(absa)

Consume This Newsletter

Volume 2, Issue 9 and 10

The bravery to imagine.
That's Africanacity.

Explore

Contents

Welcome to the Consume This Newsletter

This publication aims to give you the latest news in the consumer goods and services sector and share some of our key insights and findings. The coronavirus has upended the world and the people who live in it, and this can especially be seen in consumer spending behaviour.

We consistently try to highlight consumer priorities, constraints and new patterns that emerge and are likely here to stay long after we recover from this pandemic. Our hope with the Consume This content is to share our views on how retail and related sectors are being shaped by the current and other events in this fast-changing world.

First Takealot pick-up point in Pick n Pay

...then comes marriage, then comes a Takealot pick-up point

In our previous issue, we highlighted Pick n Pay and Takealot's marriage with the aim to expand its on-demand delivery service offering. Four months since the launch, this partnership has been rolled out to over 300 Pick n Pay stores. The collaboration seems to be yielding such great results that the retail giant launched a new pick-up point for Takealot customers in its Pick n Pay Bay Mall store just before Christmas.

"We are thrilled to be piloting our first Takealot pick-up point in Pick n Pay. We see it as a great way to create more convenience for our shoppers by offering them a hassle-free, fast way to pick up their Takealot orders while shopping for groceries in Pick n Pay," said Frederik Zietsman, Takealot. com' s CEO.[1]

The launch is part of the group's ongoing pilot for the collection of non-food online orders while shopping for groceries, but would Amazon's planned South African launch have anything to do with this launch and can we expect more such collaborations from other retail giants? Truth be told, online shopping has reshaped the shopper's world and comes with many more considerations than originally anticipated.

A recent article in Tech Central, Why is eCommerce broken?, by IT Ecology on 16 January 2023, reads: "Research consistently finds that more than 80% of customers rely on reviews to guide their purchasing decisions. While price continues to be a primary determining factor in an online purchase, it is increasingly clear that customers are tending towards loyalty to complete the shopping experience rather than a specific retail brand. It is no surprise, therefore, that the most successful eCommerce platforms are obsessed about delivering exceptional customer engagement, as it is the one thing that will continue to set them apart from their competition." [2]

When consumers have such different experiences across various shopping channels, starting from the purchase decision to delivery/collection/return, it is clear that the winners will be the brand with the most cost-effective, seamless, and consistent solution, which will create a different type of loyalty – the loyalty of an online shopper that returns because of this very experience. Thus, the question remains who will set and be the norm, as they will likely hold the lion's share of their market space.

Strategic partnerships, such as that of Takealot and PnP, leverage respective strengths to create this kind of experience in an attempt to keep and grow their respective market share. In the near term, these partnerships might be more effective than physical consolidation of businesses, given that the race between retailers is on.

[1] https://businesstech.co.za/news/business/654665/takealot-pilots-new-features-with-pick-n-pay-in-south-africa/
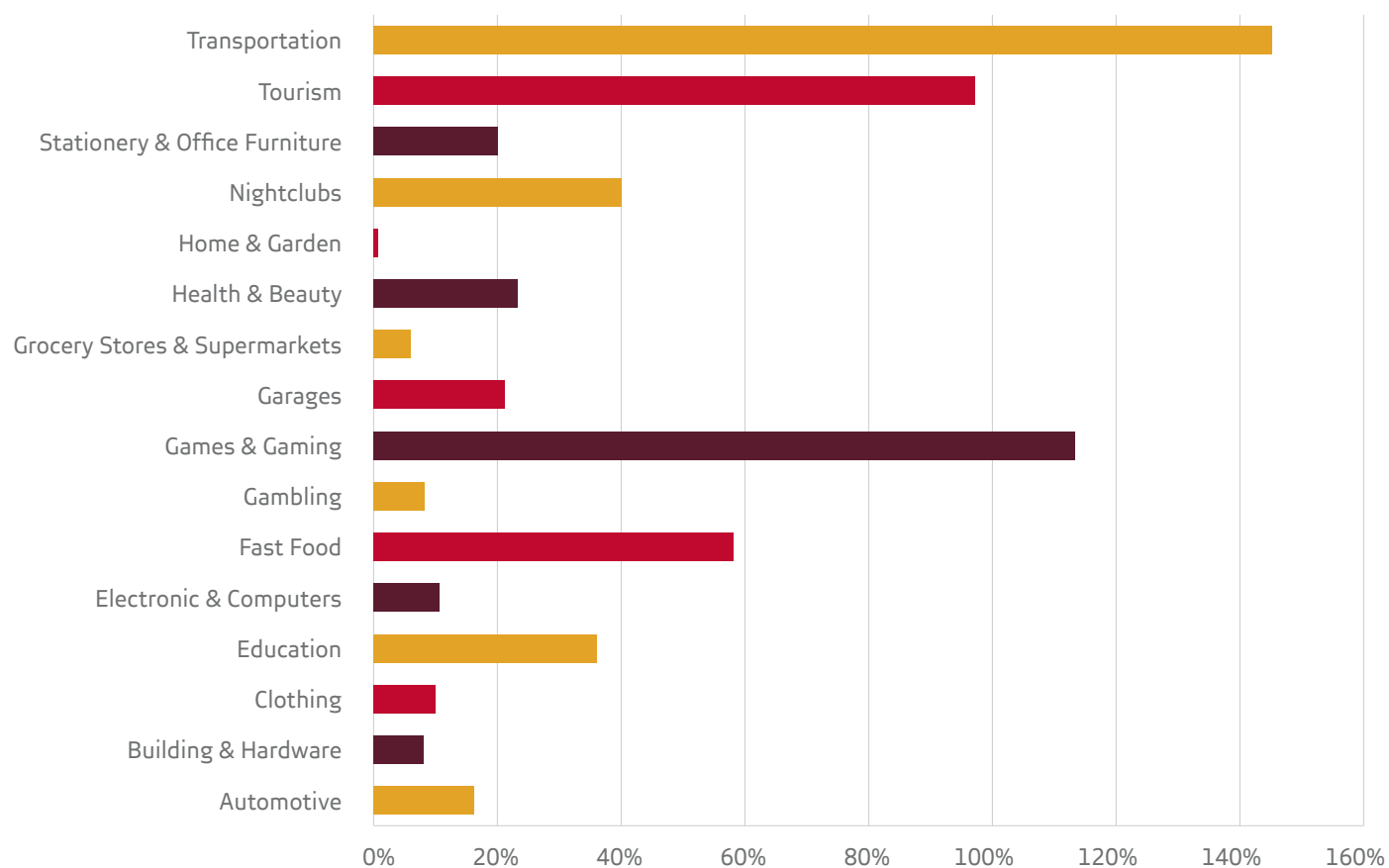
[2] https://techcentral.co.za/it-ecology-why-is-e-commerce-broken-iteprom/219334/

September merchant spend analysis[3]

YTD September	2020-2021	2021-2022	CAGR	Full year (2020-2021)
Automotive	30%	16%	23%	23%
Building and Hardware	27%	7%	17%	20%
Clothing	26%	10%	18%	20%
Education	5%	34%	19%	5%
Electronic and Computers	28%	11%	19%	23%
Fast Food	63%	59%	61%	46%
Gambling	38%	9%	23%	39%
Games and Gaming	753%	110%	323%	432%
Garages	26%	22%	24%	26%
Grocery Stores and Supermarkets	5%	7%	6%	4%
Health and Beauty	14%	23%	18%	12%
Home and Garden	33%	1%	16%	21%
Nightclubs	110%	40%	71%	71%
Stationery and Office Furniture	33%	20%	26%	25%
Tourism	32%	95%	60%	39%
Transportation	–5%	143%	52%	–4%

Merchant spend % change per category

Category	% change
Transportation	~147%
Tourism	~98%
Stationery & Office Furniture	~21%
Nightclubs	~40%
Home & Garden	~1%
Health & Beauty	~24%
Grocery Stores & Supermarkets	~6%
Garages	~22%
Games & Gaming	~114%
Gambling	~8%
Fast Food	~58%
Electronic & Computers	~11%
Education	~36%
Clothing	~10%
Building & Hardware	~8%
Automotive	~16%

[3] Data as of 18 January 2023

October merchant spend analysis

There is a slowdown in spending in October when compared to September merchant spend, which could be due to consumers saving up for the Black Friday period.

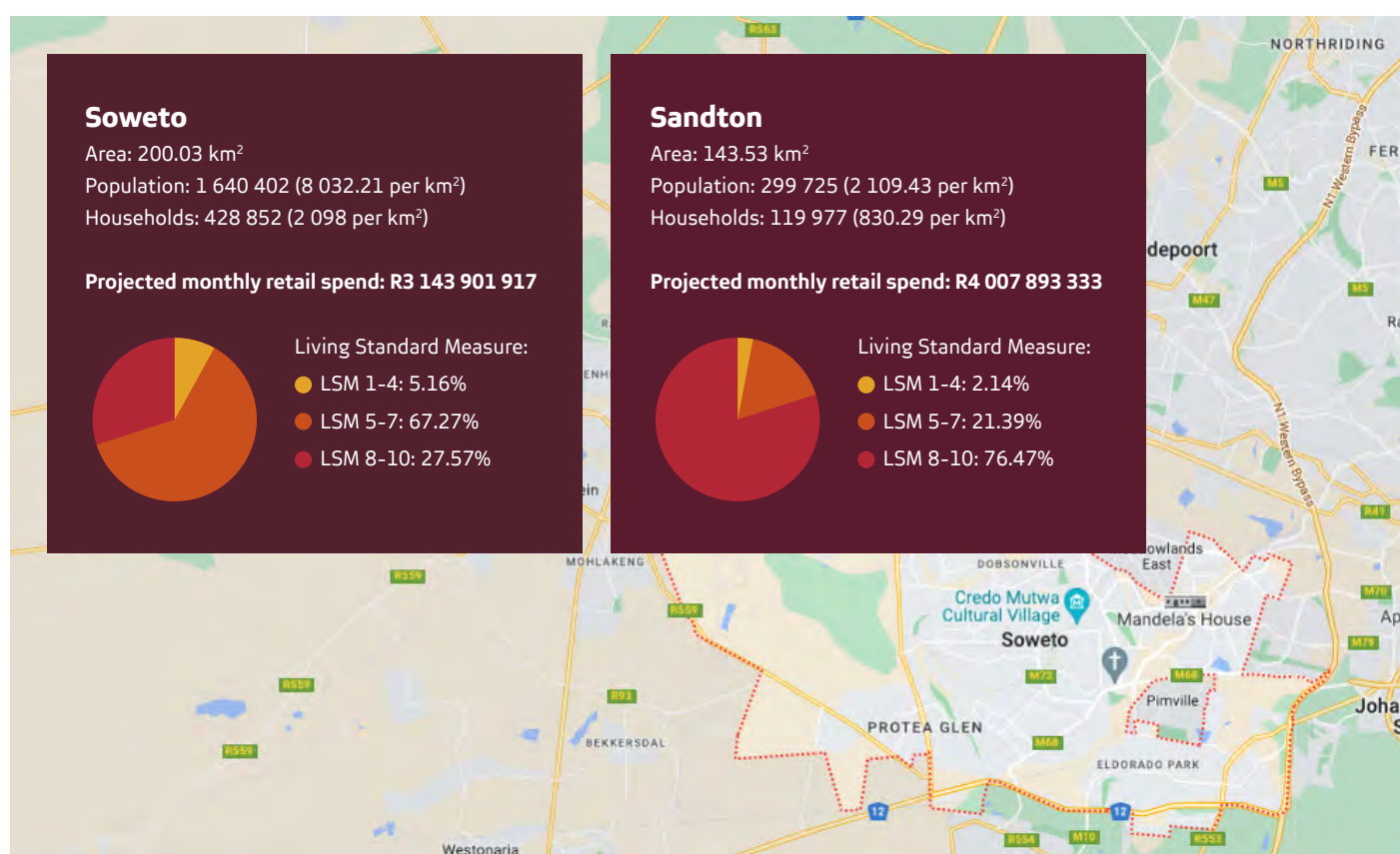| YTD July	2020-2021	2021-2022	CAGR	Full year (2020-2021)
Automotive	30%	15%	22%	23%
Building and Hardware	27%	7%	17%	20%
Clothing	26%	7%	16%	20%
Education	5%	33%	18%	5%
Electronic and Computers	28%	10%	19%	23%
Fast Food	63%	59%	61%	46%
Gambling	38%	0%	17%	39%
Games and Gaming	753%	104%	317%	432%
Garages	26%	21%	23%	26%
Grocery Stores and Supermarkets	5%	7%	6%	4%
Health and Beauty	14%	21%	17%	12%
Home and Garden	33%	1%	16%	21%
Nightclubs	110%	32%	66%	71%
Stationery and Office Furniture	33%	20%	26%	25%
Tourism	32%	89%	58%	39%
Transportation	-5%	129%	47%	-4%

Merchant spend % change per category
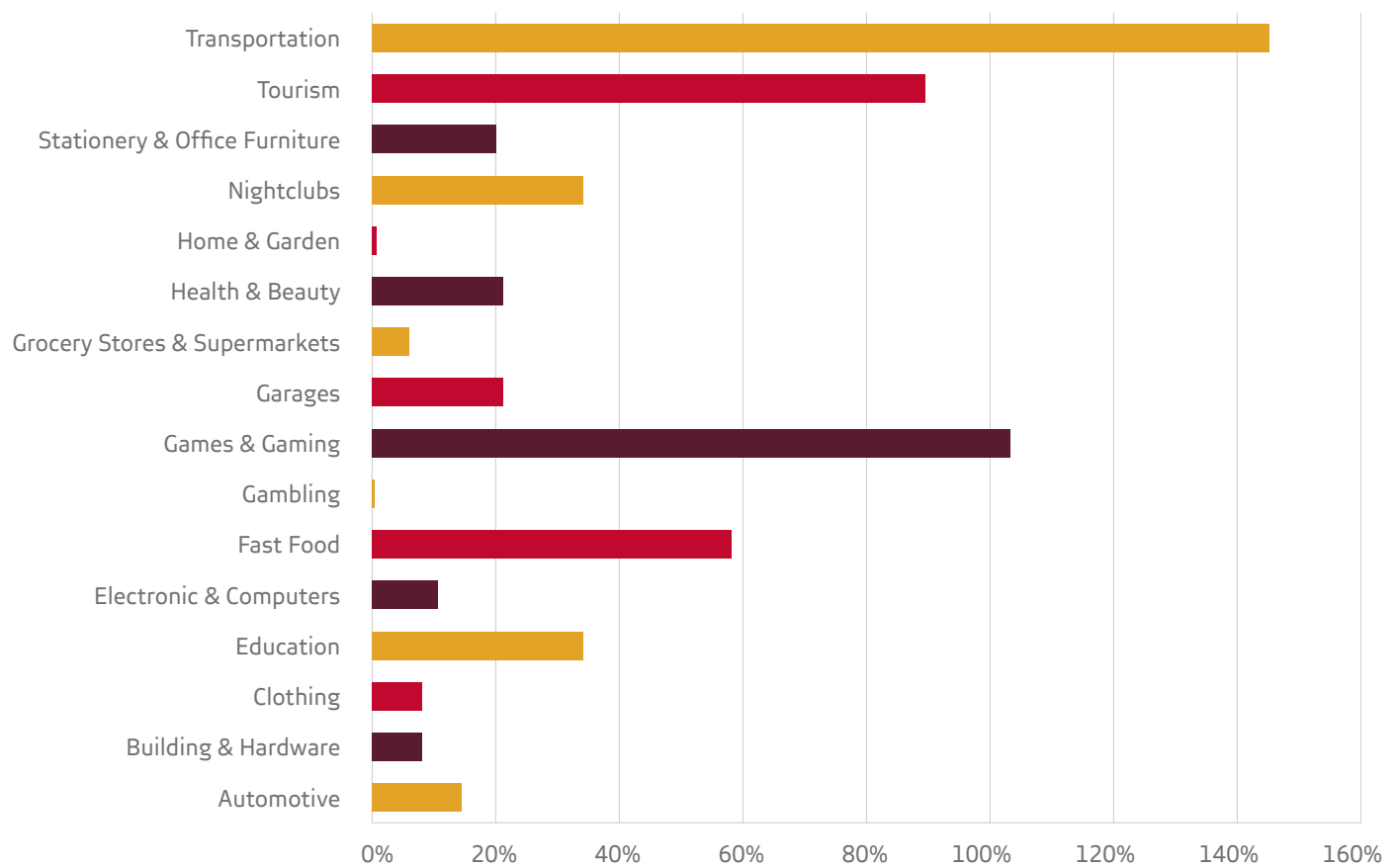
Unpacking the South African township economy (part 5)[4]

Townships vs benchmark mix-use main places economy with neighbouring cities

1. Soweto versus Sandton

Soweto
Area: 200.03 km²
Population: 1 640 402 (8 032.21 per km²)
Households: 428 852 (2 098 per km²)

Projected monthly retail spend: R3 143 901 917

Living Standard Measure:
- LSM 1-4: 5.16%
- LSM 5-7: 67.27%
- LSM 8-10: 27.57%

Sandton
Area: 143.53 km²
Population: 299 725 (2 109.43 per km²)
Households: 119 977 (830.29 per km²)

Projected monthly retail spend: R4 007 893 333

Living Standard Measure:
- LSM 1-4: 2.14%
- LSM 5-7: 21.39%
- LSM 8-10: 76.47%

Soweto is 30% larger than Sandton, but has 5.4 times the population of Sandton and is dominated by the middle-living standard, while Sandton residents fall within the high-living standards, with monthly expenditure above that of Soweto residents.

On average, a Sandton resident spends R38k (retail at R13k), compared to a Soweto resident at R4 160, with retail accounting for just under half at R1 913 per month. Soweto residents will spend a higher proportion of their income in retail than Sandton residents. While Sandton spends nearly R1 billion per month more in retail than Soweto, the township outspends Sandton in liquor by R14.8 million per month. This indicates a larger market for liquor sales in the township, but at a lower rate per capita.
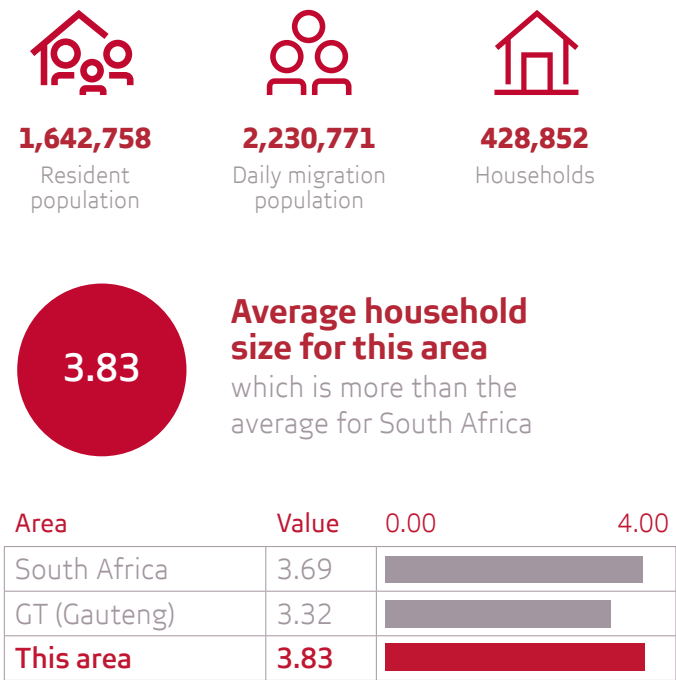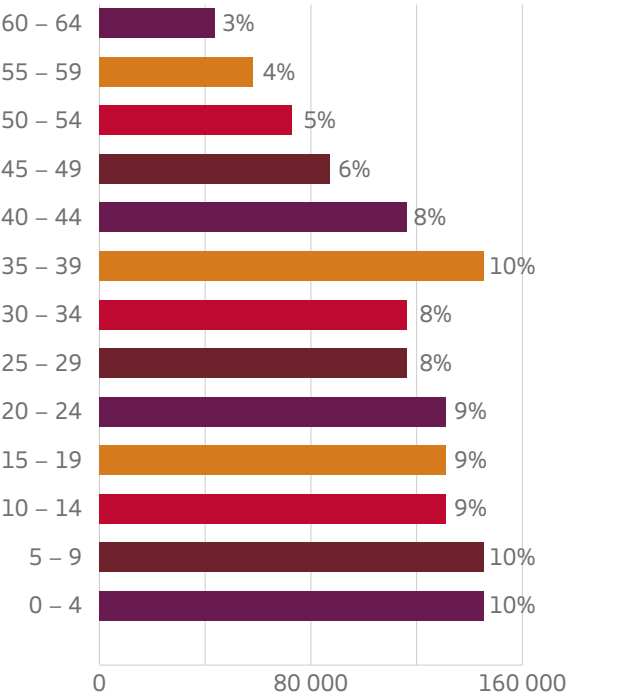
The graphs below show the demographic and consumption data for residents of the 200.03km² area of Soweto.

Population & Housing

1,642,758
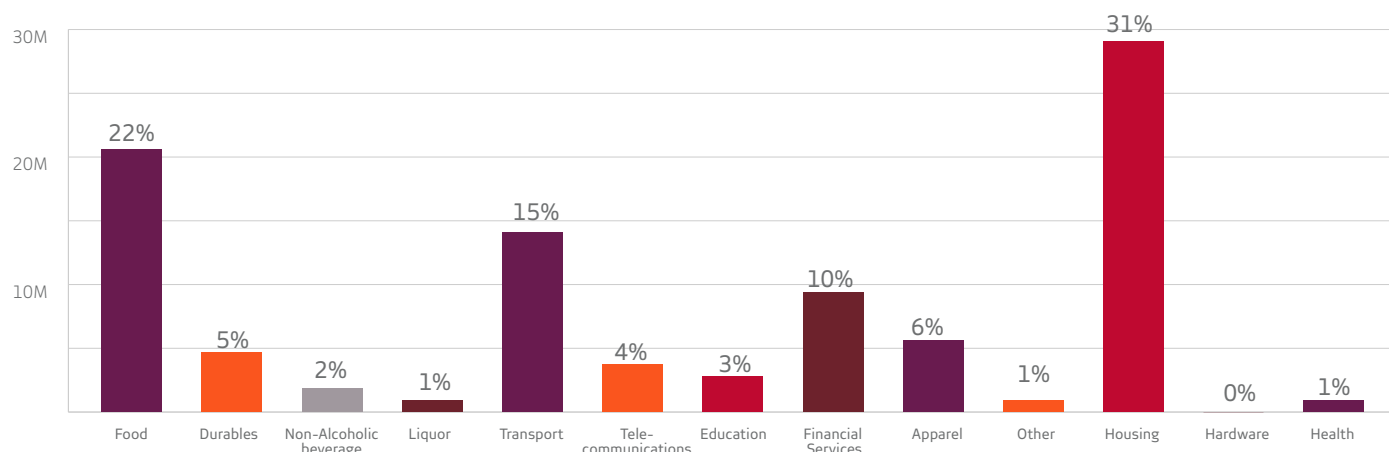Resident population

2,230,771
Daily migration population

428,852
Households

3.83

Average household size for this area
which is more than the average for South Africa

Area	Value	0.00	4.00
South Africa	3.69		
GT (Gauteng)	3.32		
This area	**3.83**		

Age profile

Age	%
60 – 64	3%
55 – 59	4%
50 – 54	5%
45 – 49	6%
40 – 44	8%
35 – 39	10%
30 – 34	8%
25 – 29	8%
20 – 24	9%
15 – 19	9%
10 – 14	9%
5 – 9	10%
0 – 4	10%

(axis: 0, 80 000, 160 000)

Income Profile

Bars (left to right):
- Below R3590 — 15%
- R3600 – 8499 — 13%
- R8500 – 16990 — 14%
- R17000 – 34900 — 20%
- R35000 – 67900 — 20%
- R68000 – 131000 — 12%
- R1312000 – 260000 — 5%
- R270000 – 540000 — 1%
- R550000 – 1.2m — 0%
- R1300000 – 2m — 0%
- R2200000 – 4m — 0%
- Above – R4.9m — 0%

Legend:
- Below R3590
- R3600 – 8499
- R8500 – 16990
- R17000 – 34900
- R35000 – 67900
- R68000 – 131000
- R1312000 – 260000
- R270000 – 540000
- R550000 – 1.2m
- R1300000 – 2m
- R2200000 – 4m
- Above – R4.9m

Expenditure Breakdown

Expenditure percentages by category:
- Food: 22%
- Durables: 5%
- Non-Alcoholic beverage: 2%
- Liquor: 1%
- Transport: 15%
- Tele-communications: 4%
- Education: 3%
- Financial Services: 10%
- Apparel: 6%
- Other: 1%
- Housing: 31%
- Hardware: 0%
- Health: 1%

1,044,319,083 Monthly transport spend

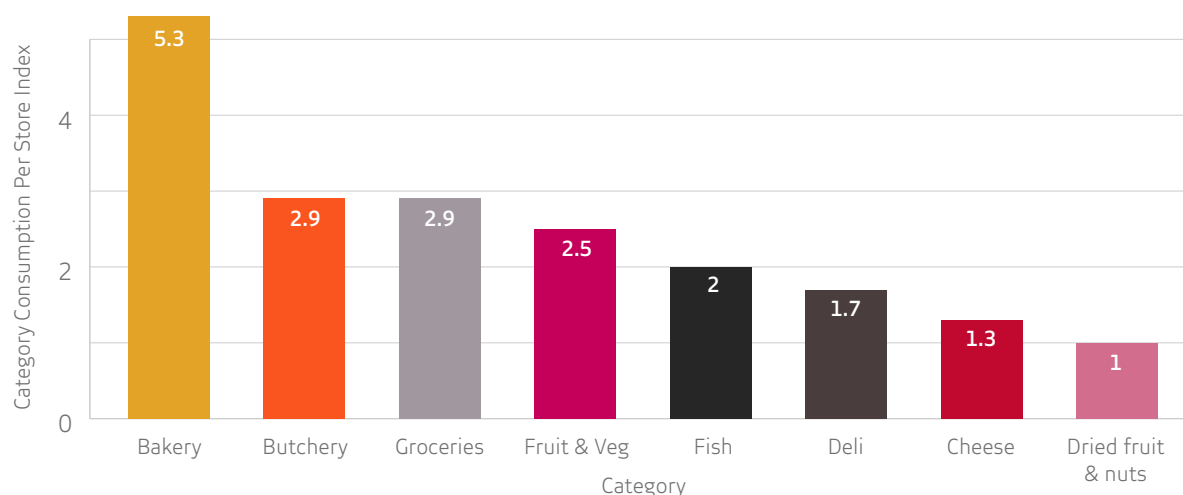**3,143,901,917** Monthly retail spend

52,501,000 Monthly liquor spend

6,834,834,833 Total monthly spend

The average household size of 3.83 is marginally above the national average of 3.69. There is a significant youth population in Soweto. This suggests that the township has established itself as a family area of interest. The 35 – 39 age group is the modal class in the adult population. The modal income brackets (20% each) are between R17k and R67k. There is, however, a high proportion of low-income earners and a steep drop of residents earning above R67k. Consumption expenditure is dominated by three clear categories: Housing at 31%, transport at 15% and food at 22%. This is like what is observed in other townships. Expenditure on financial services (10%), apparel (6%) and durables (5%) outstrip education and telecommunication and is similar in profile to the other townships in this study.

While typical of a township, Soweto has a much more youthful population than Sandton, with a significantly lower income distribution. It appears that there is not much expendable income, but what is available is spent first on financial services and then on apparel and durables. We know that the scale of opportunity within liquor and the proportional spend in apparel and durables show the potential for these markets in Soweto.

Category Consumption Index

Category Consumption Per Store Index:
- Bakery: 5.3
- Butchery: 2.9
- Groceries: 2.9
- Fruit & Veg: 2.5
- Fish: 2
- Deli: 1.7
- Cheese: 1.3
- Dried fruit & nuts: 1

The Category Consumption index chart (previous page) compares available category consumption per formal grocery store in Soweto with available category consumption per formal retail store in Sandton. The values here ignore population density and only compare the total potential rand values.

Demand for products in the bakery category is the most underserved opportunity in the formal grocery retail space in Soweto. There is 5.3 times the available bakery category expenditure per store in Soweto than what is observed in Sandton. Butchery expenditure and groceries expenditure are similarly underserved, with 2.9 times more consumption expenditure available per formal grocery store in Soweto than in Sandton.

Demand for the fruit and veg, fish, deli and cheese categories are between 1.3 and 2.5 times less well served in Soweto than in Sandton. Dried fruit and nuts is the only category that has equally well-served demand on a rand-for-rand basis. While staple foods have the highest ratio of unserved demand, there is still a shortfall of formal stores per available rand in Soweto across almost every grocery category. There is still opportunity to increase the number of formal grocery stores in Soweto twice before achieving parity with Sandton on a rands-available-per-store basis.

The graphs below show the demographic and consumption data of the 143.54km² area of Sandton.

Population & Housing

304,813
Resident population

908,459
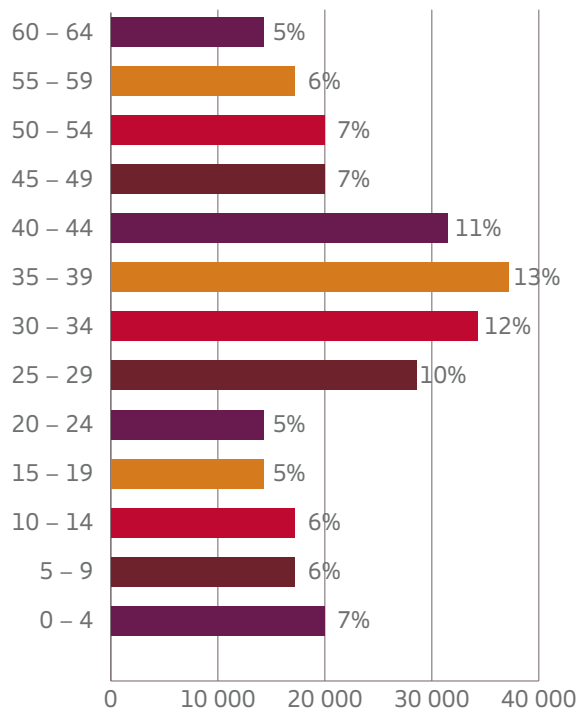Daily Average Migration in & out

119,977
Households

2.54

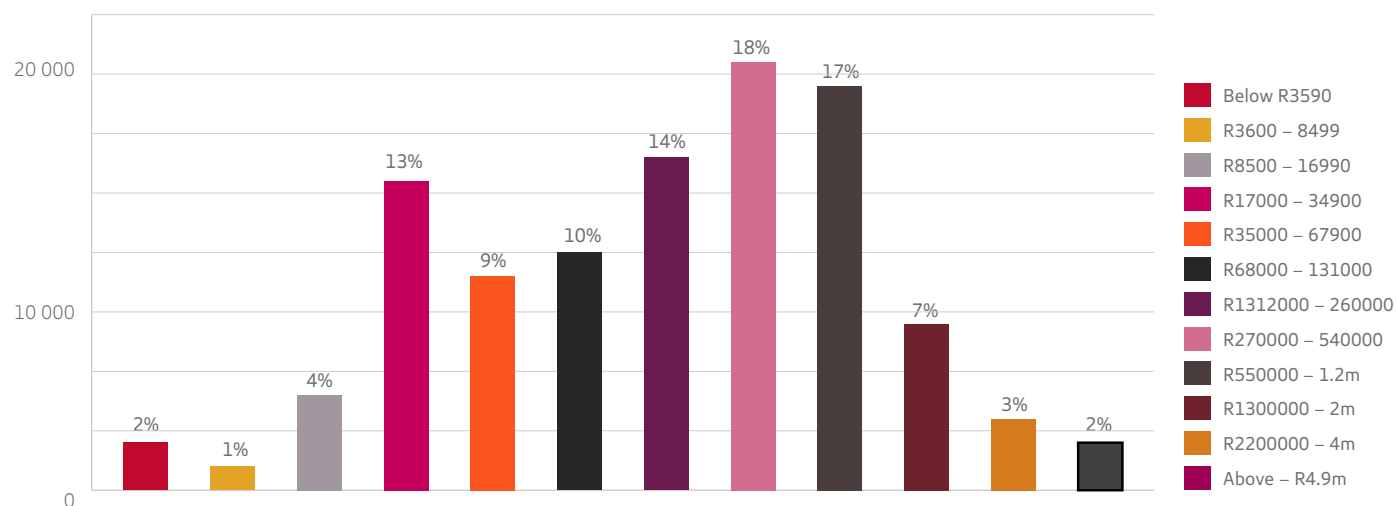**Average household size for this area**
which is less than the average for South Africa

Area	Value	0.00	4.00
South Africa	3.69		
GT (Gauteng)	3.32		
This area	**2.54**		

Age profile

Age	Percentage
60 – 64	5%
55 – 59	6%
50 – 54	7%
45 – 49	7%
40 – 44	11%
35 – 39	13%
30 – 34	12%
25 – 29	10%
20 – 24	5%
15 – 19	5%
10 – 14	6%
5 – 9	6%
0 – 4	7%

Income Profile

Category	Percentage
Below R3590	2%
R3600 – 8499	1%
R8500 – 16990	4%
R17000 – 34900	13%
R35000 – 67900	9%
R68000 – 131000	10%
R1312000 – 260000	14%
R270000 – 540000	18%
R550000 – 1.2m	17%
R1300000 – 2m	7%
R2200000 – 4m	3%
Above – R4.9m	2%

Expenditure Breakdown

9%	5%	1%	0%	16%	3%	4%	16%	3%	1%	40%	0%	1%
Food	Durables	Non-Alcoholic beverage	Liquor	Transport	Tele-communications	Education	Financial Services	Apparel	Other	Housing	Hardware	Health

1,880,043,000
Monthly transport spend

4,007,893,333
Monthly retail spend

37,727,083
Monthly liquor spend

11,462,928,583
Total monthly spend

The average household size in Sandton is significantly below the national household size at 2.54 residents. There is an older population skew. The income distribution is heavily weighted to the upper end, with the two modal brackets (R270k and R540k) at 18% and 17% between R550 and R1.2 million. Sandton is 76% LSM 8 – 10 but interestingly, there is still 2% in LSM 1 – 4.

The largest expenditure category for Sandton residents is housing (40% of the total), followed by transport and financial services (16% each). At only 9%, food provides some indication towards the level of affluence in Sandton (compared to 22% of expenditure for Soweto residents). Education, when compared to other benchmark areas' expenditure, is high at 4%, with only durables higher in the elective type expenditure categories. Sandton is a wealthy suburb with a high cost of living, but there is income to support it. Schooling appears to be a priority for Sandton residents – schooling in Sandton is expensive. Financial services in Sandton appear to offer retail opportunities.
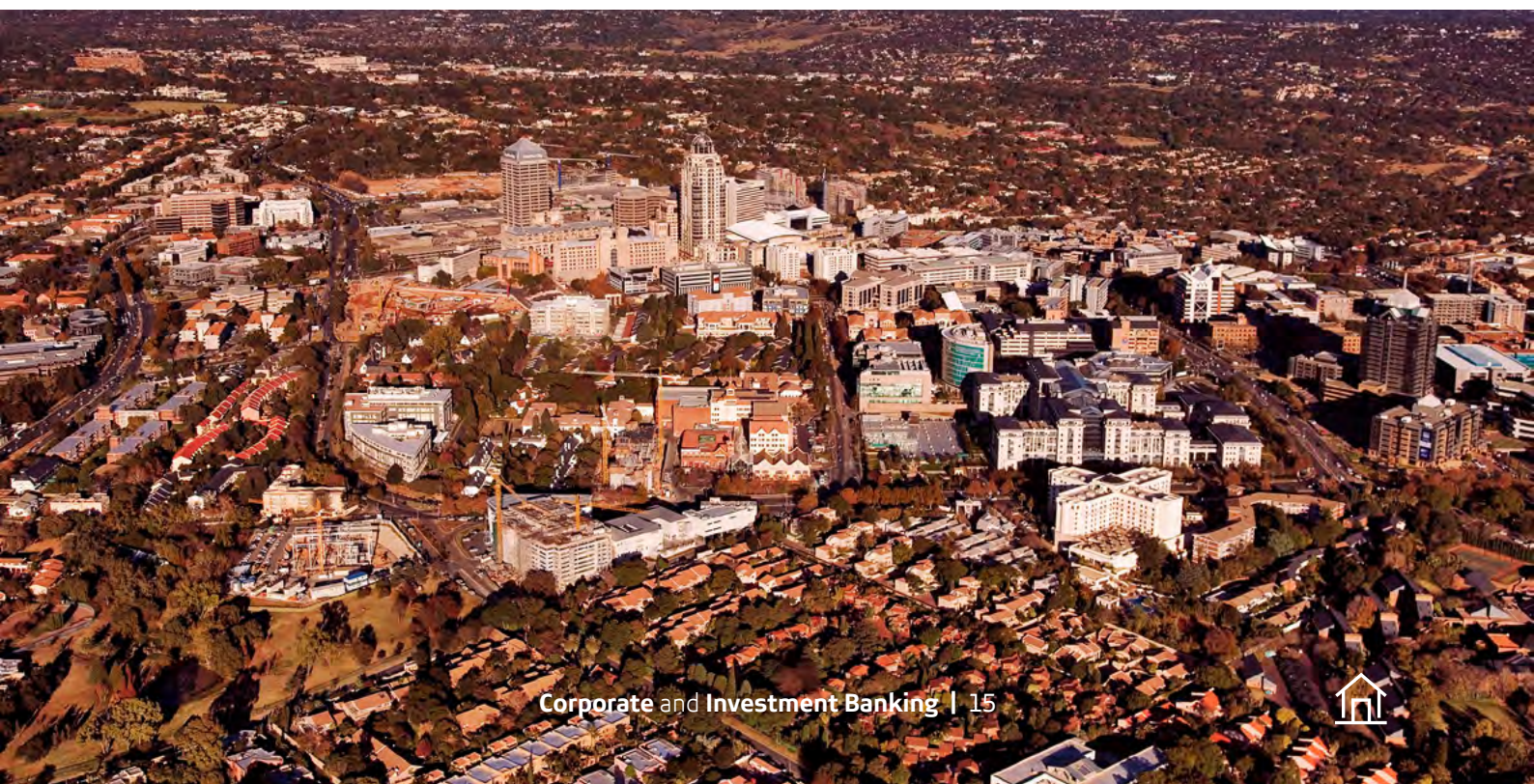
2. Mamelodi versus Centurion

Mamelodi
Area: 45.19 km²
Population: 430 451 (9 457.53 per km²)
Households: 137 049 (3 018 per km²)

Projected monthly retail spend: R1 039 761 750

Living Standard Measure:
- LSM 1-4: 18.04%
- LSM 5-7: 59.08%
- LSM 8-10: 22.08%

Centurion
Area: 392.5 km²
Population: 314 657 (876.86 per km²)
Households: 105 960 (298.07 per km²)

Projected monthly retail spend: R2 649 466 667

Living Standard Measure:
- LSM 1-4: 5.72%
- LSM 5-7: 23.19%
- LSM 8-10: 71.09%

Centurion is 8.7 times larger in area than Mamelodi, but Mamelodi has 1.3 times the population and 1.2 times the households. At 9 501 per km², Mamelodi has a population density 11.6 times that of Centurion (818 per km²). Mamelodi's largest LSM segment is LSM 5 – 7 (59% of residents), while Centurion's is LSM 8 – 10 (79% of residents). Centurion has more individuals in the LSM 8 – 10 segment than Mamelodi has in the LSM 5 – 7 segment.

This difference is visible with more than double the retail spend in Centurion versus Mamelodi. Residents of Centurion collectively spend three times more on transport than residents of Mamelodi, suggesting that the majority of Mamelodi residents do not travel nearly as much as Centurion residents (spend per capita approximately 5.4 times).
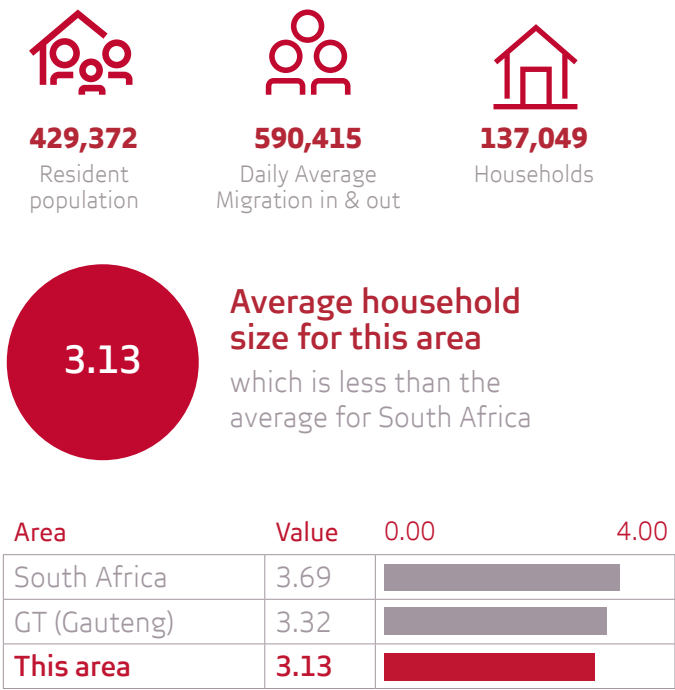
Mamelodi residents will spend a higher proportion of income in retail than Centurion residents. Mamelodi is the only township that does not outspend its benchmark area in liquor sales. The average spend of liquor per capita is double for residents in Centurion. There is still opportunity to increase the number of formal grocery stores in Centurion by 1.5 times before achieving parity with Sandton on a rands-available-per-store basis.
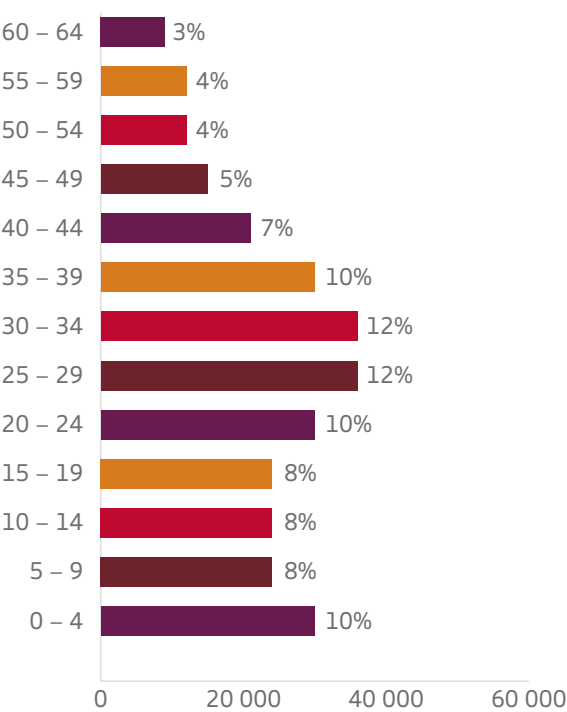
The graphs below show the demographic and consumption data of the 45.19km² area of Mamelodi.
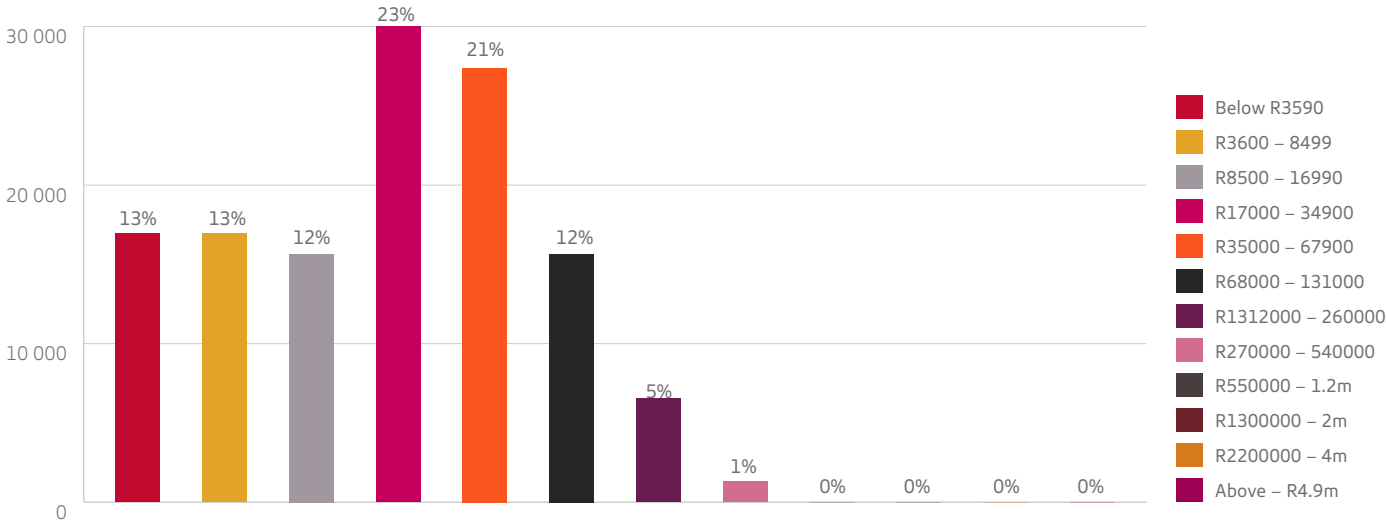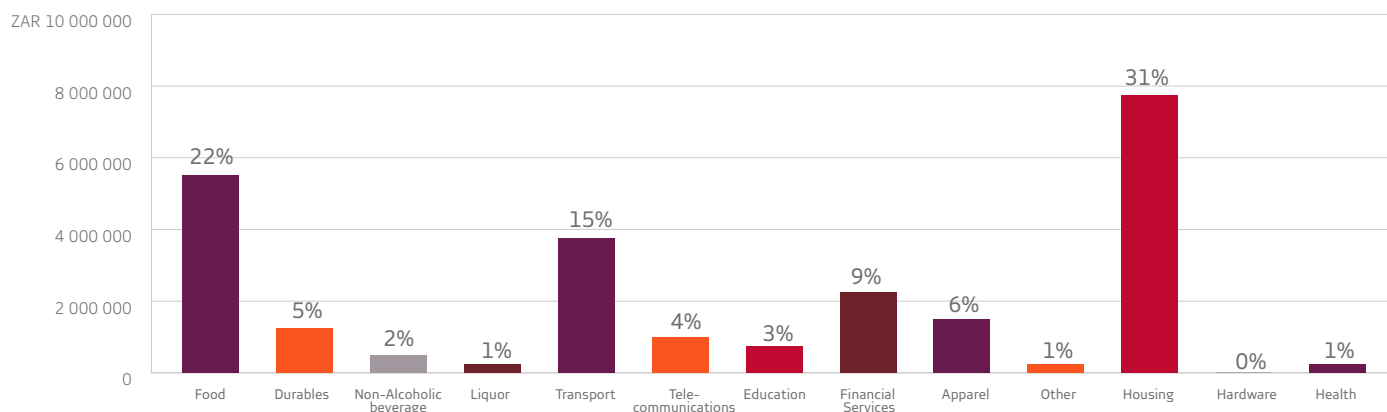
Population & Housing

429,372
Resident population

590,415
Daily Average Migration in & out

137,049
Households

3.13

Average household size for this area
which is less than the average for South Africa

Area	Value	0.00	4.00
South Africa	3.69		
GT (Gauteng)	3.32		
This area	**3.13**		

Age profile

Age	%
60 – 64	3%
55 – 59	4%
50 – 54	4%
45 – 49	5%
40 – 44	7%
35 – 39	10%
30 – 34	12%
25 – 29	12%
20 – 24	10%
15 – 19	8%
10 – 14	8%
5 – 9	8%
0 – 4	10%

Income Profile

13% — Below R3590
13% — R3600 – 8499
12% — R8500 – 16990
23% — R17000 – 34900
21% — R35000 – 67900
12% — R68000 – 131000
5% — R1312000 – 260000
1% — R270000 – 540000
0% — R550000 – 1.2m
0% — R1300000 – 2m
0% — R2200000 – 4m
0% — Above – R4.9m

Legend:
- Below R3590
- R3600 – 8499
- R8500 – 16990
- R17000 – 34900
- R35000 – 67900
- R68000 – 131000
- R1312000 – 260000
- R270000 – 540000
- R550000 – 1.2m
- R1300000 – 2m
- R2200000 – 4m
- Above – R4.9m

Expenditure Breakdown

Chart axis label: ZAR 10 000 000

Category	Percentage
Food	22%
Durables	5%
Non-Alcoholic beverage	2%
Liquor	1%
Transport	15%
Tele-communications	4%
Education	3%
Financial Services	9%
Apparel	6%
Other	1%
Housing	31%
Hardware	0%
Health	1%

344,095,333
Monthly transport spend

1,039,761,750
Monthly retail spend

17,351,667
Monthly liquor spend

2,253,063,583
Total monthly spend

Mamelodi sits below the national average household size at 3.13 residents per household. This is surprising, considering the high population density. This suggests a disproportionate dedication of land to housing than what is typically seen in the rest of the country. 59% of the population is in the LSM 5 – 7 category. 45% of Mamelodi earns R17k to R68k per annum. There are middle-income earners within Mamelodi but beyond R68k, the drop-off in earnings is steep. There is a high percentage of income earners above the R17k income bracket.

There are three predominant expenditure categories in Mamelodi: Food at 22%, transport at 15% and housing at 31%. There is a strong middle-age population, and there is also an elderly population that matches many of the benchmark areas. There is a strong earning potential within Mamelodi, and this is most likely within the 20 – 40 age bracket. Residents have the necessity to spend on food, transport and housing, and there is clearly a market for financial services. Apparel at 6% outperforms telecommunications and durables, suggesting that apparel is a viable market for Mamelodi residents.

The graphs below show the demographic and consumption data of the 45.19km² area of Centurion.

Population & Housing

323,263
Resident population

867,058
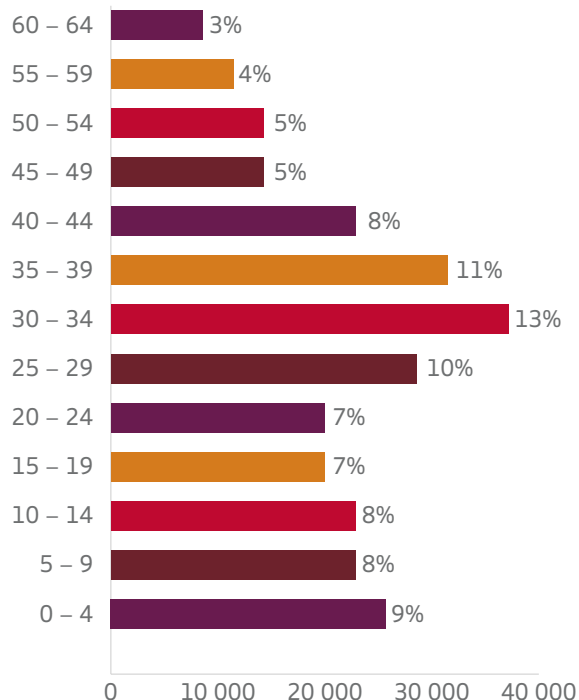Daily Average Migration in & out

105,960
Households
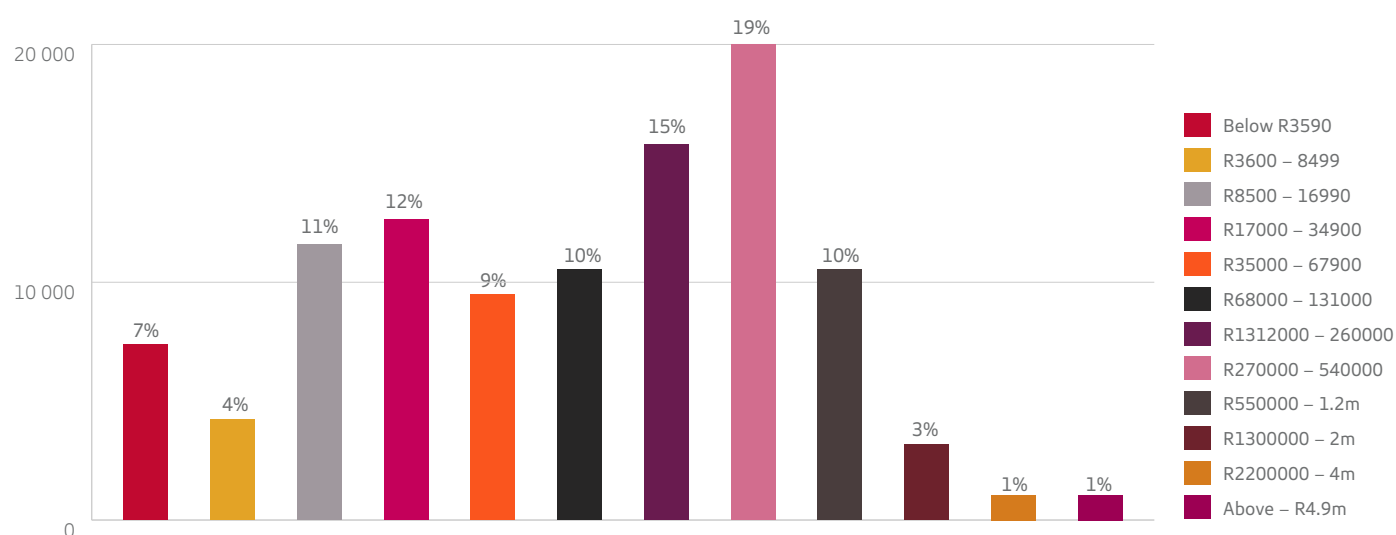
3.05

Average household size for this area
which is less than the average for South Africa

Area	Value	0.00	4.00
South Africa	3.69		
NW (North West)	3.47		
GT (Gauteng)	3.32		
This area	**3.05**		

Age profile

Age	%
60 – 64	3%
55 – 59	4%
50 – 54	5%
45 – 49	5%
40 – 44	8%
35 – 39	11%
30 – 34	13%
25 – 29	10%
20 – 24	7%
15 – 19	7%
10 – 14	8%
5 – 9	8%
0 – 4	9%

Income Profile

Income categories:
- Below R3590 — 7%
- R3600 – 8499 — 4%
- R8500 – 16990 — 11%
- R17000 – 34900 — 12%
- R35000 – 67900 — 9%
- R68000 – 131000 — 10%
- R1312000 – 260000 — 15%
- R270000 – 540000 — 19%
- R550000 – 1.2m — 10%
- R1300000 – 2m — 3%
- R2200000 – 4m — 1%
- Above – R4.9m — 1%

Expenditure Breakdown

Chart: ZAR axis (0 to 40 000 000)

- Food: 10%
- Durables: 5%
- Non-Alcoholic beverage: 1%
- Liquor: 0%
- Transport: 17%
- Tele-communications: 3%
- Education: 4%
- Financial Services: 15%
- Apparel: 3%
- Other: 1%
- Housing: 39%
- Hardware: 0%
- Health: 1%

1,236,389,583
Monthly transport spend

2,649,466,667
Monthly retail spend

26,879,250
Monthly liquor spend

7,407,274,083
Total monthly spend

Like Mamelodi, the Centurion household size is marginally below the 3.69 national average at 3.05 residents per household. 79% of the population are LSM 8 – 10. 44% of Centurion has an income of R132k to R1.2 million. There is an even spread of age demographics, with the mode in the age range 25 – 39. Centurion residents spend 39% on housing, 10% higher than Mamelodi, and 17% on transport. Interestingly, financial services (15%) attract proportionally more expenditure than food (10%), suggesting that Centurion residents could be looking to investment for their expendable income. The income and high proportion of LSM 8 – 10 in Centurion appear to be focused on a high cost of living. At 4%, education attracts more expenditure than telecommunications and apparel, indicating either the importance or high cost of schooling in Centurion.
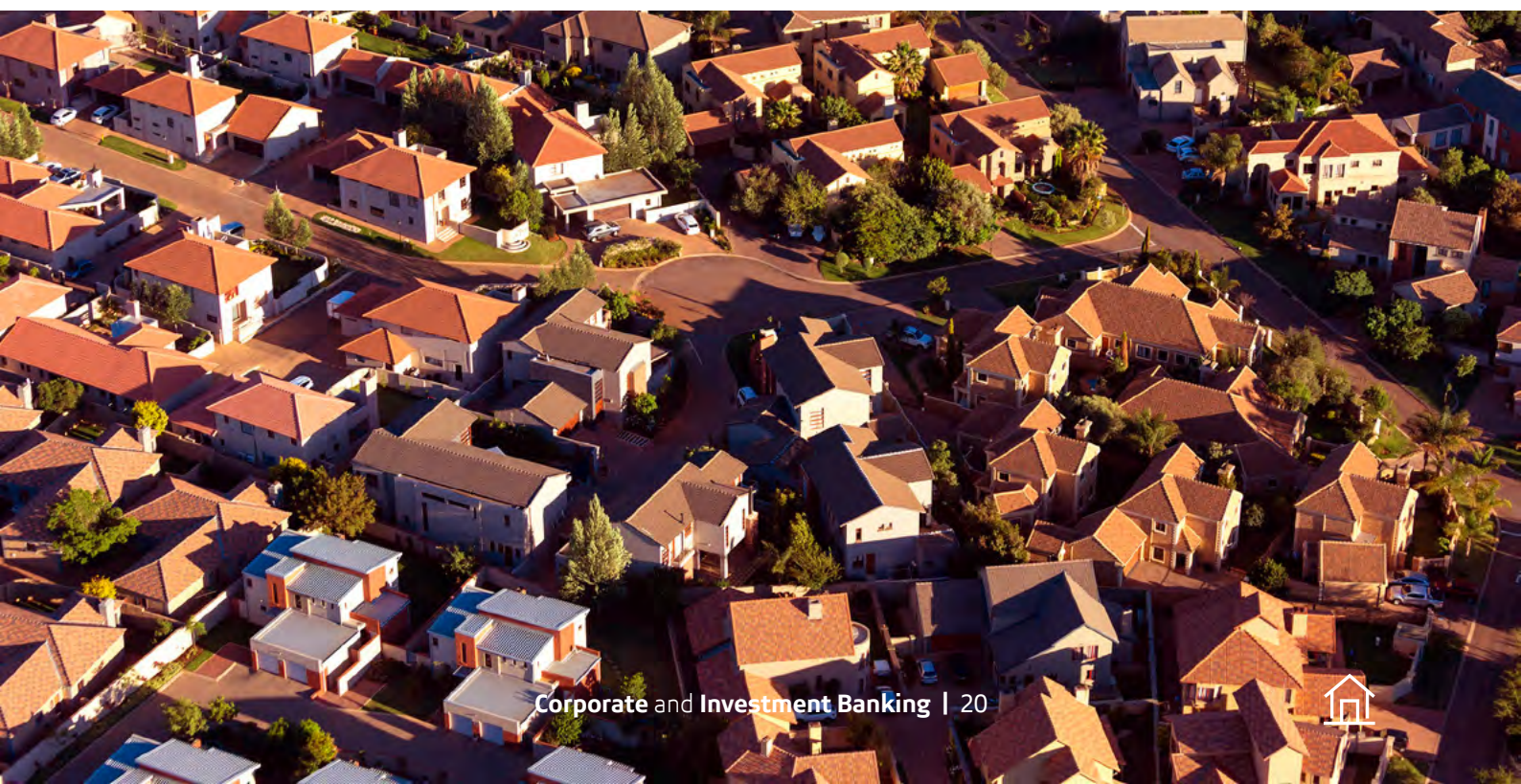
The chart below compares available category consumption per formal grocery store in Mamelodi, with available category consumption per formal retail store in Centurion. The values here ignore population density and only compare the total potential rand values.
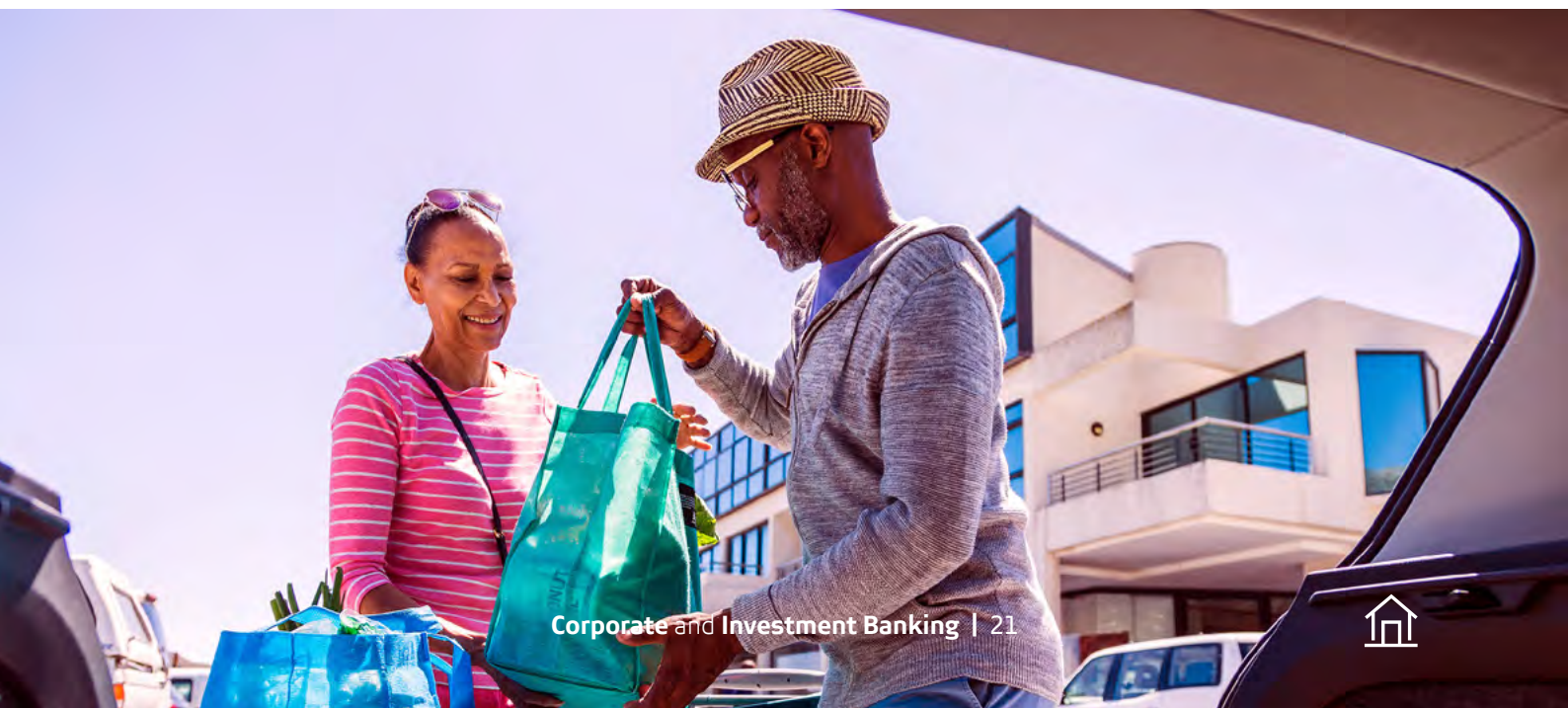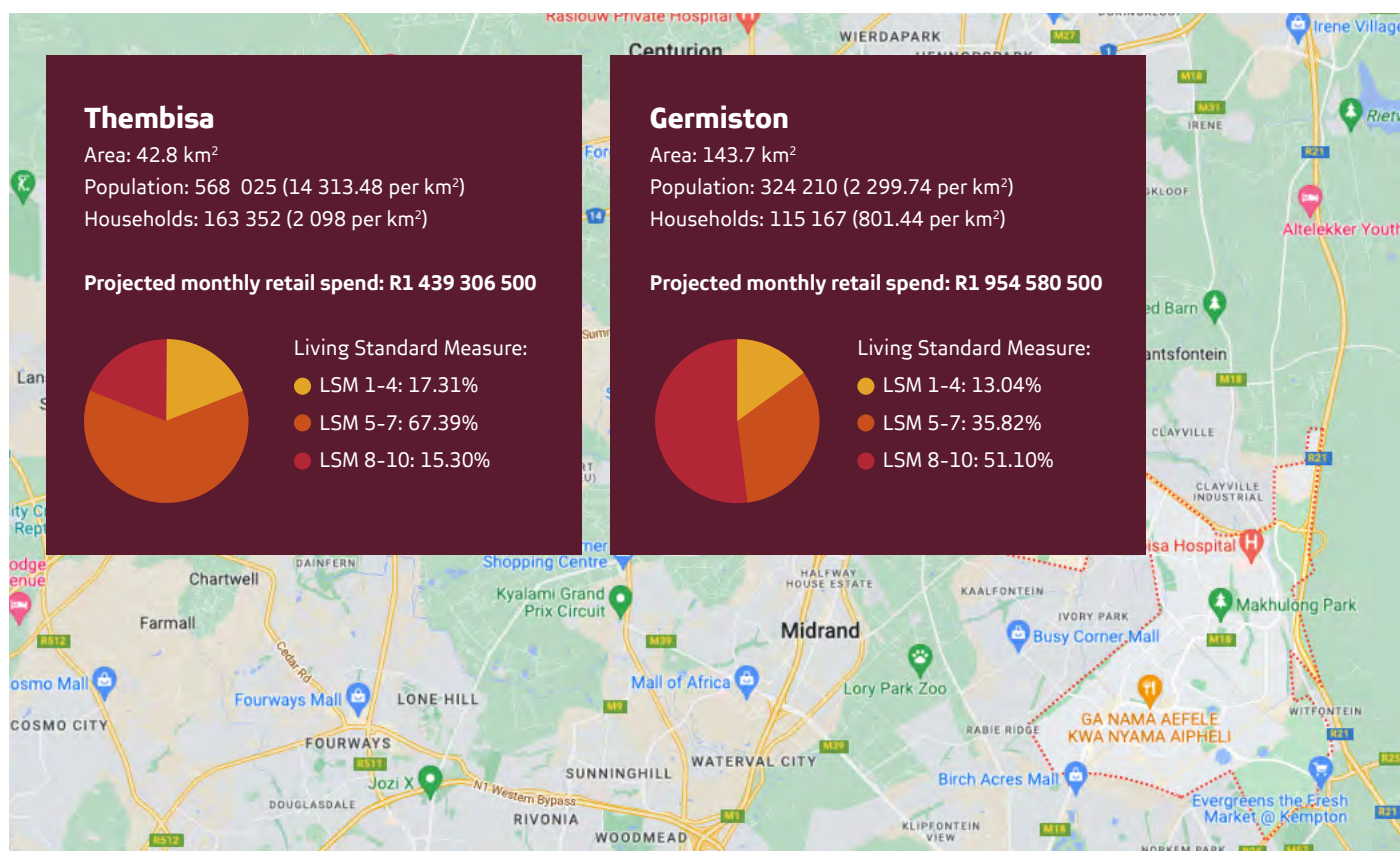
Category Consumption Index
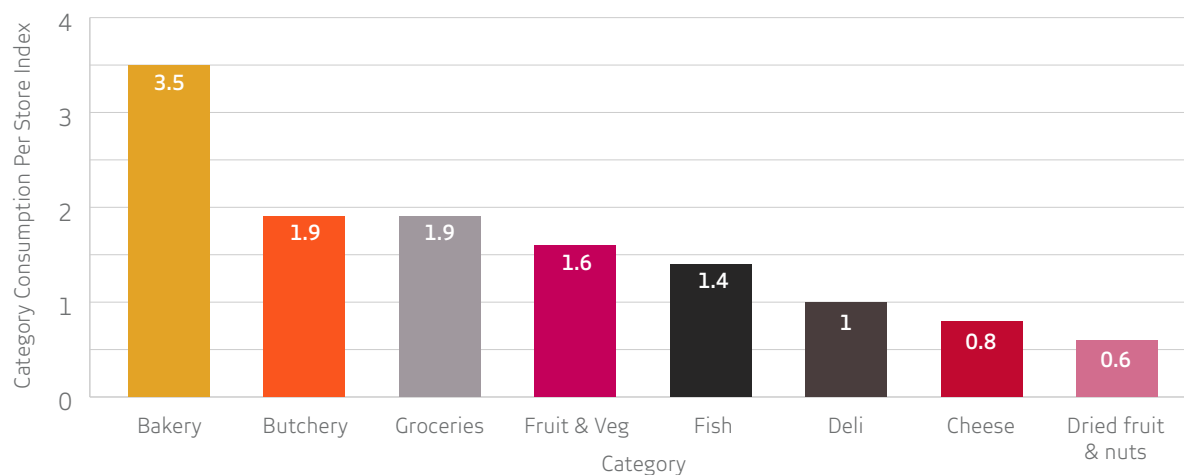
The most underserved categories in Mamelodi are bakery, butchery, groceries, fruit and veg and fish. The deli, cheese and dried fruit and nuts categories are either served at parity or slightly overserved. Even though consumption expenditure per capita in Mamelodi is below half of what is observed in Centurion, the market in rand terms in Mamelodi is nearly twice the size of Centurion.

Given the size-to-population ratio within Mamelodi and the like-for-like bakery consumption, it is clear where the staple food for Mamelodi is. Groceries and butchery markets offer twice the consumption versus Centurion but in half the area, making servicing potentially cost-effective.

There is still an opportunity to increase the number of formal grocery stores in Mamelodi by 1.5 times before achieving parity with Centurion on a rands-available-per-store basis.

3. Thembisa versus Germiston

Thembisa
Area: 42.8 km²
Population: 568 025 (14 313.48 per km²)
Households: 163 352 (2 098 per km²)

Projected monthly retail spend: R1 439 306 500

Living Standard Measure:
● LSM 1-4: 17.31%
● LSM 5-7: 67.39%
● LSM 8-10: 15.30%

Germiston
Area: 143.7 km²
Population: 324 210 (2 299.74 per km²)
Households: 115 167 (801.44 per km²)

Projected monthly retail spend: R1 954 580 500

Living Standard Measure:
● LSM 1-4: 13.04%
● LSM 5-7: 35.82%
● LSM 8-10: 51.10%

Germiston is 3.3 times the size of Thembisa, yet the population and households are just under half, with a similar household split. Thembisa has a population density of 14 413 per km² – 6.2 times more than Germiston at 2 306 per km². The majority of Thembisa residents fall into LSM 5 – 7, while the Germiston majority is LSM 8 – 10. Germiston has a twice higher total spend on transport, while Thembisa outspends Germiston in the liquor category (by approximately R1.2 million), although not as significantly as in other township/benchmark areas. Germiston outspends Thembisa by R2 billion (1.4 times), despite having half the population. The average spend per person is R5 300 in Thembisa, versus R15k in Germiston.
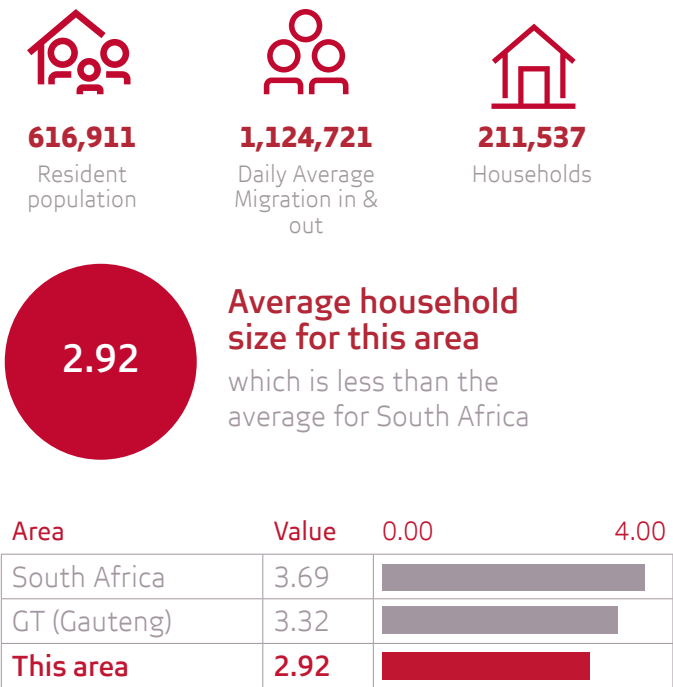
The higher number of LSM 8 – 10 in Germiston helps the area outspend in monthly retail spending and total spending, but liquor in Thembisa outperforms Germiston – again, this is due to absolute population numbers.
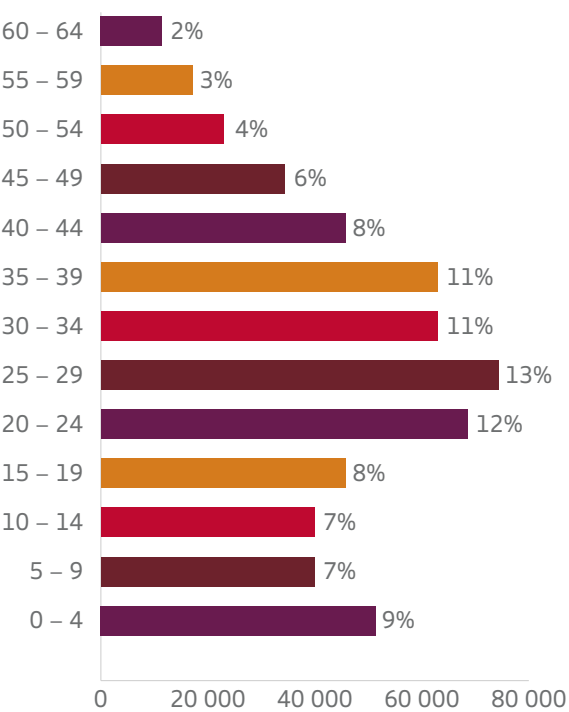
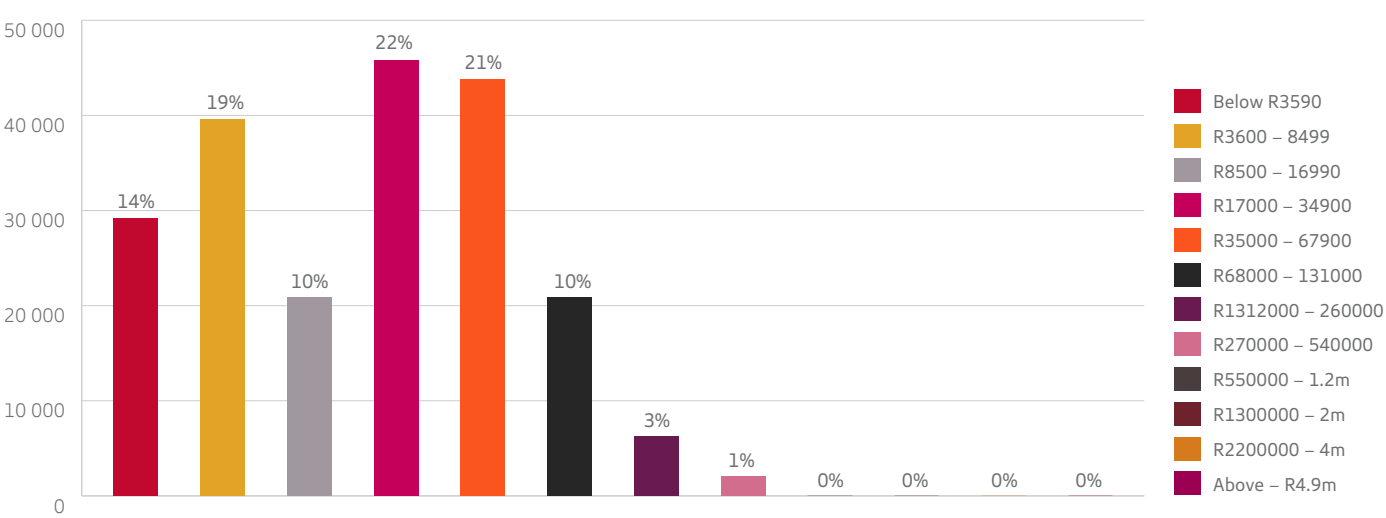The graphs below show the demographic and consumption data of the 45.19km² area of Thembisa.
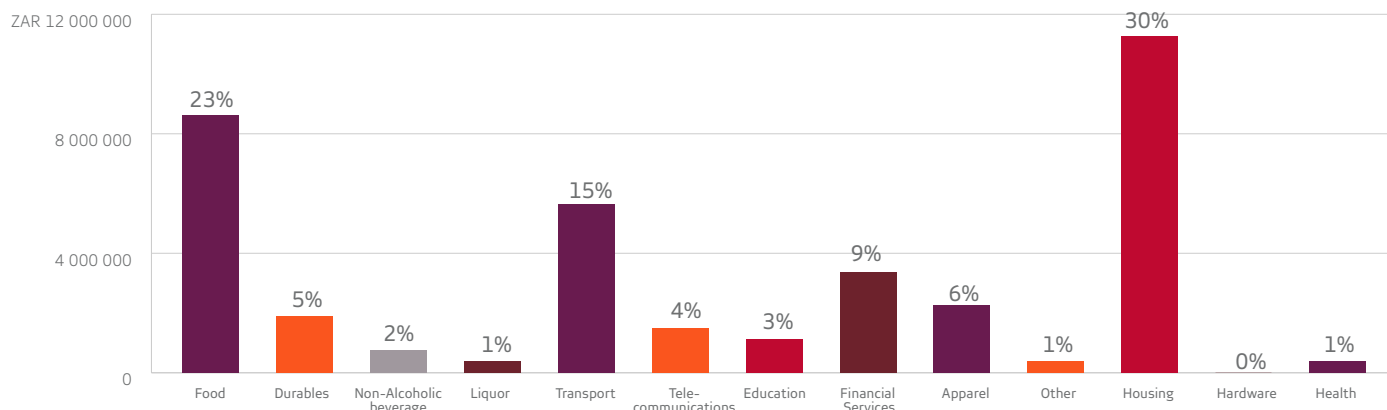
Population & Housing

616,911
Resident population

1,124,721
Daily Average Migration in & out

211,537
Households

2.92

Average household size for this area
which is less than the average for South Africa

Area	Value	0.00	4.00
South Africa	3.69		
GT (Gauteng)	3.32		
This area	**2.92**		

Age profile

Age	%
60 – 64	2%
55 – 59	3%
50 – 54	4%
45 – 49	6%
40 – 44	8%
35 – 39	11%
30 – 34	11%
25 – 29	13%
20 – 24	12%
15 – 19	8%
10 – 14	7%
5 – 9	7%
0 – 4	9%

Income Profile

Below R3590 — 14%
R3600 – 8499 — 19%
R8500 – 16990 — 10%
R17000 – 34900 — 22%
R35000 – 67900 — 21%
R68000 – 131000 — 10%
R1312000 – 260000 — 3%
R270000 – 540000 — 1%
R550000 – 1.2m — 0%
R1300000 – 2m — 0%
R2200000 – 4m — 0%
Above – R4.9m — 0%

Expenditure Breakdown

ZAR 12 000 000

454,655,667	**1,439,306,500**
Monthly transport spend	Monthly retail spend
24,751,500	**3,059,876,500**
Monthly liquor spend	Total monthly spend

The average household size in Thembisa is below the national and provincial average. This population is predominantly young and middle-aged, between 20 and 39 years. There is a near-even split in the low and high LSM brackets, with the majority of Thembisa residents (67%) in LSM 5 – 7. This is emphasised by the highest percentage of income earners in the R17k to R35k and R35k to R67k brackets, at 22% and 21% respectively. There is, however, a significant percentage within the R3 600 to R8 500 bracket (19%). We see a similar pattern in expenditure breakdown with three stand-out expenses: 30% housing, 23% food and 15% transport, which indicates the sufficiency needs of the township. Financial services at 9% is a significant monthly spend, but apparel at 6% is overrepresented when compared to other townships in the selection.

Thembisa outspends Germiston on liquor in absolute terms, and this is a market opportunity (albeit at a lower per capita rate). Apparel is important to residents of Thembisa and needs to be explored by retailers. The middle-age and middle-income earners in Thembisa appear to maintain smaller families. The underrepresentation of top-end earners living in Thembisa is consistent with other townships. This suggests that if there is any significant upward economic mobility for residents once they reach middle income, they move out of the township.

The graphs below show the demographic and consumption data of the 45.19km² area of Germiston.

Population & Housing

330,474
Resident population

970,547
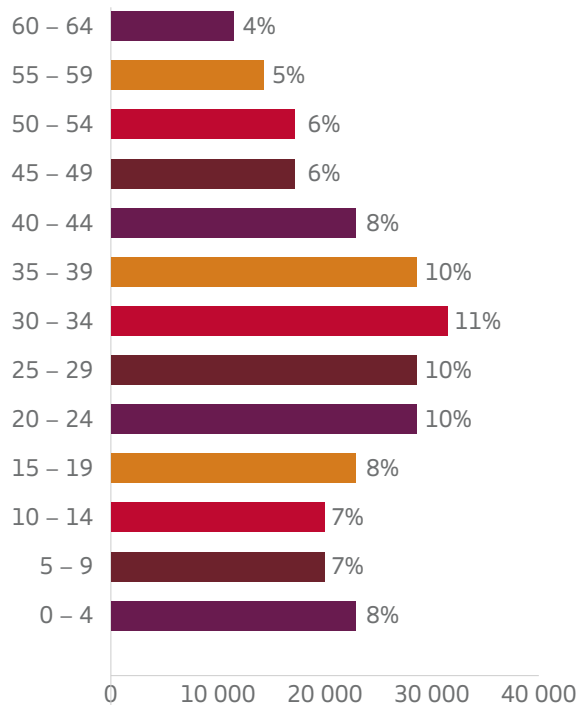Daily Average Migration in & out

115,167
Households

2.87
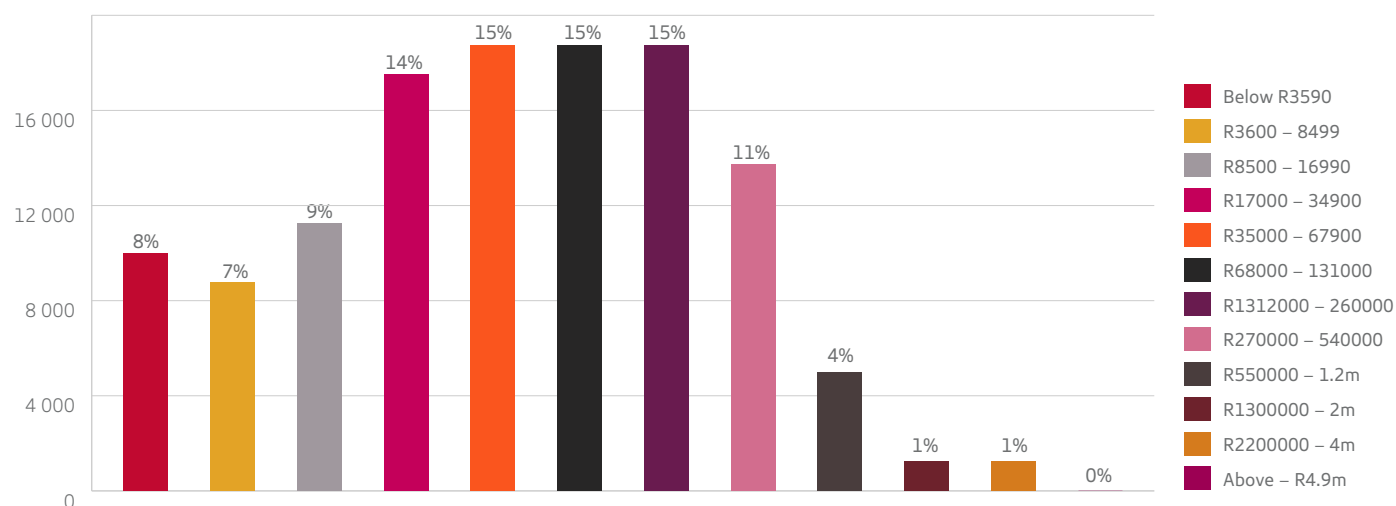
Average household size for this area
which is less than the average for South Africa

Area	Value	0.00	4.00
South Africa	3.69		
GT (Gauteng)	3.32		
This area	**2.87**		

Age profile

Age	%
60 – 64	4%
55 – 59	5%
50 – 54	6%
45 – 49	6%
40 – 44	8%
35 – 39	10%
30 – 34	11%
25 – 29	10%
20 – 24	10%
15 – 19	8%
10 – 14	7%
5 – 9	7%
0 – 4	8%

Income Profile

Income bars: 8%, 7%, 9%, 14%, 15%, 15%, 15%, 11%, 4%, 1%, 1%, 0%

Legend:
- Below R3590
- R3600 – 8499
- R8500 – 16990
- R17000 – 34900
- R35000 – 67900
- R68000 – 131000
- R1312000 – 260000
- R270000 – 540000
- R550000 – 1.2m
- R1300000 – 2m
- R2200000 – 4m
- Above – R4.9m

Expenditure Breakdown

Food	Durables	Non-Alcoholic beverage	Liquor	Transport	Tele-communications	Education	Financial Services	Apparel	Other	Housing	Hardware	Health
13%	5%	1%	0%	17%	4%	4%	14%	4%	1%	37%	0%	1%

857,081,750
Monthly transport spend

1,954,580,500
Monthly retail spend

23,520,000
Monthly liquor spend

5,115,371,667
Total monthly spend

Germiston differs from the other benchmark areas in this study because of its high proportion of LSM 1 – 4 residents. However, the population is still predominantly in the higher income demographic (51% in LSM 8 – 10 and 36% in LSM 5 – 7). We see this also in income with a large proportion of the population earning from R17k to R260k. The age profile is slightly older than that of Thembisa. At 37%, Germiston residents follow benchmark norms in spending significantly on housing – effectively paying for their space. Food expenditure at 13% suggests that the higher LSMs have expendable income, and a high amount is spent on transport (17%).

Germiston is a complete mix-use area supporting nearly the full array of age and income demographics. Given this demographic complexity, it is most likely that you will find areas within Germiston that closely resemble township income and spend, and affluent income and spend.

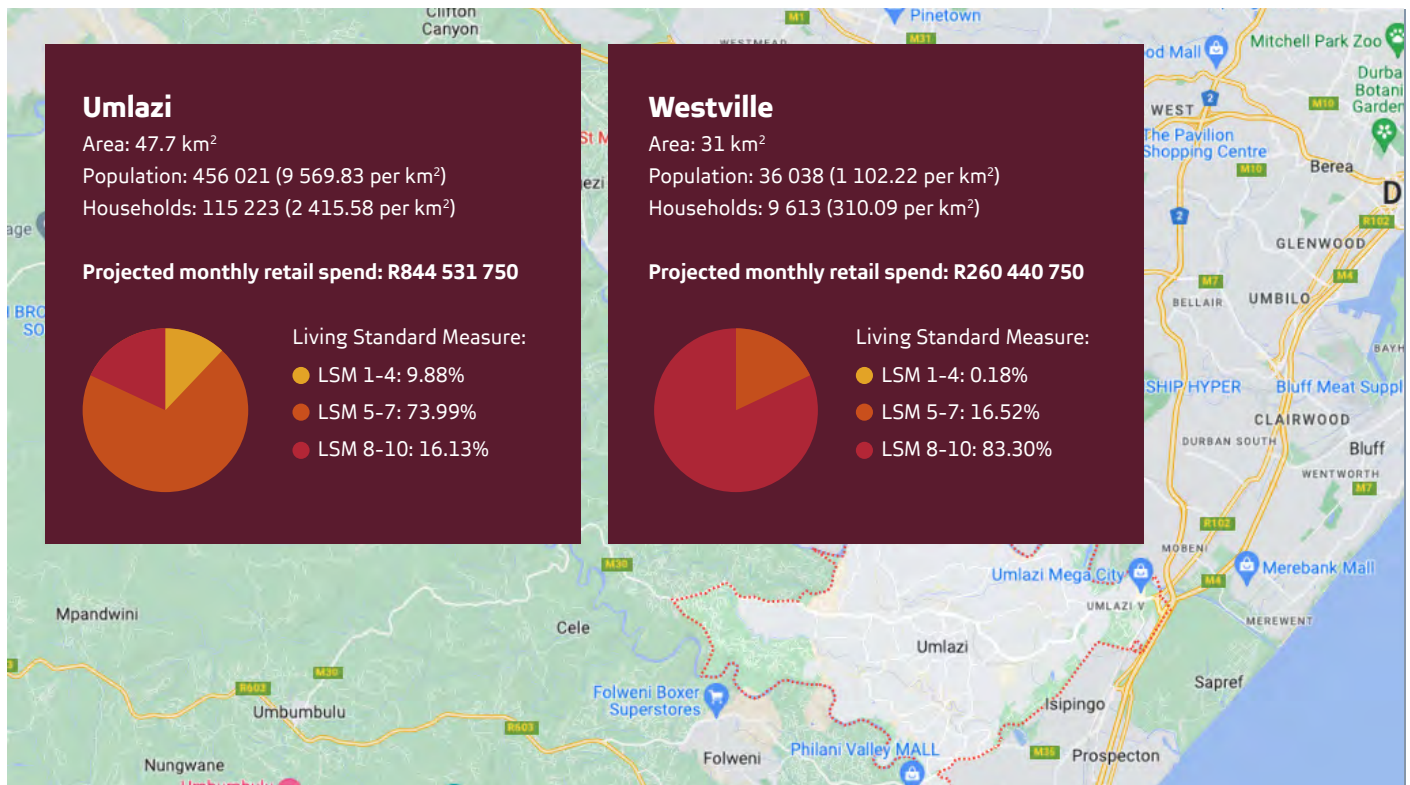# Category Consumption Index
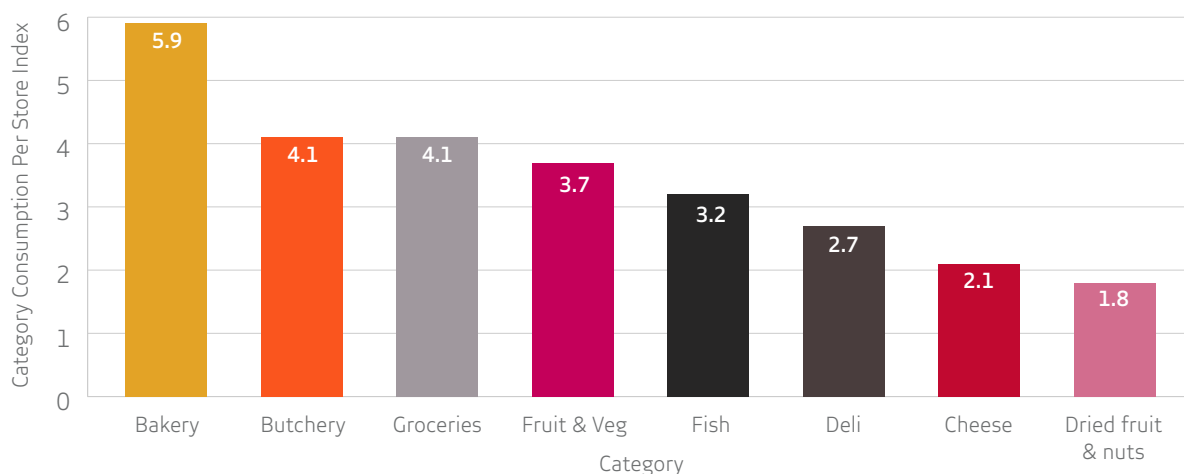
Thembisa is 6.2 times more densely populated than Germiston and less than a third of its size. This creates a compact retail opportunity, especially within the bakery category, which is 5.9 times greater than that of Germiston. Once again, we see groceries and butchery similarly underserved, suggesting that protein is part of the staple diet within Thembisa. As with Soweto and Mamelodi, Thembisa residents consume fish at a rate that cannot be overlooked, but per capita creates an element of doubt. There is a drop in luxury food categories, despite the much larger population.

There is no single category from this selection that is served at parity on a rand-for-rand basis, i.e., the whole formal grocery retailer market in Thembisa is underserved, based on store count. There could be up to three times more formal grocery retail stores in Thembisa before parity is reached.
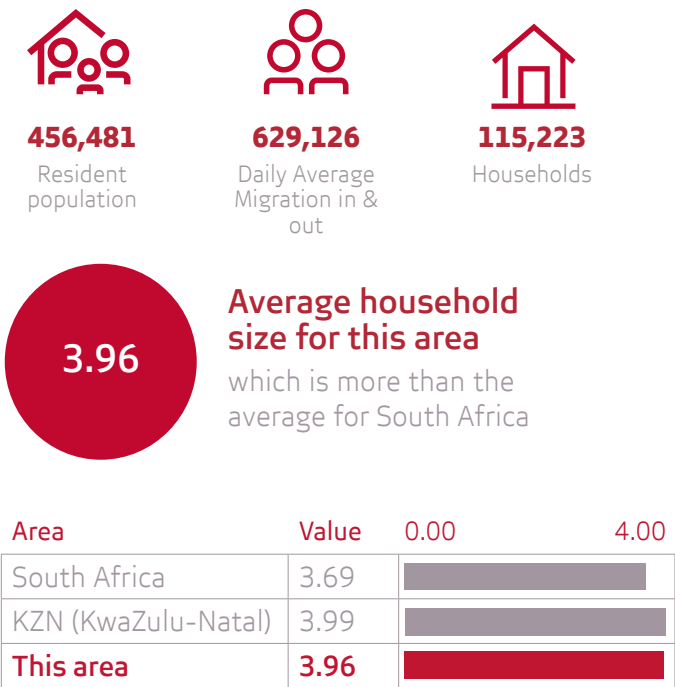
4. Umlazi versus Westville

Umlazi
Area: 47.7 km²
Population: 456 021 (9 569.83 per km²)
Households: 115 223 (2 415.58 per km²)

Projected monthly retail spend: R844 531 750

Living Standard Measure:
- LSM 1-4: 9.88%
- LSM 5-7: 73.99%
- LSM 8-10: 16.13%

Westville
Area: 31 km²
Population: 36 038 (1 102.22 per km²)
Households: 9 613 (310.09 per km²)

Projected monthly retail spend: R260 440 750

Living Standard Measure:
- LSM 1-4: 0.18%
- LSM 5-7: 16.52%
- LSM 8-10: 83.30%

Umlazi is larger in size than Westville, but disproportionately more populated and with more households. Umlazi is 12 times more populated and has a household density 11 times greater than Westville. Umlazi has a population density of 9 618 per km² – 8.7 times more than Westville at 1 111 per km². Westville is dominated by LSM 8 – 10. Umlazi residents are predominantly LSM 5 – 7, with LSM 1 – 4 slightly lower than LSM 8 – 10. The average monthly spend in Umlazi per resident is R4 207, versus R20 350 in Westville. While the collective expenditure value in Umlazi is larger across the board (driven by 12 times bigger population), per capita, Westville residents are outspending Umlazi residents by 5.5 times on transport, 4.12 times on retail and 2.5 times on liquor.
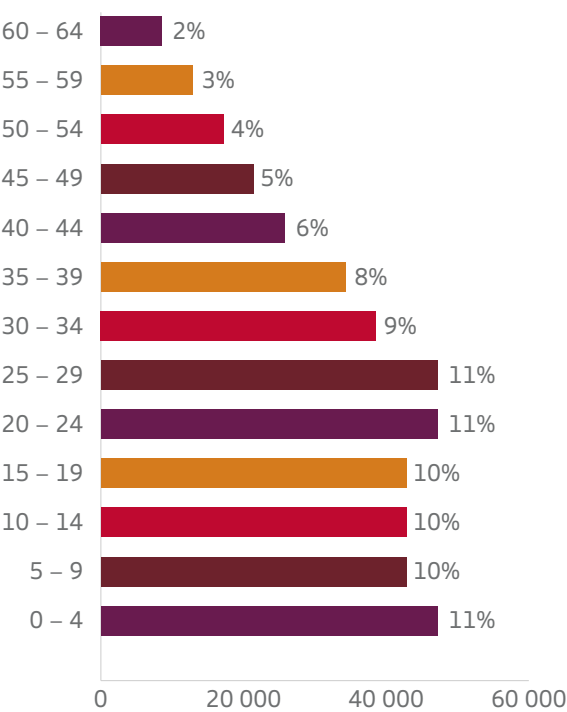
The graphs below show the demographic and consumption data of Umlazi.
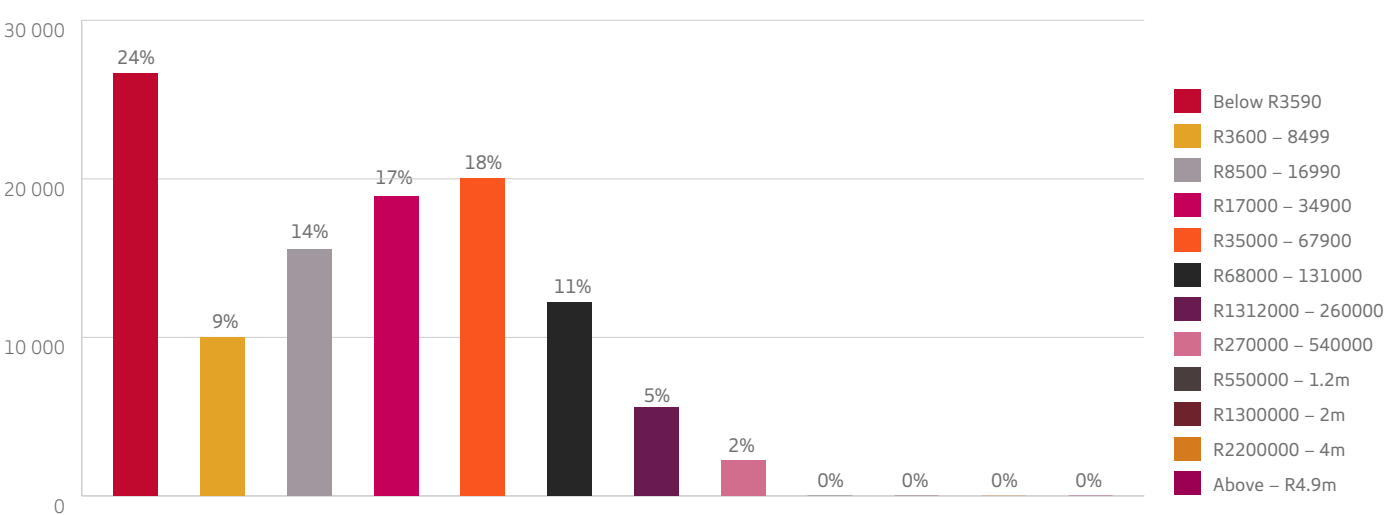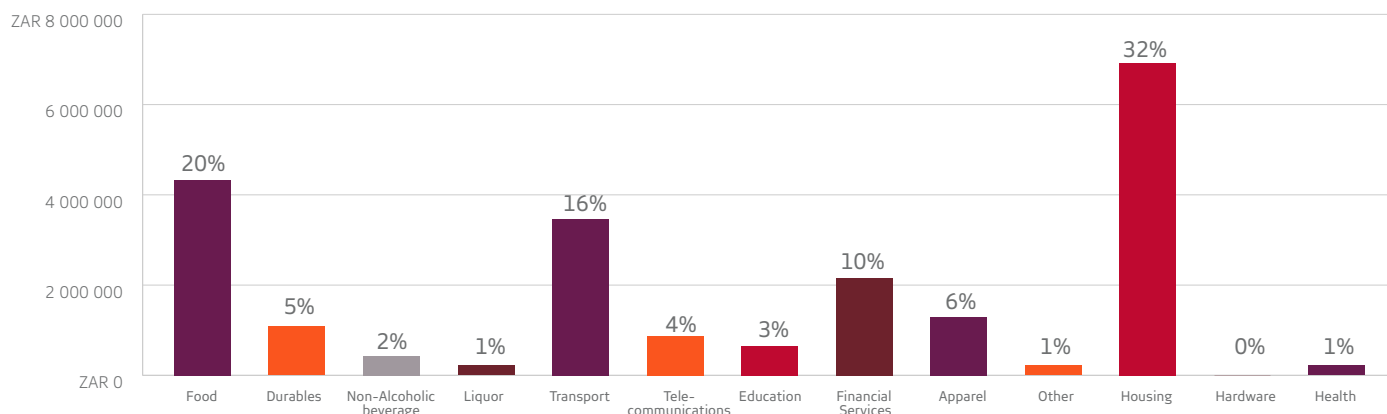
Population & Housing

456,481
Resident population

629,126
Daily Average Migration in & out

115,223
Households

3.96

Average household size for this area
which is more than the average for South Africa

Area	Value	0.00 4.00
South Africa	3.69	
KZN (KwaZulu-Natal)	3.99	
This area	**3.96**	

Age profile

Age	Percentage
60 – 64	2%
55 – 59	3%
50 – 54	4%
45 – 49	5%
40 – 44	6%
35 – 39	8%
30 – 34	9%
25 – 29	11%
20 – 24	11%
15 – 19	10%
10 – 14	10%
5 – 9	10%
0 – 4	11%

Income Profile

24% — Below R3590
9% — R3600 – 8499
14% — R8500 – 16990
17% — R17000 – 34900
18% — R35000 – 67900
11% — R68000 – 131000
5% — R1312000 – 260000
2% — R270000 – 540000
0% — R550000 – 1.2m
0% — R1300000 – 2m
0% — R2200000 – 4m
0% — Above – R4.9m

Legend:
- Below R3590
- R3600 – 8499
- R8500 – 16990
- R17000 – 34900
- R35000 – 67900
- R68000 – 131000
- R1312000 – 260000
- R270000 – 540000
- R550000 – 1.2m
- R1300000 – 2m
- R2200000 – 4m
- Above – R4.9m

Expenditure Breakdown

Category	Value
Food	20%
Durables	5%
Non-Alcoholic beverage	2%
Liquor	1%
Transport	16%
Tele-communications	4%
Education	3%
Financial Services	10%
Apparel	6%
Other	1%
Housing	32%
Hardware	0%
Health	1%

295,636,833
Monthly transport spend

844,531,750
Monthly retail spend

13,786,083
Monthly liquor spend

1,893,539,917
Total monthly spend

Umlazi has a higher than the national average for household size at 3.96 and this is very much a youthful orientation. The 20 to 24 and 25 to 29 categories are the largest at 11% each. Younger profiles are all in the 10% range, with a slow drop-off as the population ages. The income profile is heavily swayed to the below R3 500 per month at 24%. There is an income peak in the R35k to R68k at 18% and a sharp drop-off in the higher earnings levels. Umlazi residents' spend is three-tiered – 32% for housing, 20% for food and 16% for transport. This emphasises the sufficiency requirements of Umlazi living. Financial services at 10% is a significant spend, so too telecommunications at 4%.

Umlazi is more youthful and lower to the mid-earning township in the selection. 74% of the population is LSM 5 – 7. We know that, based on visitation from previous insights and spend compared to Westville, Umlazi residents spend more easily in the liquor vertical, but telecommunications and durables cannot be overlooked as market opportunities in Umlazi.
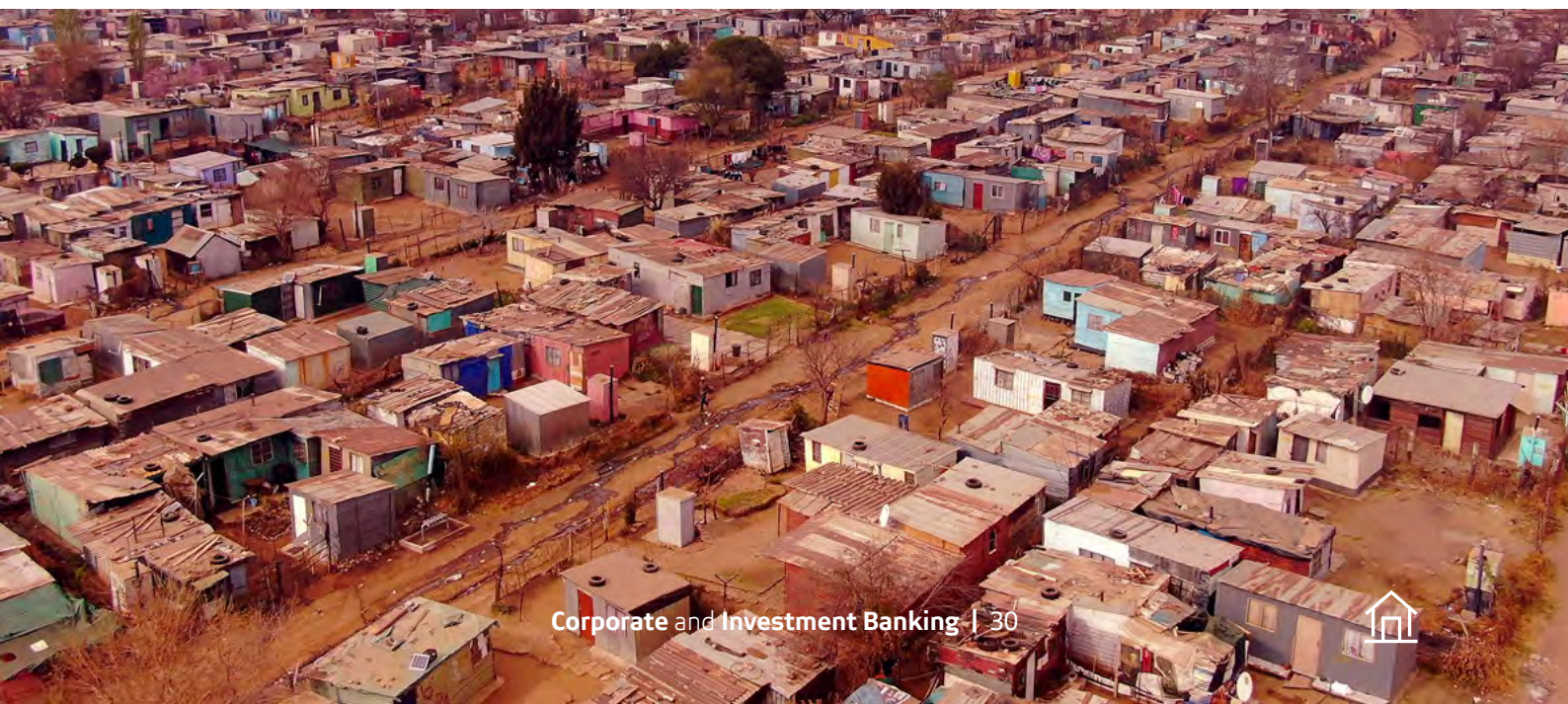
The graphs below show the demographic and consumption data of Westville.

Population & Housing

34,169
Resident population

114,223
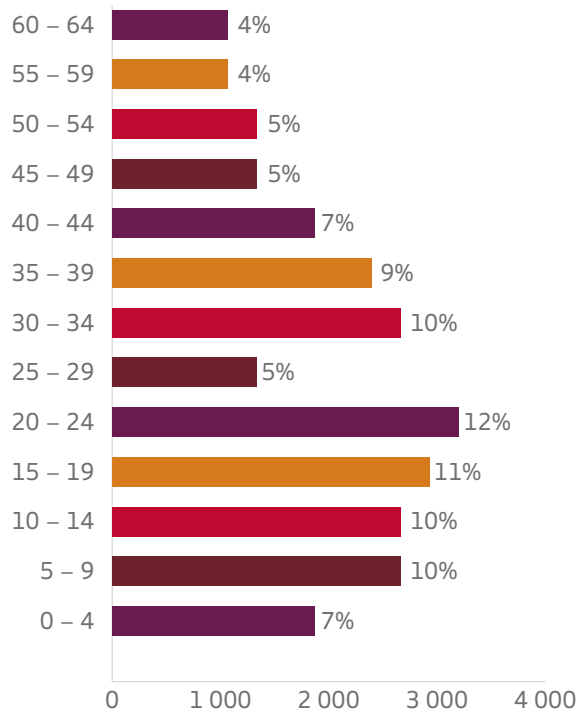Daily Average Migration in & out

9,613
Households

3.55
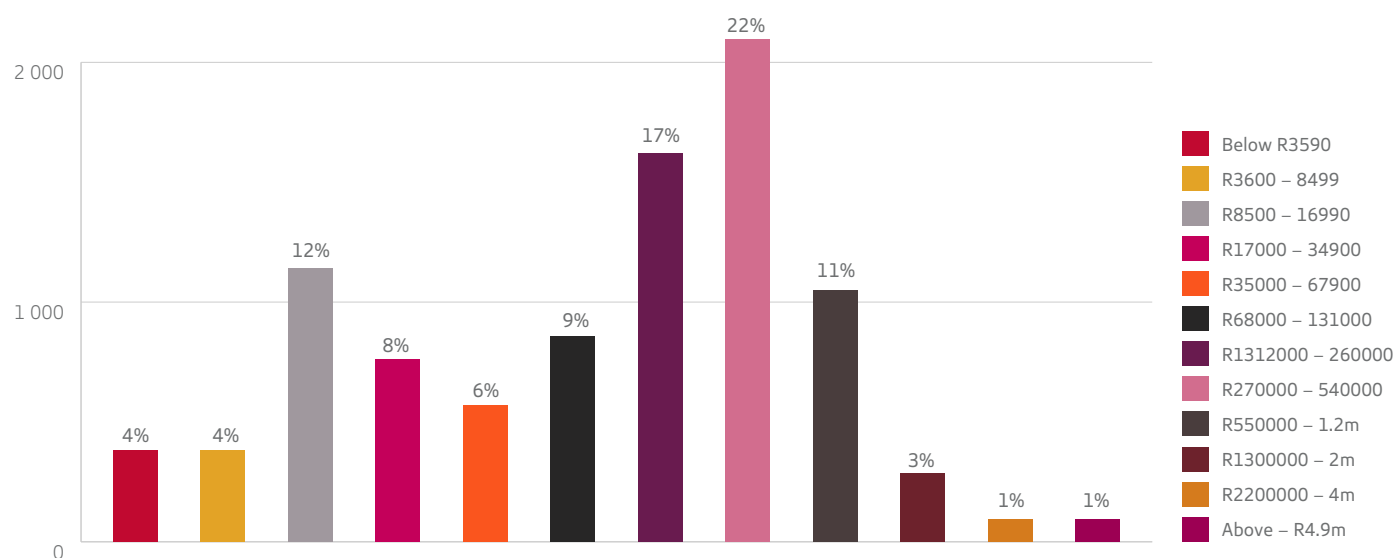
Average household size for this area

which is more than the average for South Africa

Area	Value	0.00	4.00
South Africa	3.69		
KZN (KwaZulu-Natal)	3.99		
This area	**3.55**		

Age profile

Age	%
60 – 64	4%
55 – 59	4%
50 – 54	5%
45 – 49	5%
40 – 44	7%
35 – 39	9%
30 – 34	10%
25 – 29	5%
20 – 24	12%
15 – 19	11%
10 – 14	10%
5 – 9	10%
0 – 4	7%

Income Profile

Below R3590: 4%
R3600 – 8499: 4%
R8500 – 16990: 12%
R17000 – 34900: 8%
R35000 – 67900: 6%
R68000 – 131000: 9%
R1312000 – 260000: 17%
R270000 – 540000: 22%
R550000 – 1.2m: 11%
R1300000 – 2m: 3%
R2200000 – 4m: 1%
Above – R4.9m: 1%

Expenditure Breakdown

Bar chart showing expenditure breakdown by category (ZAR 0 to ZAR 4 000 000):

Category	Percentage
Food	10%
Durables	5%
Non-Alcoholic beverage	1%
Liquor	0%
Transport	17%
Tele-communications	3%
Education	4%
Financial Services	15%
Apparel	3%
Other	1%
Housing	40%
Hardware	0%
Health	1%

123,466,167
Monthly transport spend

260,440,750
Monthly retail spend

2,586,333
Monthly liquor spend

733,373,667
Total monthly spend

Westville's average household size is just below the national average at 3.55 versus 3.69. There is a more evenly spread age profile in the area, with a notable dip in the 25 to 29 category. There is a high proportion of high-income earners with 22% in the R270k to R540k bracket, and 17% in the R132k to R160k bracket. Residents of Westville pay for the space, with 40% of spend going towards housing and then 17% towards transport.

More is spent on financial services (15%) than food (10%), suggesting that the affluence of the area is significantly higher than the sufficiency level spend seen in the benchmark areas. Once sufficiency is achieved, residents in Westville will more likely spend on apparel and durables than hardware, beverages and liquor.
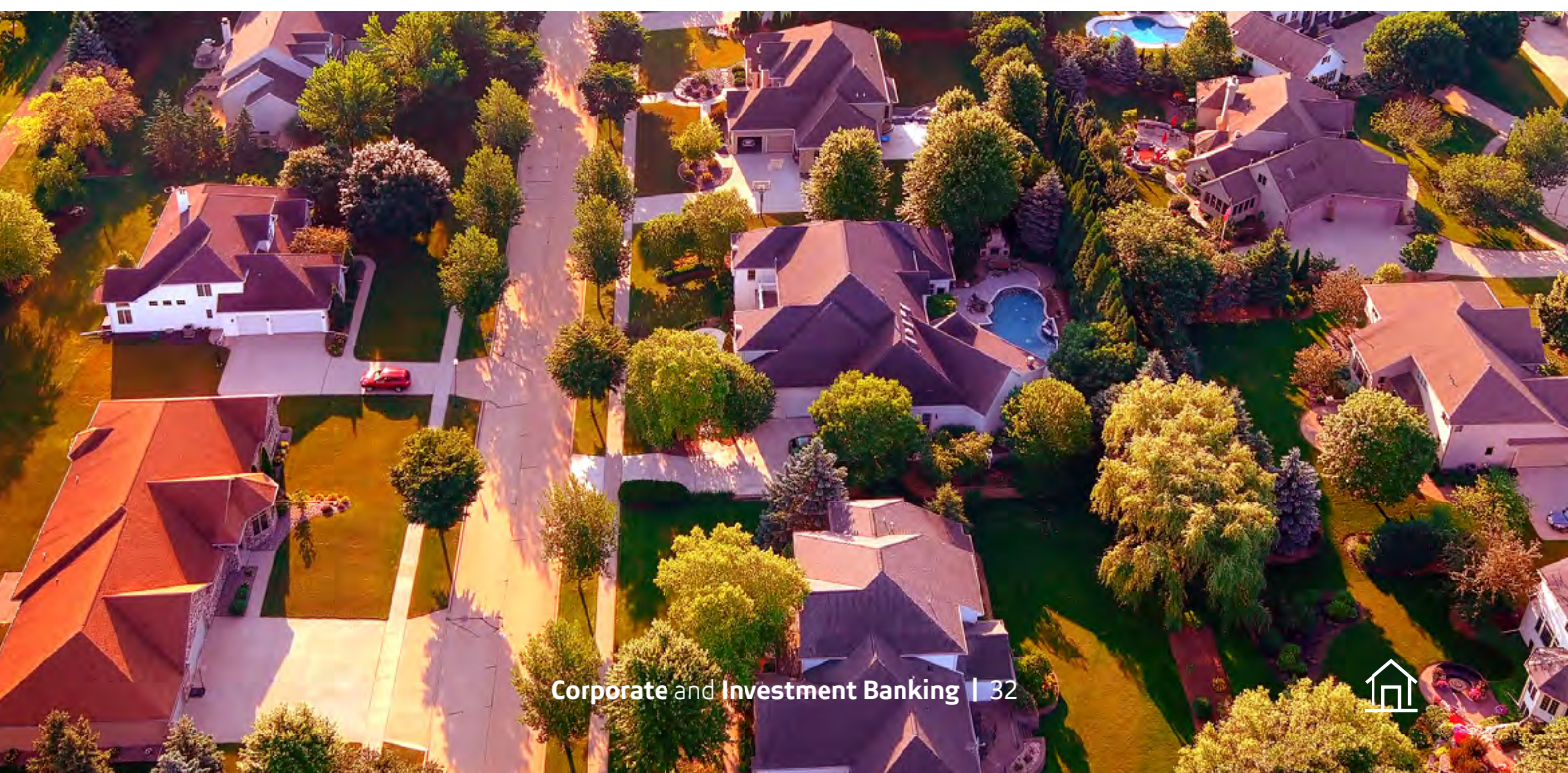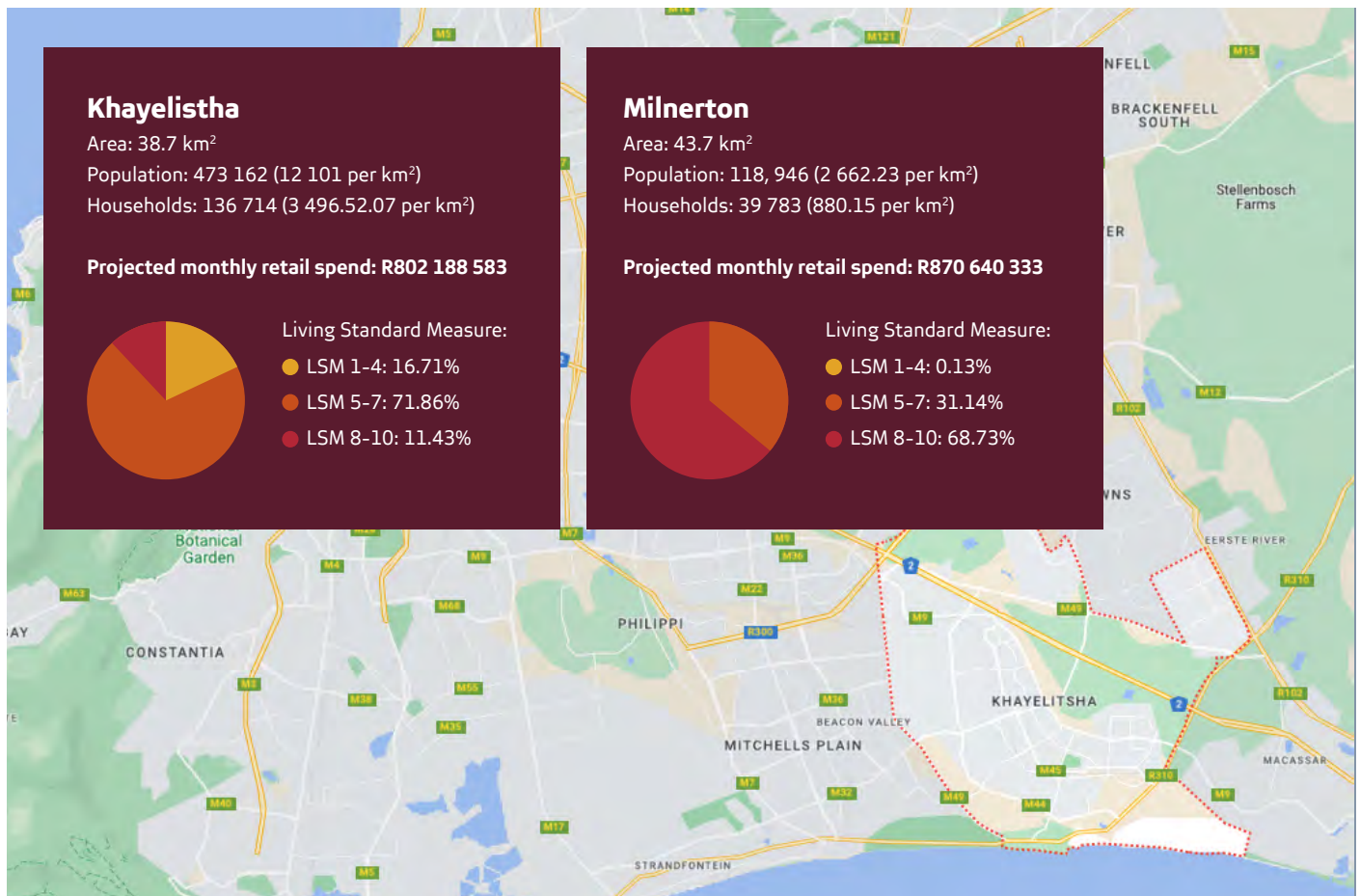
Category Consumption Index
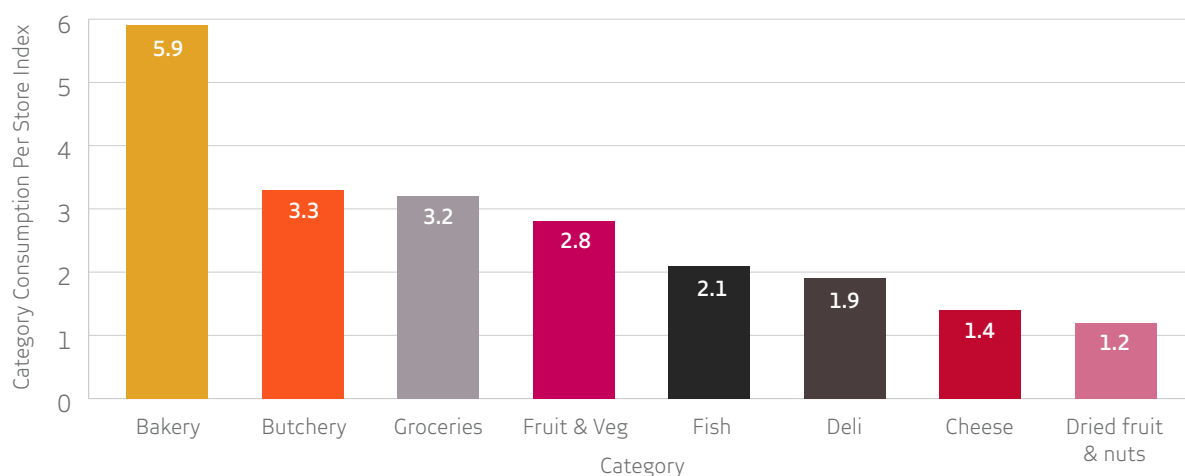
The per-store expenditure index by category for Umlazi follows a similar pattern to other townships, however, the massive population difference between Umlazi and Westville means that the per-capita value of these categories is lower than what we have seen in other townships (versus their own benchmark areas).

Umlazi is unique in that the butchery consumption is higher than groceries (marginally so), but more at 3.2 times versus 3.3 times larger than Westville. The bakery category is still 6 times that of Westville but per capita, the market is roughly half of Westville. Meat is more key as a stable diet within Umlazi than groceries and fruit and veg. There could be up to three times more formal grocery retail stores in Umlazi before parity is reached.

5. Khayelitsha versus Milnerton

Khayelistha
Area: 38.7 km²
Population: 473 162 (12 101 per km²)
Households: 136 714 (3 496.52.07 per km²)

Projected monthly retail spend: R802 188 583

Living Standard Measure:
- LSM 1-4: 16.71%
- LSM 5-7: 71.86%
- LSM 8-10: 11.43%

Milnerton
Area: 43.7 km²
Population: 118, 946 (2 662.23 per km²)
Households: 39 783 (880.15 per km²)

Projected monthly retail spend: R870 640 333

Living Standard Measure:
- LSM 1-4: 0.13%
- LSM 5-7: 31.14%
- LSM 8-10: 68.73%
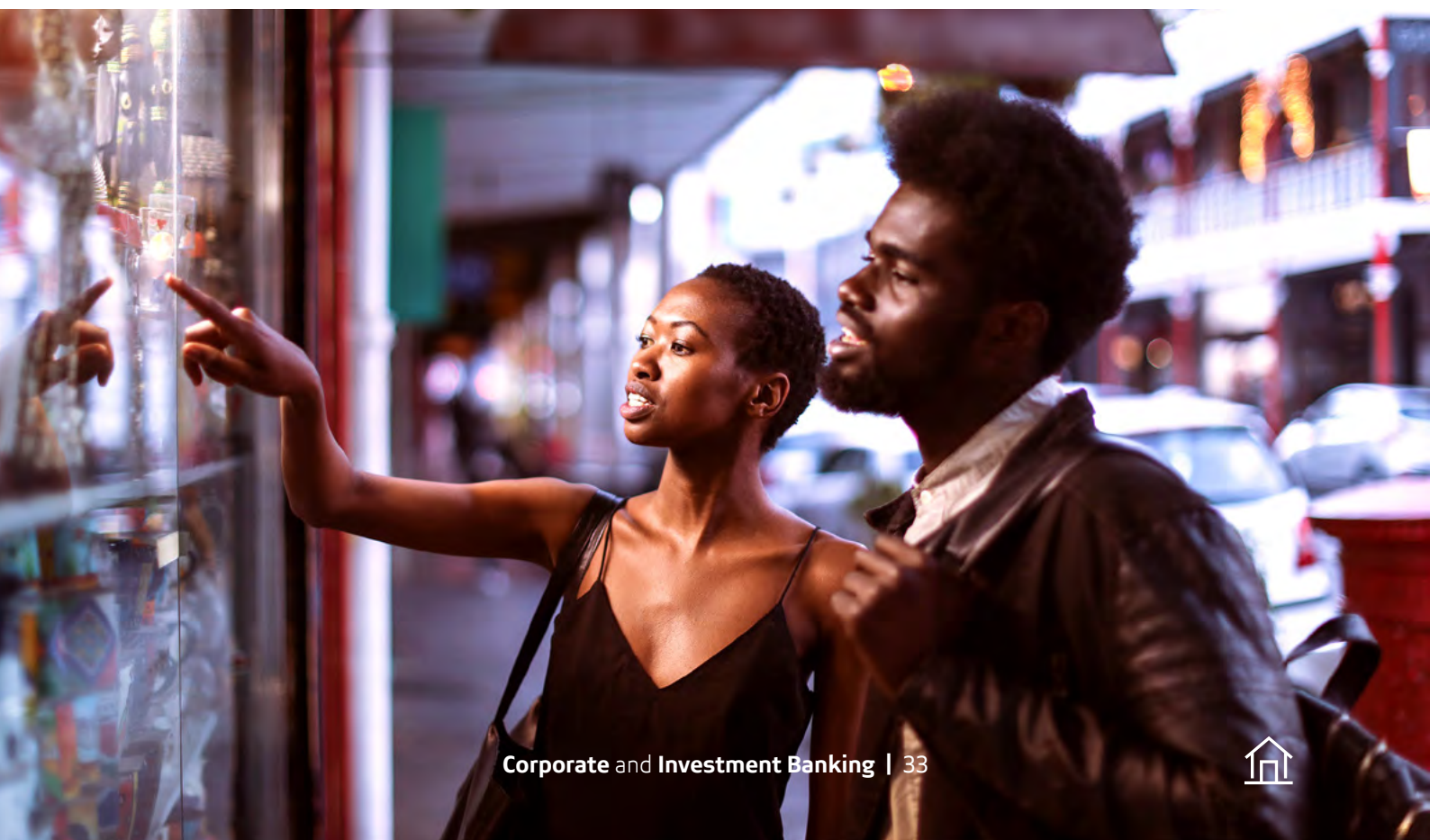
Despite Khayelitsha being smaller than Milnerton, the township has more than triple the households and 3.8 times the population. Khayelitsha has a population density of 12 223 per km², 4.4 times more than Milnerton (2 754 per km²). Khayelitsha residents are predominantly in LSM 5 – 7, with a larger proportion of LSM 1 – 4 than LSM 8 – 10. The absolute number of LSM 8 – 10 residents in Khayelitsha is just under half of the LSM 8 – 10 population within Milnerton.

Total monthly spend is significantly more in Milnerton. The average spend per household is 4.8 times more in Milnerton – R12 185 in Khayelitsha and R58k in Milnerton. Interestingly, Khayelitsha has R4 million more collective monthly spend in liquor sales than Milnerton. Milnerton has R148 million more collective transport spend per month. Monthly retail spend is marginally more in Milnerton, but not significantly so (greater than 10%).

Khayelitsha's density, especially within the lower LSM categories, creates a significant retail opportunity that will be price- conscious. There is, however, a significant alcohol market within the township. In Milnerton, it is interesting to note that transport is approximately half of monthly retail spend.
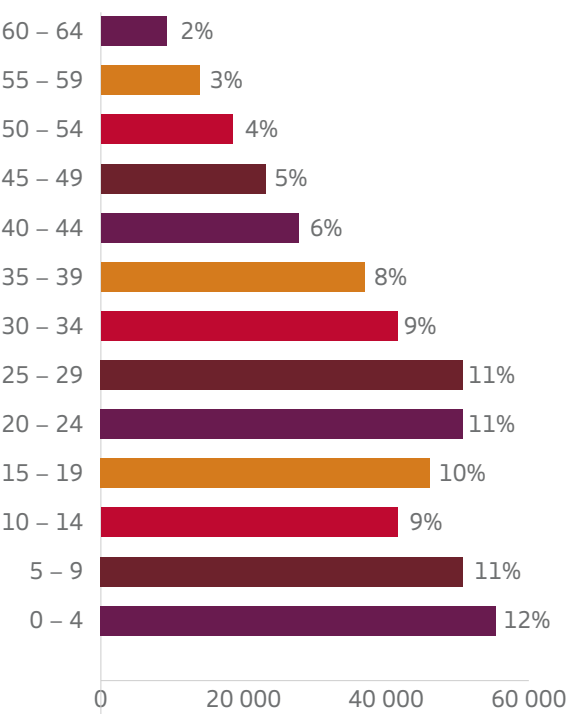
The graphs below show the demographic and consumption data of Khayelitsha.
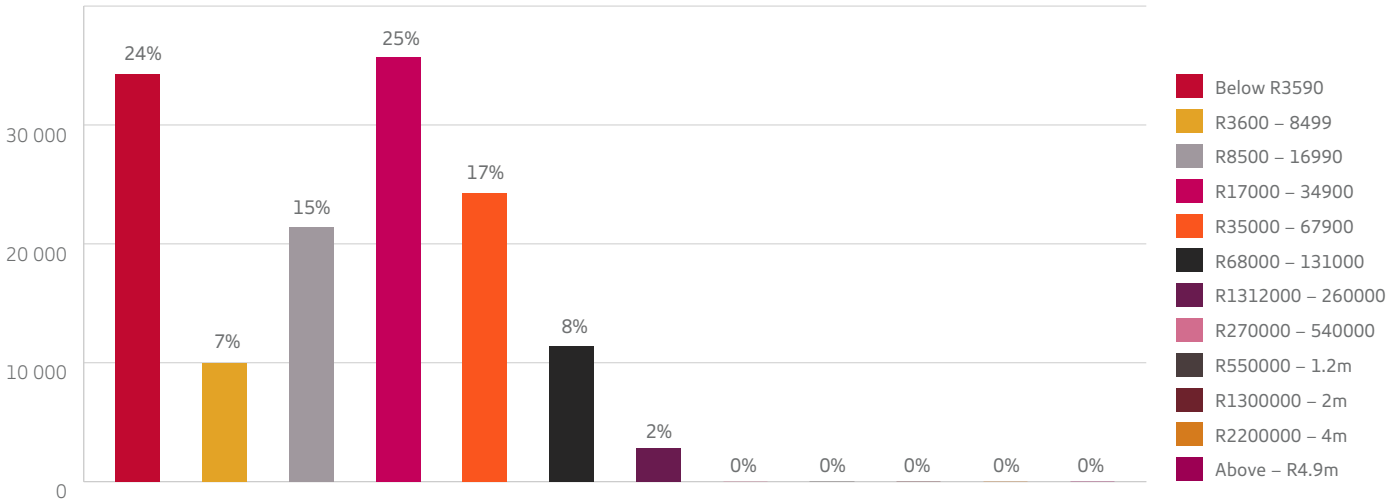
Population & Housing

473,162
Resident population

26,925
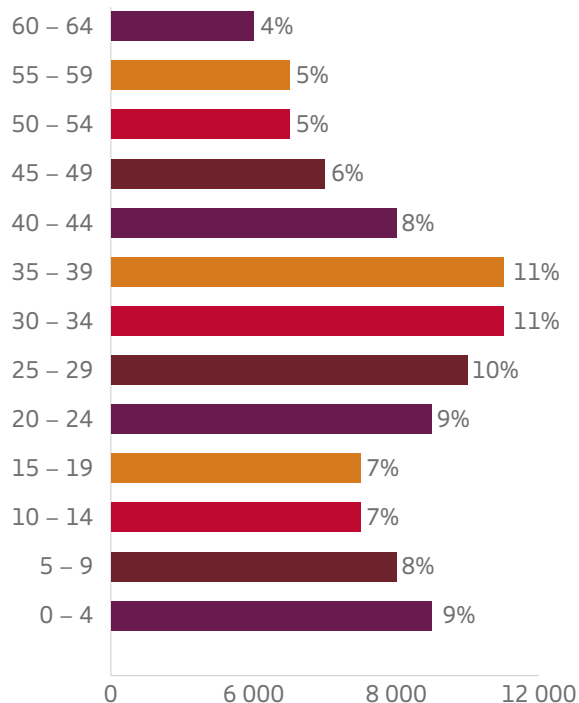Daily Average Migration in & out

136,714
Households

3.46

Average household size for this area

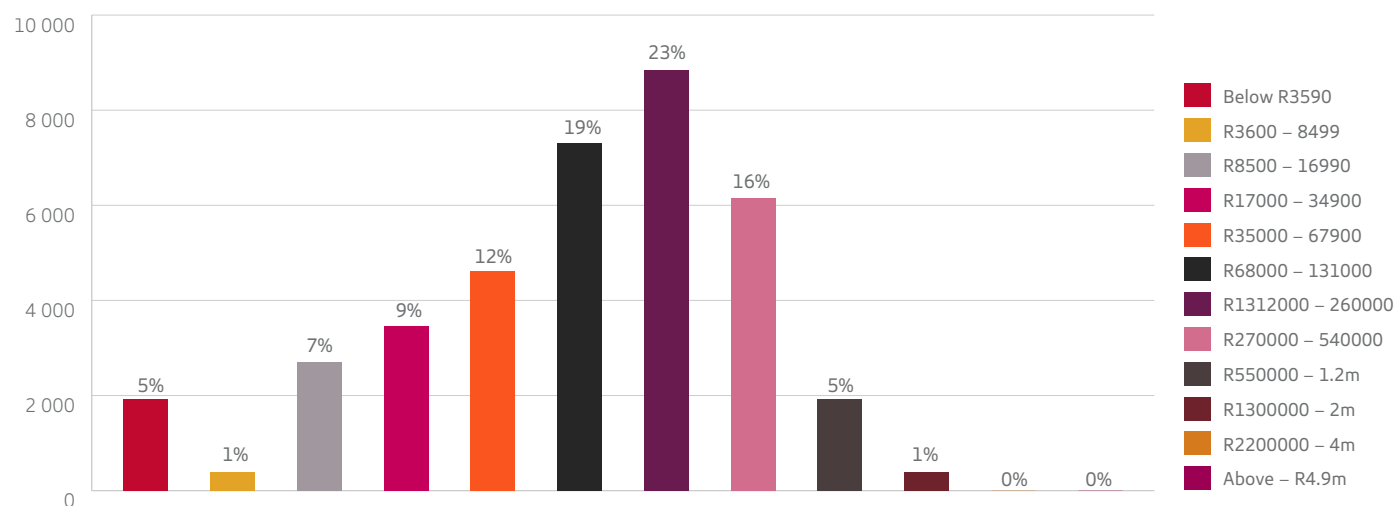which is more than the average for South Africa
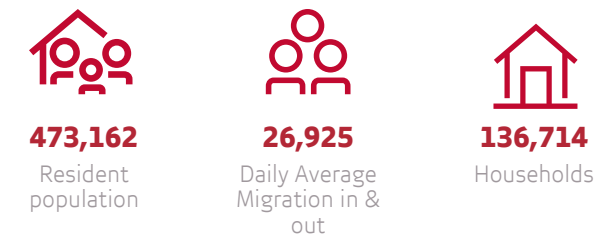
Area	Value	0.00	4.00
South Africa	3.75		
WC (Western Cape)	3.99		
This area	**3.46**		

Age profile

Age	%
60 – 64	2%
55 – 59	3%
50 – 54	4%
45 – 49	5%
40 – 44	6%
35 – 39	8%
30 – 34	9%
25 – 29	11%
20 – 24	11%
15 – 19	10%
10 – 14	9%
5 – 9	11%
0 – 4	12%

Income Profile

Income bar chart values:
- Below R3590: 24%
- R3600 – 8499: 7%
- R8500 – 16990: 15%
- R17000 – 34900: 25%
- R35000 – 67900: 17%
- R68000 – 131000: 8%
- R1312000 – 260000: 2%
- R270000 – 540000: 0%
- R550000 – 1.2m: 0%
- R1300000 – 2m: 0%
- R2200000 – 4m: 0%
- Above – R4.9m: 0%

Legend:
- Below R3590
- R3600 – 8499
- R8500 – 16990
- R17000 – 34900
- R35000 – 67900
- R68000 – 131000
- R1312000 – 260000
- R270000 – 540000
- R550000 – 1.2m
- R1300000 – 2m
- R2200000 – 4m
- Above – R4.9m

Expenditure Breakdown

Bar chart — Expenditure Breakdown (ZAR):
- Food: 24%
- Durables: 5%
- Non-Alcoholic beverage: 2%
- Liquor: 1%
- Transport: 15%
- Tele-communications: 4%
- Education: 3%
- Financial Services: 9%
- Apparel: 6%
- Other: 1%
- Housing: 30%
- Hardware: 0%
- Health: 1%

242,139,167
Monthly transport spend

802,188,583
Monthly retail spend

14,343,750
Monthly liquor spend

1,665,938,417
Total monthly spend

The annual consumption breakdown shows three clear areas of spend for residents of Khayelitsha – food 24%, transport 15% and housing 30%. The age profile is weighted toward youth, with a slow drop-off from age 40 and older. It is interesting to note that the household size of 3.46 is below the national average. 24% of Khayelitsha residents earn below R3 590 per month. 25% of the population is in the R17k to R35k bracket and another 17% in the R35k to R67k bracket. Housing outstrips food expenditure in Khayelitsha, and transport accounts for approximately 15% of the annual spend. Liquor does have a higher spend than in Milnerton, but the non-alcoholic beverage market is double that of liquor in Khayelitsha. There is a strong middle-class residence within Khayelitsha, and this appears to be focused on housing and maintaining smaller families.

Demographic and consumption data of Milnerton.

Population & Housing

120,333
Resident population

252,850
Daily Average Migration in & out

39,783
Households

3.02

Average household size for this area

which is less than the average for South Africa

Area	Value	0.00	4.00
South Africa	3.69		
WC (Western Cape)	3.75		
This area	**3.02**		

Age profile

Age	%
60 – 64	4%
55 – 59	5%
50 – 54	5%
45 – 49	6%
40 – 44	8%
35 – 39	11%
30 – 34	11%
25 – 29	10%
20 – 24	9%
15 – 19	7%
10 – 14	7%
5 – 9	8%
0 – 4	9%

Income Profile

Income brackets:
- Below R3590 — 5%
- R3600 – 8499 — 1%
- R8500 – 16990 — 7%
- R17000 – 34900 — 9%
- R35000 – 67900 — 12%
- R68000 – 131000 — 19%
- R1312000 – 260000 — 23%
- R270000 – 540000 — 16%
- R550000 – 1.2m — 5%
- R1300000 – 2m — 1%
- R2200000 – 4m — 0%
- Above – R4.9m — 0%

Expenditure Breakdown

Chart: Expenditure by category (ZAR)
- Food: 12%
- Durables: 5%
- Non-Alcoholic beverage: 1%
- Liquor: 0%
- Transport: 17%
- Tele-communications: 4%
- Education: 4%
- Financial Services: 14%
- Apparel: 4%
- Other: 1%
- Housing: 37%
- Hardware: 0%
- Health: 1%

399,934,083 Monthly transport spend

874,640,333 Monthly retail spend

10,015,750 Monthly liquor spend

2,341,833,583 Total monthly spend

Milnerton is an LSM 8 – 10-dominated area, with income spiking at 23% within the R1.3 million to R2.6 million bracket. There is a long tail to the breadline from here. Housing makes up the majority of annual spend at 37%. The next three categories of spend are closely matched: 12% food, 17% transport and 14% financial services. The household size at 3.02 is below that of the national average and below Khayelitsha (3.46). Healthcare again only makes up 1% of spend. When comparing Milnerton to Khayelitsha, the standouts suggest that the larger income pays for significantly larger housing expenses. This accounts for the households per square meter. Transport and financial services also outrank food spend. This suggests that beyond an income security level, Milnerton residents are more likely to spend on transport and housing than food.

Category Consumption Index

Bar chart — Category Consumption Per Store Index (y-axis, 0 to 8) by Category (x-axis):

Category	Index
Bakery	6.5
Butchery	3.8
Groceries	3.6
Fruit & Veg	3.2
Fish	2.6
Deli	2.1
Cheese	1.6
Dried fruit & nuts	1.3
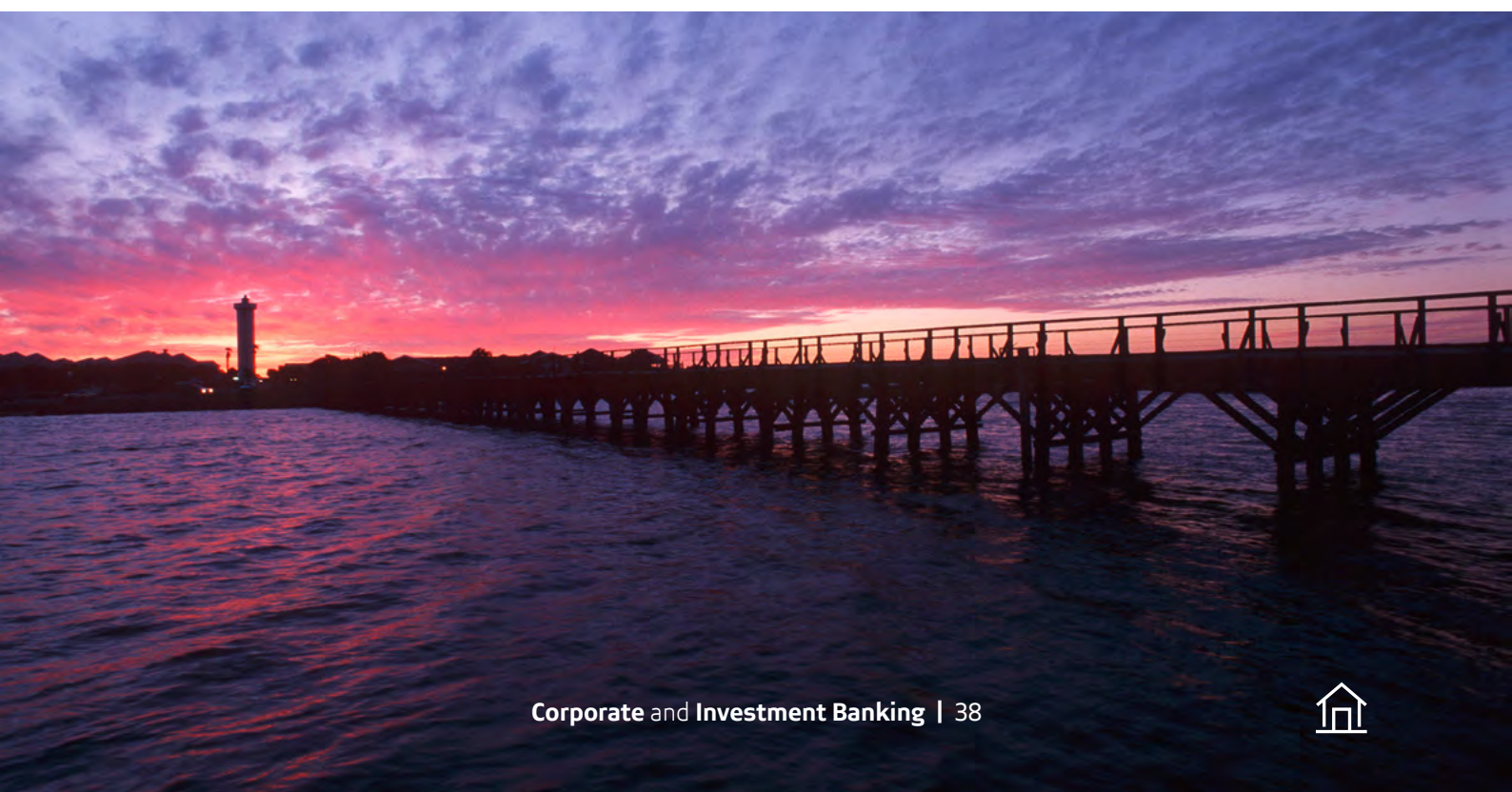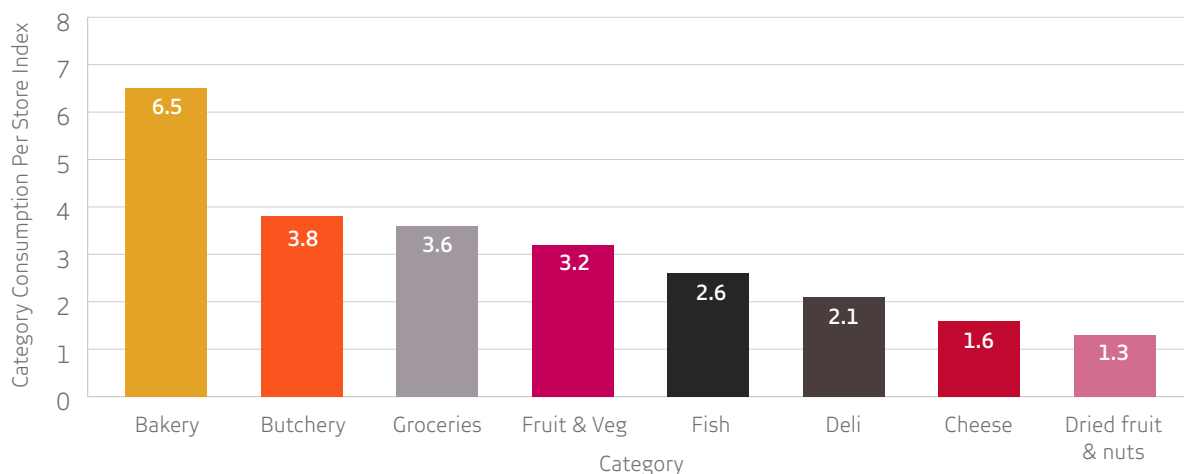
Expenditure per category follows a similar trend to what we see in other townships. Spend in the butchery category is 3.8 times more in Khayelitsha versus Milnerton, and 6.5 times in the bakery category. It is clear to see the essential goods within the township as the difference in more luxury items narrows despite the population difference. The formal groceries market is leaving profit on the table simply due to not supporting Khayelitsha with sufficient brick-and-mortar stores. There is a clear opportunity for formal grocery stores within Khayelitsha. With R77.9 million available per formal grocery retail store, it appears that there is at least three times the opportunity for new formal grocery stores than in Milnerton.

Heineken acquires bigger market share

For something a choice must be made

Heineken's takeover of Distell gets approval – with conditions.

The South African Competition Commission has approved Heineken's proposed acquisition of the wine and cider company, Distell Group, with conditions. The Commission found that the merger results in a horizontal overlap in the broad market for FABs and in the narrow market for ciders, given that Heineken is the only significant manufacturer of ciders in South Africa, aside from Distell. According to the Commission, the merge could lead to them having a 65% market share in the country, making it the largest cider supplier in South Africa, which is likely to substantially prevent or lessen the competition in the relevant markets.

To address the concerns, Heineken has committed to divest its Strongbow cider business in South Africa and other South African Customers Union countries, a brand that was launched in South Africa in 2016. The Competition Commission further put in place six public interest commitments as conditions for approval – one being that the entity invests R175 million in a tavern transformation programme to create safe, responsible and sustainable businesses with a positive impact for consumers and society.

[1] https://businesstech.co.za/news/business/654665/takealot-pilots-new-features-with-pick-n-pay-in-south-africa/
[2] https://techcentral.co.za/it-ecology-why-is-e-commerce-broken-iteprom/219334/

Across the border

Kenya, Zambia and Ghana[7]

Kenya - Black Friday footfall trend

Legend: ■ Online shopping ■ Mall shopping
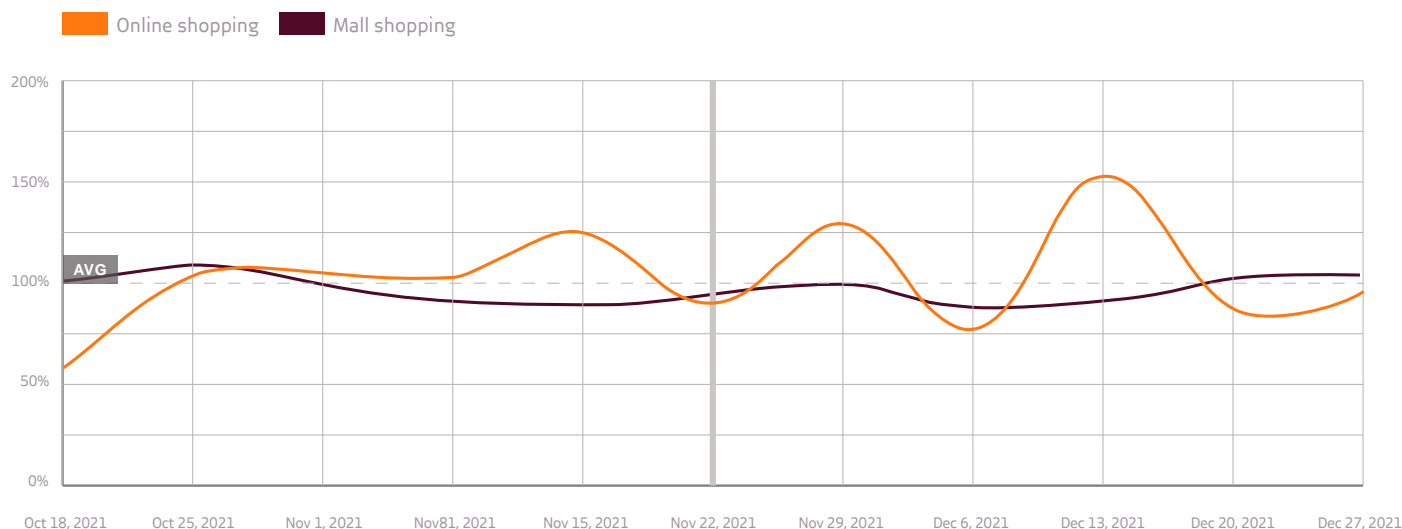
Mall footfall through the period follows a stable pattern. Month-end is marginally higher and mid-month is marginally lower than the average. This pattern coincides with Black Friday dates, rising from 96% to 101% in the Black Friday week. There appears to be an increase in online shopping in Kenya as October '21 begins. This then also follows a cyclical pattern, but weekly instead of monthly. There is a spike over the week of Black Friday in Kenya (128% above average), but this spike is not as significant as the mid-December spike (151% above average). In both mall footfall and online, the biggest dip is in the week following Black Friday – 92% for malls and 64% online.

This could be that Black Friday swallows available budget, but this is not definite proof of a Black Friday retail opportunity. The festive season appears to offer a more significant opportunity for retailers in Kenya than a Black Friday opportunity. Mall footfall maintains higher than average in December breaking from the cycle, further suggesting that Christmas is the retail opportunity in Q4 in Kenya.

Zambia - Black Friday footfall trend

Legend: ■ Online shopping   ■ Mall shopping

Y-axis: 200%, 150%, 100% (AVG), 50%, 0%

X-axis: Oct 18, 2021 | Oct 25, 2021 | Nov 1, 2021 | Nov81, 2021 | Nov 15, 2021 | Nov 22, 2021 | Nov 29, 2021 | Dec 6, 2021 | Dec 13, 2021 | Dec 20, 2021 | Dec 27, 2021
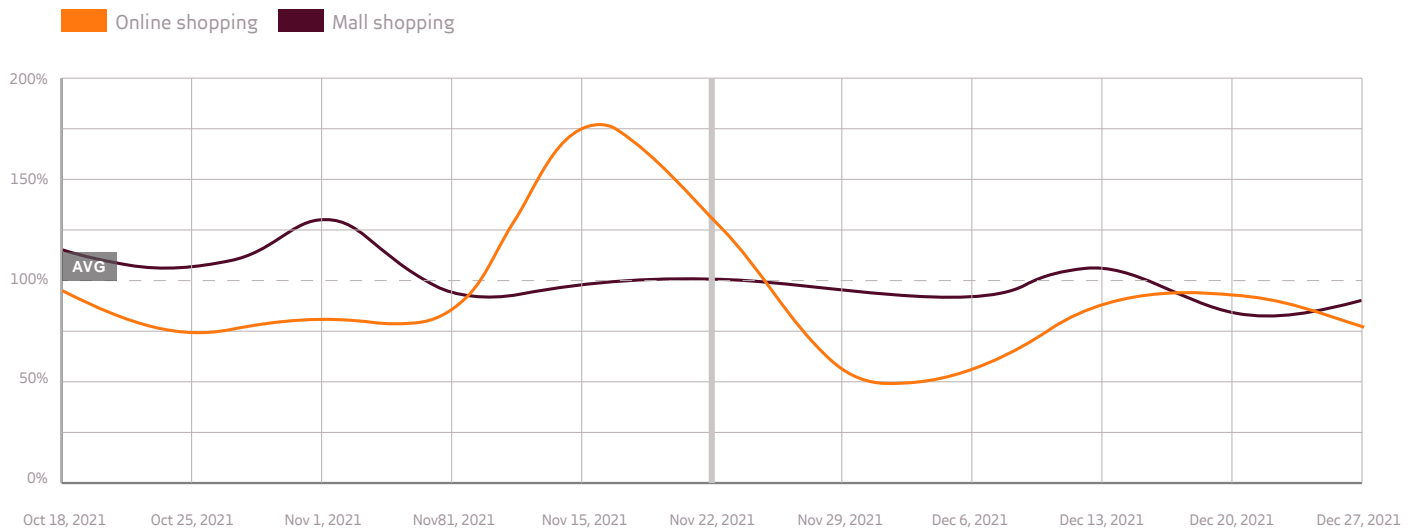
Online searches in Zambia are dominated by a 225% above-average spike in the week of 15 November. This drives the average up and for the remainder of the period; except for the week of 13 December, online is below average. Again, mall footfall does not show any indication of a Black Friday in Zambia. There is a consistent downward trend from an above-average October 2021 to a below-average December 2021. Mid-December malls see a marginal bump, above average at 107%. The mid-November spike may be linked to repeated seasonality (migrant shoppers or Zambia sales), but this would need to be verified versus 2022. There is no socioeconomic or political reason for the spike, nor any COVID-19-related news. There appears to be no Black Friday in Zambia. Similarly, there doesn't appear to be a significant festive opportunity in Zambia either.

Ghana - Black Friday footfall trend

■ Online shopping **■ Mall shopping**
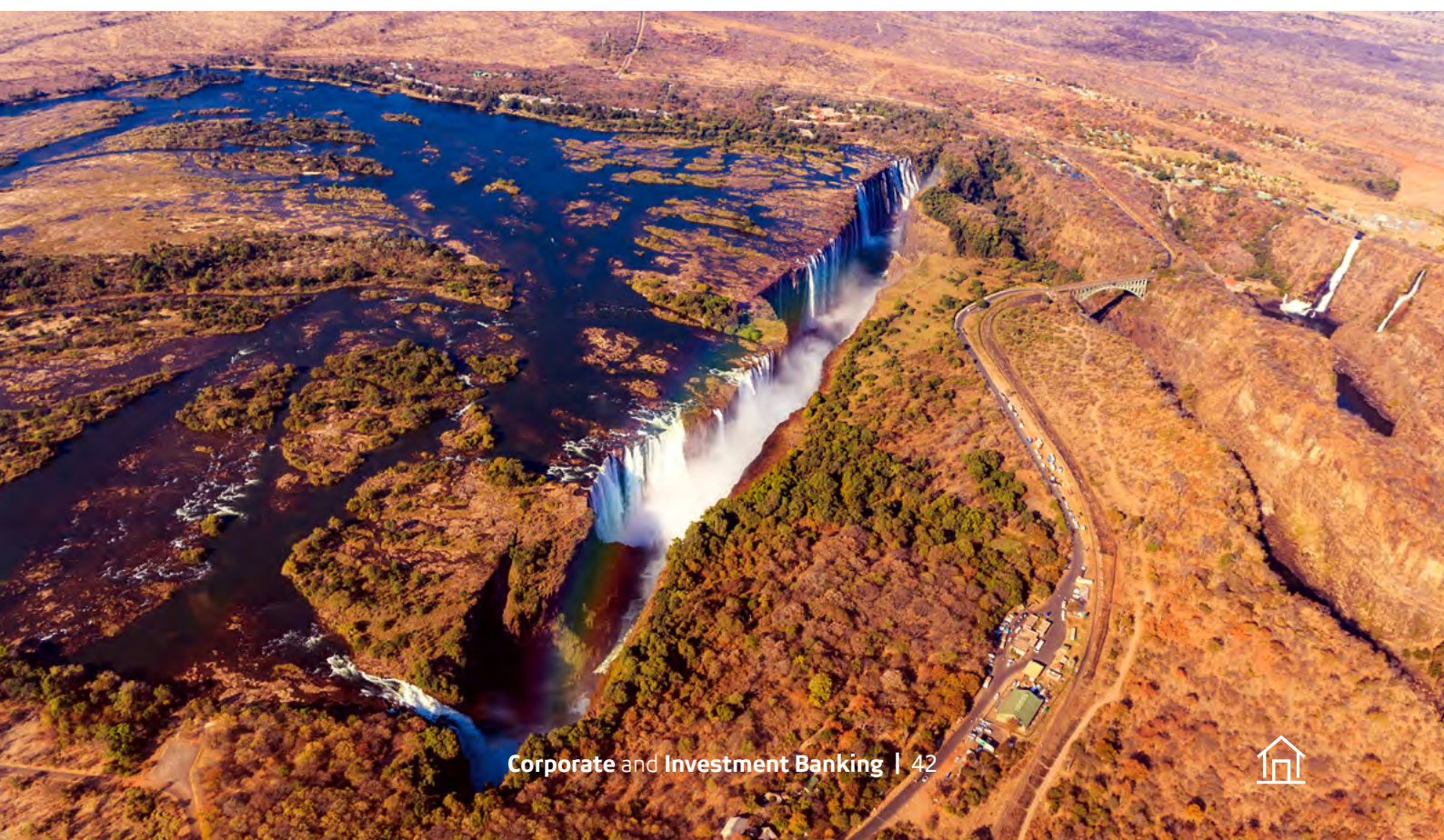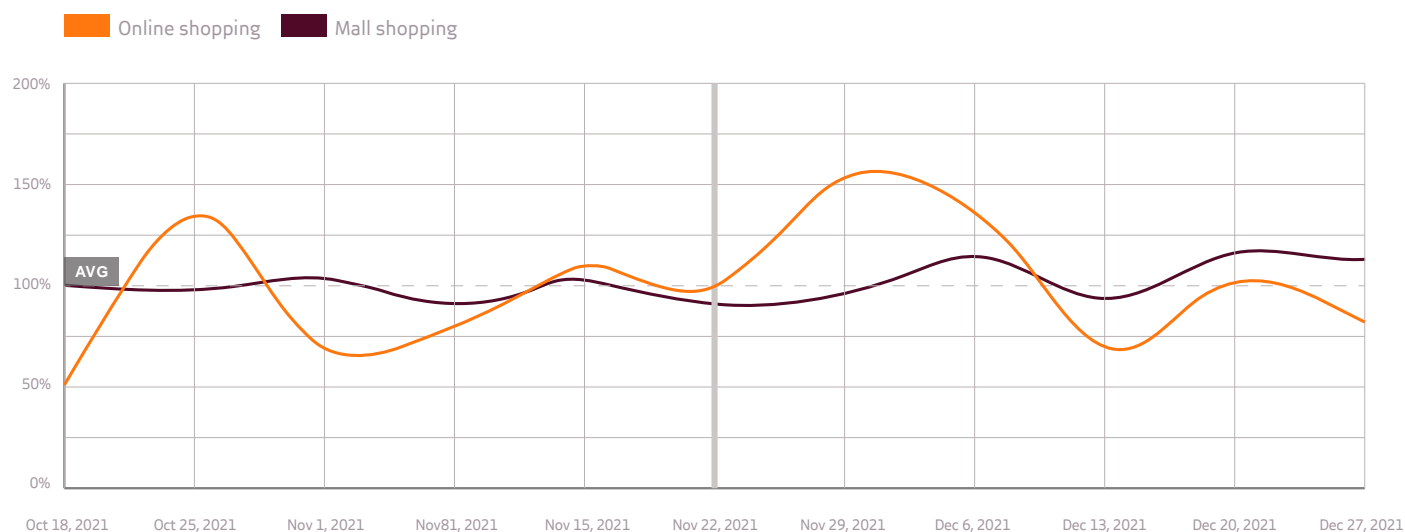
Mall footfall in Ghana is on a positive trend over the period, with the December festive season 114% and 110% above average through this period. There appears to be no real month-end footfall cycle to mall visitation. There is a surge in online sales and an upward trend in mall footfall over the Black Friday week, but nothing to suggest that Black Friday is the root. The online spike peak (155%) is the week after Black Friday and maintains at 137% for the first week in December, before dropping below average. The festive season is a key season for malls in Ghana. Online sales in Ghana are cyclical and does not appear to be linked to Black Friday.