Shoppers get back to the new normal

By Ged Nooy

9 Jan 2023

2022 has been a challenging year for many aspects of the retail industry in the face of a cost-of-living crisis in South Africa that has seen shoppers become more frugal in reduced lines and has seen brands and retailers respond to higher supply-chain costs with reduced lines and increased prices.

Source: NielsenIQ MD Ged Nooy

On the plus side, the relaxing of Covid-19 restrictions has seen a return to traditional shopping experiences and people re-discover their freedom.

However, despite the challenges the industry has faced, the industry looks set to succeed in 2023 and manufacturers and retailers need to know the potential roadblocks and challenges that could come their way throughout the year, alongside the changes in shopper needs that must be understood.

Getting back to the new normal

Certain long-forgotten consumer behaviours have started to resume as South Africans have finally emerged from the spectre of Covid-19. This has seen the trend of a decline in the number of times shoppers visit a store in a month, has slowed down. This emerged during the last two years during Covid-19 lockdowns but towards the end of 2022, consumers started to visit stores more often. It is still nowhere near where it was pre -covid but NielsenIQ data does show that things are starting to stabilise in this regard.

Shoppers are also increasing the number of stores they visit when out shopping. This had really shrunk during Covid when they wanted to get in and out as quickly as possible. Consumers have now resumed their pre-Covid behaviour of shopping across retailers.

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Promo FOMO

South African consumers will remain hungry for discounts in 2023! This is underpinned by the fact that South African shoppers are notoriously price-obsessed and continue to rank among the top five most price-sensitive countries in the world.

> *We expect consumers' appetite for promotions to be even stronger this year, due to increased inflationary pressures and their strong desire for value-for-money deals.*

For that reason, manufacturers and retailers will remain under pressure to offer some serious discounts in 2023. However, the caution is that this is not always a good thing as it creates promo-only shoppers; an industry handicap that is not ideal for long term brand equity and revenue growth.

Source: Supplied

Quick commerce meets the need for speed…and convenience

Consumers, largely amongst a more affluent demographic, have become used to having well-priced convenience and accessible grocery offerings at their fingertips over the last two years. Initially, this was driven by successive lockdowns and the fact that they were often forced to use e-commerce channels.

But now it has become an ingrained behaviour and we are seeing a surge in what we term quick commerce, rapid delivery options. This will only increase this year, with the rise of quick commerce 60-minute delivery options for consumers, providing an important channel for the ramped-up consumer demand.

The other reason is consumers are increasingly seeing e-commerce channels as offering them exclusive promotions and discounts that they can easily get their hands on and not have to fight the crowds to obtain.

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The rise of convenience continues

But not only in the form of rapid delivery and quick e-commerce options. The locality is increasingly important with independent retail (non-branded superettes, spazas, etc.) that have a large footprint and a decentralised offering, have and will see a significant increase in key performance indicators versus modern trade channels in 2023.

Inflation nation

> *The spike in inflation will continue to have huge effects on consumers' grocery budgets.*

These were indicated by an increase in the value per buyer in the latter half of 2022 and were outpacing the number of units consumers purchased. In simple terms, consumers were paying more and getting less for that spend and we expect this phenomenon to continue for at least the first six months of 2023.

The homebound economy is here to stay

In-home consumption will continue to show value growth. This stems from the legacy of people being cooped up at home during lockdowns has seen their behaviour shift and they continue to treat themselves at home and entertain at home.

Amidst the current financial fallout, this might also be driven by a need to save money and we have seen in our consumer surveys that they cite cutting back on takeaways and restaurants as one of the tactics they will use to save money during the next 12 months so staying at home is still seen as the cheaper option and consumers continue to look at making staying at home the best experience possible.

ABOUT GED NOOY

Ged Nooy, general manager of Field Force, a division of Provantage, has worked in the South African and international consumer goods industries for almost two decades.
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