African retailers have the opportunity to re-imagine a data-driven sector

By Toros Esim

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In a continent the size of Africa, comprising more than 50 countries, it can be very tempting to make sweeping generalisations about the adoption of digital technologies, and the transformation of the retail sector...

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The potential scale of the opportunity cannot be ignored – the large and young population, emergence of a middle class, strong retail revenues and second fastest growing consumer region in world.

> *The successful transformation of the sector starts with addressing the business model, built on new streams of customer data, and enabled by technology.*

The opportunity for retailers in Africa is to re-imagine the retail sector across the continent through a business transformation process.

Industry statistics suggest that the Africa retail sector is growing strongly, but it's a much more complex picture across such a very diverse range of countries. Half of the consumption in growth in Africa is expected to come from just three geographic areas: East Africa, Egypt and Nigeria.

Retail covers such a broad spectrum of operations from the informal family-run store to the large malls, from fashion to fresh foods. Despite all this variation, we can see that there is recognition in parts of Africa of the potential to follow the global shift to an increasing emphasis on e-commerce and online shopping; the first movers are already making their moves not just in Africa – but also beyond.

African companies are now buying European companies – more than $1.5 billion was spent in acquisitions 2015 alone with Shoprite, Spar, and TFG, for example, all on the acquisition trail. Scale is important and 10 of the fastest growing retailers in Africa are present (on average) in 8 countries across the continent and have a store count of around 900 stores. Acquisition provides additional scale, expertise and technologies that can be transferred to the region.

Yet, there is some common ground – a large and growing population (1.3 billion) of young people (average age under 20) combined with strong internet penetration is resulting in a generation of tech-savvy young people and creating the potential to make digital leaps based on the ubiquitous mobile phone. For example, the use of mobile money is 5 times higher in Africa than the average of the rest of the world and this is allowing unique solutions to emerge.

As in many regions around the world, consumers in Africa are ahead of the curve when it comes to the adoption of mobile technology and established players in a range of industries are playing digital catch-up, from banking to retail, while new 'digital native' companies look for the opportunity to disrupt the industry.

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Developing a new business model

But the digital transformation of retail goes beyond the physical/online store, as the retail sector draws together manufacturing, production and processing, with logistics and supply chain, and then selling/transacting and customer service, culminating in the 'consumer experience'.

For retail, this means that the real opportunity for digital business transformation is the development of a new business model, aligned with the customer expectations and driven by customer data. This includes – but goes far beyond – e-commerce.

> *The risks to retailers lie in the cost of doing nothing and the temptation to focus first on the currently available technology, and not exploring and testing new business models.*

Either risk can result in the retailer being disrupted by others leading to chaos, rather than an orderly business transformation managed by the retailer itself.
Speed is of the essence.

To build a new business model for retail, retailers first need to understand what they want to improve. Asking the right questions is the first step in finding the answers. A data culture is created by making better business decisions. This starts with collecting data, analyzing it, and then creating inferences from it to improve your decision-making capacity. This enables a business to identify the possible improvements to the existing models and to explore potentially new business models that could deliver much more than just incremental improvements to business performance.

Data is the differentiator

However, the commitment to becoming a data-driven company needs to be solid and consistent across the entire organisation. This enables all your employees to become 'data ambassadors' and 'data translators'. Fundamentally, this is all about appreciating that your data is a key differentiator for your business and creates unique value, and sharing this belief and commitment as part of your organisation's data culture.

The opportunity for retailers in Africa is to transform their businesses and become data-driven operations, harvesting increasingly rich customer data, from an expanding range of digital and physical customer touch points.

This digital business transformation does not begin or end with technology. The opportunity is much bigger than technology and transformation should start with the retail business model itself re-imagined around the data journey so that data becomes the lifeblood of the organisation.

> *The digital business transformation process is a change management challenge, led by management, driven by people, enabled by technology.*

Successful retail transformation means understanding the value of different forms of data and the six key steps of the data journey, while not being mesmerised by the technology – whether it's AI, IOT or Cloud.
The technology enables the creation of retail customer data that can be harvested to benefit retailers through the deeper insights data can provide into customer behaviours. This leads to the capacity to be able to anticipate behaviour. The shift to a data-driven retail business model does not mean losing the physical stores and retail environment. Retailers in Africa are already introducing new e-commerce platforms, which create a new set of digital touchpoints with customers, in addition to the rich customer touchpoints of the physical retail store experience, and all producing new data.

But it's not just about the in-store experience.

By re-imagining the business model, retailers can adopt the enabling technologies that will create efficiencies and reduce costs across the supply chain and enhance the customer experience online and in-store – it's a digital transformation without the risk of external disruption – in effect, retailers should transform themselves before someone disrupts their business from the outside.

The data journey

Don't start with the technology – these are moving fast and so constantly changing – start with the business need and then address this through your operations by capturing the key data across your business to achieve your objectives. In this model, your data journey consists of six distinct steps:

Collect - Collecting data from multiple streams is a challenge and must respect the privacy and regulation requirements from a wide range of sources and sensors including financial transactions, social websites, connected objects and devices, and robots.

Transport - Data transport is all about networks, including mobile, fixed, international, virtual, wireless sensing networks using (LPWAN), and more. The key is to combine technologies to provide the most reliable tailored solutions for customers, while paying extra attention to questions of governance, privacy and security.

Secure - It should be a given that data must be secured end to end to ensure trust; cyberdefense must meet the need for more efficient methods of combatting cyber threats combining technology and people power to secure organisations' activities and help protect them against multifaceted threats. Security models must be improved, enriched and reinvented on a permanent basis meeting the challenge of finding a balance between agility and security.

Store and process - When it comes to data storage, cloud experts must roll out tailored solutions – public, private or hybrid – for their customers, while paying extra attention to questions of governance, privacy and security.

Analyse - The challenge is to transform the precious commodity of data into pertinent and rewarding information and successful transformation is achieved through data-driven strategies that cut across silos at every step, from developing a data project to measuring performance.

Collaborate and create - Cyber intelligence experts help organisations turn information into insights and transforms it into value. Application design helps develop simple and intuitive decision-making tools. Data intelligence offers a multitude of data management tools and analysis services to support decision-making: dashboards, data visualization tools, business sector indicators.

It's not a one-way journey from retail 'bricks' to the 'clicks' of e-commerce; just look at the global digital native retailers who are now opening physical stores to harvest the rich data from customer touchpoints in a physical environment. This is because of the data collection opportunity and the chance to learn more about customer segments from a 360* perspective for a generation of customers that increasingly expects everything to be mobile enabled and personalised.

The shift to a data-driven culture is technology enabled but not technology-driven. It is a deeper, more radical transformation and this needs a lot of imagination.

ABOUT THE AUTHOR

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