

Global survey acknowledges Africa's retail potential

Barclays recently released the results of a survey that questioned retailers on their attitudes towards international expansion. While, for now, the USA and China remain firm favourites for British retailers, the island's brands see Africa as the retail growth story of the next decade.

Richard Lowe, head of retail and wholesale at Barclays, said "Many of the trends which have driven the economic development of emerging economies in Asia and South America are beginning to take hold in Africa. Its rapidly expanding middle class increasingly need goods and services which cannot be catered for domestically, providing a golden opportunity for internationally-minded retailers. This is a truly 'ground floor' moment in many African economies."

The new retail growth story

Even though Africa remains one of the final frontiers for retail, Walmart's recent acquisition of South Africa's Massmart shows how seriously global retailers are now taking the continent. Nearly a quarter of retailers surveyed stated that Africa will be the new retail growth story within a decade, with first mover advantage (33%) considered to be the most important consideration when expanding.

Only 21% of those retailers asked say they currently generate sales on the continent. Of those which do, more than half (53%) say South Africa is their top market. Interestingly, other markets which currently provide revenues for British retailers in Africa include Chad, Congo, Morocco and Nigeria.

When asked where in Africa they would consider expanding in the future, South Africa remained the number one choice with 18%. Ghana and Kenya were the second and third choices with 6% and 4% respectively. The reasons given for this interest was Africa's burgeoning middle class followed by the take up of mobile technology.

Africa aside, by far the bulk of British retailers (46%) see the USA as the current destination of choice for the island's retailers even though most believe that the USA remains the hardest market in which to achieve commercial success.

Global retailers

The survey found that the USA remains the top choice and comes as reports surface that Sir Philip Green hopes to turn Topshop into a \$1 billion US business within the next five years and Hobbs plans an expansion into the USA.

However, retailers also consider the USA to be the most challenging market, despite the growth of online which provides a low-cost means of entry and the seemingly similar cultures and values shared by British and American consumers. China came in second with around a third of retailers (33%) saying they had experienced difficulties when trying to set up shop.

Asia, more widely, was third with 19% of those retailers questioned claiming they had experienced difficulties.

"On the surface the USA would appear to be an easy market in which to secure a foothold but its sheer scale means achieving commercial success across the whole country is an incredible feat. As for China, nothing is impossible but, everything is difficult" added Lowe.

Asked about future expansion elsewhere, nearly a quarter (23%) of retailers said Germany was their number one choice for overseas expansion in the next five years, closely followed by China and Australia.

Entering new markets

It is clear to see why retailers are keen to explore opportunities overseas. Between 2012 and 2016 total UK retail spend is expect to grow by around 11.5% to £345.6 billion. In the USA this figure is nearer 17.5% (to £2.3 trillion by 2016) and in China this figure is an overwhelming 85% (to £3.6 trillion by 2016), the highest in the world. Russia and Brazil also enjoy standout growth predictions over the next five years with 68% (£649.8 billion), and 49% (£536 billion) respectively.

Lowe continues: "It would be unreasonable to say there is no further growth in domestic markets, but it is becoming increasingly difficult to extract in the current climate. The economic realities across the western world mean that retailers now have international expansion firmly on their radar."

The growth of the internet has presented retailers with the opportunity to enter new markets without the need to commit to building a large and expensive network of stores. Therefore, it is no surprise, that when asked how they plan to expand, nearly a third (33%) said online was their preferred route to market.

Among retailers which had already gone abroad, this figure rose to 52%. Second choice was wholesale which secured 10% of responses, followed by franchise partnerships with 8%. Only 6% of retailers plan to open physical stores, although this figure is likely to grow amongst those retailers who have already tested a new market successfully using online.

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