

Corporate and Investment Banking

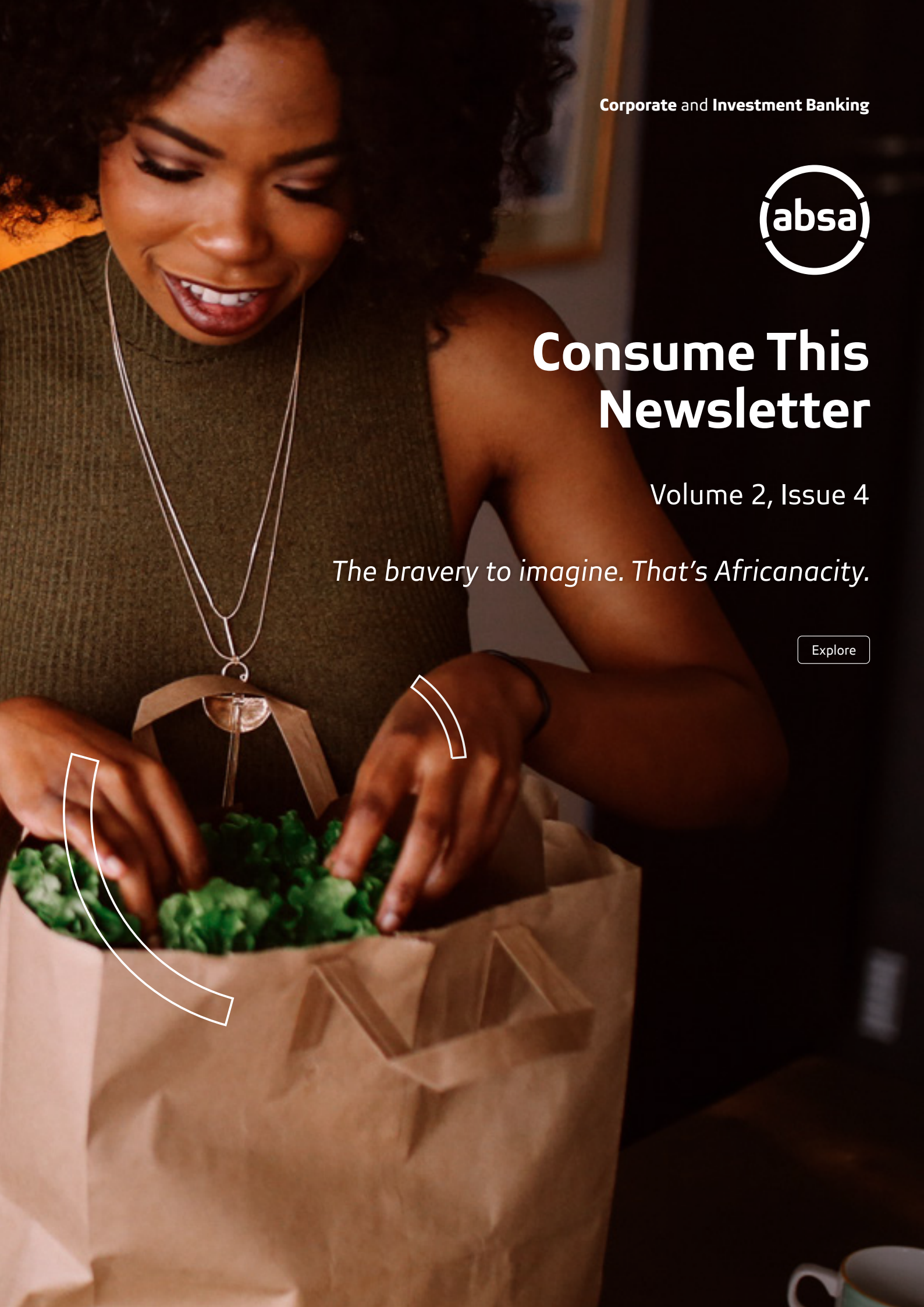


Consume This Newsletter

Volume 2, Issue 4

The bravery to imagine. That's Africanacity.

Explore



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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 Conscious Palate

Taking a bite out of conscious consumerism

Famous Brands has announced the acquisition of a majority stake in Lexi's Healthy Eatery. Lexi's Healthy Eatery is a plant-based restaurant brand, founded in 2018.

Famous Brands released a statement saying "The acquisition is aligned with Famous Brands' three-year strategic roadmap, which includes acquiring brands that have the potential to lead in their category, and which offer growth prospects based on opportunities to improve existing operational efficiencies in the target business."¹

Famous Brands' existing portfolio consists of various restaurant brands but Lexi's Healthy Eatery is the first brand with an exclusively plant-based offering in its stable.

Famous brands is "confident that the brand offering has strong potential to be expanded into a quick-service restaurant format, and there is scope to develop Lexi's products for the supermarket retail space."²

"The trend to healthy eating and plant-based foods has been present in the market for some time, and continues to grow; this is evidenced by the increasing receptiveness to and take-up of healthier and vegetarian options on the menus of the group's existing brand portfolio."

Conscious consumerism is a movement that has steadily grown over the past few years and the COVID-19 pandemic has enabled this movement to solidify itself within consumer behaviour. People have become increasingly aware of their health and wellness and this branches off into how sustainable the sources of these items are.

To take this even further, collectively we are increasingly more conscious of how the transport of food affects carbon emissions, climate change and the developing nations that supply the majority of this food. It is exciting to see how different Retail, brand and FMCGS companies accommodate for this trend in their business and supply chains as the opportunity unfolds.

¹ <https://businesstech.co.za/news/business/572604/steers-and-debonairs-owner-is-betting-big-on-a-new-plant-based-restaurant-chain-in-south-africa/>
² <https://businesstech.co.za/news/business/572604/steers-and-debonairs-owner-is-betting-big-on-a-new-plant-based-restaurant-chain-in-south-africa/>



April merchant spend analysis

Shifting down a gear

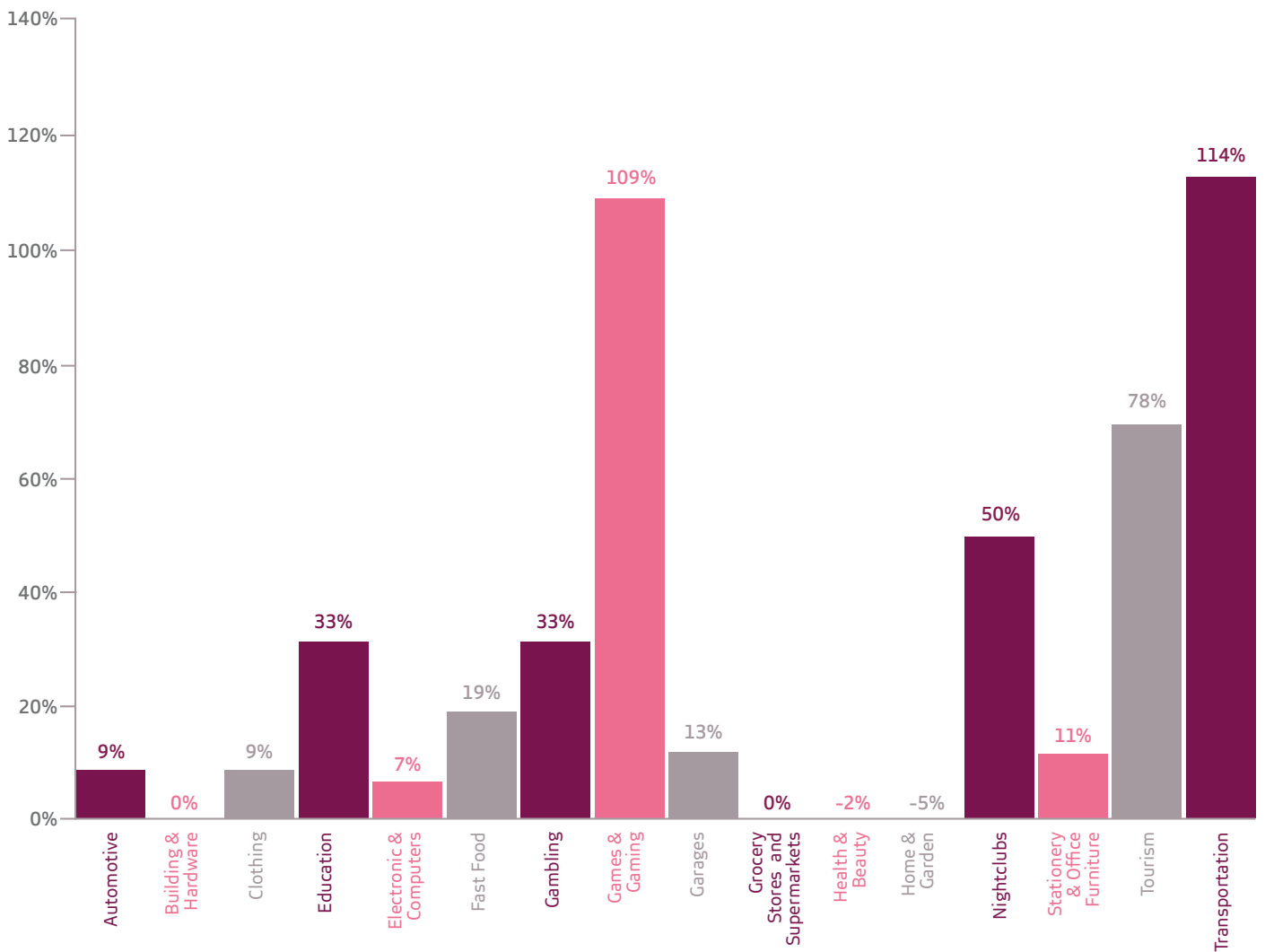
April category spend growth has seen a slow down across categories. This could indicate a natural slowing down due to the economy normalizing, however we also cannot ignore the macroeconomic factors at play such as the rate hiking cycle as well as increasing petrol prices.

For more on this (link to Consumer Spending: What we're seeing since the onset of Covid-19)

YTD April	2020-2021	2021 - 2022	CAGR	Full Year (2020 - 2021)
Automotive	43%	9%	25%	23%
Building & Hardware	61%	0%	27%	20%
Clothing	45%	9%	26%	20%
Education	-17%	33%	5%	5%
Electronic & Computers	65%	7%	33%	23%
Fast Food	54%	19%	35%	46%
Gambling	13%	33%	23%	39%
Games & Gaming	644%	109%	294%	432%
Garages	16%	13%	14%	26%
Grocery Stores and Supermarkets	4%	0%	2%	4%
Health & Beauty	7%	-2%	2%	12%
Home & Garden	70%	-5%	27%	21%
Nightclubs	66%	50%	58%	71%
Stationery & Office Furniture	42%	11%	26%	25%
Tourism	-17%	78%	22%	39%
Transportation	-21%	114%	30%	-4%



Change in total spend per category³



³ Merchant Spend Data as at 5 May 2022

Retail footfall and online activity

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

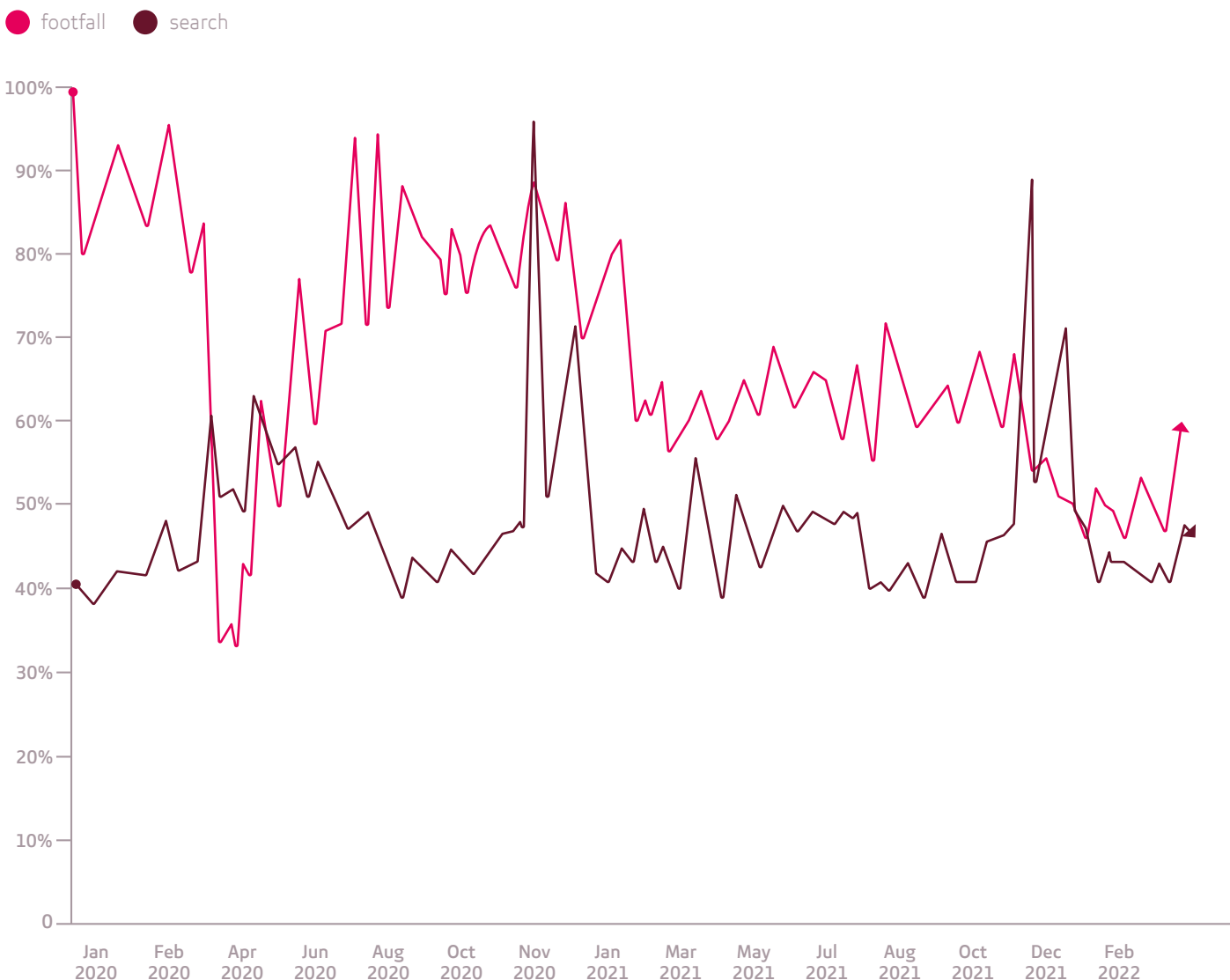
We are consistently tracking Card Acquiring data, which has consistently increased since the release out of LDL5. However there are factors underlying that growth which warrant deeper understanding, such as excess household cash due to lockdowns, inflationary growth and personal debt to name a few.

However, if we consider other data sources it is clear that there are fewer transactional opportunities in 2022 based on lower overall retail footfall and online search activity.

This is likely linked to triple interest rate hikes (November, January, and March), job losses, decrease household cash going back to normalised movement behaviour and petrol price increases.

In the sections below, we will highlight the trends we have observed over the past two years.

This graph shows the Footfall Trend for Total Retail vs Total Online Retail. Total Retail is defined as all Retail Categories combined for a market view.



As can be seen in the graph above, the largest seasonal swings occur during Black Friday and Christmas Online Search.

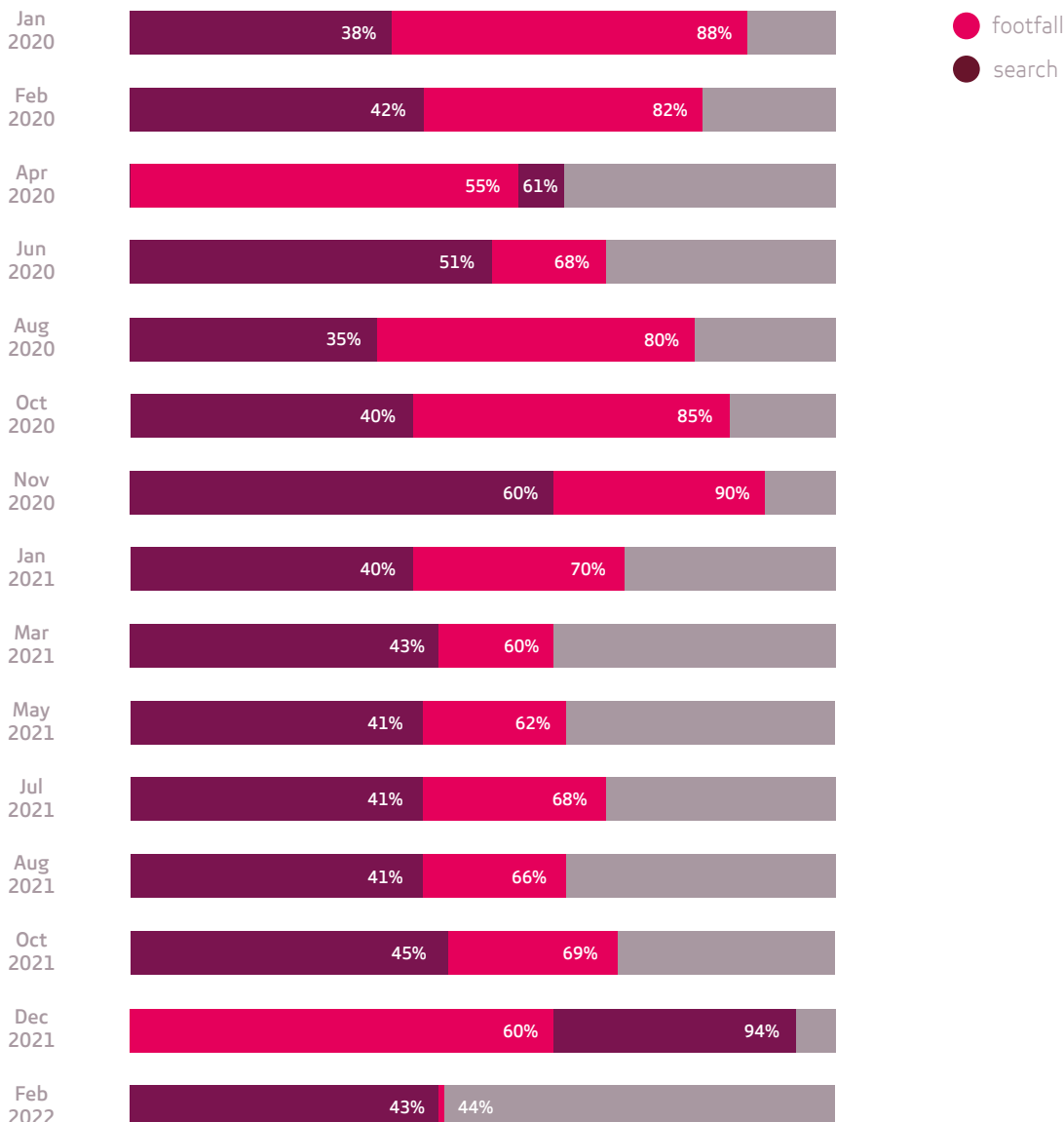
Bar the festive season, Online Search remained stable through 2020 and 2021 with a 5% decrease in volumes post-unrest, which seems to be persisting. Overall, Retail Footfall has been on the decline for the past 2-years, with some positive

smaller trends in retail footfall during 2021 (pre-unrest) and in Q1 2022. Online Search and Retail Footfall follow similar monthly trends, with typical month-end spikes but these are disrupted by holidays and movement restriction periods.⁴

Despite seasonal spikes, Retail Footfall and Online Search are currently depressed, although there are some signs of a rally heading into Q2 2022.

Food

This graph shows the Footfall Trend vs Search Volume for Food Retail. Food Retail is defined as groceries and supermarkets.



⁴IRL Consulting – www.irlconsult.com

Food generally drives Retail Footfall volumes and follows a similar trend to the Total Retail graphs. This is because food spend generally takes up a majority of the monthly spend for consumers. There are obvious spikes in both Search and Food Footfall prior to hard lockdown (March 2020), with Search maintaining elevated volumes for the lockdown period.

As SA exited lockdown in 2022, Search volumes declined slowly as footfall climbed. Food Footfall recovered well post lockdown but then experienced a slow decline. Online Food Search

is stable with spikes over the Black Friday and Christmas seasons.

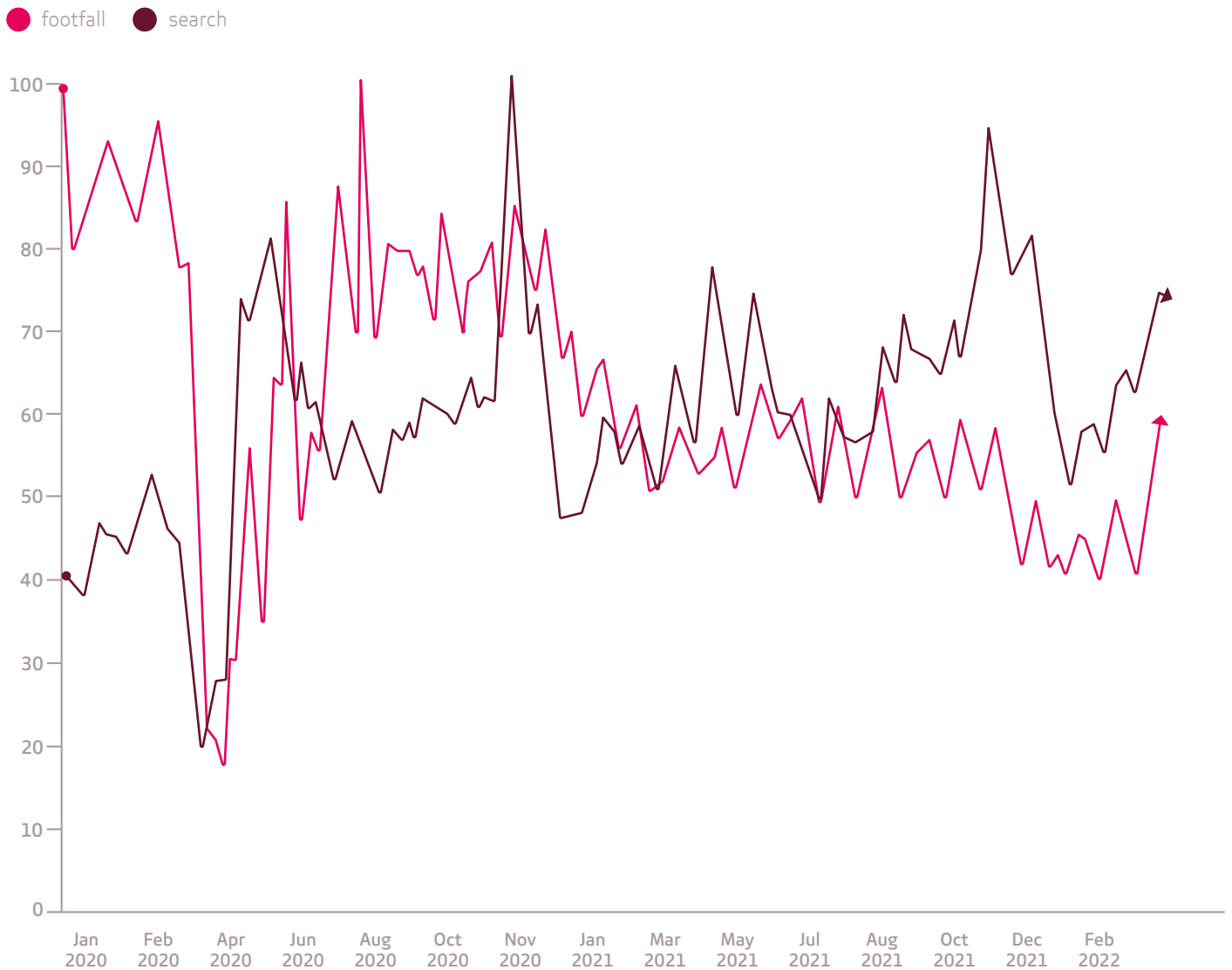
The July 2020 spikes in Food Footfall were not repeated in 2021, we suspect this could be Gauteng lockdown and unrest related.

Food Footfall was at its lowest point since lockdown in January 2022, but seems to be recovering into Q2 2022. Search volumes were negatively affected post unrest (July 2021), but recovered better than Total Retail Search into Q4 2021.



Clothing

This graph shows the Footfall Trend vs Search Volume for Clothing. Clothing outlets are defined as Clothing outlets and apparel stores.



Clothing Footfall experienced its two-year peak in the first week of August 2020, while Online Search for the clothing category peaked over Black Friday in both 2020 and 2021.

Clothing Footfall has been on a downward trend since December 2020. Mid December 2020 was at 83.27% of pre-covid levels vs Mid December 2021, which was at 44.51%. There is a potential seasonal trend in online Search for clothing in May - this may be linked to specials or Winter.

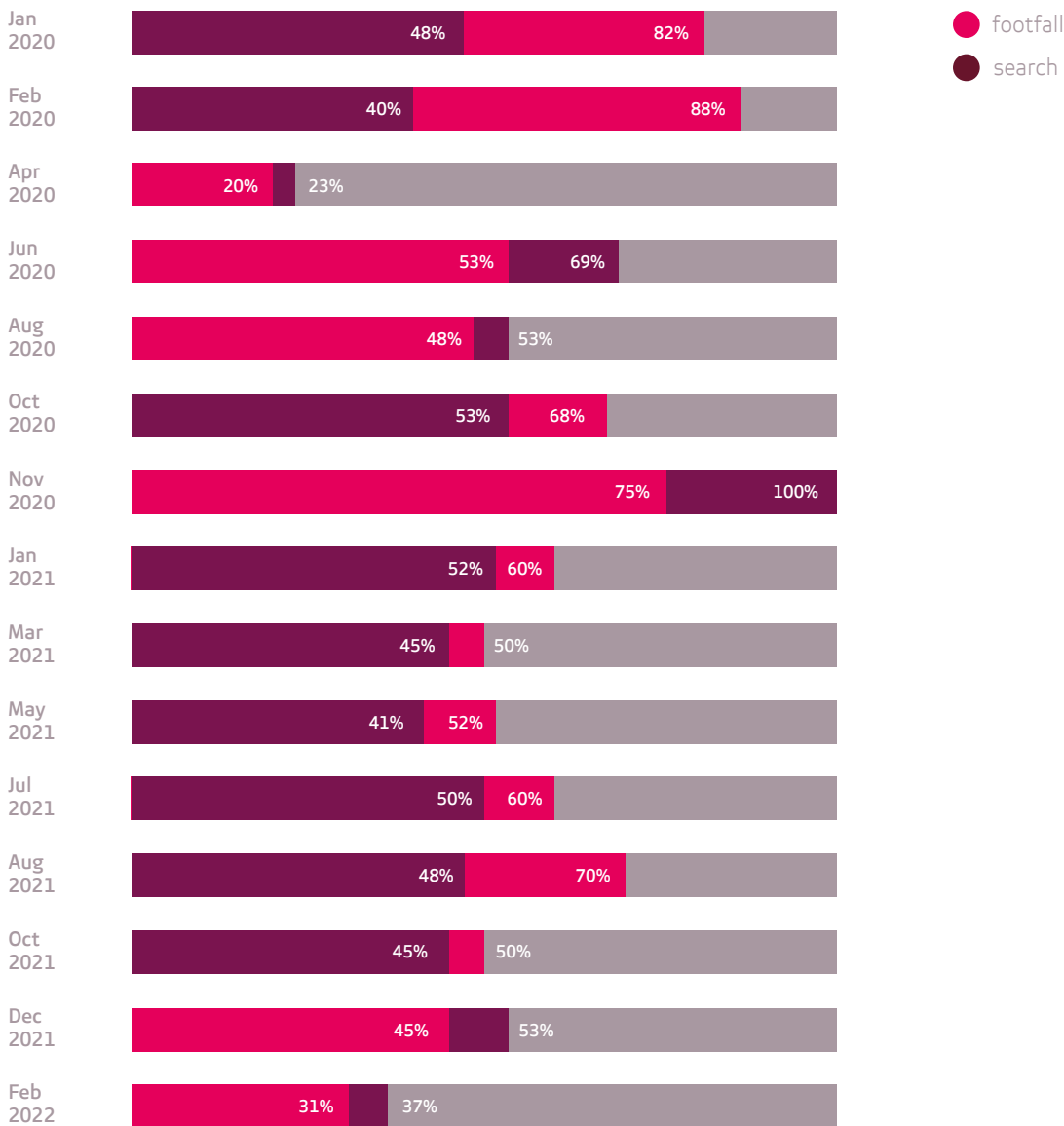
Online search has had a long-term positive trend over the past two years, whereas footfall has been on the decline.

This does not necessarily mean a direct trade-off of revenue across the channels but rather suggests that the opportunity to shop is shifting.

There are early signs of a rally going into Q2 2022 (off January lows) for both online Search and store Footfall.

Home & Garden

This graph shows the Footfall Trend vs Search Volume for Home & Garden. Home and Garden is defined as Nursery and Furniture outlets.



Prior to lockdown Home & Garden Footfall was regular & high, tracking within the 90th percentile. Online Search starts off low in January 2020. After lockdown, the recovery was tempered with a positive Search trend that stabilised online until January 2021.

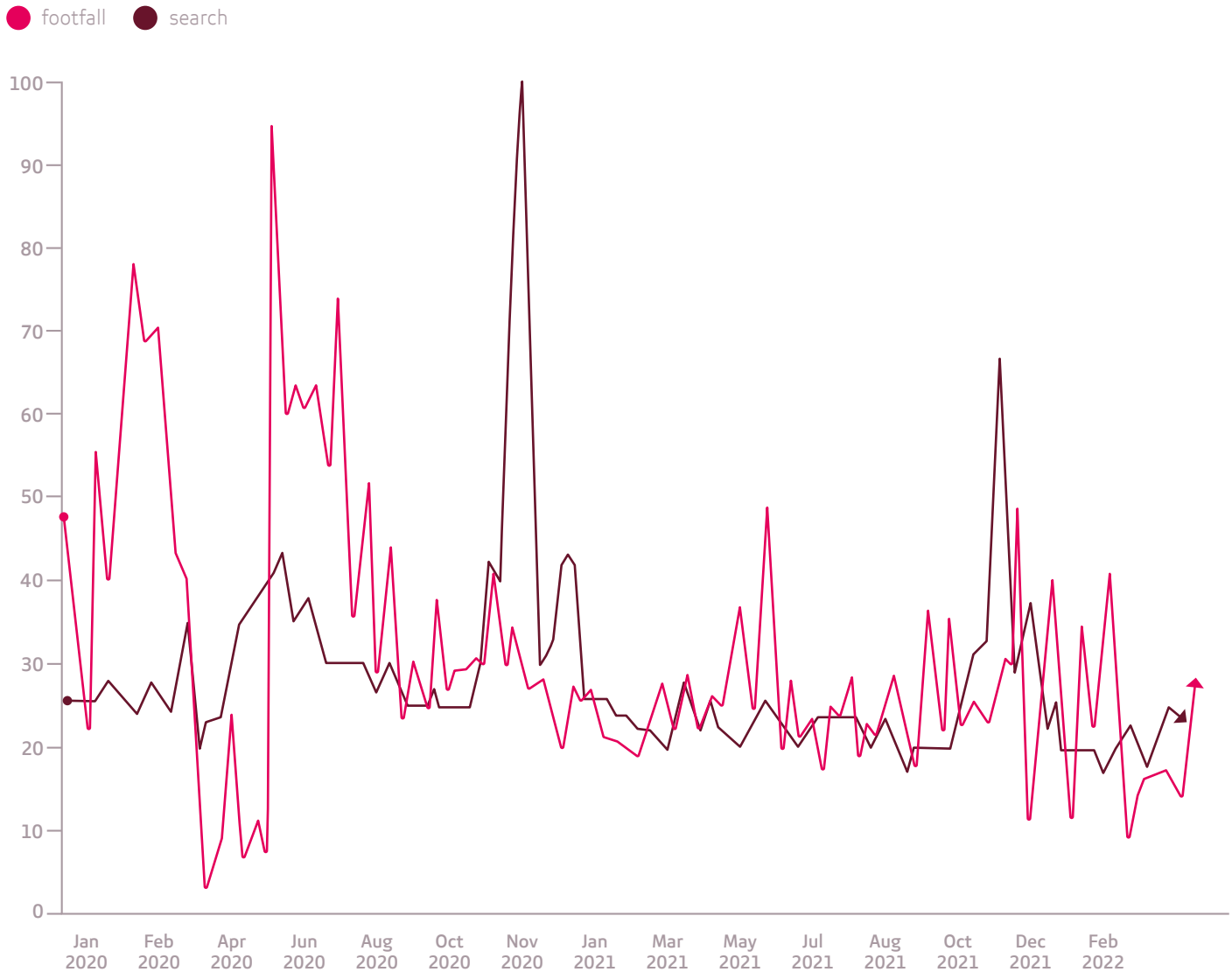
On average Home and garden Footfall was about 10% down between 2020 and 2021. There is a noticeable December 2020 sustained Footfall period to Home & Garden outlets.

This is present in 2021 but relative to the declining trend. We see spikes in online Search for Home & Garden focus on the Black Friday period. Home and Garden was a priority during 2020 lockdown but has tailed off as we return to normal.

(45% down on 2020 vs 2021 online spikes) this suggests the transition to working from home has largely been stabilised and investment in this area will rightfully slow down.

Sports & Outdoor

This graph shows the Footfall Trend vs Search Volume for Sports & Outdoor Sports & Outdoor is defined as Sports apparel, gyms and Sports outlet stores.



We see a post lockdown spike in Sports & Outdoor as people emerge from the hard 2020 lockdown.

The highs experienced post lockdown returned to normal and stabilised in mid-2020.

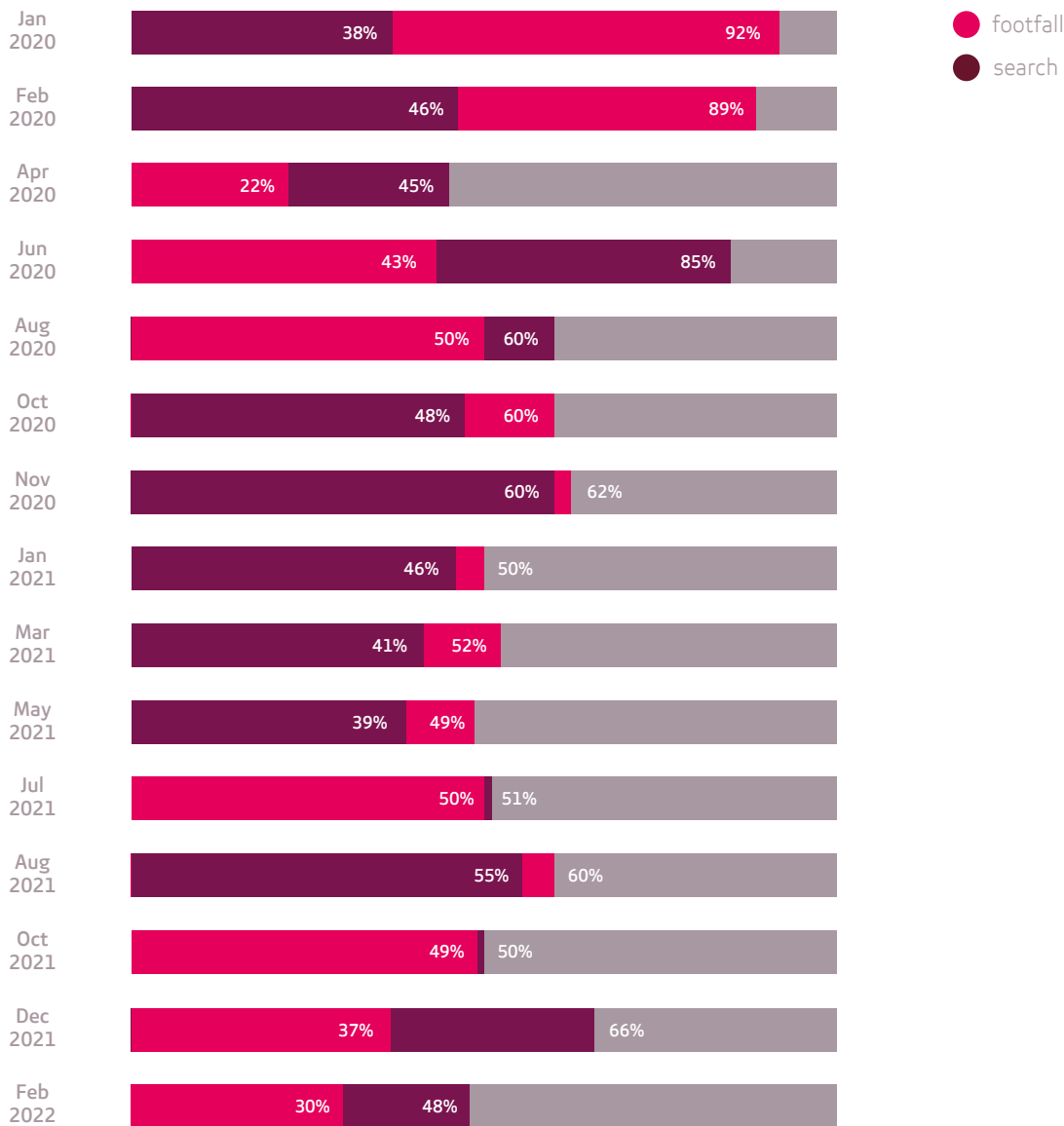
As expected this category also experienced online Search spikes during the Black Friday season however, the Footfall trend is less

dominated by Black Friday. Zooming in slightly, regular mid-month and month-end peaks are evident and Sports & Outdoor appears to have benefited briefly from lockdown across online Search and in-store Footfall.

The Sports & Outdoor category is largely stable regardless of season or event (unrest or Christmas), bucking the declining trend in other retail sectors.

Building & Hardware

This graph shows the Footfall Trend vs Search Volume for Building & Hardware. Building & Hardware is defined as Hardware outlets and Building supplies.



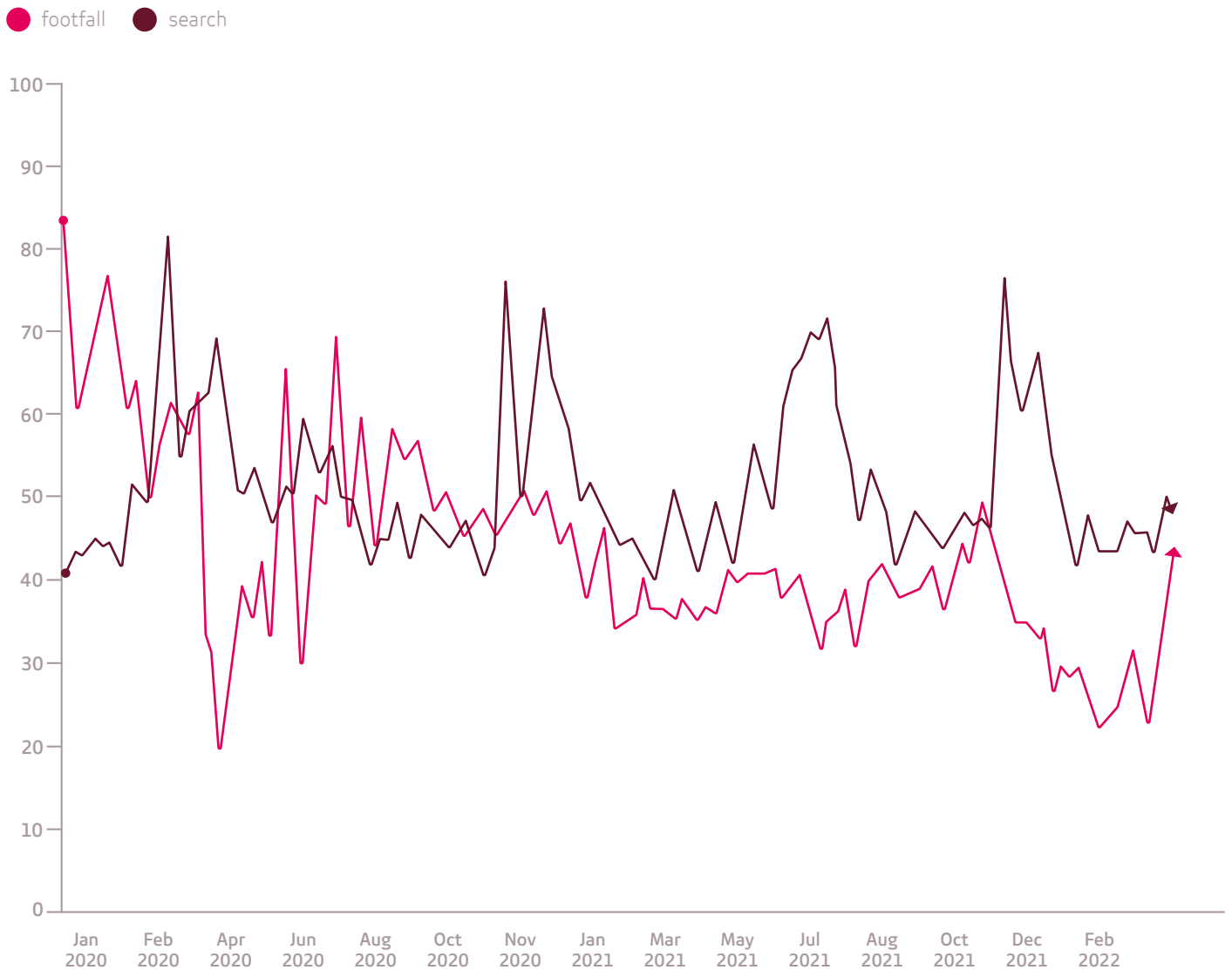
We saw an expected drop in Footfall during the hard Lockdown with Search spiking in April 2020. A spike in Footfall following the relaxing of lockdown regulations closely followed this.

Through 2021 both Footfall and Search followed similar patterns of opportunity. There are notable repeating spikes in Online Search in November (Black Friday) and December (Christmas). Footfall fell in mid-November 2021 and has not recovered. This coincided with

spikes in Search on Black Friday and Christmas. Online Search was boosted by lockdown and followed a similar relatively stable trend to footfall over the majority of the past two years. However, the trends diverged at the beginning of builder's holidays in 2021, and Online Search and Footfall has been behaving more inversely related subsequently. Overall Footfall has had its weakest quarter in Q1 2022 since the hard lockdown in 2020. This could be due to interest rates and petrol prices filtering through.

Health & Beauty

This graph shows the Footfall Trend vs Search Volume for Health & Beauty. Health & Beauty is defined as Spas, Cosmetics and Beauty outlets.



We saw an expected drop in Footfall during hard lockdown in 2020. Interestingly there is a massive spike in Search prior to and throughout lockdown.

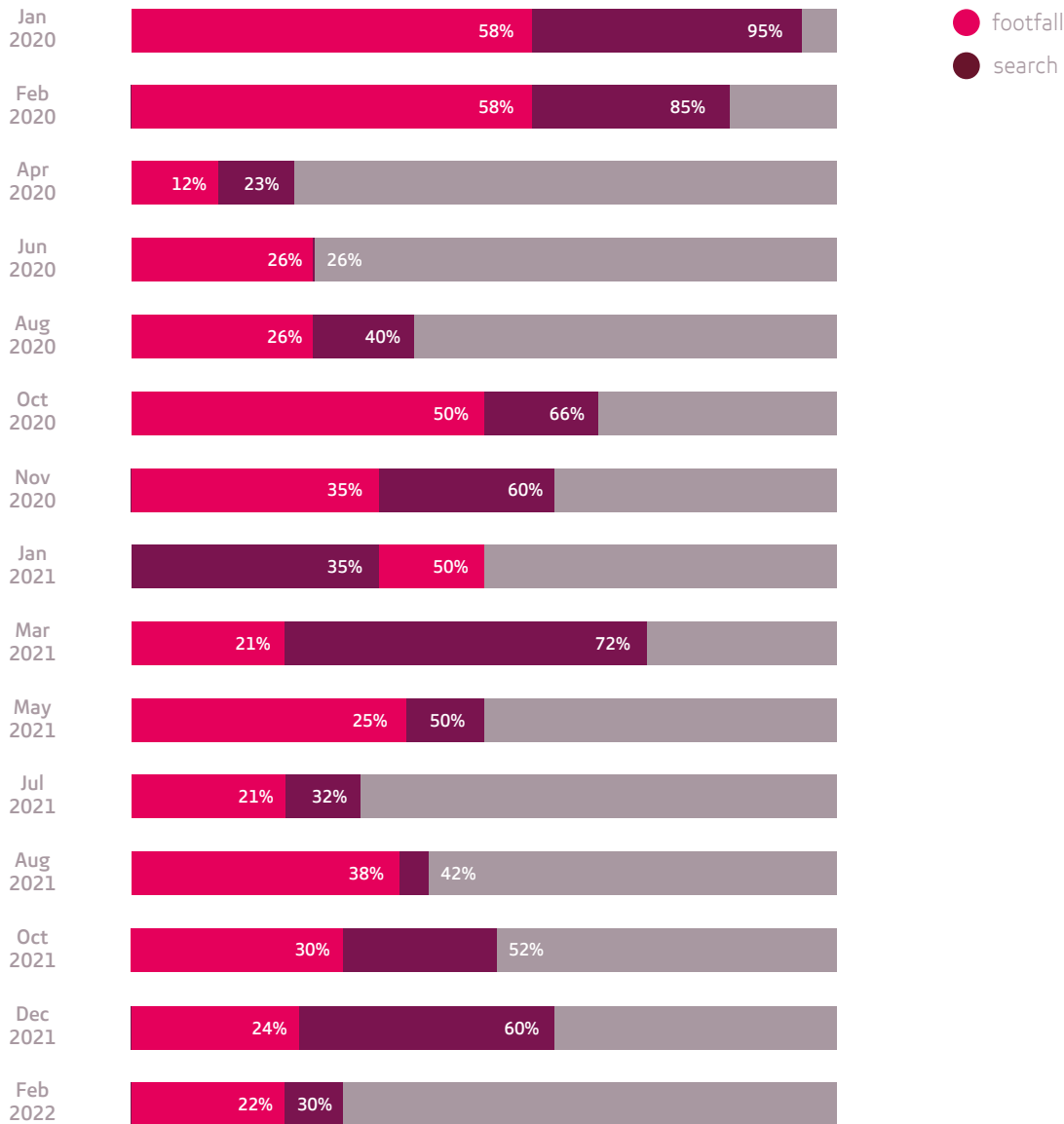
Search in Health & Beauty largely offers the market consistent spikes. We see repeating November (Black Friday) and December (Christmas) spikes in Online Search. A June/July 2021 sustained volume that was not

present in 2020 needs more investigating but could be correlated with Covid Waves. Footfall was typically less affected by Covid waves. Post the 2020 high, Footfall in Health and Beauty has been largely stable through 2021.

Footfall had a weak December 2021/January 2022 and has battled to rally in Feb/March, while Search enjoyed a Q4 spike, followed by a slightly elevated Year On Year performance in Q1 2022.

Tourism

This graph shows the Footfall Trend vs Search Volume for Tourism. Tourism is defined as Hotels, Resorts, Game Reserves and Tourist Attractions.



Tourism Footfall has been stable through 2021 but only at between 25 - 30% of pre-Covid highs. We suspect that some of the post hard lockdown recovery could be due to business travel resuming.

Late August 2021 was the highest spike in Footfall since February 2020 - but then followed a downward trend. There is a clear divide in

Tourism between aspirational travellers and actual travellers. There is a correlation between Search and Footfall but the market does not follow through on this travel.

Either because such activities are planned in advance and we may only see the actual travelling reflected in the future or consumers do not have the means to travel.

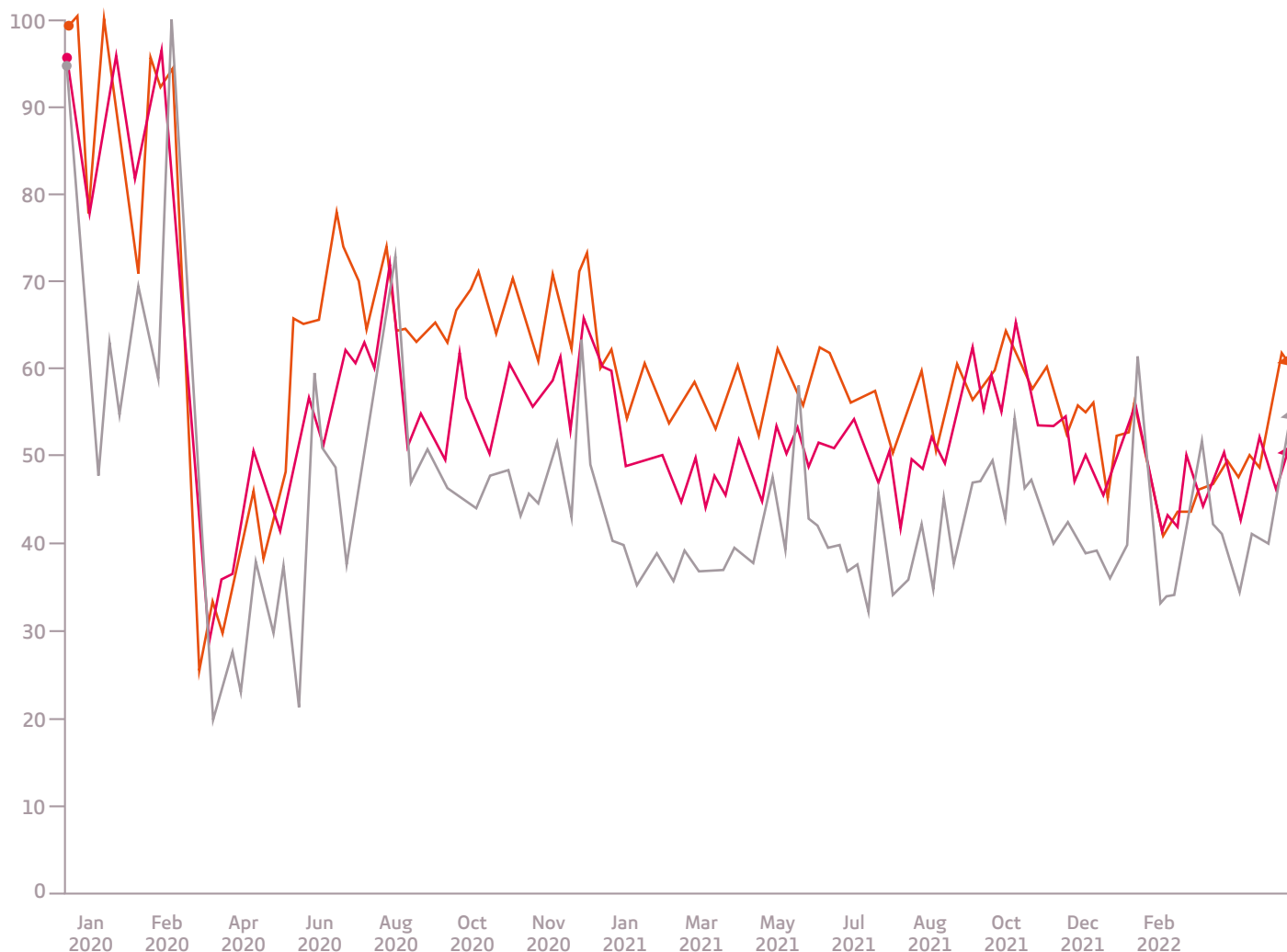
Non Retail footfall

These Graphs show the Footfall trend for non-retail POI. Using these graphs, we can create a better picture of market confidence due to Covid, Unrest, Petrol price, etc.

Dining & Entertainment

This graph groups Restaurants, Fast Food and Bars/Pubs - collectively called Dining and Entertainment.

● fast food ● restaurant ● bars, pubs, clubs



All 'Dining and Entertainment' categories fell sharply due to hard lockdown with Restaurants and Fast Food beginning to recover Mid-April 2021 with the easing of restrictions. Fast food maintained a dominant position despite Restaurants opening. This may be due to patron restrictions in Restaurants and Bars/Pubs/Clubs.

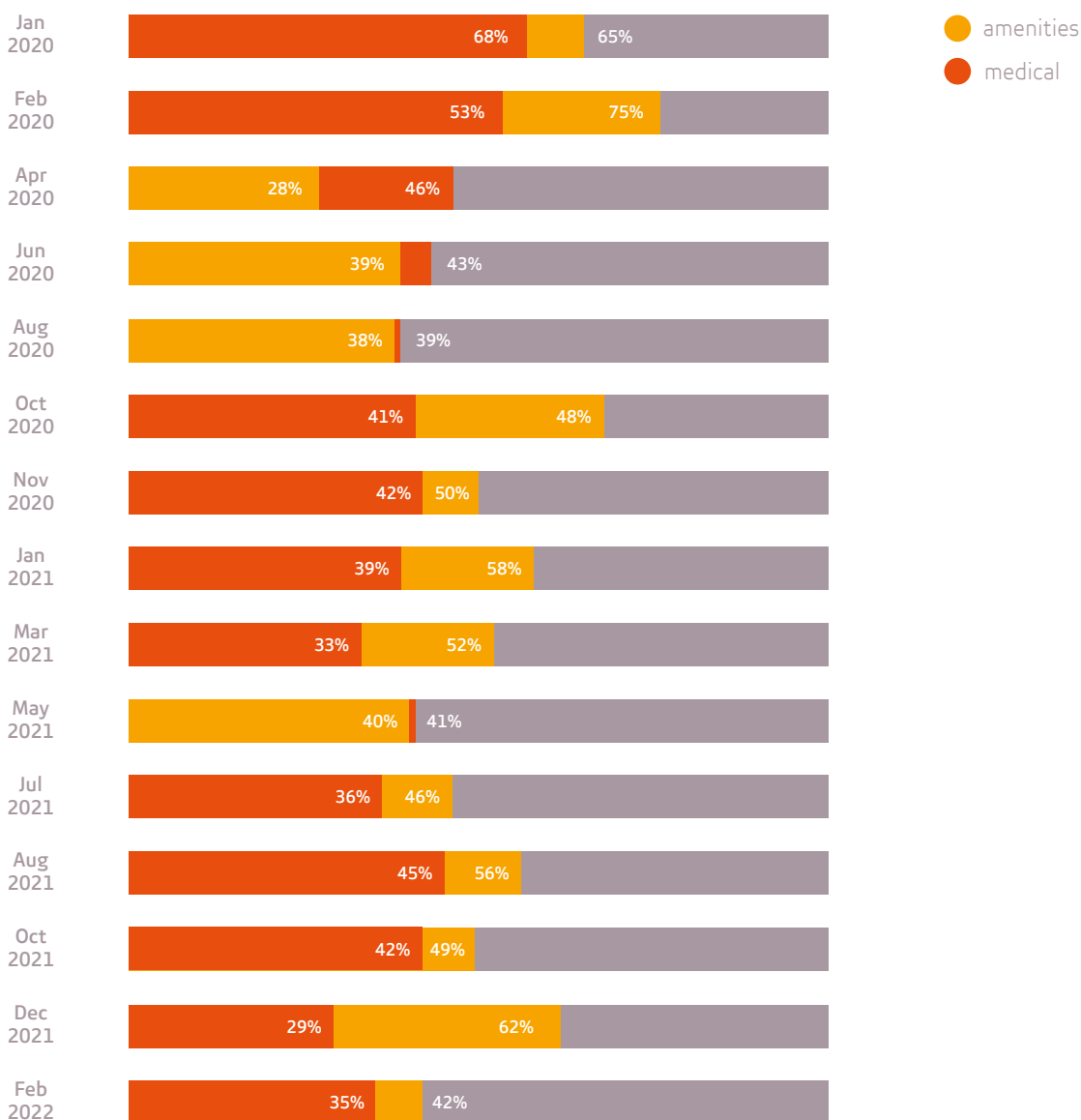
In August 2021, restaurants realigned with Fast Food i.e. tracking with Fast Food but only at 50% of pre-Covid levels. The only time Bars/Pubs/Clubs outperform the others is in late December (New

Year). There are dips in July 2021 during Gauteng lockdown and Unrest but nothing to suggest a national impact. Similarly, there is no distinct Covid waves affecting 'Dining and Entertainment' Footfall suggesting that economics and restrictions play a larger role in the sector than Covid fear.

The slow downward trend in Fast Food and Restaurants could indicate a lack of disposable income because the easing of restrictions should have had an increase in Footfall but this was not the case.

Amenities

This graph groups Amenities (Libraries, laundry, public buildings, post office etc) and Medical.





As expected Medical footfall maintained high levels through hard lockdown and until August 2020. Medical Footfall largely stabilised post-August 2020 despite the Covid spikes.

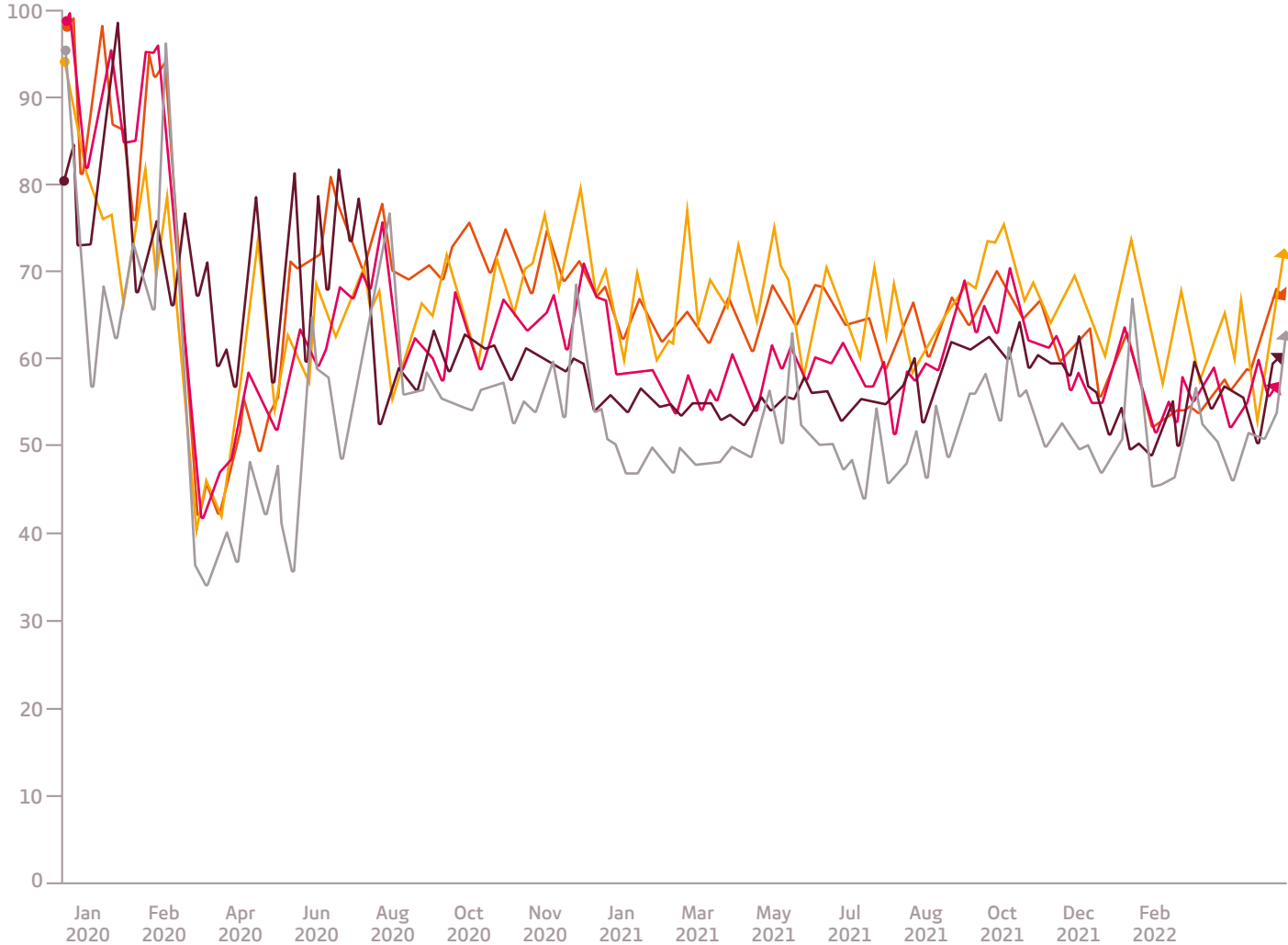
Amenities Footfall fell away but recovered quickly post hard lockdown. Amenities Footfall is roughly 20% lower than pre-Covid when comparing February 2020 to February 2022. We do see a similar drop off in Amenities and Medical through

December 2021 but this recovers in Q1 2022. Lockdown restrictions were largely successful in minimising the medical drain on resources for the pandemic. Public spaces and amenities (Free Spaces) maintained higher Footfall levels compared to other non-retail points of interest.

This could be an indication of market confidence and swayed by populations in areas affected by economic knock on.

Total Non Retail graph

fast food amenities restaurant medical bars, pubs, clubs

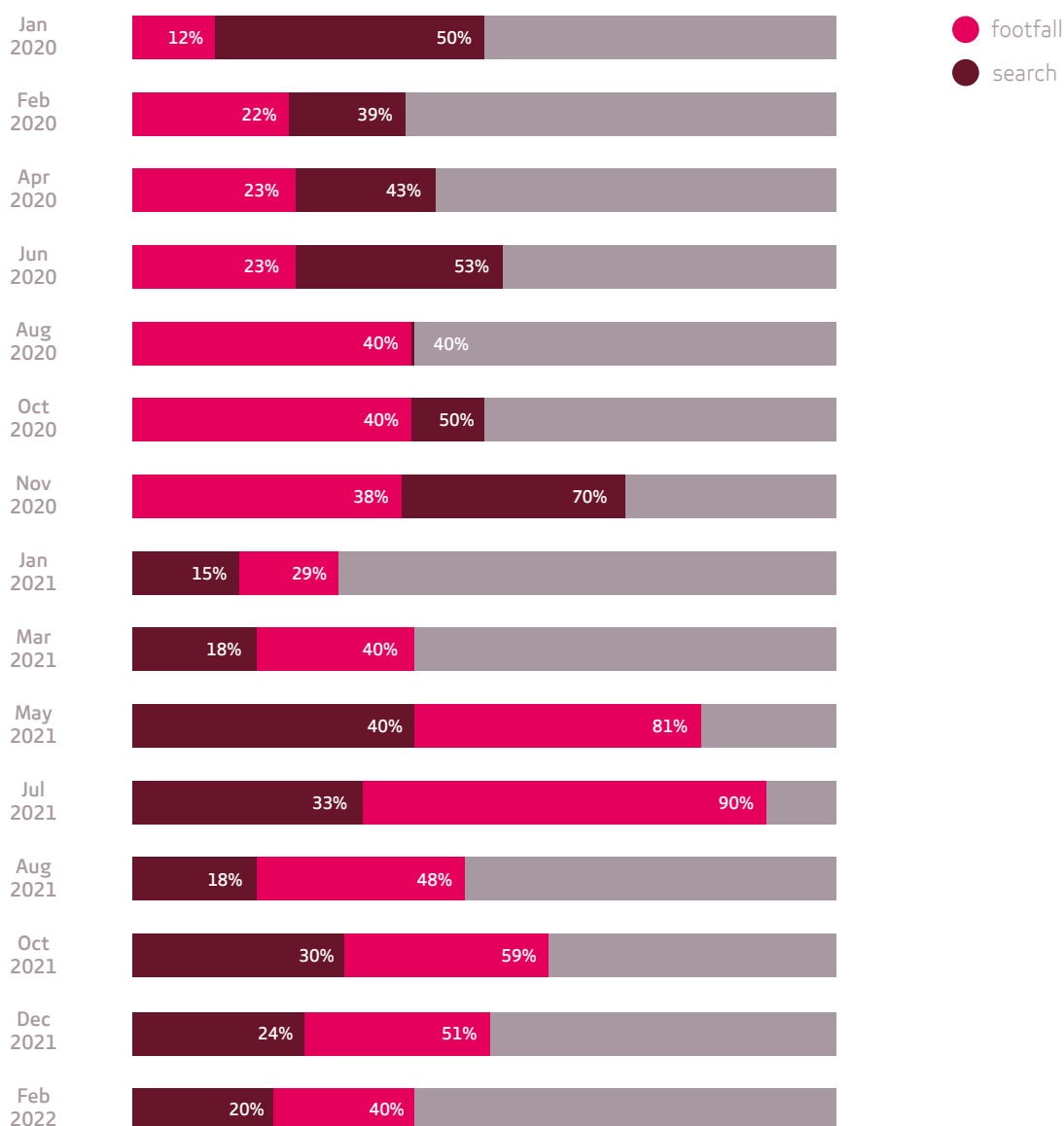


Across the Border

GHANA AND KENYA⁵

Ghana

This graph shows Total Retail summed categories including Groceries, Fashion, Hardware, Homeware and Department Stores compared to Retail Search.



The Search spikes in October and November 2020 repeat in 2021 but at levels 20% lower. The lack of Footfall or spike in online suggests no Black Friday in Ghana.

There is Footfall volatility between April 2021 and October 2021 before stabilising on a slow declining trend in Q1 2022. This declining footfall

trend is repeating from 2021 but in Q1 it is important to note that it roughly 20% higher than 2020. It will be interesting to see if the April spike and elevated footfall repeat in 2022.

There appears to be early Covid fears affecting Footfall but these fears are not affecting footfall in later Covid spikes suggesting Covid fatigue.

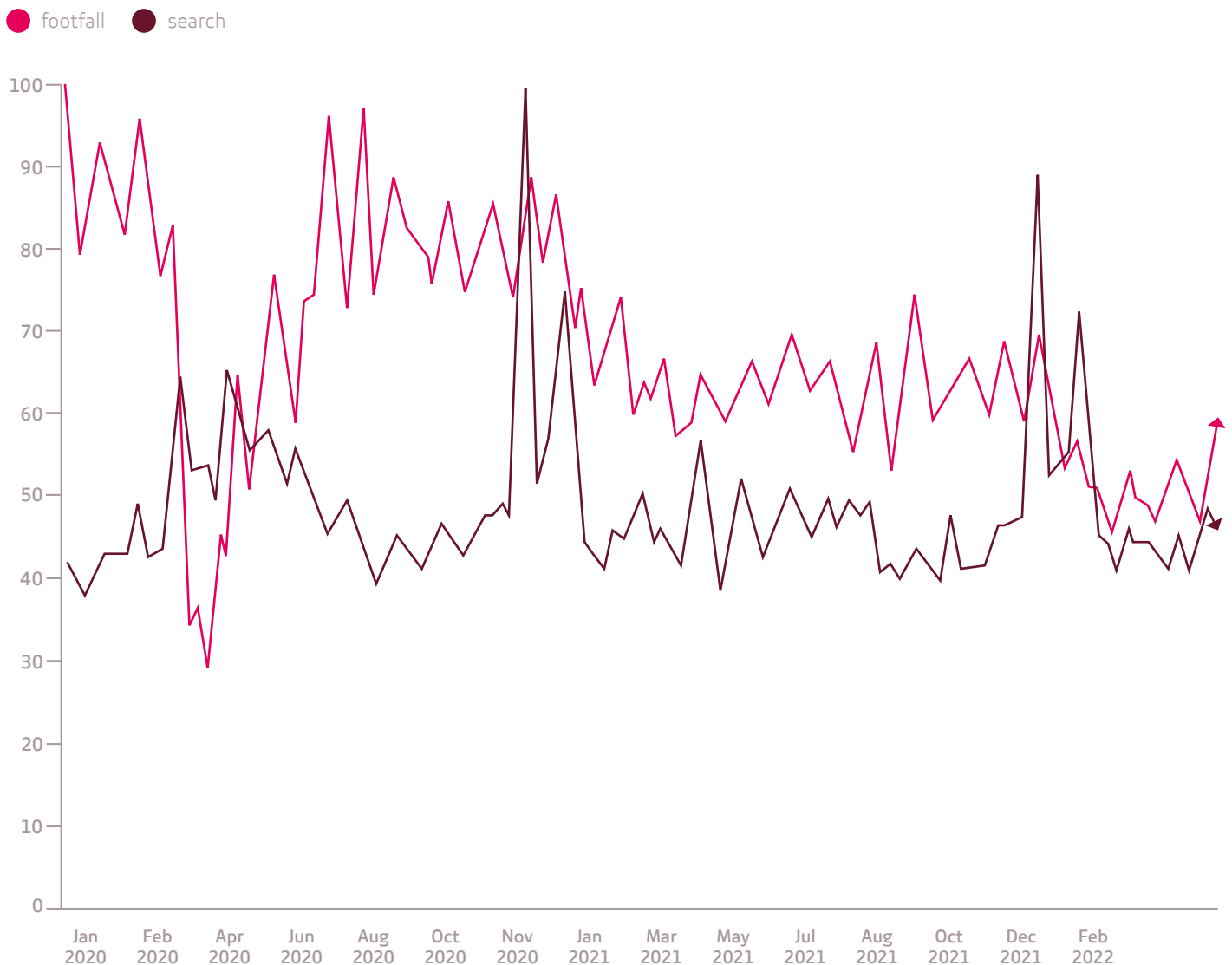


Key dates to consider:

- Dec 2020 elections disputed - 5 killed
- Jan - Parliament ballot box speaker clash - Army steps in
- Feb - Parliament closes due to covid outbreak
- Feb - 1st Astra Zenica vaccines arrive (600k)
- March - President receives free vaccine (COVAX)
- June - Green Ghana Project
- July - Protests against high-profile killings
- Aug - #FixTheCountry Protests for economic stability
- Dec 2021 - Ghana fines unvaccinated visitors \$3500

Kenya

This graph shows Total Retail summed categories including Groceries, Fashion, Hardware, Homeware and Department Stores compared to Retail Search.



Despite annual highs each November, Search, on average, is down in 2021 and 2022 to date. Total Retail footfall through 2021 proved fairly stable following 2020 Covid fears.

The period from April to August 2021 offered signs of positive growth in Retail Footfall but this coincides with sustained Covid infections. The downward slide in Footfall that begins in August was most likely in response.

The lifting of Curfew in Oct 2021 did not correct the negative slide. November/December 2021 showed signs of positivity for both Search and Footfall, but search was not able to maintain the trend. End of March 2022 saw negative trend for both footfall and Search.

If 2021 is the new normal, then we would expect to see market positivity into Q2 and Q3 2022.



Key dates to consider:

- March - Kenya Somalia maritime border dispute
- March - Covid vaccine outcry (health workers)
- April - A refugee camp in Dadaab battle with UN to close
- April - Kenya formalizes ties with Somalia but closes flights
- May - June Legal battle to change the constitution
- July - Kenya bans in-person meetings, public gatherings as COVID surges
- Oct - immediate lifting of a nationwide dusk-to-dawn curfew in force since March 2020.
- Nov - Drought since Sept takes toll
- Jan 22 - Security threat heightened security

⁵IRL Consulting – www.irlconsult.com

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