

Online Shopping is catching on in Africa

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German-born entrepreneur, Arnd Herrmann, returned to South Africa in 2005 after a four year hiatus in Switzerland. After leading one of South Africa's leading incentive companies to becoming a Top 300 Performing Company in 2008, he started his own venture in co-operation with local investment company Trium Investments with the idea of creating a fresh online shopping model for consumers in Africa.



Four months since the shopping channel, www.luxury4less.co.za was launched in May 2009, Herrmann is satisfied with the response from the local market and continues to be convinced that, despite the recession, luxury brands will always be desirable when offered at discount prices.

This is the concept behind Luxury4Less, which mimics European and American counterparts, BuyVIP, Vente Privee and the Gilt Groupe, in bringing top brands to close shopping communities via the web at significantly marked-down prices.

"My research into local shopping trends and my experience with people here has indicated that South Africans are particularly brand conscious, I would say even more so than Europeans," says Herrmann, "but they love nothing more than a good bargain."

Luxury4Less provides just this, high end products at up to 80 percent off retail price, but to an exclusive membership base only. Herrmann says, "I had a hunch that South Africans would enjoy the notion of exclusivity. So, ignoring advice that creating a closed shopping portal would not work in South Africa, I insisted on exclusive membership, which to the dismay of my detractors has increased the desire factor of the channel many fold."

In 2000, when Herrmann left South Africa with his wife, Petra and two young children, he did so because he could no longer stomach the pervading negativity amongst South Africans regarding the falling rand, the rising crime levels and the uncertain political climate.

However, in 2004, when Herrmann returned to the country for a visit he was struck by the change in the atmosphere. Business was booming and the people he spent time with were very much more relaxed. A friend invited Herrmann to return to the country to join Uwin-Iwin Incentives, and in a moment of inspiration and hope, Herrmann resigned his job at General Electric in Switzerland and brought his family back to Africa.

It was upon returning that Herrmann really began to recognise the opportunities for entrepreneurs in South Africa. "Every second person I met was a small business owner who was managing to grow their enterprise," says Herrmann.

"In South Africa there are so many areas and industries that need building. The online environment is a perfect example. While Europe, for example, already has a developed e-commerce economy, Luxury4Less is the first of its kind in South Africa. Despite the small market online - only eight percent of the population have access to the Internet- being the first to tap into this market gives us an important head start."

Luxury4Less targets middle and high income consumers with desirable local and international brands at discounts that are rarely available in traditional retail. Herrmann was originally concerned that suppliers would be cautious making their products available on his site; it had no track record as yet, and was determined to knock down shop-floor prices, but Herrmann was pleasantly surprised by the response from distributors.

"It seems even the big retailers are steadily realising the value of online sales. Right from the start, top brands were willing to test the service and offered us really low prices for the experiment, which I might add, was a triumph, with a follow up campaign in the pipeline."

Local brands were equally interested and responded to Herrmann's offering eagerly. In turn, Luxury4Less is helping to raise the profile of local fashion brands, thereby sustaining much needed jobs in the textile industry."

"The assumption may be that Luxury goods won't sell in Africa but this is patently untrue. The evidence of a large, emerging, middle-class in South Africa is everywhere: in the enormous shopping centres that are being erected in sprawling, newly-developed suburbs; the country is fertile land for growing luxury brands.

That said, the levels of poverty are also always in view and it is crucial that foreign investors take the whole community into mind when bringing business to South Africa, and work to uplift the local situation in whatever way possible. My way is to contribute to my local church to aid their poverty alleviation drives in a nearby informal settlement, as well as by promoting local brands through the Luxury4Less site." Says Herrmann.

As evidence of the buying power and online savvy of the high-end of South Africa's market, Herrmann cites the almost immediate take-up of the Luxury4Less concept. Starting from a small member base of Herrmann's friends and acquaintances, the site's member base has doubled every two months.

"Interest in our website has exceeded all my expectations. In one month alone, for example, we had over a million clicks from members navigating the site for deals. We are seeing up to 1000 unique visitors every day, most of whom are South Africans. It is clear to me that South Africans are starting to embrace online shopping for its convenience and range," adds Herrmann.

Herrmann has recently added a Luxury4Less .mobi site which gives access to the portal via any Internet enabled mobile phone and through this to more of the population, although membership still has to be granted. Members can invite friends to join, and this technique has helped Herrmann in growing his consumer base within the ideal market sectors.

Luxury4Less has become such an attractive concept that Herrmann says corporate companies are now requesting that membership be granted to their employees, or top customers as an added value. Another new feature is that South Africans abroad can buy "Third party credits" or electronic gift vouchers for friends and family in South Africa that can be used to snatch up a great deal when the opportunity arises.

Because Luxury4Less' campaigns are time and volume limited, members are encouraged to stay on top of what is on offer, to make the best of the bargains on offer at any one time. "In a time of recession, Luxury4Less is a brand-conscious consumer's treasure trove," quips Herrmann.

Herrmann is not distressed about the recession, stating that South Africa remains a reasonably stable economy. "There is still plenty of work to be done here," Herrmann concludes, "which means room for new businesses and many opportunities for the cunning entrepreneur. The trick is to get in now, because the time is ripe for business."

Source: <http://www.homecomingrevolution.co.za/foreigners-in-sa-articles/online-shopping-is-catching-on-in-africa.html>