Wholesale&Retail
LEADERSHIP ACADEMY

Project 2015/11:

South African retail sector and the BRICS trading bloc

Cape Peninsula University of Technology

"Collaboration opens the window to a world of opportunities."

W&RSETA

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9 March 2018

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Cape Town

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ISBN 978-0-9946954-9-9

An overview of the Brazil, Russia, India, China and South African trading bloc (BRICS) retail sector, including an assessment of BRIC retail opportunity, strategies for South African retailers to withstand threats from BRIC market entrants, and recommendations for South African retailers hoping to penetrate BRIC markets.

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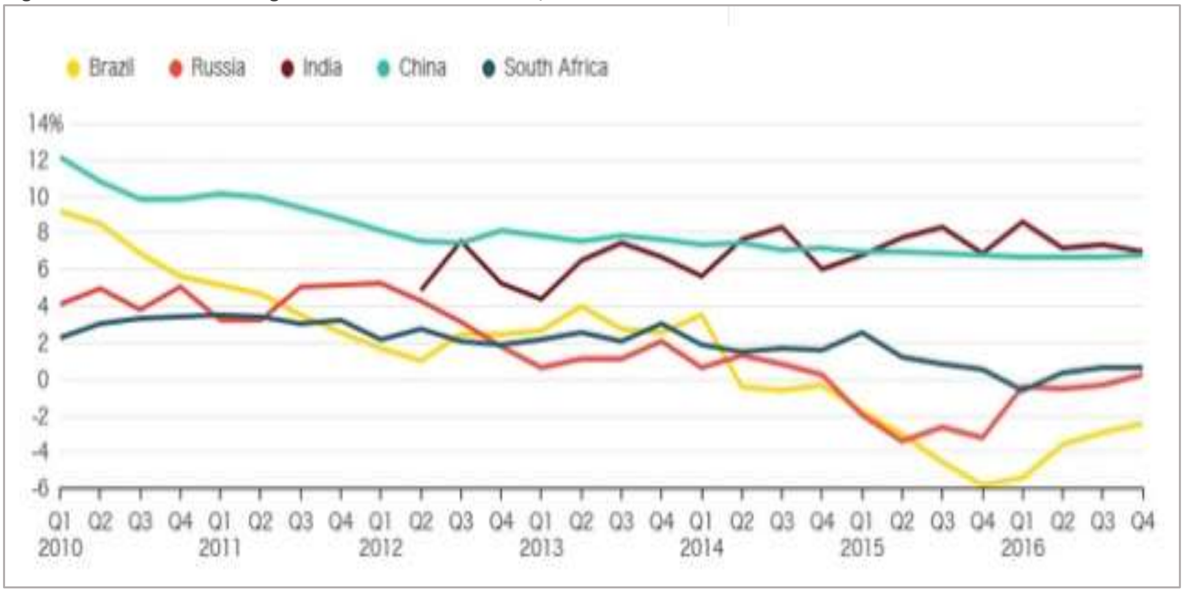
1. BRICS RETAIL TRENDS AND POLICY

1.1. ECONOMIC GROWTH

In 2016, BRICS accounted for 42% of the world's population, 21% of global gross domestic product (GDP), and 16% of global trade (AliResearch, 2017). The figure below shows GDP year-on-year real growth from 2010 to 2016 in BRICS countries.

Figure 1: GDP real annual growth in BRICS countries, 2010-2016



Source: Gilbert, 2017

The figure illustrates that all BRICS countries, besides India, experienced declining GDP growth from 2010-2016. While India and China experienced high growth rates of between 6% and 8% in 2015/16, Brazil and Russia experienced significant recessions and South Africa experienced very sluggish growth of between 0% and 2%.

China is the largest import partner for all other BRICS countries and is one of the highest export partners for all except India (Statistica, 2017). Import inter-dependence vis-à-vis their global trade has increased for all the BRICS countries since 2006. The BRICS group makes up 19.5% of South Africa's trade and from 2006 to 2015, South Africa's exports to BRICS grew at 12.3% on average annually (Export-import bank of India, 2016).

1.2. RETAIL GROWTH

Retail growth is exceeding average economic growth in China and India, South Africa is experiencing low growth, while Brazil and Russia experienced negative growth in 2016.

- India's retail sector is expected to grow at a higher rate than all other sectors and to double in size by 2020;
- In China, retail grew at 10.4% in 2016 and retail sales growth was expected to contribute 70% to China's economic growth in 2017;
- Brazil's retail industry had its worst performance in 2016 as it declined 4.8% due to consumer debt and reduced disposable income. Eighteen thousand stores closed in 2016 and 15% of all stores in shopping malls closed. Lower price cash and carry stores and e-commerce platforms are still growing, despite the conditions (ATKearney, 2017);
- Russia's retail sales decreased by 15% in 2015 and a further 4.6% in 2016, mostly due to a decline in disposable income of 10% between 2014 and 2016 (Colliers International, 2017); and
- South Africa's retail sales grew by 3.2% in 2015 and 1.9% in 2016 and were expected to experience negative growth in 2017 (South African Market Insights, 2017). E-commerce and sales in the apparel market are top performers, while large general produce stores whose products are differentiated are struggling. In these conditions, online apparel companies such as Superbalist, Spree and Zando are thriving (ATKearney, 2017).

China's total retail sales were $3.13 trillion, India's were $1.07 trillion in 2016, Brazil's were $447 billion, Russia's were $434 billion, and South Africa's were $94 billion (ATKearney, 2017). Despite the BRICS countries' contribution to global GDP and their large retail contribution to GDP, none of the world's top 15 retailers (by revenue) are from BRICS countries; this shows the reluctance or inability of BRICS retailers to expand into the large markets of the USA and Europe (BusinessTech, 2017). This lack of representation in USA and Europe also maybe indicates the competitive nature of established markets and the difficulties new retailers from developing markets have in penetrating these established markets and competing against strongly established retailers; this possibly explains and justifies the large amount of intra-BRICS trade.

1.3. E-COMMERCE

E-commerce has become one of the most important channels for retail due to its fast growth, ability to access consumers across borders, and future development potential. At the opening ceremony of the BRICS Business Forum in China in September 2017, Chinese President Xi Jinping called for member nations to "pursue innovation-driven development created by smart manufacturing, with a focus on e-commerce and the digital economy" (People's Daily Online, 2017).

BRICS countries accounted for 47% of global online retail sales in 2016 (over $876 billion) and are expected to account for 59% by 2022. BRICS countries had 1.46 billion internet users and 720 million online shoppers in 2016; of 1.46 billion internet users, China accounts for 731 million and India 432 million.

Figure 2: Number of online shoppers in BRICS 2016-2022

Source: Ingenico Group, 2017

Cross-border retail trade is expected to rise from $92 billion in 2016 (23% of global trade) to $553.6 billion in 2022 (41% of global trade). The status of BRICS e-commerce is as follows (AliResearch, 2017):

- India's online population is the second largest in the world, after China, but only 28% shop online, indicating further growth potential. The annual average growth rate of online shopping in India has been 39% between 2009 and 2016. Over 58% of cross-border orders are placed on mobile devices;
- China has the world's largest population of internet users and online shoppers. Thirteen percent of all retail sales of physical goods in the country occurred online, which was a 26% increase from 2015;
- Brazil's online population is the fourth largest in the world, with an online shopping penetration of 43%. Fifty-four percent of Brazilian online shoppers shop on cross-border e-commerce platforms (with a growth of 17% in 2016);
- Russia has the largest online population in Europe (100 million internet users), with an online shopping penetration of 41%. Sales of physical goods imported via online retail platforms grew by 26% in 2016 and equated to $4.3billion, of which Chinese online retailers accounted for 52%; and
- South Africa has the second largest online shopper population in Africa (17.1 million), after Nigeria. In 2016, online retail sales reached $2.33 billion, a 14.2% growth from 2015. Cross-border retail sales are growing quickly (28% in 2016). South Africans prefer US e-commerce platforms, followed by Chinese and UK retail platforms.

1.4. POLICY

Source: Gilbert (2017)

BRICS has no common trade policy but is a platform to negotiate the internal trade policies of each country and develop bi-lateral agreements. In Brown et al. (2015) it is recommended that BRICS establish a charter of core values and binding principles that will govern how business is conducted, ensure transactions are free of bribery and corruption, relax restrictions on FDI, and provide preferential travel arrangements. Furthermore, new bilateral agreements should also be established between BRICS countries where there are currently no trade partnerships, and should include agreements for merger and acquisition growth opportunities.

A memorandum of understanding (MOU) has been signed by the heads of BRICS competition authorities in 2016 whereby countries agreed to the reducing of barriers to entry in the various countries and across the various sectors. The MOU has been followed by a series of working groups with BRICS businesses within important sectors such as the automotive, retail and pharmaceuticals sectors (Ratshisusu, 2017).

With regard to e-commerce, BRICS countries need to improve domestic policy and the business environment for e-commerce and drive the e-commerce agenda in trade talks to ensure BRICS benefits from their advantage in this space. In 2015, BRICS leaders approved the Framework for BRICS E-commerce Cooperation and further committed to strengthen this co-operation in the Goa Declaration of 2016. In 2017, BRICS initiated the E-commerce Cooperation Initiative, which will provide a policy, advocacy and research function for e-commerce in BRICS (Alibaba, 2017).

2. STATUS OF RETAIL TRADE WITHIN BRICS

The research found that there are multiple examples of retail trade between BRICS countries, with China having the highest presence of retail trade in other BRICS countries. Retail trade within BRICS takes various forms:

1. Finished products are imported by local stockists (brick and mortar, and online)[1];
2. Finished products are imported by subsidiaries of BRICS manufacturers;
3. Finished products are imported by dedicated retail stores owned by foreign nationals;
4. Finished products are sold directly to consumers via e-commerce platforms; and
5. Countries in BRICS buy controlling stakes in retailers in other BRICS countries.

These forms of retail trade are discussed in more detail below.

The first form of retail trade is where **products are imported by local stockists** (in store or online), maintain the branding of the BRICS manufacturer and are sold 'as is' to the consumer – this occurs often in BRICS. Made-in-China goods such as clothes, accessories, mobile phones and electronic products are the most obvious and entrenched example of this (e.g. Huawei mobile phones). Russian products include candy and cookies, Indian products include handcrafts and spices, Brazilian products include nuts and footwear, and popular South African products include fruit and wine (The Economic Times, 2017).

- Examples of South African companies supplying Russian stores include Sunshine Dunes, a Pretoria based company, who exports fruit juices to Russia; Great Hearts of Africa, who supplies a range of sauces and spices in Russia (IOL, 2017); and Capespan CIS whose

Image of South African produce displayed in Russian retail store. Source: IOL (2017)

[1] Products that aren't finished but are imported, re-packaged or beneficiated in some way, and sold under local brands (e.g. clothing that is branded with the name of the local retailer) are not considered retail trade but rather as an input to a manufacturing process.

Outspan and Cape-branded fresh produce has a significant market share in Russia. Furthermore, South Africa is one of Brazil's top providers of wine and juices (rooibos is also a popular export product) (Brand South Africa, 2013). Bio-Oil sold 180,000 bottles on Chinese online retail platforms between 2016 and 2017. The sales of Bio-Oil doubled in 2017 when compared to 2016.

- Godrej Consumer Products, an Indian company, supplies personal care products in Brazil, South Africa and China. Godrej is a good example of how a manufacturer has tailored its product to the foreign retail consumer, as it has become a leader in personal care products tailored to the African market (Godrej, 2018).
- Havaianas, a Brazilian manufactured footwear product, presents an excellent case for the opportunity that this form of cross-border trade can bring. Havaianas were listed with a Chinese online retailer in 2013 and consumer demand grew exponentially as a result of the Soccer World Cup in 2016, resulting in 1 million pairs of shoes being sold in the four-year period. The demand in China drives a large proportion of the production in Brazil and the demand for rubber increases the income of Brazilian rubber farmers (AliResearch, 2017).

The second form of retail trade is similar to the first in that BRICS manufactured products are supplied to other BRICS countries' stores. However, in this case, **stores are dedicated to products from the BRICS country** and are often owned by nationals from the country of origin. The primary example of this is 'China malls', which have penetrated several overseas markets, including BRICS countries. South Africa also has stores dedicated to Indian produce due to the country's high proportion of Indian residents. In South Africa, the success of these 'China mall'-type stores experienced in the 2000s has tapered off due to a poor economy, weakened rand, high crime rates, waves of xenophobia, competition from new malls, and traders forming direct relationships with Chinese suppliers; as a result, Chinese entrepreneurs have suffered over the past two years and many are considering leaving South Africa. This experience is echoed in other

Source: Kuo (2017)

African countries and Chinese entrepreneurs are looking to expand their market into more luxury products to mitigate this loss in trade (Kuo, 2017).

The third form of retail trade is probably the most classic, where **products are imported by subsidiaries of BRICS manufacturers**, e.g. Mahindra, an Indian car manufacturer with dedicated retail stores in South Africa. These products generally have a strong brand identity, often tied to the country of origin. Havaianas are sold on several online retail platforms in South Africa and have stores in malls in all major cities in South Africa.

The fourth form of retail is when **products are sold directly to consumers through online stores** based in foreign countries, e.g. a Chinese consumer buys a product from a local South African online store (Zando or Superbalist for example). This cross-border e-commerce is becoming increasingly important for retailers and is currently being dominated by Chinese online retailers in BRICS countries, especially Russia and India (see e-commerce statistics in section 1).

The final form of retail trade occurring within BRICS is where retailers in BRICS countries **buy controlling stakes in retailers** in other BRICS countries. This merger and acquisition form of retail trade is becoming more popular in BRICS countries as it is a safer form of market entry due to the local company already having a proven brand and market presence. Chinese online platforms are merging with local platforms in Russia and India as their online shopping technology is far more advanced that the other BRICS countries, e.g. web provider Baidu plans to buy strategic stakes in Indian online retailers such as Big Basket (The BricsPost, 2016). Before merging with AB InBev, South Africa's SABMiller grew its footprint globally, largely through mergers and acquisitions.

3. THREAT OF BRIC RETAILERS ON LOCAL RETAILERS AND RECOMMENDED RESPONSE STRATEGIES

3.1. ASSESSING THE THREAT

The threat of a foreign retail market entrant depends on two things: the extent of overlap that exists between the product the new entrant is selling and local products; and the strength of local retailers with regard to size, profitability, financial leverage etc. In cases where the local market is formalised, local companies have the upper hand due to their intimate market knowledge and strong brand loyalty, but where the local market isn't developed, foreign companies are more likely to act as a barrier to upcoming local market entrants (however, the advantage of this is that foreign retailers bring experience and skills to the local market, which 'readies' the local market for retail expansion).

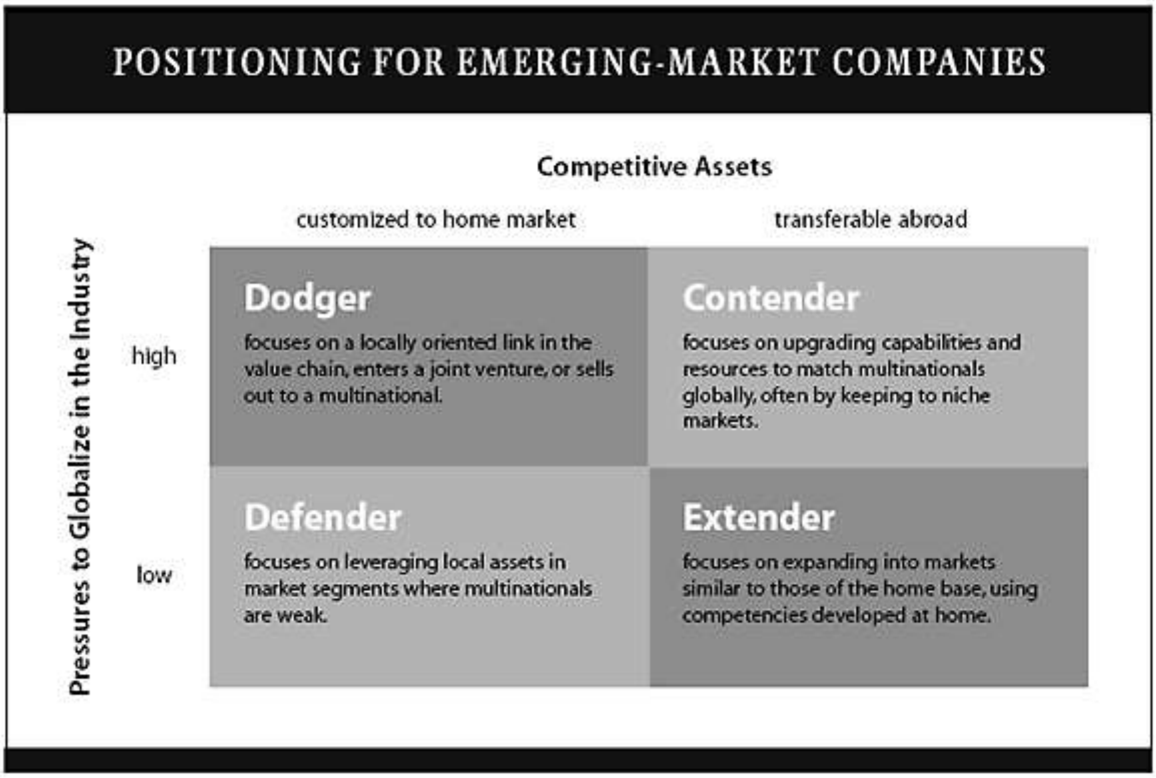
According to Truworths CEO Michael Mark, the fashion retailer regards global competition in the same manner it does local competitors. "International retailers who open stores in South Africa do not necessarily understand trends better than we do and they face their own difficulties in trading in South Africa," he said. Mark added "While the group will never become complacent to the threat of local or international competition, we believe that if the right fashion is available in our stores, it will continue to attract customers, regardless of the level of competitor activity" (Kardame et al., 2015).

Perhaps the largest threat posed by foreign retailers exists in Africa, where South African retailers are competing with foreign retailers for the African market share in underdeveloped markets. It is in these environments local companies will need to be shrewd in their pricing, customer experience, range and quality of products.

3.2. RESPONSE STRATEGIES

According to Dawar and Frost (1999), the strategy of local companies when under threat of globalisation depends on the extent of the threat of foreign companies and the ability of the local company to transfer its product to foreign markets. Where the threat is high and products are not transferable, it is likely that local companies will dodge failure by selling to foreign companies; where the threat is high but products are transferable, the local company becomes a contender in the global market; where the threat is low and products are not transferable, the local company becomes a defender, leveraging on its local consumer base; where the threat is low and products are transferable, local companies become extenders, taking advantage of globalisation, rather than succumbing to the threat of globalisation (Dawar and Frost, 1999).

Figure 2 Strategies for local companies when under threat from foreign companies



Source: Dawar and Frost, 1999

The following response strategies speak largely to defenders, but also to contenders who want to secure their local consumer base, and to local companies who are considering dodging when they could rather defend:

- Exploit your knowledge of the local product market from the demand and supply side. Leverage both your understanding of the local consumer base, and your understanding of the supply chain in order to develop a more cost-effective supply chain, producing a range of products most suited to the local market. Local companies should also investigate alternative suppliers in order to separate them from their competitors, this includes investing in the local supplier base (Kardame et al., 2015).

- Local retailer knowledge of the institutional arrangements, regulations, incentives etc. of the country is difficult for foreign retailers to obtain. Local retailers should use this knowledge to more quickly respond to changes in regulations and fill gaps in institutions and regulations themselves;
- Product differentiation is key to survival where foreign retailers are providing generic products. Local retailers are in a better position to innovate due to their understanding of local consumers. Often the strategies of multinationals are very transparent and local companies can begin product differentiation before the foreign company even enters the market. In India, Honda was unable to survive in the motorcycle market due to local scooter manufacturer Bajaj, who turned down an offer from Honda to buy them out due to their knowledge that their product which was cheaper and more rugged, suited the Indian market more than Honda's product. In response to Honda's entrance in the market, Bajaj increased its distribution network and invested in research and development, as a result, it did not lose any of its local market share (Dawar and Frost, 1999);
- When under threat in your local market, it is essential to understand where on the grid shown above your company is – are your products transferable and what exactly is the extent of the threat? If your company is a defender, it is important to 'localise before you globalise', however, if your business is not yet under threat, now is the time to quickly plant your brand in other markets, especially African markets, before global giants take root (Kardame et al, 2015); and
- Finally, customer service and experience is essential to maintaining local market share. Customer service training and monitoring must be a priority strategy for local companies.

4. OPPORTUNITIES AND RECOMMENDATIONS FOR ENTERING BRIC MARKETS

4.1. ASSESSMENT OF BRIC RETAIL OPPORTUNITY

India is widely considered in the literature as one of the countries with the highest retail trade potential in the world. Trade Finance Global, ranks the BRICS countries with regard to the opportunity they present to investors. Top of their list is India, whose high and increasing economic growth rate, large population, and retail contribution to GDP of 25%, makes it an attractive investment for retailers. India also has good rule of law and low corruption relative to other BRICS countries, however, it suffers from poor political stability (Harrison, 2017). The Global Retail Development Index (GRDI) ranks India first of all developing countries for retail investment potential currently and into the future (ATKearney, 2017). With regard to e-commerce, India has massive growth potential and there is opportunity for South African retailers to partner with mobile retail platforms already operating in India, such as Paytm. However, challenges in India include the high cost of broadband, poor IT infrastructure and lack of diversity of the market (e.g. very few women shop online) (EY, 2015).

The Indian government has targeted retail as one of the major drivers of economic growth and employment and, as a result, has amended policy and regulations by relaxing rules for foreign direct investment, allowing 100% foreign ownership, supporting cashless payment systems and reforming indirect taxation. Several large foreign brands have entered the market since 2016 as a consequence of these regulations (Brown et al., 2015).

“South African companies such as Tiger Brands, the Airports Company South Africa, Bidvest, SABMiller, FirstRand Bank, Standard Bank, Old Mutual, Balela Leisure, Anglo American, Sasol and Nando’s Group Holdings have made investments in the Indian market. “Although Shoprite, South Africa’s second largest retailing group, withdrew its operations from India in 2005, it is eyeing the Indian market again after the Indian government announced plans to liberalise its retail sector” (Lucey and Makokera, 2015).

While **China** has a high economic growth rate and large population, both are experiencing a slowdown in growth, indicating that China no longer offers the high growth an investor would hope for in an emerging economy. The GRDI dropped China to second on its list in 2017, after India, for retail investment potential due to its maturing market (ATKearney, 2017). With regard to e-commerce, China has the largest market for cross-border e-commerce trade, but also the most saturated market and the most entrenched online platforms.

Brazil and Russia are considered poor investment destinations. **Brazil** has a decent political and legal framework, but its economy is in a recession and it is difficult for start-ups to succeed under these conditions. Brazil dropped 9 places in the 2017 GRDI to 29 out of 30 countries due to a “contracting economy, political chaos, and record unemployment” (ATKearney, 2017). However, the Brazilian government has introduced supporting policy and an e-commerce development fund, which was a fundamental contributor to the success of e-commerce in Brazil in 2017 (AliResearch, 2017). Brazil has a large pool of online shoppers and lies on South Africa’s shipping route.

Russia has the lowest population growth, is experiencing recession and is the worst of the BRICS countries when it comes to its political and legal framework (Harrison, 2017). Furthermore, the operating environment in Russia is unclear. The GRDI placed Russia 22nd out of 30 developing countries for retail investment potential; it states that stability is key to unlocking potential, but timelines for stability in Russia are unknown (ATKearney, 2017)[2]. With regard to e-commerce, Russia has a large online shopping penetration but still has potential to grow as only 1.3% of all physical goods are purchased online. Russians are also willing to use foreign platforms, but South African businesses will struggle to compete with Indian and Chinese e-retailers whose costs associated with delivery are much lower.

4.2. RECOMMENDATIONS FOR SOUTH AFRICAN RETAILERS TO ENTER BRIC MARKETS

The following recommendations are drawn largely (but not entirely) from an article by Trevor Wade and Hannah Foltz, analysts from Landor, entitled ‘How to win in the BRICS markets’. Landor is a global marketing company managing several major retail brands: the below insights are drawn from Landor’s office directors in Sao Paulo, Moscow, Mumbai and Shanghai. Further recommendations are drawn from articles with advice on how to enter ‘new’ or ‘emerging’ markets.

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[2] Out of interest, South Africa is placed 26th on the GRDI, after India, China and Russia, largely due to it currently having a smaller e-commerce population than other countries. However, it is noted that the e-commerce market is growing rapidly (ATKearney, 2017).

- Thorough **market research** on the target country is vital. Each country has strong characteristics that will influence the success of products in that context. Research to determine the conventions, attitude and current consumer products will be vital to the success of new products. For example, evidence shows that sales increase significantly in sites where the incoming retailer's language is the same as the consumers' language, and the support personnel are also local (EY, 2015).
- **Adapt products for the local market**. Products need to be tailored to local markets in order to meet cultural expectations and general cultural trends. Prospective retailers need to be creative in order to pursue cost-effective customisation for the local market. "Getting partners and even the wider user community involved in product design, or finding solutions that can be customised locally, is one way to approach this problem".[3]
- **Blend local and global marketing techniques**. Global formulas for marketing will not work the same in emerging markets as in established markets. In terms of product branding and developing a value proposition, Raghavan, Landor's Mumbai representative, recommends a "good blend of the local and the global to create differentiation in product, content, and experience". For example, he notes that McDonald's in India sells a Chicken Maharaj Mac.

Source: McDonald's (2017)

- Brands entering emerging markets need to **re-evaluate their fundamental profit formulas and operating models,** in order to really meet the needs and expectations of the local audience.[4]
- Build **strong relationships on the ground**. A key driver of success when entering new markets is to stay networked with continued on-the-ground customer engagement (Ho, 2017).
- **Remain agile and adaptable** to change. Economies in emerging countries experience unpredictable changes, and prospective retailers should place emphasis on staying agile and ready to adapt to any shifts. Speaking specifically of brands in India, Raghavan emphasises that successful products are "constantly observing, changing, adapting, experimenting, failing, and trying again" (Wade and Foltz, 2015).

[3] https://www.translatemedia.com/translation-blog/global-brands-redesign-value-proposition-new-markets/
[4] https://www.translatemedia.com/translation-blog/global-brands-redesign-value-proposition-new-markets/

- **Targeted marketing**. Research into relevant target markets in each country to tailor products to a specific group is vital. The growing **middle class** in all of South Africa's BRICS partners, particularly Brazil, China and Russia, offers a large target group for companies. When targeting the emerging middle class, it is important to remember that this group has smaller disposable income and a lower spending power compared to established market consumers. There needs to be a good understanding of the target group's mindset, their values and expectations, and also how the product offering fits into their lives. "Brands that can position themselves as aspirational products that are nevertheless affordable may succeed where audiences have this mindset."[5]

  Another target group to be aware of is **youth**. BRICS is home to nearly half of the world's youth (Dwyer et al., 2018) and, as such, pose as a broad source of potential customers. In India, 65% of the population is under 35 (Wade and Foltz, 2015).
- **Financial considerations.** It is important to remember that emerging market consumers do have low spending power, limited disposable income and a relatively unstable cash flow. Of significant importance is that many consumers may be outside the traditional banking system.[6] Depending on the product, including options such as a payment plan may be helpful for more expensive products, making them more accessible to consumers (Western Union, nd).
- Utilise all **online marketing platforms**, particularly social media. Other BRICS countries tend to have more advanced technology platforms than in South Africa, and these should be researched and utilised to promote new products.
- Be aware of the **political climate**. It is useful to be cognisant of the regime politics in the target country. Ensure that a product does not inadvertently undermine the political climate (Beckmann, 2017).
- **Choose locations wisely**. Being aware of location-specific trends and tailoring an approach to a specific location can help identify current market gaps. In China, for example, "Some retailers are…shifting their business focus…from first and second tier cities to third and fourth tier cities. In fact, 58 percent of newly opened stores across China are found in tier-two and tier three cities".[7]

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[5] https://www.translatemedia.com/translation-blog/global-brands-redesign-value-proposition-new-markets/
[6] https://www.translatemedia.com/translation-blog/global-brands-redesign-value-proposition-new-markets/
[7] http://www.china-briefing.com/news/2014/04/16/overview-chinas-retail-industry.html

- If aiming to enter an emerging economy as a brick-and-mortar store, **utilise online platforms simultaneously** in order to maximise the potential customer base. Entering the market must include online integration in order to succeed (ATKearney, 2017).
- **Research relevant, innovative payment systems**. Finding online payment methods that local customers perceive as reliable is important. In China, Alibaba developed Alipay, a payment system whereby funds were held by an intermediary and only released to the seller when the buyer was satisfied with the product (Santos, 2016). Such initiatives give potential e-shoppers a sense of security and mitigates the perceived risk associated with online shopping.

4.3. SUPPORT FOR SOUTH AFRICAN RETAILERS

Obviously, there are real risks for South African retailers who aim to achieve success in BRIC markets. These risks include damaging the reputation of the business permanently, losing significant market share in the local market while focussing on global markets and even bankruptcy if expansion does not succeed. It is important for retailers to lean on organisations that offer support such as the local and national chambers of commerce and others described below.

Business should investigate the benefits of the Electronic World Trade Platform, created by the Alibaba Group, which is designed to generate dialogue around e-commerce, be a platform for new trade rules, and incubate new business around the world (AliResearch, 2017).

Source: Business Wire, 2017

The South African Retail Council (SARC), the South African Chamber of Commerce and the Department of Trade and Industry (dti) have country-specific information. The SARC, a unit within the Consumer Goods Council of South Africa, engages in networking and shares relevant sector-specific information. The South African chapter of the BRICS Business Council was established to promote trade and industry between the countries, with a particular South African focus.

In terms of private support, Price Waterhouse Coopers (PWC) is a good example of advisory support. PWC has "an available established advisory support process for any South African retailers who may wish to open up opportunities within the BRIC nations. Price Waterhouse Coopers has set up online desks for particularly Africa, India and China trade support. They have available capacity to assist South African retailers with performance improvement where they (PWC) partner with South African clients to provide robust performance improvement solutions to complex business problems such as intra-BRICS co-operation (http://www.pwc.co.za/en/country-desk.html)" (Brown et al., 2015).

5. CONCLUSION

Research into the state of retail in BRICS shows that India's retail sector is experiencing phenomenal growth, followed by China with strong growth, South Africa with low growth, and Russia and Brazil with negative growth. Retail growth on e-commerce platforms is in double digits for all BRICS nations, reflecting good opportunity for retailers already entrenched in e-commerce. BRICS has no common trade policy, but a memorandum of understanding was signed by the heads of BRICS competition authorities in 2016 whereby countries agreed to reduce barriers to entry. Furthermore, in 2017, BRICS initiated the E-commerce Cooperation Initiative, which will provide a policy, advocacy and research function for e-commerce in BRICS.

The research found that there are multiple examples of retail trade between BRICS countries, with China having the highest presence of retail trade in other BRICS countries. South African retailers are active in supplying and stocking BRIC stores with local consumer products, selling to BRIC consumers online, and investing in BRIC retailers. However, South African retailers are still struggling to open stores in BRIC countries, which isn't true of BRIC retailers in South Africa (especially Chinese, Brazilian and Indian retailers).

While little information exists to show the impact that the presence of BRIC products in South Africa is having on local retailers, the literature shows that competition as a result of globalisation can have a different impact on local retailers depending on the nature of the business, and the level of formality of the retail market. Response strategies for local retailers include product differentiation and streamlining and differentiating the supply chain to reduce costs. Innovation with regard to product development, distribution and process is essential, and local retailers are better placed than foreign countries to innovate due to their knowledge of the market.

An assessment of opportunity for South African retailers in BRIC countries shows that India is a clear winner in terms of opportunity in the retail sector due to their high growth rate, large retail sector, untapped e-commerce market, and accommodating regulations. Brazil is considered to have the worst potential due to its economic and political climate – however, there is still some opportunity in e-commerce. Several recommendations were provided for local retailers hoping to enter the BRIC market, including the importance of market research, tailoring products and operations to the local market, and paying attention to e-commerce and online marketing channels. Support for South African retailers can be sought from the Electronic World Trade Platform, the South African Retail Council (SARC), the South African Chamber of Commerce and the Department of Trade and Industry (dti).

While there is a significant amount of research on retail performance in the BRICS countries (useful for prospective retailers entering foreign markets), there is a dearth of information when it comes to quantifying the various types of retail trade. The research was not able to determine the number of BRIC retailers in South Africa, the number of mergers and acquisitions in the retail sector, the number/value of BRIC products supplied through South African stores, the number of foreign-owned retailers, or the penetration of BRIC online stores selling directly to local consumers. The information is even more scarce when it considers South African retailers in BRIC countries across these types of trade. The lack of this information makes it very difficult to determine the impact of BRIC (or any foreign) retailers on the local retail market. Monitoring this information is going to become increasingly important as foreign and South African retailers fight for market share across Africa and is recommended not only for future research in South Africa but also across Africa.

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Attachment – Ethics clearance certificate

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Office of the Chairperson Research Ethics Committee	Faculty: **BUSINESS**

At a meeting of the Research Ethics Committee on 25 March 2015, Ethics Approval was granted to Prof Adewale Banjo (UNISA) for research activities Related to the: WRLC (Wholesale & Retail Leadership Chair) within the RETAIL BUSINESS MANAGEMENT DEPARTMENT, Business Faculty at the Cape Peninsula University of Technology

Title of Project:	South African retail sector and the BRICS trading block Supervisor: Prof RB Mason

Comments:

Decision: APPROVED

Signed: Chairperson: Research Ethics Committee	25 March 2015 Date
Signed: Chairperson: Faculty Research Committee	Date

Clearance Certificate No | 2015FBREC259