



Consume This Newsletter

Volume 2, Issue 5

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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.

A Forward Focus On Food

How the pandemic has changed the business of food forever

In previous issues, we have covered how the pandemic has shifted consumer behaviour and as a result, food retailers had to rethink how they interact with and service their customers in this new environment. Chep, a logistics company, suspects that grocery stores and supermarkets in South Africa will likely undergo some significant changes in the foreseeable future.¹ They expect in-store shopping to remain dominant against online while retailers integrate several gradual innovations in line with how consumer behaviour has shifted.



Some of the following themes have emerged/persisted and as a result, some expected changes include:

Health and hygiene

- An increase in health-conscious consumers as well as the surrounding legislation is expected to cause more retailers to rethink their display strategies with regard to high-fat, high-salt and high-sugar products, especially in the checkout aisles.
- Food packaging, when considering the sustainability and environmental impact that it has, is taking up the attention of producers. To this end, minimising packaging is a focus.
- Awareness around health and hygiene during the pandemic has also prioritised minimising touchpoints along the supply chain, but this has increased benefits of improving supply chain efficiency.

Supply chain efficiency

- Retail-ready packaging (RRP), a supply chain innovation, allows for the transportation of products from the factory floor to the store on one pallet. This not only fulfils the hygiene mandate, but also means that there is no need for repacking or transferring of products between pallets, eliminating the cost of labour and other resources used in that process. Conor Powell, Chep's in-store solutions lead for sub-Saharan Africa, further adds, "RRP also replaces the need for most secondary packaging, which, in turn, avoids waste."²

Retailers have also indicated their focus going forward in this new paradigm.

Digitalisation

- Woolworths is positioning its social media platforms as an extension of its marketplace due to the increasingly digital landscape that we're seeing, such as being able to shop on Instagram and TikTok.
- The group is also trialling a "phygital" solution, which integrates their social media platforms with their physical outlets, allowing shoppers to browse favourites on Instagram, while physically browsing in a Woolworths store.
- This could result in driving more consumers to their online channels by creating the "instashop" experience within their stores. Such an innovation collaborates the omni-channel and social media trends, to steer customers through a more efficient sales funnel.

Defined market propositions

- Pick n Pay has announced plans to take on their competitors across three market segments.
- Feedback from customers has revealed that their current strategy has led to inconsistent product offerings, service levels and store experiences.
- The launch of Project Red illustrates Pick n Pay's plans for a new store format that will serve the middle-market, while their Boxer brands will compete in less affluent markets and the well-established Pick n Pay brand will serve the more affluent market.

¹ <https://businesstech.co.za/news/technology/596340/big-changes-coming-for-pick-n-pay-checkers-woolworths-and-other-stores-in-south-africa/>

² <https://businesstech.co.za/news/technology/596340/big-changes-coming-for-pick-n-pay-checkers-woolworths-and-other-stores-in-south-africa/>



Checkers and tech

- Shoprite's ShopriteX is a subdivision dedicated to new shopping technologies. The Checkers Rush concept store is being trialled at the ShopriteX offices in Brackenfell. This store allows for an automated, cashless experience using advanced AI-camera technology to identify the products being taken off the shelves and then charging the users' bank cards on exit.

It is clear that we have entered a new era of shopping and South African retailers are certainly stepping up and reshaping the ways in which they think, innovate and execute strategy to accommodate for these consumer trends and a changing market place.



May merchant spend analysis

Shifting down a gear

Consumer spending growth has been steadily declining in 2022, in comparison with the bounce back that was witnessed in most of the categories over 2021. Lagging categories such as Tourism, Education and Transportation are experiencing their delayed bounce back in 2022, starting from late last year.

Health and Beauty has bounced back over the transition from the first to the second quarter. This is likely due to the Health subcategory benefitting from change-of-weather illnesses.

Tourism spend growth is beginning to slow down and as we move further into the year, this could be a natural cyclical trend as travelling is more preferred during the warmer months.

Transportation is continuing to show high growth and recovery, which is encouraging considering the contraction seen for 2021.

Home and Garden is one of the categories that have benefitted greatly from the pandemic, due to people being forced to work from home.

However, this year that growth seems to have reached its maturity.

The slowed growth in Home and Garden as well as in the **Building and Hardware** category suggests that the surge of people prioritising bettering their home spaces has stabilised and homes are reaching an equilibrium in this new way of living. In addition to that, more people are travelling back to the office for work.

Education has seen strong recovery this year after showing a decline for most of 2021. Transaction volumes are higher, suggesting strained cashflows, however, consumers seem to have reorganised their spend to continue prioritising education.

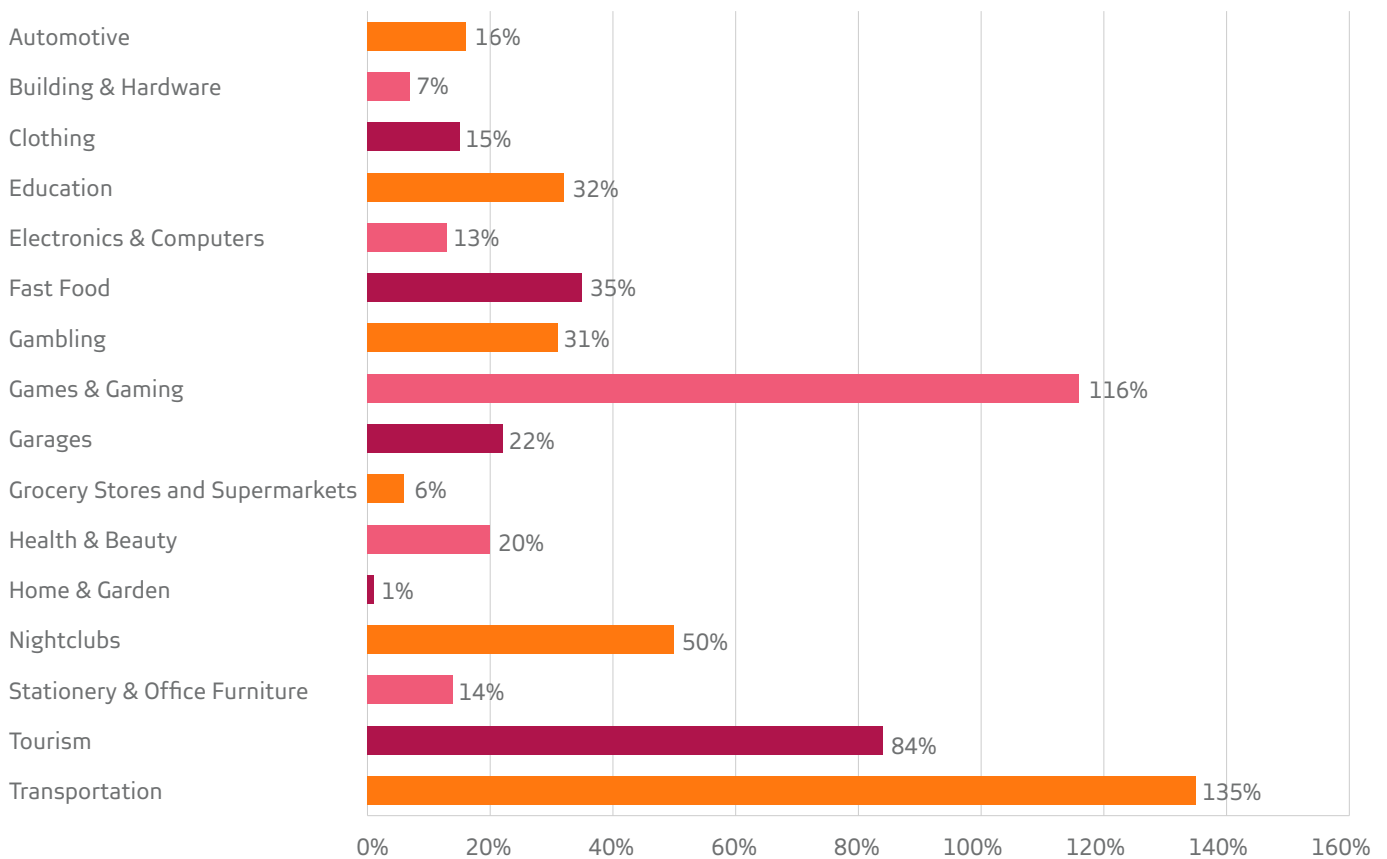
Clothing spend has seen a decline in growth this year compared to the recovery experienced last year. The change of season may boost spend in this category as we enter the colder season.

YTD May	2020-2021	2021-2022	CAGR	Full year (2020-2021)
Automotive	42%	16%	28%	23%
Building and Hardware	48%	7%	26%	20%
Clothing	37%	15%	26%	20%
Education	-6%	32%	11%	5%
Electronic and Computers	51%	13%	31%	23%
Fast Food	79%	35%	55%	46%
Gambling	48%	31%	39%	39%
Games and Gaming	741%	116%	326%	432%
Garages	26%	22%	24%	26%
Grocery Stores and Supermarkets	5%	6%	5%	4%
Health and Beauty	10%	20%	15%	12%
Home and Garden	60%	1%	27%	21%
Nightclubs	113%	50%	79%	71%
Stationery and Office Furniture	40%	14%	26%	25%
Tourism	0%	84%	36%	39%
Transportation	-18%	135%	39%	-4%





Total spend % change per category



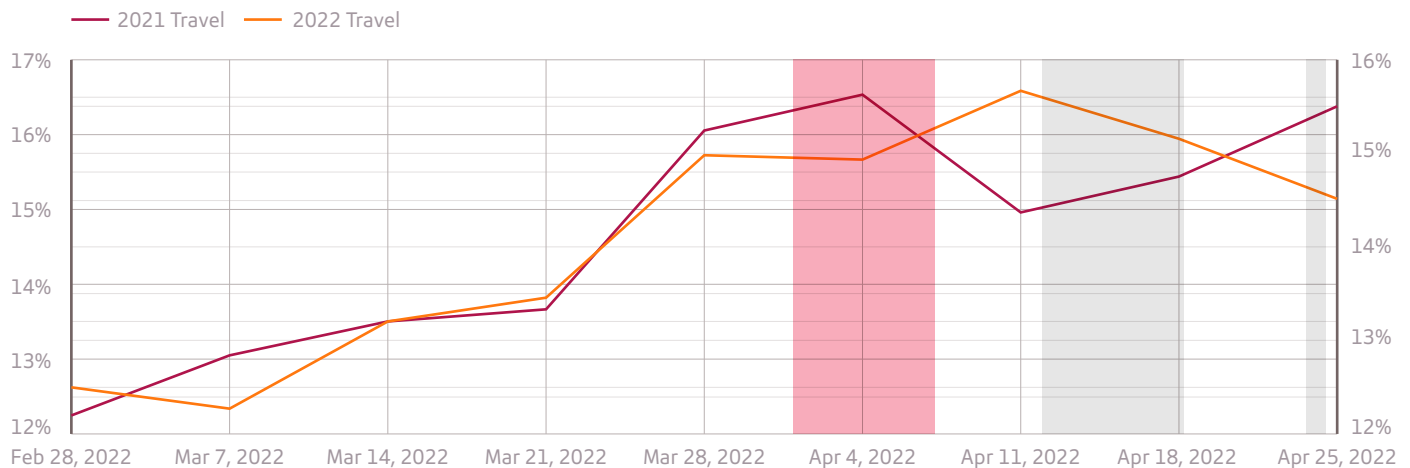
³ Merchant spend data as at 13 June 2022



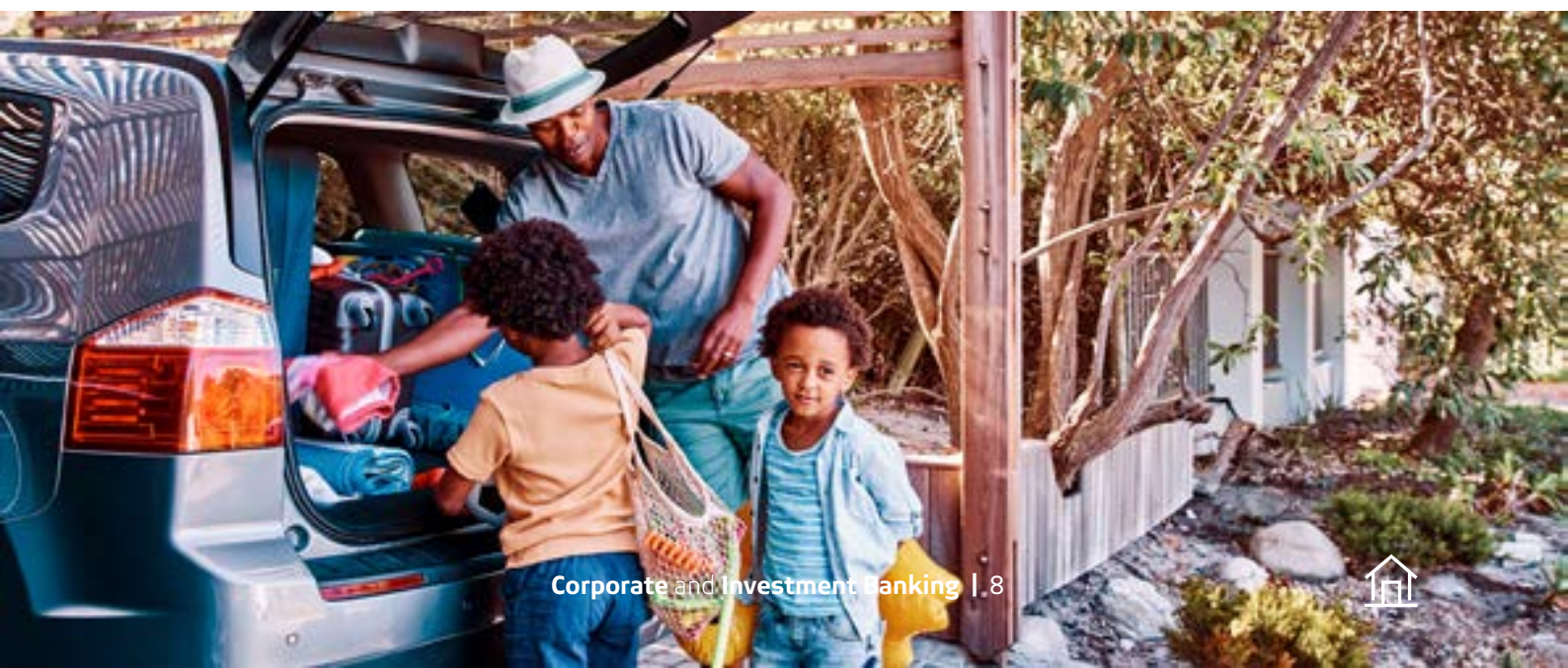
Easter travel trends 2022

Taking a look at what has transpired over the past two years

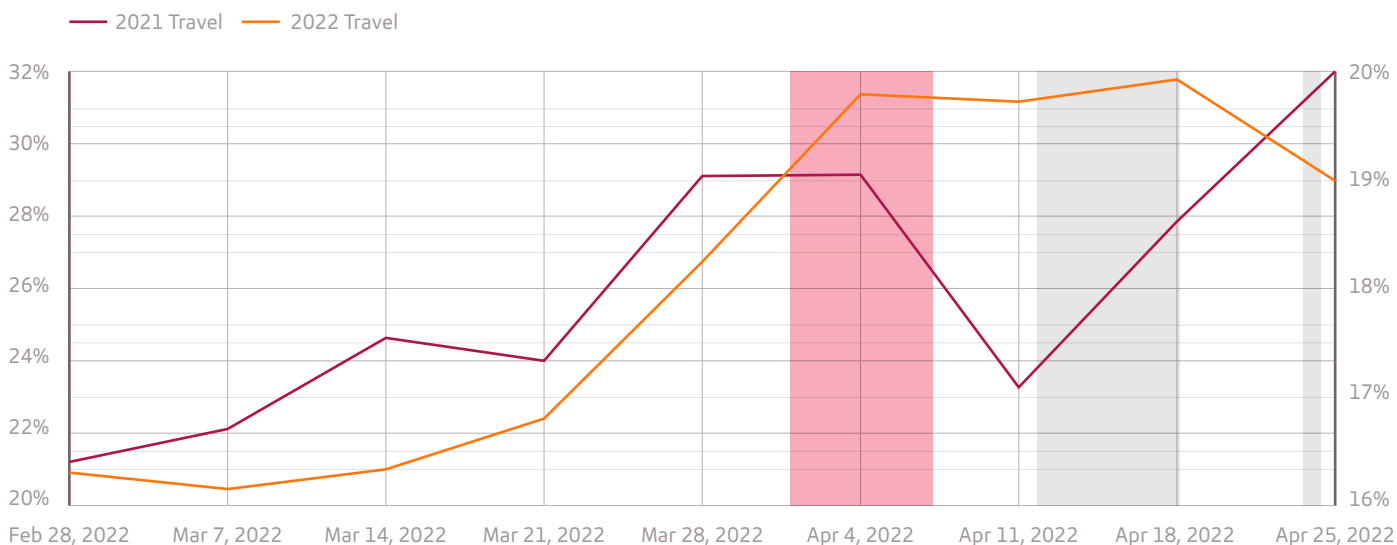
This graph shows the inter-district travel for the **total** market for the 2021 Easter period versus 2022.



The Easter weekend was a key driver for inter-district travel in both 2021 and 2022. 2021 Easter travel peaked at 15% in the week starting 4 April 2021. Easter 2022 was later in the month than 2021. The inter-district travel baseline was higher in 2022 and peaked at 16% in the week starting 11 April 2022. April 2021 saw bimodal inter-district travel peaks, the first being Easter and the second Freedom Day/month-end. 2022 saw a more sustained travel peak, running for most of April. The 2021 Easter peak was in the week of Family Day, whereas the 2022 peak was in the week of Good Friday. The South African inter-district traveller will travel in the holiday season regardless of macroeconomic pressures and COVID-19 trends. There is still a significant opportunity within the market, but identifying the travel dates is key.



This graph shows the inter-district travel for the **affluent** market for the Easter period 2021 and 2022.

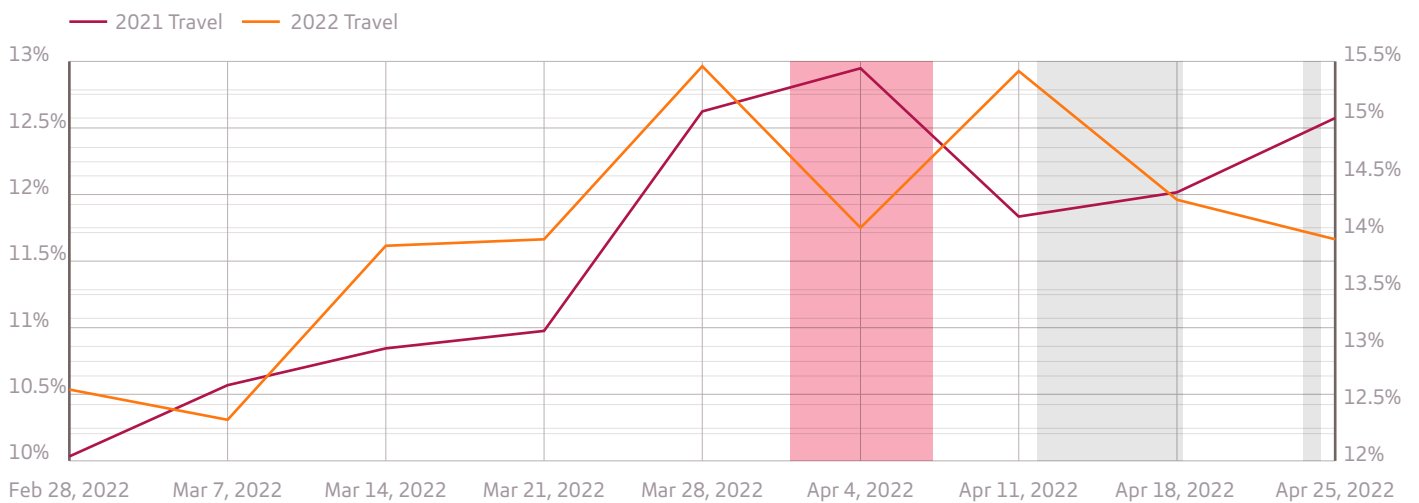


Affluent inter-district travel in 2021 was characterised by a pair of peaks over the Easter weekend and Freedom Day. 2021 Easter peaked at 19% for the weeks 28 March to 10 April. Affluent inter-district travel in 2022 was characterised by a sustained peak at 30% over the majority of April. The early pre-Easter climb in 2022 is likely to have been influenced by school holidays. Affluent inter-district travel in 2022 was very positive despite economic factors. When Easter is closer to Freedom Day and school holidays, the holiday period is sustained for longer.





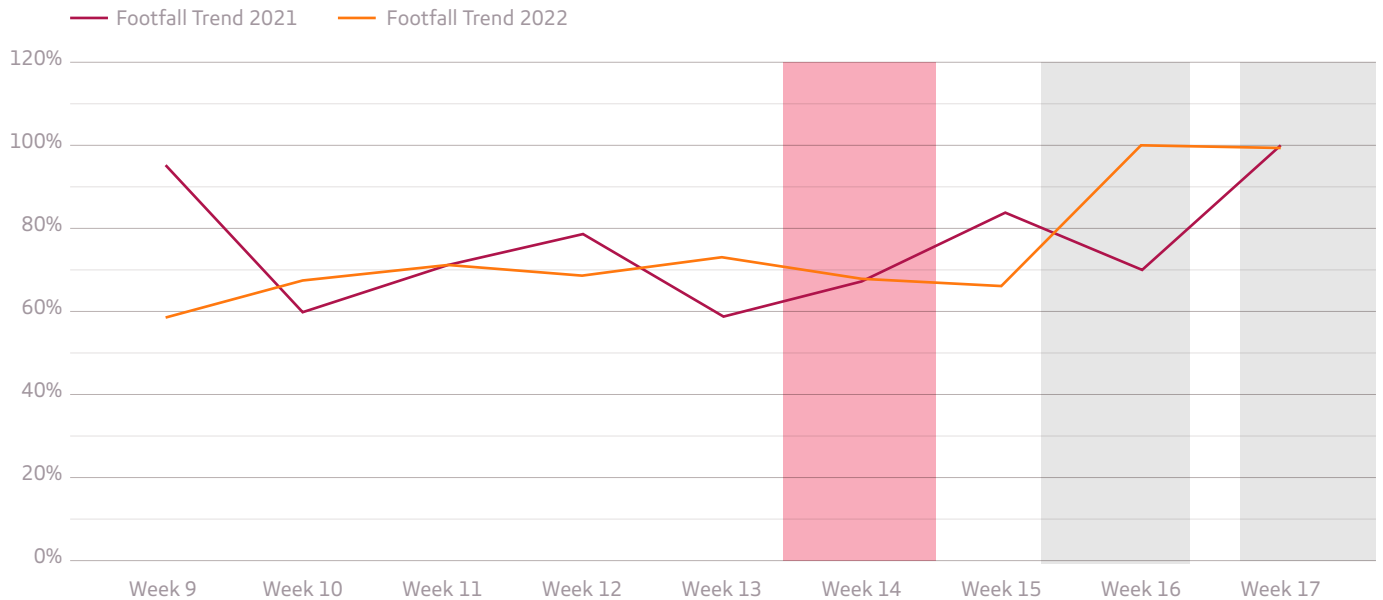
This graph shows the inter-district travel for the **mass** market for the Easter period 2021 and 2022.



Easter 2021 appears to have combined with a month-end travel spike (also seen in 2022) to create a surge in mass inter-district travel. The 2021 peak was in the week starting 4 April at 15%. The Easter 2022 peak was much later in the month than in 2021. It peaked lower than in 2021 at 13%. The 2022 baseline for mass inter-district travel is two points lower than in 2021. 2021 travel saw a small climb at the April month-end, which was not repeated in 2022. Despite working off a lower base, it is clear that mass inter-district travel will take place over Easter. The ability to link month-ends, weekends and holidays is key to inter-district travel in the mass market. Easter 2022 for the mass market was marginally smaller and less sustained. The later Easter in 2022 also appears to have taken travel volume from the April month-end.



This graph shows the footfall trend for **Building and Hardware** retail store visitation nationally over the Easter period, for each year vs its own maximum. This provides insight into the effect of holiday season timing on retail visitation.

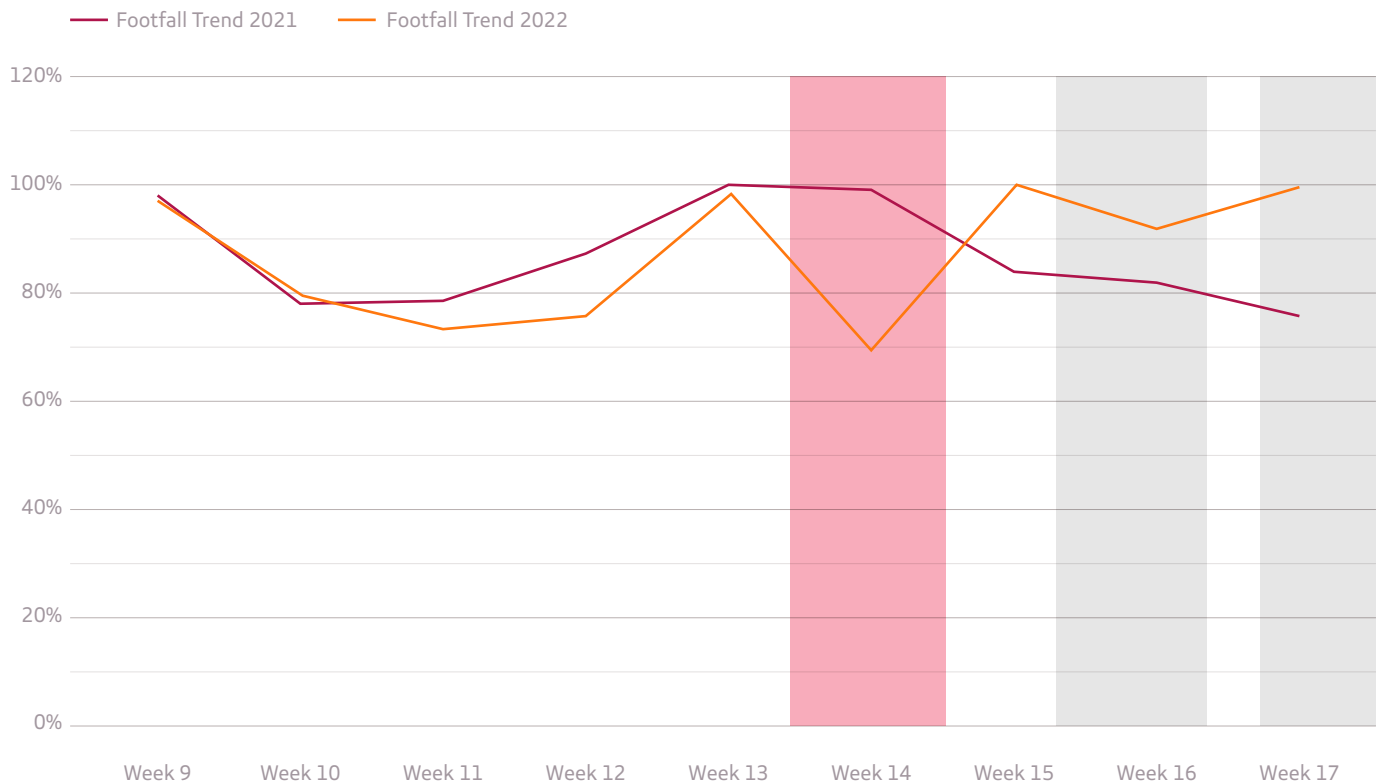


In both 2021 and 2022, Building and Hardware hit its 100% maximum late in April. Easter 2021 did not offer a significant advantage as Freedom Day for Building and Hardware footfall. Building and Hardware footfall in 2022 was far more stable, peaking at the Easter weekend, and maintained until Freedom Day. With Easter 2022 being close to Freedom Day, it created a block of opportunity that appears to be used by shoppers in the Building and Hardware category.





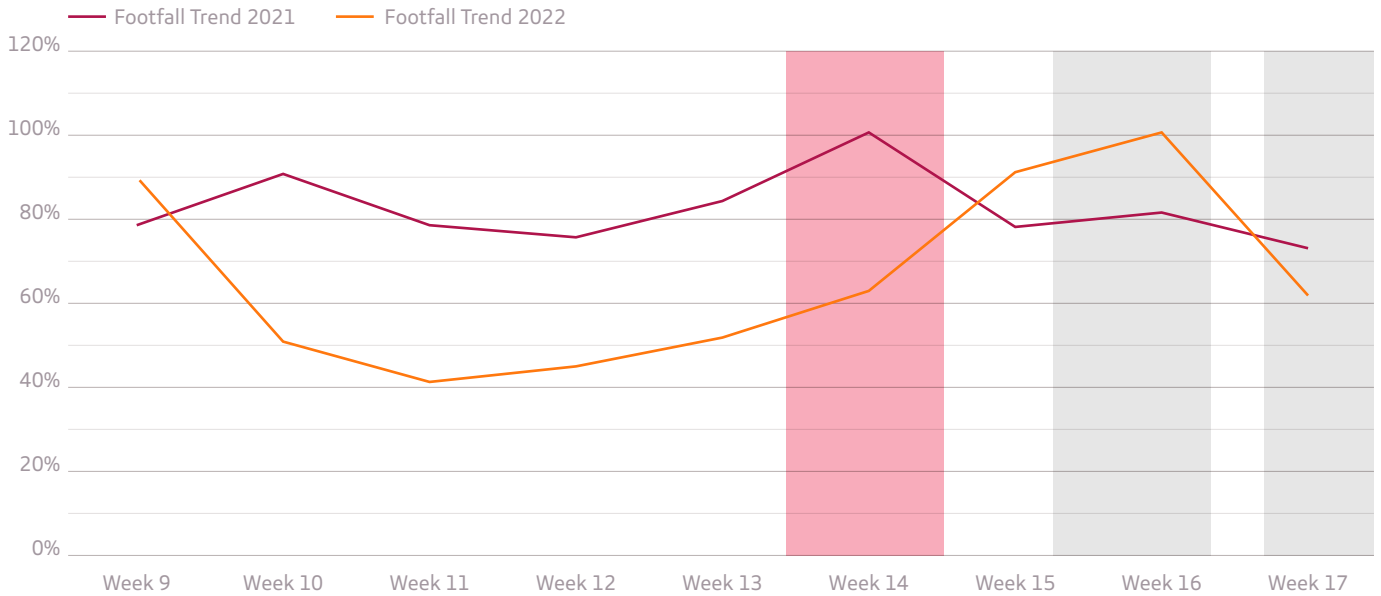
This graph shows the footfall trend for **Food** retail store visitation nationally over the Easter period, for each year vs its own maximum. This provides insight into the effect of holiday season timing on retail visitation.



Year on year, Food footfall appears to have followed a trend until an early April drop-off in 2022. This 2022 drop was quickly corrected before Easter 2022. The 2021 Food footfall dropped off throughout the month after Easter. The 2022 Food footfall hit its 100% maximum just before the Easter weekend and maintained the trend with another bump in the week of Freedom Day. Food footfall peaked before the Easter holiday. It appears shoppers prepared early for Easter and maintained it until necessary. 2022 enjoyed a comparatively more consistent footfall for the month than 2021.



This graph shows the footfall trend for **Tourism** retail store visitation nationally over the Easter period, for each year vs its own maximum. This provides insight into the effect of holiday season timing on retail visitation.

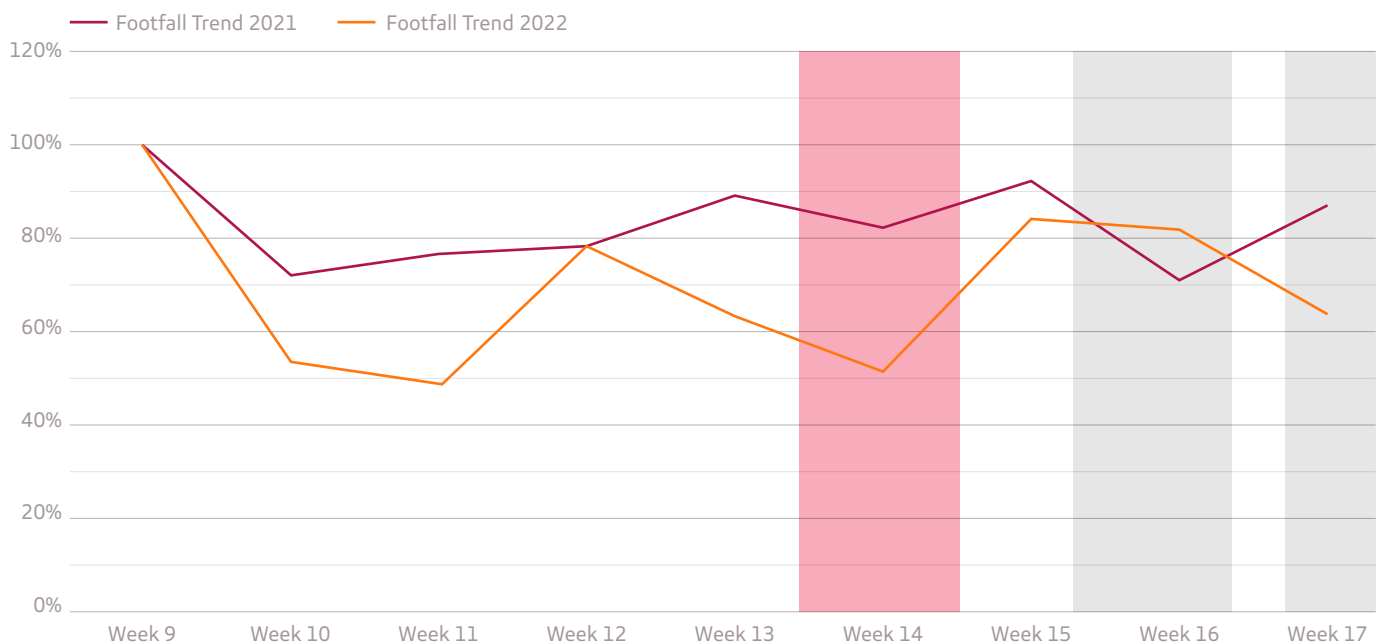


The Tourism footfall in 2021 reached its maximum in the middle of Easter weekend and fell away steadily. The 2022 Tourism footfall also reached its 100% maximum in the Easter break, but from a 40% low in the build-up. The 2022 Tourism footfall peak over the period was sharper and shorter. Easter weekend delivers more Tourism footfall than Freedom Day. The 2022 Easter weekend peak was more significant versus the rest of the month than what was observed in the same period in 2021.





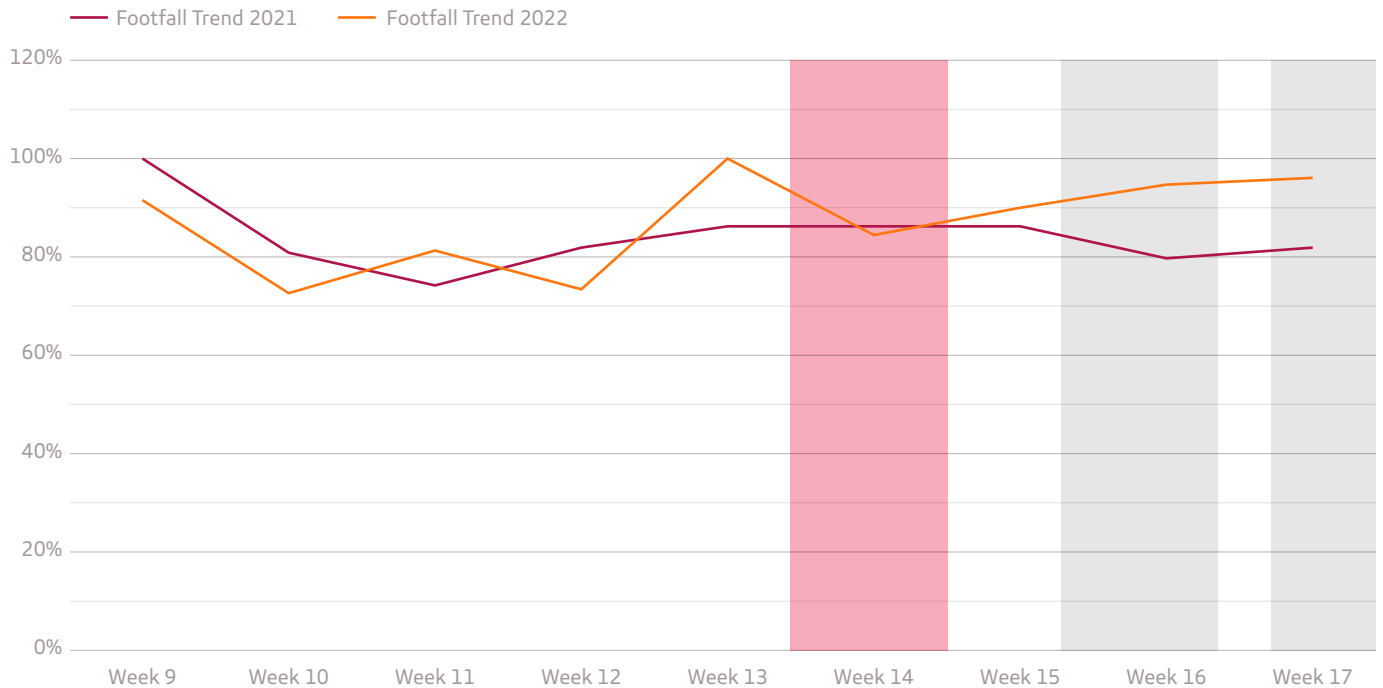
This graph shows the footfall trend for **Health and Beauty** retail store visitation nationally over the Easter period, for each year vs its own maximum. This provides insight into the effect of holiday season timing on retail visitation.



Both 2021 and 2022 had maximum footfall before the April holiday period. Health and Beauty in 2021 remained largely stable and positive, but dipped mid-April (between public holidays, but in school holidays). The Health and Beauty 2022 footfall was far more erratic. This could be due to economic factors, being elective spending. The Health and Beauty footfall is not as overtly affected by the Easter holiday season as the other retail categories.



This graph shows the footfall trend for **Home and Garden** retail store visitation nationally over the Easter period, for each year vs its own maximum. This provides insight into the effect of holiday season timing on retail visitation.

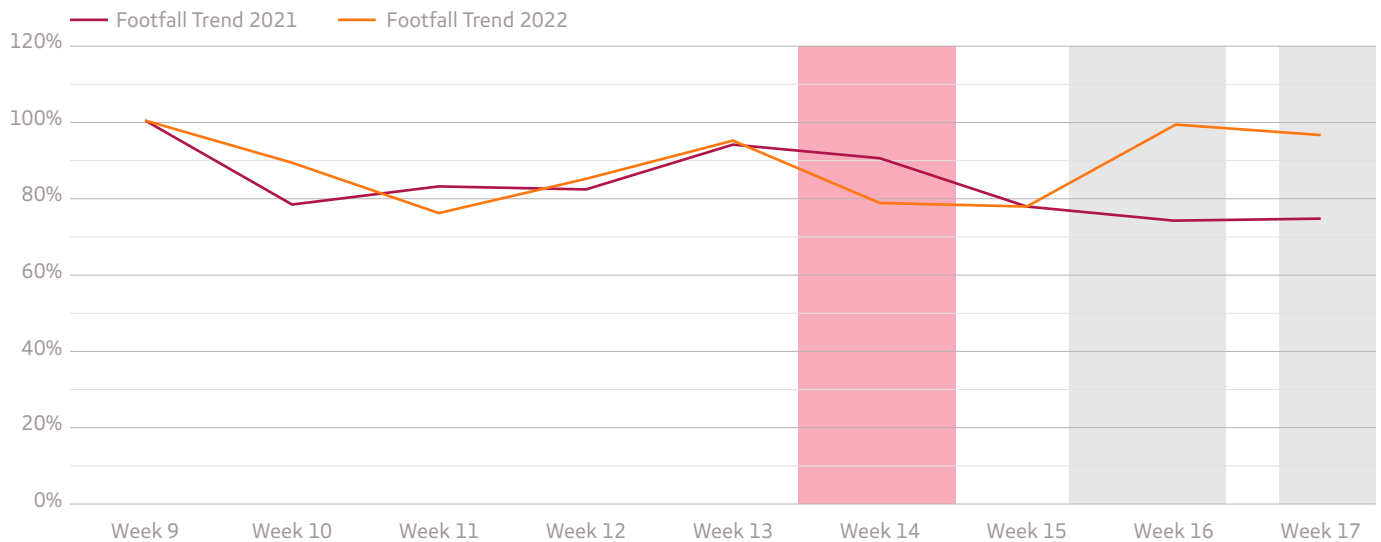


2021 Home and Garden footfall peaked before the April holidays, but maintained 80% against its maximum for the holiday period. The last week of March 2022 saw the maximum footfall for the 2022 holiday period. This is a month-end spike unrelated to the holidays. Following the 100% high in late March 2022, the short dip quickly recovered and stabilised the Home and Garden footfall in the 90% range. Home and Garden shoppers were less affected by the Easter period in both years than other retail categories. The footfall appears to be more driven by month-end.





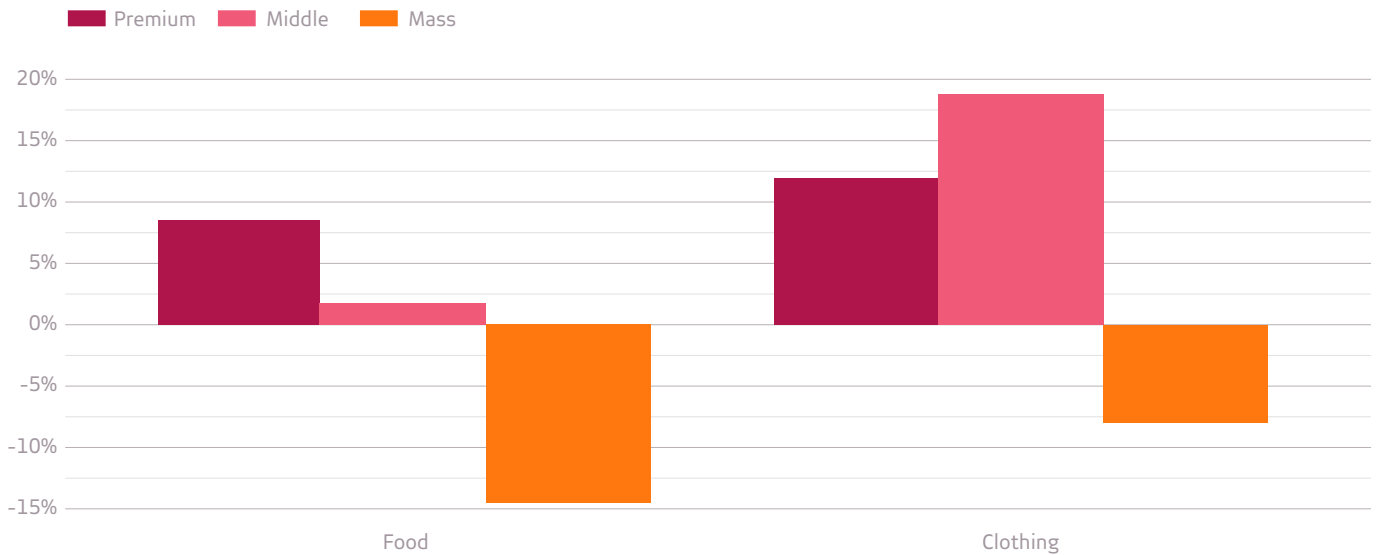
This graph shows the footfall trend for **Clothing** retail store visitation nationally over the Easter period, for each year vs its own maximum. This provides insight into the effect of holiday season timing on retail visitation.



The Clothing footfall followed very similar trends in 2021 and 2022 until Easter 2022, when Clothing footfall peaked. 2021 and 2022 came off a 100% maximum before the holiday season and both also showed month-end spikes in March. In 2022, the Clothing footfall maintained a two-week high, bridging the Easter and Freedom Day period. Clothing shopping spikes around the Easter period. This could have been a great opportunity for retailers if they were able to convert window shopping for entertainment into actual purchases.



This graph shows the percentage change between premium, middle and mass outlets for Food and Clothing for the affluent market. The graph compares 1 May 2020 to 30 April 2021 to 1 May 2021 to date. Premium brands: Woolworths, Checkers, Zara, Cape Union, Adidas, Nike. Middle brands: PnP, Spar, Food Lover's, Edgars, Foschini, H&M, MrP Fashion. Mass brands: Shoprite, USave, Boxer, Pep, Ackermans, Milady's.

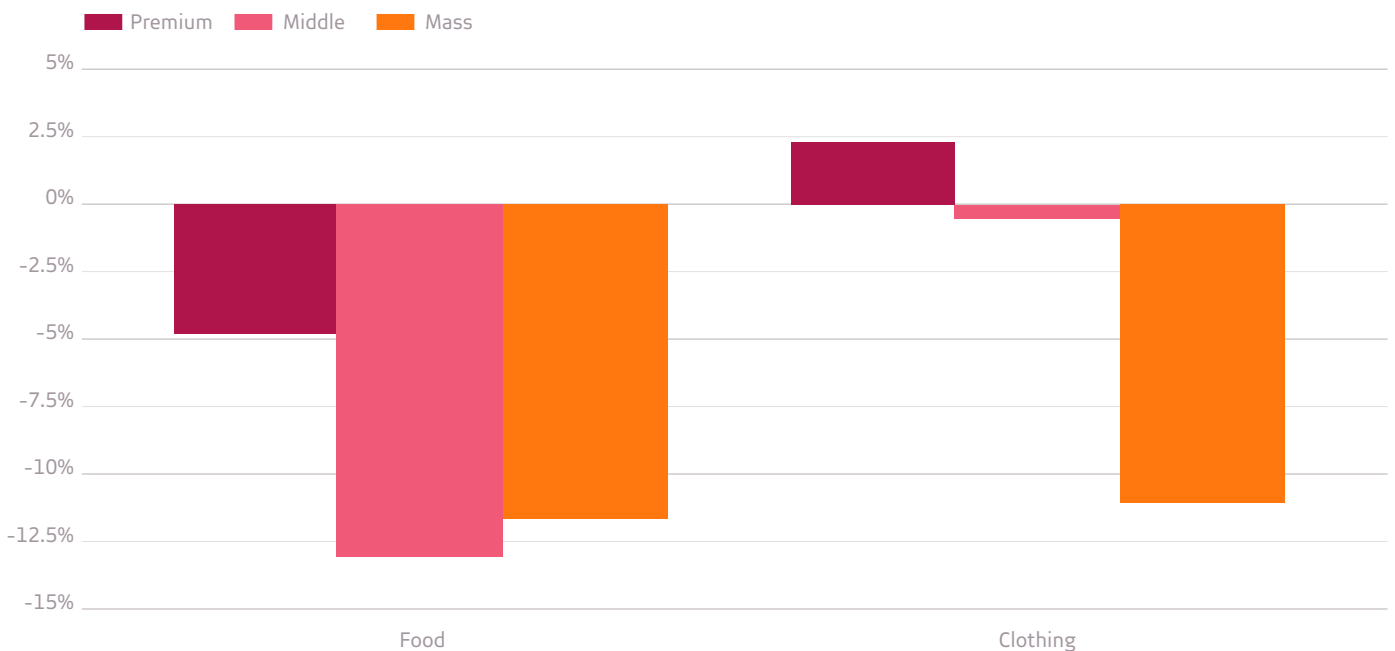


Affinity in the affluent segment increased by 8.6% for the premium food brands and 1.7% for the middle food brands. Interestingly, the middle brands in clothing gained the most affinity with the affluent segment, with 18.7% growth. The affluent segment registered a negative affinity for both clothing and food in the mass brands. Affluent shoppers returned to stores more in the previous 12 months? versus the preceding year. The growth in food was disproportionate in premium brands, while the growth in clothing was driven more in the middle-tier brands.





This graph shows the percentage change between premium, middle and mass outlets for Food and Clothing for the mass market. The graph compares 1 May 2020 to 30 April 2021 to 1 May 2021 to date. Premium brands: Woolworths, Checkers, Zara, Cape Union, Adidas, Nike. Middle brands: PnP, Spar, Food Lover's, Edgars, Foschini, H&M, MrP Fashion. Mass brands: Shoprite, USave, Boxer, Pep, Ackermans, Milady's.



Visitation across all three food segments was down in the mass market. The middle segment food brands were most affected, with mass brands a close second. Premium food only dropped affinity by 5%, but is the best in a depressed food category in the mass market. Clothing in the mass market tells a different story. Affinity for mass outlets is down 11%, middle outlets are down 0.5%, while premium brands are up 2.3%. Affinity for food brands is down across the board for the mass segment. This is most likely a symptom of downward economic pressure. Clothing visitation remained stable for the premium and middle-tier brands. This is likely a combination of less willingness to compromise on conspicuous consumption and/or window shopping for entertainment.

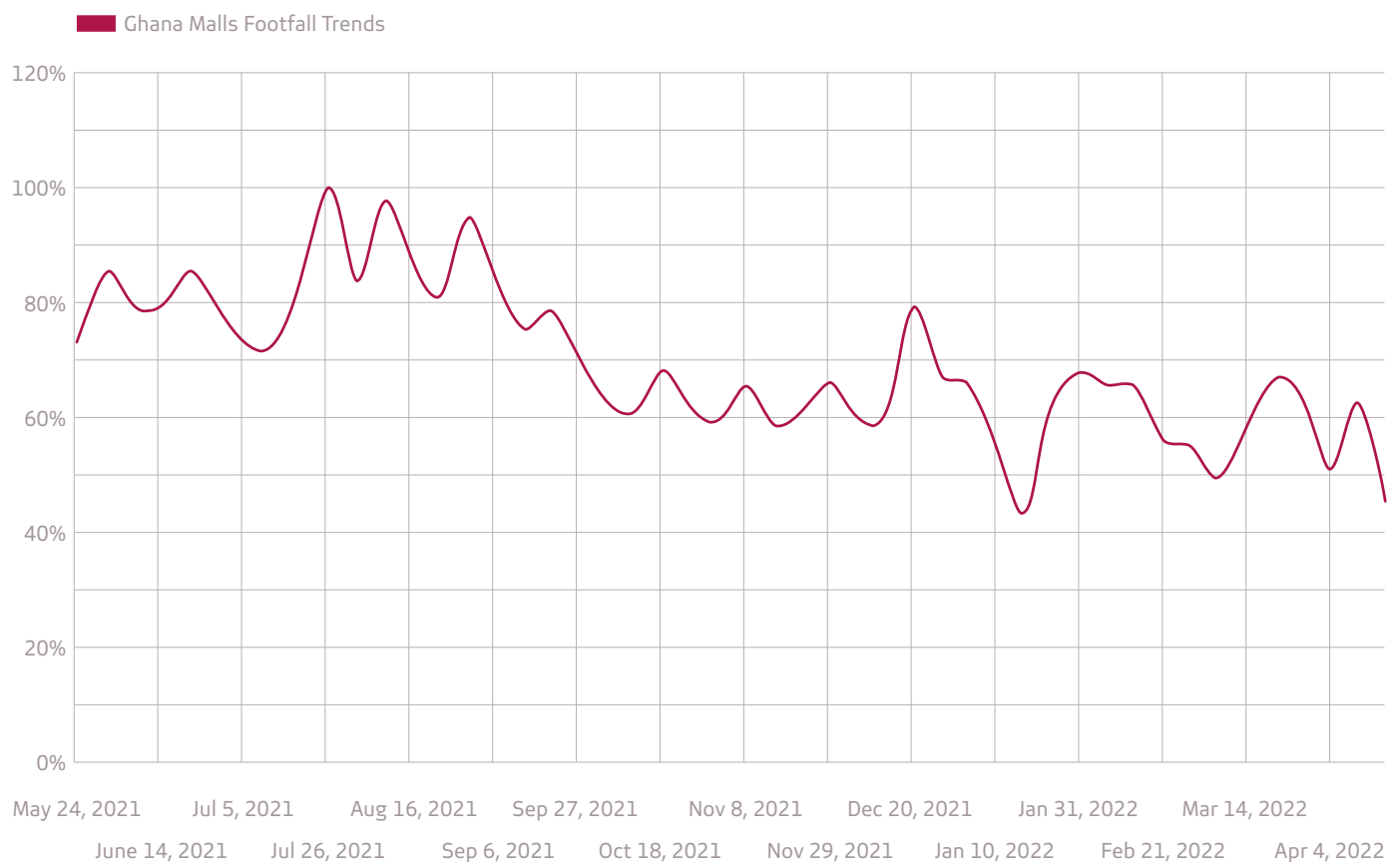


Across the border

Ghana and Kenya⁴

Ghana

This graph shows the footfall trend for the Malls category in Ghana over the past year (five malls mapped in Ghana).



The footfall to major malls collectively in Ghana saw a downward trend in the past 12 months. July and August 2021 were peak months for mall visitation, but there was a drop of approximately 15 points at the end of September, from which the malls have not yet recovered in any sustained period. December 2021 offered some recovery before continuing on a downward trend. Mid-January 2022 was the least busy in the period, with a dip again in March 2022. The decline in January 2022 was most likely driven by post-festive season financial pressure (as observed in other markets), however, it also coincided with a spike in COVID-19, which may have exacerbated the effect. There is not really any other correlation between mall footfall and COVID-19 waves in Ghana, so the effect here is likely limited.

⁴ IRL Consulting – www.irlconsult.com

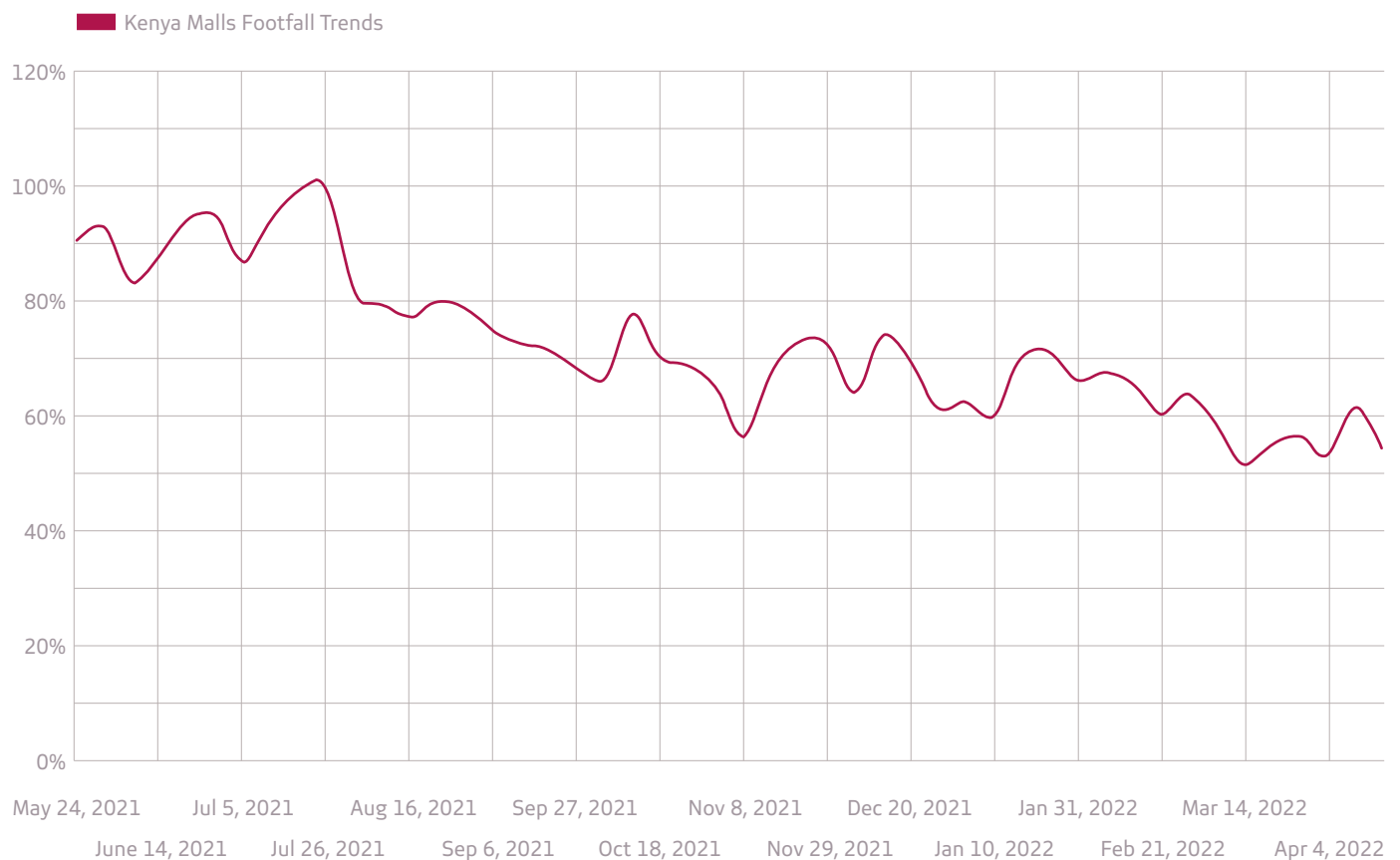


Key dates to consider:

- December 2020 elections disputed – Five killed
- January – Parliament ballot box speaker clash, army steps in
- February – Parliament closes due to COVID-19 outbreak
- February – First Astra Zenica vaccines arrive (600k)
- March – President receives free vaccine (COVAX)
- June – Green Ghana Project
- July – Protests against high-profile killings
- August – #FixTheCountry protests for economic stability
- December 2021 – Ghana fines unvaccinated visitors \$3 500

Kenya

This graph shows the footfall trend for the Malls category in Kenya over the past year (15 malls mapped in Kenya).



The Kenya malls had great footfall in 2021 until August 2021, when a downward trend began. There were spikes in October, November and December 2021. October needs to be looked at, but November tied in with Black Friday and December with Christmas. 2022 is tracking at approximately 30 points below the June to July 2021 high period. The lifting of the curfew in October 2021 had a significant impact on malls visitation. The current state of footfall may be linked to the election period that Kenya is entering.



Key dates to consider:

- March – Kenya/Somalia maritime border dispute
- March – COVID-19 vaccine outcry (health workers)
- April – A refugee camp in Dadaab battles with UN to close
- April – Kenya formalises ties with Somalia but bans flights
- May-June – Legal battle to change the constitution
- July – Kenya bans in-person meetings, public gatherings as COVID-19 surges
- October – Immediate lifting of a nationwide dusk-to-dawn curfew in force since March 2020
- November – Drought since September takes its toll
- January 22 – Security threat heightened security



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