



# TROUBLE IN STORE Unless You GO ONLINE

A falling naira and oil price may be crippling stores of Nigeria, but there is hope online and in pandering to the whims of the mega-rich.

BY PEACE HYDE

**A**lara is a store that nestles into the heart of the busy and prosperous Victoria Island district in Lagos. It could as easily be in London or Paris; it sells designers from Dries Van Noten to Valentino. Rich customers spend thousands of dollars every day here in contrast to the poor pickings in the rest of Nigeria's retail industry.

"We realized that people were craving the luxury shopping experience they had in places like Paris or London... They wanted the retail experience at home, without the hassle of flying around the world," says Reni Folawiyo, the founder of Alara.

"Even in these turbulent economic times, we have found that our high net worth clients still crave exclusivity of products and the convenience of shopping at home," says Deremi Ajidahun, who opened the first boutique selling the luxury watch brand, Ulysse Nardin.

These stores are lucrative spots on a dingy canvas. Nigeria has 180 million customers to sell to, but the country's short-term retail prospects are gloomy.

"The foreign exchange (forex) crisis, which is largely the result of the falling demand for the naira from foreign buyers of Nigerian oil and gas, which accounts for a significant balance of payment for the government, is a strong catalyst for

these challenges. The Central Bank of Nigeria (CBN) proceeded to cut about 680 categories of items from the list of those it would provide forex at the official rate, forcing retailers to secure US dollars through the black market at a much higher exchange rate," says Bismarck Rewane, Managing Director and Chief Executive of Financial Derivatives, a financial advisory firm in Lagos.

This led to an exodus by international retailers. South African shopping giant Woolworths – that has easily ridden hard times at home – ran from Nigeria in 2013. The reason: high cost of rent, taxes and supply-chain management. Clothing retailer Truworths, also of South Africa, followed in February 2016, citing a struggle to stock its outlets and manage the forex challenge. Items subject to the CBN's import controls, like textiles and clothes as well as glassware and utensils, affect the retail sector, making it more expensive to stock these products.

"The old or traditional brick-and-mortar retail system, which accounts for almost 90% of retail activity in Nigeria, has continued to decline because of the government's policy, changes in the composition of Nigeria's population and increasing sophistication of the Nigerian consumer," says Rewane.

These old school stores are facing stiff competition from digital and e-retail. The

rise of Nigerian online seller Jumia is a sign of disruptive times. It is backed by big hitting investors: the US's Goldman Sachs, Germany's Rocket Internet, South Africa's MTN, and Sweden's Millicom.

"People told us when we started about six years ago that it won't work, people don't trust the internet in Nigeria so they have to feel and touch the product. Our response was to build Jumia as the first Amazon of Africa," says Jeremy Hodara CEO and founder of Jumia.

Satisfying the demands of an increasingly tech savvy millennial consumer has become integral to survival.

"It is simply a case of those who dare, survive," says Rewane.

"I use Jumia and other online retailers, like Konga, to shop mostly for clothing because it is faster, much more convenient and I can get the best prices and deals all from the comfort of my home," says Stephanie Bello, an MBA student at the Lagos Business School.

Deloitte forecasts that e-retail in Nigeria will grow at a compound annual growth rate of 37.7% from 2013 to 2017. The CBN recently announced a review of the current currency policy, which experts believe is the most important factor for the retail sector, especially for those importing global brands.

If old school retailers don't feel threatened; they should.