

Key trends shaking up Africa's lucrative informal retail sector in 2023

According to Boston Consulting Group (BCG), Africa's informal retail sector accounts for more than 70% of food, beverage and personal care products provided to consumers across the continent.



Source: Supplied

However, despite their importance, local informal shops throughout Africa have been consistently held back for decades by a host of major challenges including frequent stockouts, limited access to capital and difficulty receiving goods from suppliers.

In recent years, the emergence of a number of tech-enabled startups building innovations geared towards these pain points has empowered local SMEs to unlock their full potential, positioning the industry as one of Africa's largest opportunities for digital disruption. Looking ahead to 2023, Tridiv Vasavada, chief technology officer at B2B e-commerce network Wasoko explores three key industry trends to look out for this year.

Smartphones - a new normal for informal retailers

Over the last decade, the supply chain of Africa's informal retail sector has been on a phased innovation journey with retailers gradually growing accustomed to new methods of ordering products via SMS and sales agents.

However, 2022 marked a new point of maturity for customer readiness towards tech-enabled solutions with smartphone and app adoption reaching unprecedented levels - especially amongst retailers in Kenya, Côte d'Ivoire and Tanzania whereby smartphone adoption rates are projected to hit 68%, 67% and 61% respectively.



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In 2023, Vasavada says we should expect this trend - which has been mainly concentrated in urban centres - to accelerate into other cities and potentially rural areas.

One major stumbling block could be the affordability of devices but given the huge economic benefits of mass smartphone adoption, there is growing interest from governments, NGOs and telecom operators to deliver subsidised access. Over the coming year, this will play a huge role in spearheading a new level of convenience and efficiency in Africa's \$850bn informal retail space, Vasavada notes.

An emerging class of market leaders

Traditionally, informal retailers in Africa have operated within limited constraints with many restricted to offering a limited range of essential goods in smaller quantities to accommodate for the size of their stores, which can be as little as 1m² to 30m².

However, with the growing availability of credit from fintech platforms, we should expect to see more retailers expanding their businesses, resulting in an emerging class of market leaders as seen in more mature markets such as India and Vietnam, Vasavada says.

However, he notes that these expansions will also need to be driven by a rise in consumer demand, which will definitely act as a more gradual transition with rising food prices and challenging economic conditions throughout the continent. With this in mind, it could be a few years before the market fully evolves in this area but we should still expect a growing cluster of informal retailers to make significant strides to build more competitive businesses, Vasavada says.



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Evolution of logistics networks

Currently, millions of retailers are being constricted by a heavily fragmented logistics market with unreliable deliveries and unpredictable prices, which can often be dependent upon relationships.

However, as they expand their businesses, informal retailers will naturally require faster and more efficient supply chain networks to keep up with their demands, opening the door to more standardised and efficient service providers which can cater to their needs.

With this in mind, Vasavada says we should not only anticipate a stronger drive to fill this gap in the market from digital platforms - who have spearheaded innovation within the logistics sector in recent years - but also wholesalers.

In 2022, wholesalers increasingly began to expand into areas such as docking and last-mile delivery, providing their customers with a more holistic service offering. As Africa's informal retail sector experiences greater consolidation over the coming year, we can expect even more competition between these different players supporting the logistics industry, which will only benefit local shop owners.

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