

Retailers hit sweet spot in Africa

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Africa's scope for investment is steadily increasing and demand for more formal retail options from shoppers is following suit.



As the world's second-fastest growing region, the continent's booming economies have caught the eye of multinationals in search of higher yields. The region is topped only by emerging Asia.

The continent's consumer-facing industries are expected to grow to US\$400bn by 2020, representing its single-largest business opportunity, according to a McKinsey report.

French multinational retailer Carrefour has partnered with distributor CFAO to open shops in eight African countries by 2015. It is the latest global giant to cast its net on the continent's burgeoning middle-class following Walmart, Inditex's Zara and Arcadia Group's Topshop.

CFAO, which will own 55% of the venture with Carrefour, aims to generate about R13bn in revenue annually in 10 years from the link-up, and from revenue produced by the shopping malls it plans to construct. CFAO is controlled by Gucci-owner Kering. It distributes goods mainly in central and west Africa.

While urbanisation and rising affluence are fuelling a consumer boom on the continent with a rising middle class demanding high-quality brands and modern goods not previously available, the lack of infrastructure and formal trading platforms remain a challenge.

Shoprite's success

In the past, retailers like Shoprite Holdings have had to adopt the role of property developer - building centres and letting to third-party traders while taking spot as core tenant. The African rush has now seen a deluge of property developers scramble for sites.

As Africa's largest grocer, Shoprite in 2012 partnered with Resilient Property Income Fund to build 10 shopping malls in Nigeria. The deal, worth more than R1bn, also involves Standard Bank and Group Five.

Chief executive Whitey Basson said last week that four of these centres were already being built while the company was negotiating for another five new centres.

Shoprite wants to have between 600 and 800 stores in Nigeria as the group pushes into the continent's high-growth markets. "Nigeria can handle that many stores if you look at the size of the cities and the penetration of supermarkets. And it can happen quickly but that's not dependent on Shoprite but on (the availability of) sites," Basson said.

Shoprite has earned its stripes as continental kingpin. Part of its success is no doubt because it was one of the first to move into Africa after opening its first stores in 1995. Its non-South African supermarket operations now span 16 countries in Africa through 192 stores.

Other retailers like Walmart-backed Massmart, Pick n Pay, Woolworths, Mr Price, Foschini Group and Famous Brands are also pushing into Africa.

Malcolm Horne, chief executive of Broll Property Group, says Carrefour has chosen the right time to enter the market.

"Importantly, it has also chosen a strategic partner with experience in distribution channels and a track record of entering emerging markets in Africa. Carrefour has identified the opportunity that Africa presents and clearly taken a view to position itself in markets with limited choices and huge shopper needs," he said.

The first African Carrefour is set to open in 2015 in Abidjan, Ivory Coast. From there, it is set to open in Nigeria, Ghana, Cameroon, Congo, Democratic Republic of the Congo, Gabon and Senegal.

Horne says Carrefour's arrival points to exciting times for the retail market in Africa.

"Carrefour will bring a great alternative offering to the market. The trend for retailer to enter new markets will continue to accelerate as Africa develops. Increasing economic participation in African countries has the potential to promote further growth and positive investment demand," he said.

The Billion Group, a property developer that is also the asset manager of JSE-listed Rebois Property Fund, is targeting retail developments across Africa. Billion and Rebois' chief executive Sisa Ngebulana said Billion was undertaking 12 shopping centre developments in four countries: Angola, Ghana, Nigeria and Uganda.

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