuo, who has been dubbed the world's foremost authority on the subscription economy.

In the latest Subscription Impact Report, he shares that: "If the subscription economy is about anything, it's about a fundamental return to customer relationships. It's the agility of the subscription model that uniquely positions businesses to adapt quickly to customer needs and provides them with consistent, ongoing value - regardless of economic climate."

Ratan agrees, saying: “Rentoza, through its subscription model is trying to build long-term relationships with customers. As one’s life stage changes so do one’s needs and we want to be able to provide the products our customers need on an ongoing basis without them having to buy these items outright. Ultimately, our offering is about aligning with people’s lifestyles. It’s also about convenience – providing customers with a one-stop-shop where they can find whatever they need and get it delivered to their door. This is crucial as people’s buying habits have changed during the pandemic with a surge in online shopping and deliveries since the country went into lockdown.”

He notes that the current crisis has also had a drastic impact on people’s pockets, prompting them to find more affordable means of accessing goods and amenities – the crux of the subscription model.

A survey conducted by McKinsey & Company on South African consumer sentiment during the coronavirus crisis has revealed that 72% of consumers say that they are feeling the financial impact of the crisis and are delaying planned purchases. Additionally, a report produced by Survey 54 titled Covid-19 Impact on South Africa found that, when asked how their current financial situation has impacted their shopping patterns, 31% of South Africans indicated that they are currently seeking cheaper alternatives.

“With many South Africans struggling with debt – especially now that payment holidays are over - subscription models make sense since they do not rely on credit,” adds Ratan.

“Consumers simply pay an affordable monthly rate, and should they miss a payment, they won’t be blacklisted but the service or product will be revoked. Essentially, the subscription model is one of trust. In our business, there aren’t many who default on their payments because it is what they can afford.”

He concludes: “Between 2012 and 2019, the subscription economy grew by more than 300%. With its ability to offer flexibility to customers in times of uncertainty, I believe this figure will grow exponentially both now and post-Covid-19.”

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