

Retail innovation rising above economic turbulence



By [Lauren Hartzenberg](#)

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With new consumer behaviours taking root during the pandemic and a perfect storm of economic instability and rising costs putting pressure on shopper spend and businesses' bottom lines, the retail industry has needed to hastily adapt and evolve.



Flux Trends founder Dion Chang. Source: Supplied

Steven Heilbron, CEO of funding solutions provider Capital Connect, believes that disruptions in the market are creating new ways for agile, forward-thinking retailers to add value, differentiate themselves from their competitors and grow their share of the market.

Many retailers have found ways to thrive despite the challenges faced over the last two years. According to a new Capital Connect survey of its retail clients, 60% of them have added a new product range to their stores, 39% have branched out from their usual service offerings, and 17% have added an e-commerce offering to their business.

Discussing the findings during a recent webinar, Heilbron said, "Whether it's to diversify your product range, investing in 'shoppertainment', offering 'phygital' experiences that bridge the gap between online and offline to deliver an integrated shopping experience, or bulk-buying products to offer deep discounts to cash-strapped consumers, there are many ways for retailers to thrive. Those that have not already adjusted to realities such as e-commerce and load shedding risk falling behind the pack."

Flux Trends founder and CEO Dion Chang joined the webinar as a guest speaker and unpacked some of the dynamic shifts shaping the retail environment.

Contactless economy

Technology became a lifeline for retailers during the pandemic and enabled the rise of the contactless economy. But this trend goes deeper than the tap of a credit card.

“What the contactless economy has really done is create different business models within retail,” said Chang, who listed livestream e-commerce, mobile money wallets and remote advisories as examples of how this phenomenon is playing out.

“If we look at the African continent, we're starting to see a huge surge in mobile money wallets,” Chang added, noting that during the pandemic, Africa exceeded about half a billion of these accounts and that the African wallet collectively accounted for about 65% of the global value of these wallets.



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Innovation in the last mile

Another big change we're witnessing in the post-pandemic retail era is the rapid speed and efficiency with which last-mile deliveries are being carried out. Chang highlighted that the gold standard of grocery deliveries in some developed markets abroad is 15 minutes, and while that idea may seem distant in SA, local on-demand delivery startup Zulzi claims to deliver in exactly this time frame.

Clearly, it's not just the big logistics companies driving last-mile innovation, but nimble South African SMEs are catering to the needs of underserved areas and consumers.

Local grocery delivery service E-Butler, headed up by Sibongiseni Mkhungo and Vusi Mthimunye, delivers groceries nationwide and services cities as well as peri-urban, rural and township communities, which the traditional large retailers have struggled to reach.

Similarly, Delivery Ka Speed was launched in Hammanskraal during the pandemic by 24-year-old entrepreneur Godiragetse Mogajane, after he noticed a gap in the market for fast food deliveries within townships. Delivery Ka Speed hires local drivers with intimate knowledge of their communities and the maze of unmapped streets. It's also the startup's way of driving the culture of gig work for unemployed township youth.

The drivers deliver using either cars, bicycles, e-bikes or electric scooters, which Chang said speaks to the "in-baked sustainability" of the business model and the Gen-Z demographic's mindset.

"These smaller businesses are doing what your big retailers can't, and they're reaching markets that people thought were not possible to serve," said Chang.



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Impact of the homebound economy

Chang then explored how shoppers are shifting their consumption patterns. "If psychologists say it only takes 21 days to embed a new behavioural pattern, then what have two years done to our consumer mindset?"

The Covid-19 lockdowns essentially mandated isolation and boosted the homebound economy. "Traditionally, 45% of your grocery spend would remain at home or be consumed at home. Post-pandemic, it's actually over 60% of spend that stays at home. That shifts what people do. You're maybe not going out to eat at restaurants because that's become less affordable. So you're doing more ordering in or you're cooking at home," Chang said.

There's now an even greater need for brick-and-mortar businesses to truly consider how they weave sensory experiences and 'shoppertainment' into the retail experience. "If you're more homebound and you're spending more at home, when you do go out you want an experience. If the contactless economy has surged, you want to make sure that when a customer does come into a physical retail space it's a memorable experience."

Beyond entertainment, Chang said that retailers must focus on "service as an experience" and for those ramping up their online offering, significant investment is required to deliver a seamless user experience online.

Looking ahead, social commerce (shopping directly on social media platforms) is predicted to drive a growing share of online retail revenue. Chang said the trend sees a dissolving of borders between the platforms one uses to browse, shop and pay for goods, ultimately encouraging consumers to do it all on one social media platform without the need to navigate away from it.

"If you are still in that brick-and-mortar space, then you've got to wrap your head around this term called 'phygital' - a blend between the physical environment and digital environment. A lot of people are looking at online versus offline, and I think the post-pandemic retail landscape is a complete hybrid of the two."



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B2B sharing economy

The quest to deliver a seamless customer experience and “service as an experience” is stimulating the business-to-business sharing economy, a phenomenon that Flux Trends is tracking with interest.

This model enables companies, perhaps even competitors, to partner and share infrastructure, shelf space, distribution channels, vehicles and other resources on a peer-to-peer level. Chang said the B2B sharing economy is particularly beneficial for smaller businesses that may be otherwise constrained by limited capital and capacity.

“One example that's starting to come through for purely online business is this concept of ‘ghost retailers’. These are business facilitators that will provide online retailers with a physical brick-and-mortar space. They will manage that space for you because you're an online business and you take a smaller footprint.”

Chang closed off on a positive note, urging companies to zone in on opportunities presenting themselves in the midst of economic turbulence. “If you just sift through all of the confusion, you'll find that there are many, many opportunities that have started to show themselves and they are there to make sure that your business will start growing in this post-pandemic world.”

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