

A renaissance in SA's traditional trade sector, with 23.6% growth

The South African traditional trade sector achieved R187bn in annual spend in the 12 months up to the end of June 2023 compared to R151bn in the previous year, or 23.6% growth - versus 14.7% within the modern trade sector.



Source: © Research Gate [Research Gate](#) Traditional Trade has experienced an impressive post Covid-19 resurgence, with good figures in FMCG sales in 2023

According to the latest NIQ South Africa analysis, the sector experienced an impressive post Covid-19 resurgence, reaching new heights in total FMCG sales (including liquor & tobacco) in 2023.

This data stems from NIQ South Africa's measurement of 17,000 stores on an ongoing basis which provides the wide coverage of the FMCG industry in South Africa with some of the most granular data collected in the market.

Independent retailers

Independent retailers, which include non-branded superettes and Sspaza shops, have successfully commanded a substantial share of the market and now account for R27.4 of every R100 in FMCG sales,"s ays NIQ South Africa market leader Gareth Paterson.

"This reflects the changing preferences of consumers and the lasting impact of COVID-19 hard lockdowns on spending patterns," he adds.

Investment by manufacturers

He also points to a growing parity between modern trade and traditional trade outlets which can be attributed to manufacturers investing in route-to-market strategies, leading to the removal of nodes in the supply chain.

This optimisation has resulted in significant cost reductions, benefiting independent retailers and their consumers.

“This trend has also created a situation where more than half of the Top 200 food and beverage items were cheaper in traditional trade during Q4, 2022,” he says.



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Price convergence

He also says that, in addition to this, prices in modern trade and traditional trade have converged, even during high promotional periods like Black Friday and December in 2022 and traditional trade outlets have continued to offer items at better prices, even in the absence of promotions.

“Moreover, the inherent agility of TT outlets allows them to respond quickly to consumer demands. If consumers express a preference for a specific brand, the outlets promptly start stocking it. This responsiveness to consumers' needs has become a key factor driving its growth,” says Paterson.

Load shedding impact

Another driving factor is that TT outlets have not been impacted as much by load shedding, given their lesser reliance on cold storage facilities, whereas MT outlets have been forced to spend billions towards running generators to keep their store lights on and tills operating.

This has resulted in a severe knock to operating costs and their ability to offer discounted prices to consumers.



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A growing role in consumer consumption

As a result, independent stores are no longer merely viewed as a destination for buying incidental items and top-ups.

Instead, traditional trade has evolved into a channel where consumers can conveniently purchase all their essential needs.

There has been a notable shift in consumer behaviour, with more shoppers choosing traditional trade stores as their primary shopping destination.

Paterson states: "Traditionally, consumers didn't buy many items in a single occasion at a traditional trade store. However, we are witnessing a shift towards it becoming a one-stop shopping destination where consumers can find everything they

need.”

Significant implications

For manufacturers operating in the market, this trend has significant implications.

"Brands that experience declining volumes in modern trade but see growth in traditional trade must pay attention to product availability.

For example, consumer 'out-of-stock sensitivity' is high and if a key product line is missing from modern trade stores, consumers might shift their loyalty to another brand or product, leading to potential volume shrinkage in modern trade or forgo future trips to that store," Paterson elaborates.

He adds, "To counter this trend, brands also need to be agile and ensure they cater to the needs of consumers across different channels. Snacking, for example, has become dynamic, and brands must ensure their products are available where consumers are buying."

South Africa's traditional trade sector is witnessing a renaissance, offering consumers proximity, better prices, and an extensive product range.

The convergence of prices, coupled with supply chain optimisation, has bolstered the growth of independent shopping channels.

"For brands looking to stay competitive and sustain growth, a strategic focus on traditional trade is becoming imperative. As this trend continues, businesses that align with consumer needs and leverage the agility of traditional trade outlets stand to thrive in this evolving market landscape," advises Paterson.

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