

Corporate and Investment Banking

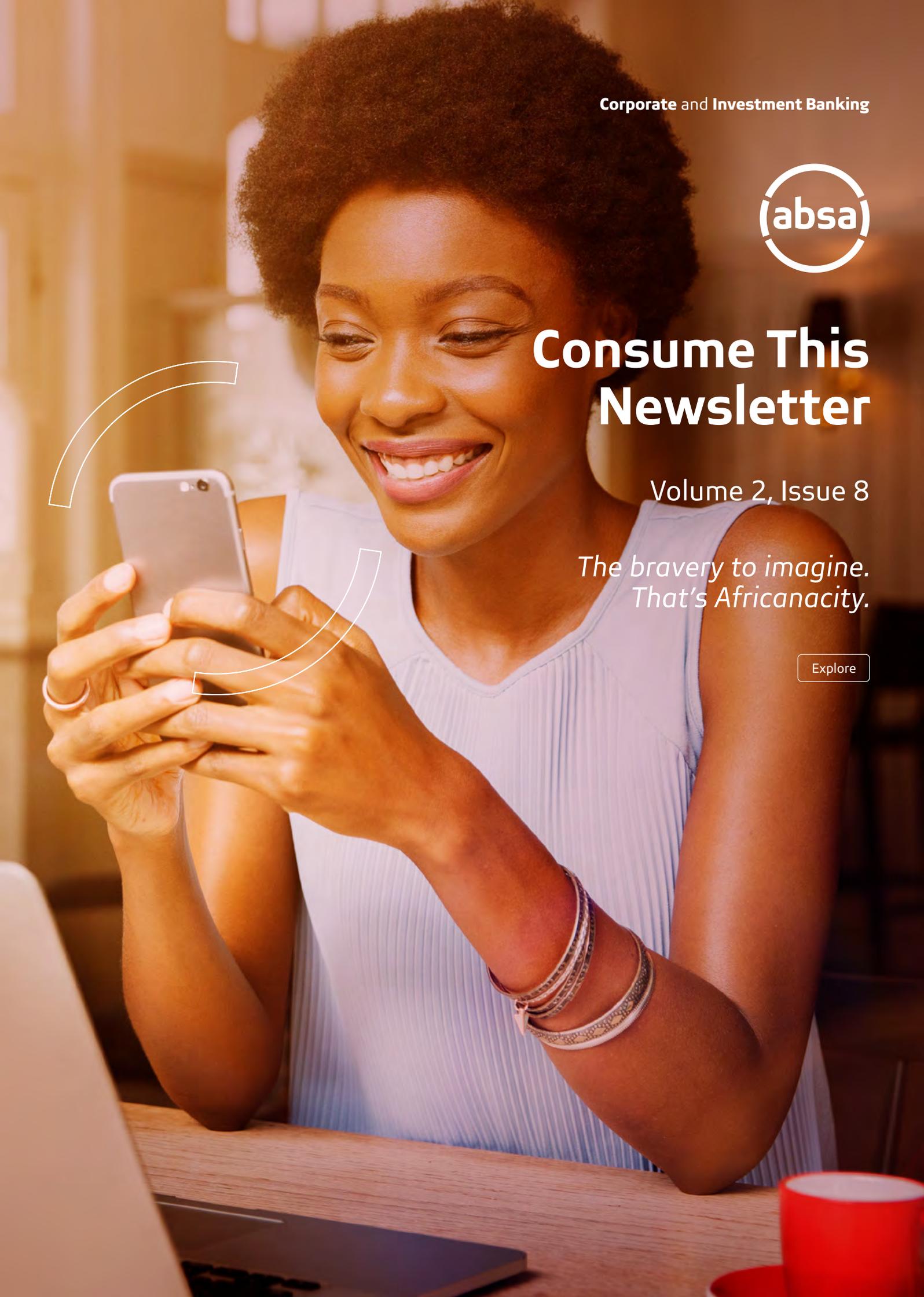


Consume This Newsletter

Volume 2, Issue 8

*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.



Pick n Pay x Takealot

You say tomato, I say tomato

The Pick n Pay Group has collaborated with the Takealot Group with aims to expand its on-demand delivery service offering. Through this partnership, Pick n Pay will be available on Takealot's Mr D delivery app while also integrating their Smart Shopper rewards programme, allowing shoppers to earn points on their purchases through the app. With the rollout beginning in August 2022, it is expected that the service will be available nationwide by the end of 2023.

"Food and grocery retail is changing very rapidly. Customers are increasingly demanding the convenience of online groceries. This will be a key determinant of future market share," Pick n Pay said. "There is huge potential for omnichannel retail in this country. Through this agreement with Takealot, we intend to regain market leadership in online groceries, and to do so in a sustainable and profitable way. We plan to increase our online revenue eight-fold by FY26."¹

This collaboration is yet another example of how the industry is leveraging service providers for growth and scale. Earlier this year, we saw Shoprite enter into a joint venture with RTT Logistics with a similar aim of bolstering their online grocery offering, illustrating how the same aspiration can be achieved through different avenues.



¹ <https://businesstech.co.za/news/mobile/587206/pick-n-pay-partners-with-takealot-for-on-demand-delivery-heres-how-it-will-work/>

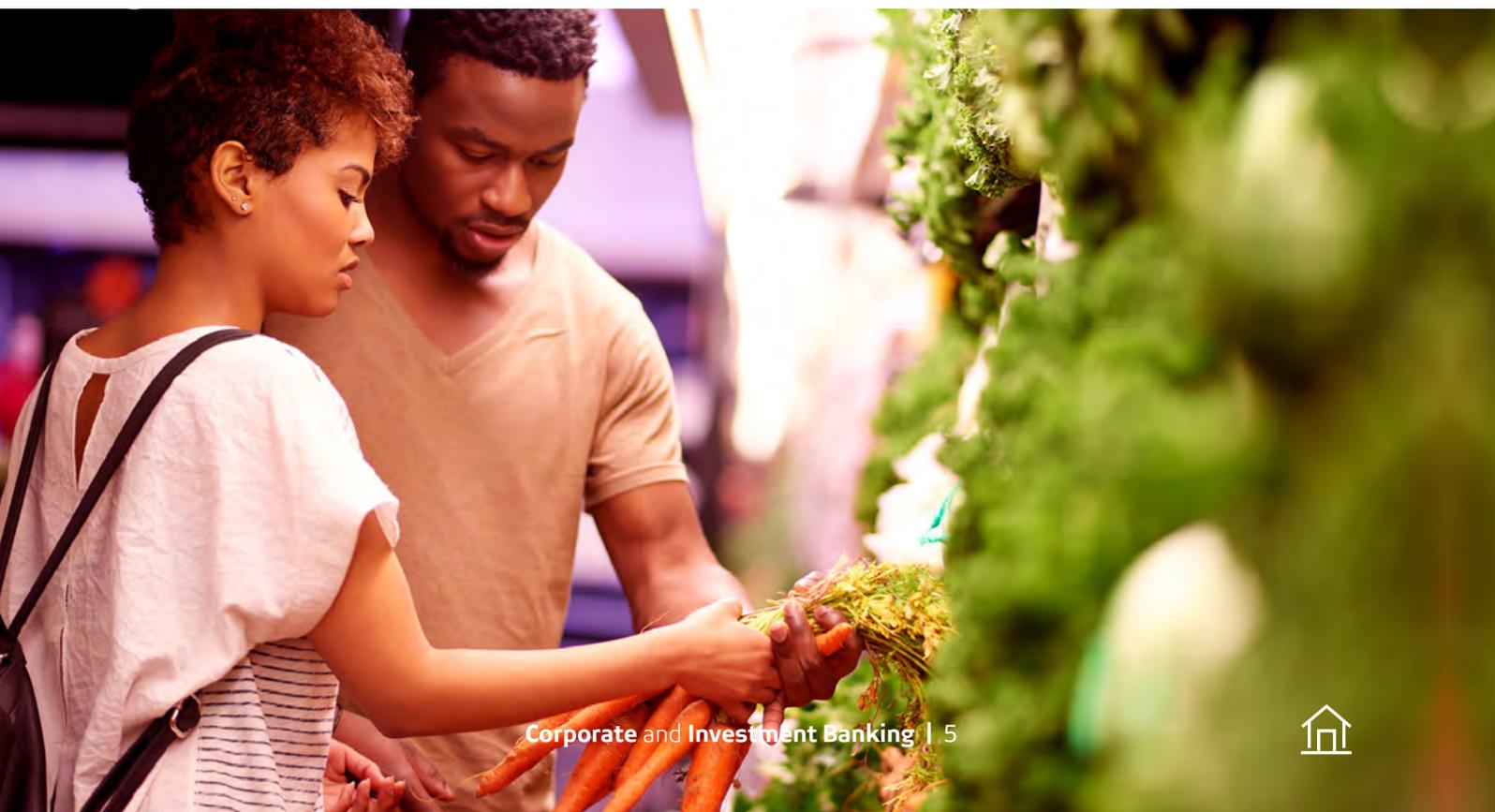


August merchant spend analysis

Stable performance

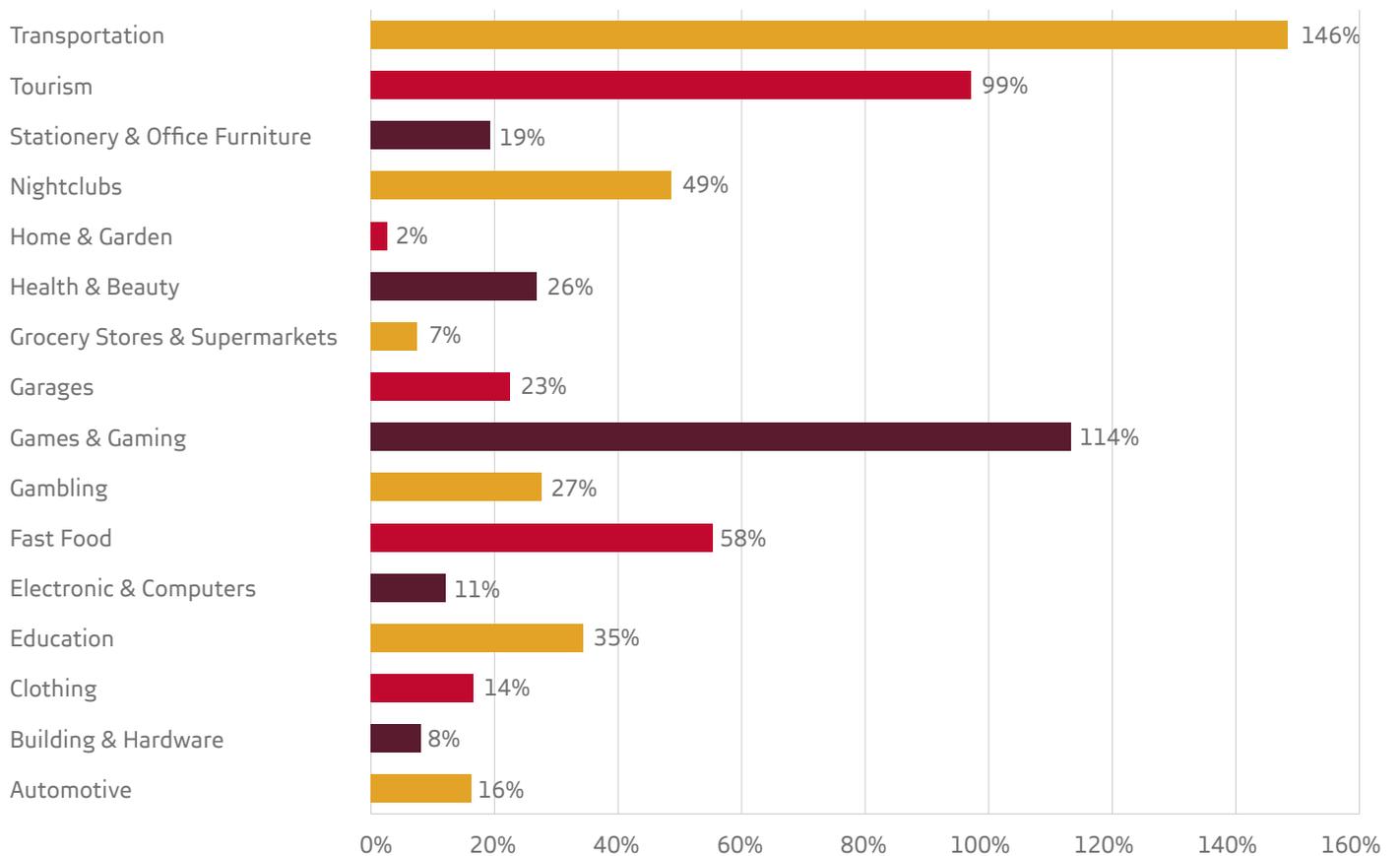
Category spend growth levels have remained stable over the past months with slight deceleration seen in Clothing, Gambling, Health and Beauty, and Nightclub spend. Categories that have seen a slight acceleration are Fast Food and Building and Hardware.

YTD July	2020-2021	2021-2022	CAGR	Full year (2020-2021)
Automotive	32%	16%	24%	23%
Building and Hardware	29%	8%	18%	20%
Clothing	27%	14%	20%	20%
Education	3%	35%	18%	5%
Electronic and Computers	30%	11%	20%	23%
Fast Food	67%	58%	62%	46%
Gambling	42%	27%	34%	39%
Games and Gaming	752%	114%	327%	432%
Garages	27%	23%	25%	26%
Grocery Stores and Supermarkets	5%	7%	6%	4%
Health and Beauty	14%	26%	20%	12%
Home and Garden	35%	2%	17%	21%
Nightclubs	122%	49%	82%	71%
Stationery and Office Furniture	33%	19%	26%	25%
Tourism	27%	99%	59%	39%
Transportation	-4%	146%	54%	-4%





Merchant spend % change per category



A new offering for middle-market consumers

“Where prices look better”

On 15 August, Pick n Pay launched its brand, Pick n Pay QualiSave, with the core purpose of servicing the middle-market consumer.

“Pick n Pay QualiSave perfectly describes exactly what these stores will offer – exceptional prices for quality goods alongside a high-quality shopping experience,” said Pick n Pay Group CEO, Pieter Boone. The group further added that around 40% of Pick n Pay company-owned supermarkets will be converted to Pick n Pay QualiSave².

“Through Pick n Pay QualiSave, we are focusing on what a growing number of customers want in the important middle market while remaining entirely true to the Pick n Pay brand and values. Customers in Pick n Pay QualiSave stores will benefit from great fresh products, an excellent commodity offer, attractive special offers, a great store ambience, and friendly and helpful staff.”

Pick n Pay had a one-size-fits-all-type strategy to date from a branding perspective; however, it was clear from their store formats and the difference in stock offered at various stores, that there were different target markets being recognised by the retailer. The fact that it was all under the same brand, created confusion and/or frustration for consumers. Walking into different stores translated into different experiences, which translates into an unreliable offering to the consumer.

Differentiation of their offerings into the categories of Low (Boxer), Middle (QualiSave) and Upper (PnP) should translate into a better understanding, offering and experience for both the group as well as its customers. Furthermore, building on their middle-market earner’s offering will be key in the current economic climate with the cost of living pressures not easing and consumers feeling the crunch. Other categories of spending will probably be reeled in to maintain non-discretionary food spending. Making a more cost-effective option available will likely be attractive to the consumers, especially if these savings translate into more disposable income available for discretionary spend.



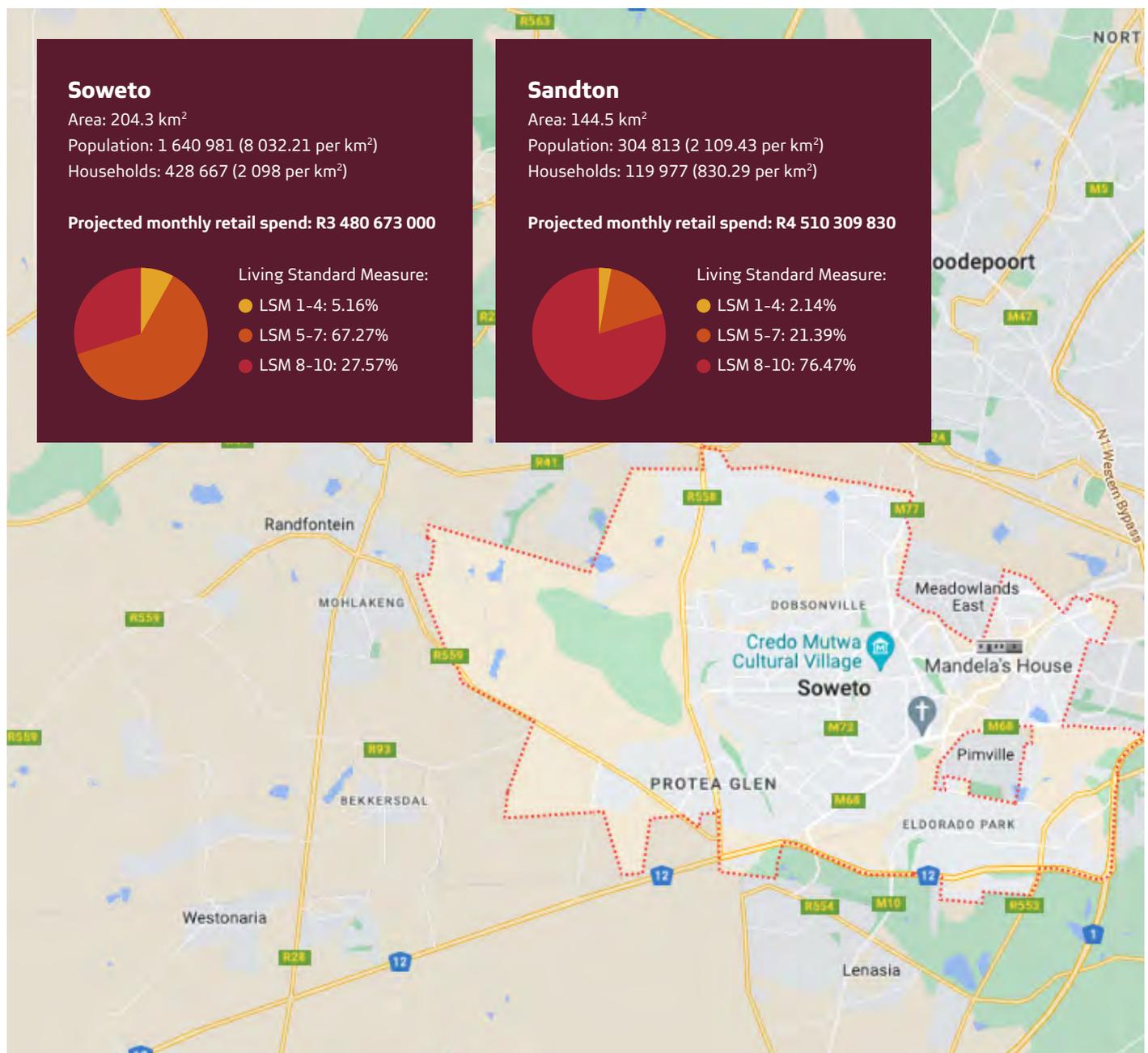
² <https://businesstech.co.za/news/trending/616677/a-look-at-pick-n-pays-major-new-supermarket-brand-qualisave/>



Footfall patterns of the township economy³

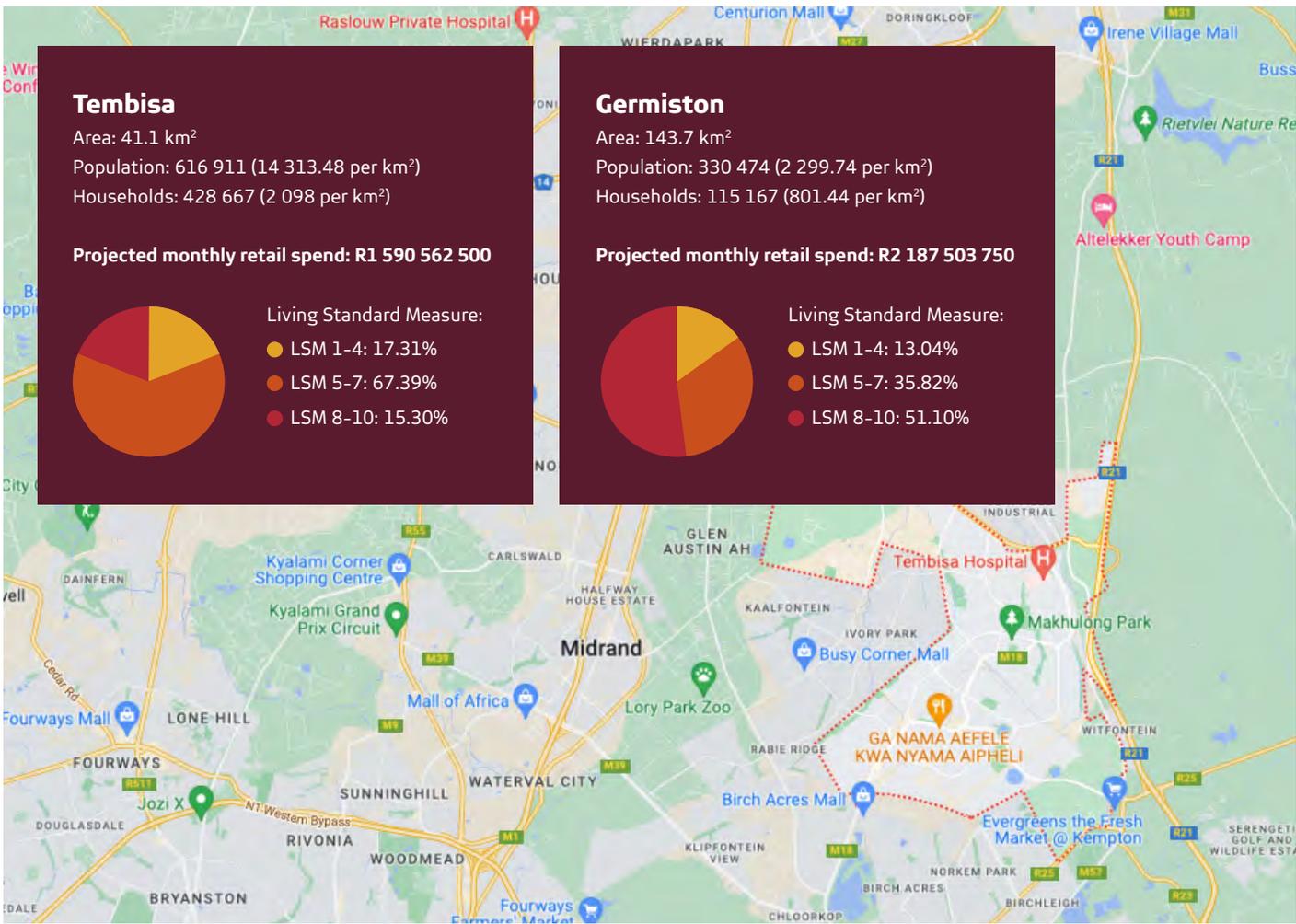
Contrasting the township economy with neighbouring cities

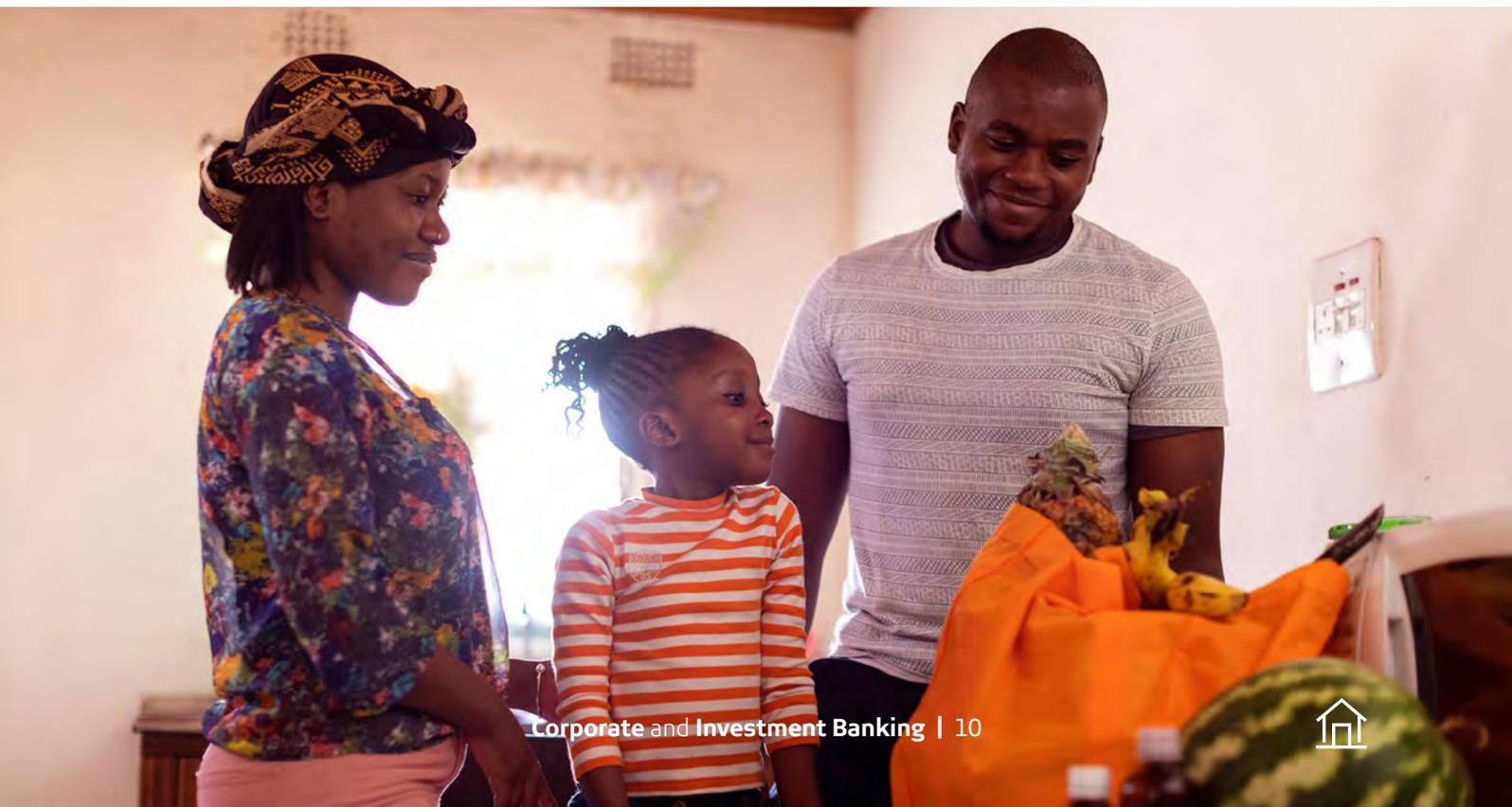
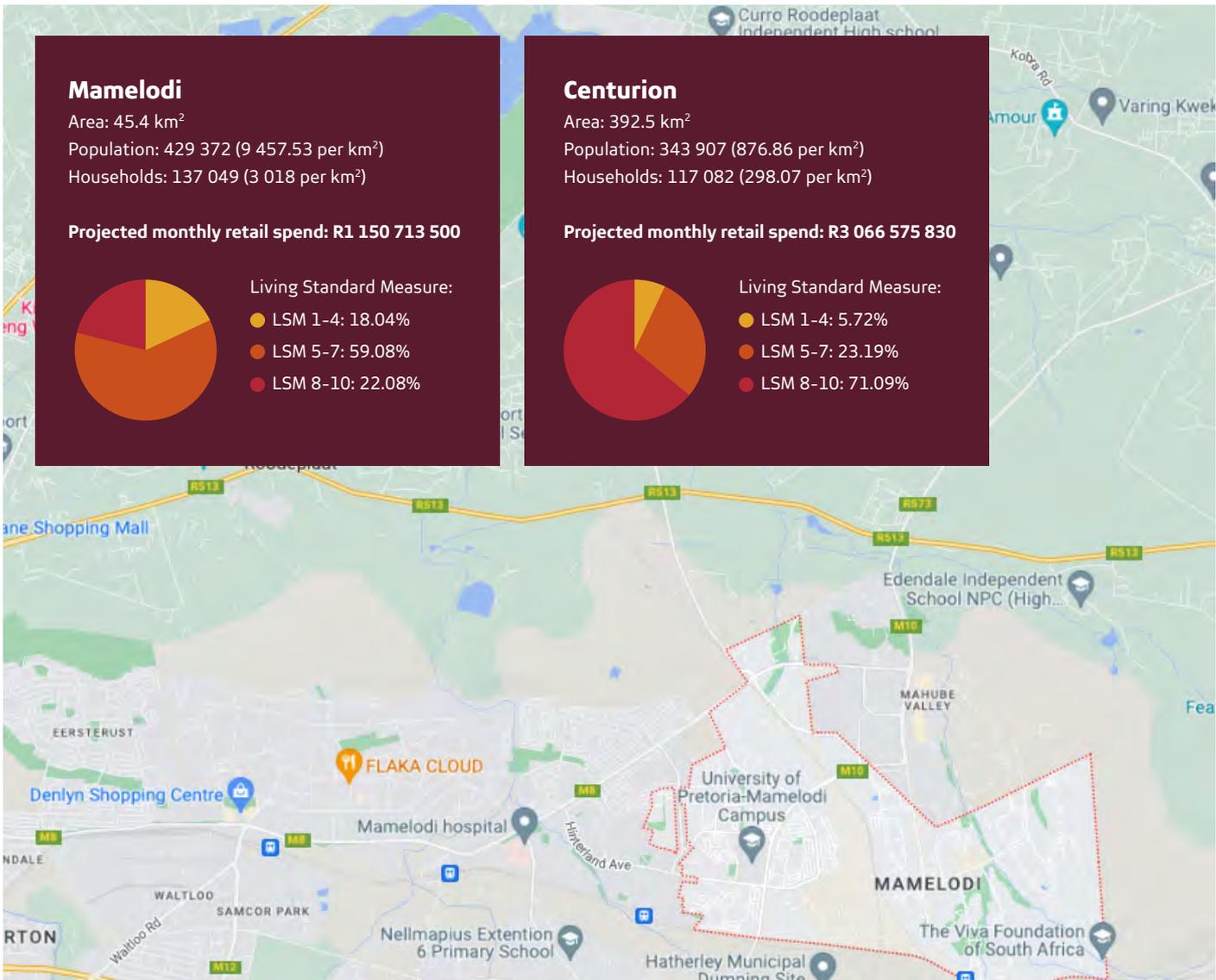
Demographic overview

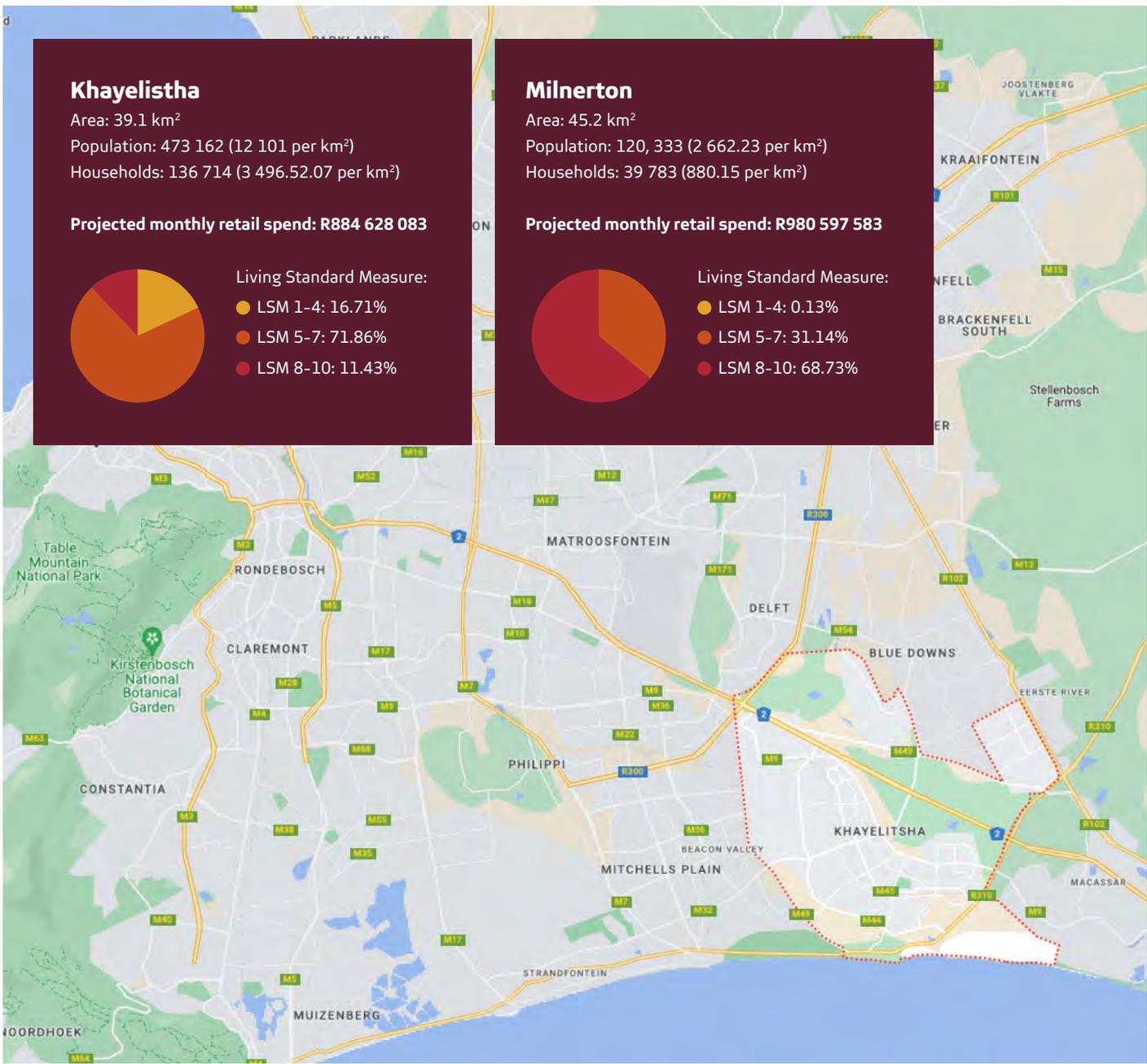


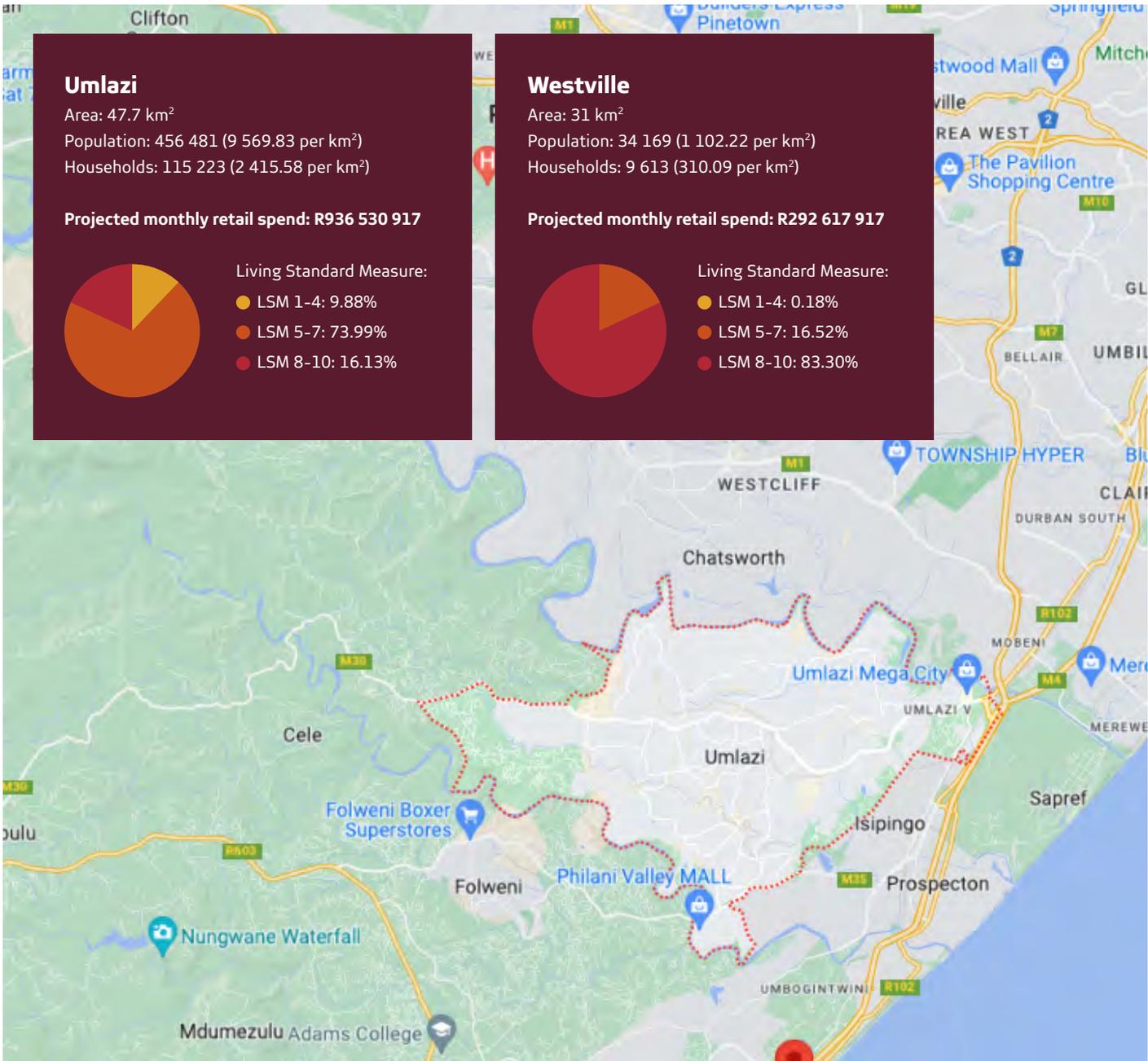
³ Provided in partnership with In Real Life (Pty) Ltd





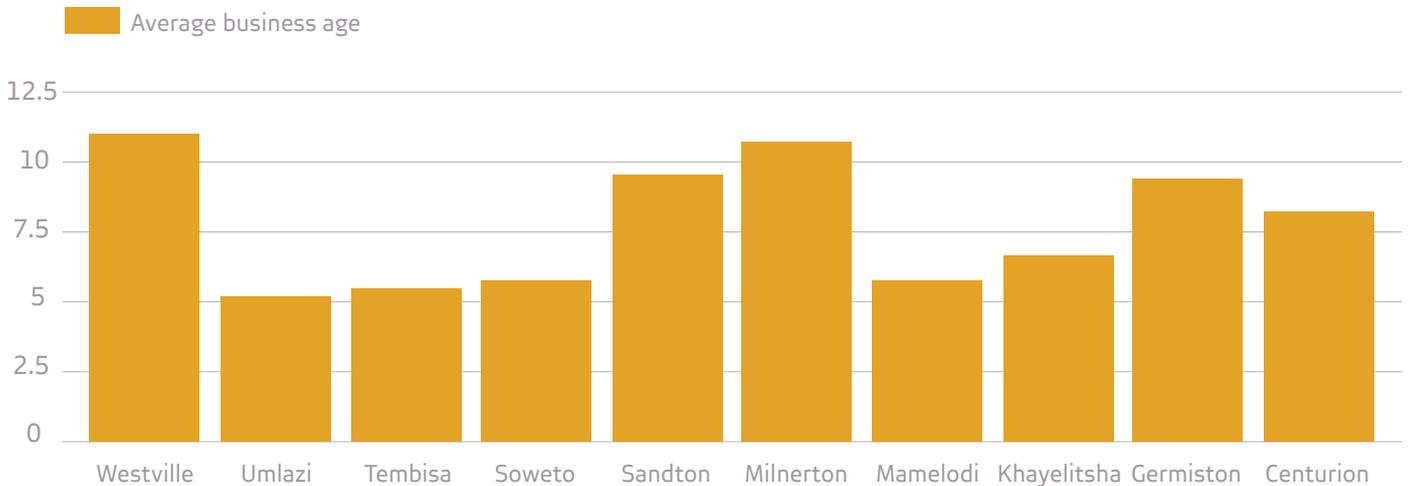






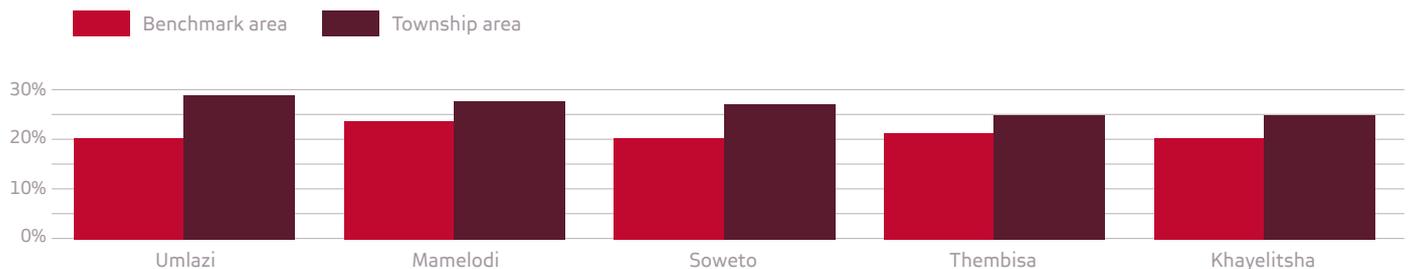
CIPC data

This graph shows the average age of all businesses per area measured in years.



Businesses within the benchmark areas are on average longer standing than the age of businesses within the townships. Westville and Milnerton have an average age of over 10 years, while Germiston and Sandton have an average of just under 10 years, and Centurion is at eight years. Interestingly, all townships have average business ages of just over five years, with Khayelitsha the highest at six years. The market within the townships is newer than the benchmark areas, but there is a clearly established industry within each township.

This graph shows the proportion of currently trading businesses registered after COVID-19.

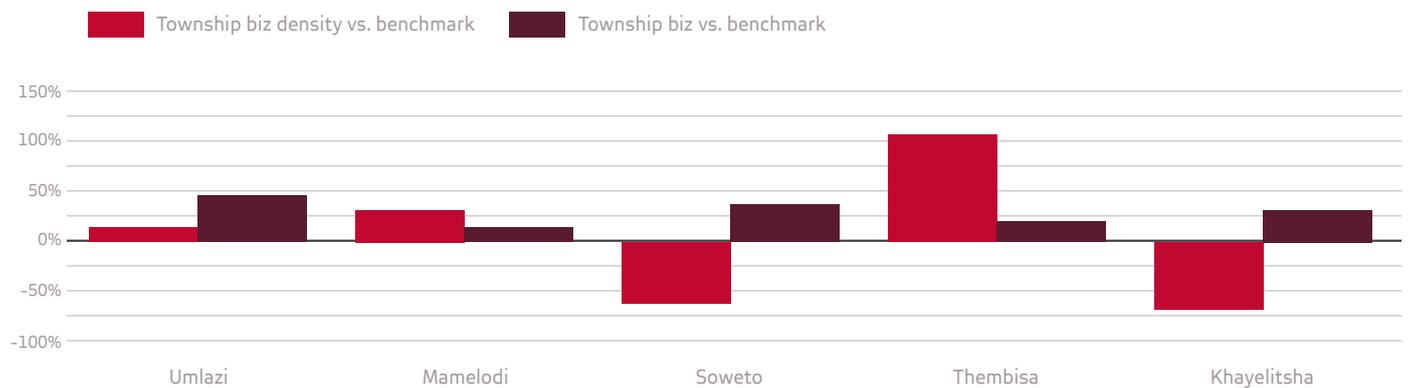


There is a higher proportion of post-COVID-19 businesses within the townships than in the benchmark areas. Approximately 20% of businesses in the benchmark areas are post-COVID-19 registrations. 30% of businesses in Umlazi were registered after COVID-19, with the remaining townships having between 20% and 25%. Proportionally more businesses are starting in the townships than in the benchmark areas. This suggests that these township economies will soon be entrepreneurially driven, if they aren't already.





This graph shows post-COVID-19 business density (still operating) in townships versus the benchmark area.



Umlazi has a higher business density than Westville, but the new business density is nearly 50% more in the township. This suggests that Umlazi has seen rapid growth in new businesses after COVID-19. Tembisa has a 29% higher business density than its benchmark area (Germiston). However, after COVID-19, business registration density is only 14% higher than Germiston, suggesting a relatively less ambitious (at least on record) entrepreneurial environment in the township after COVID-19.

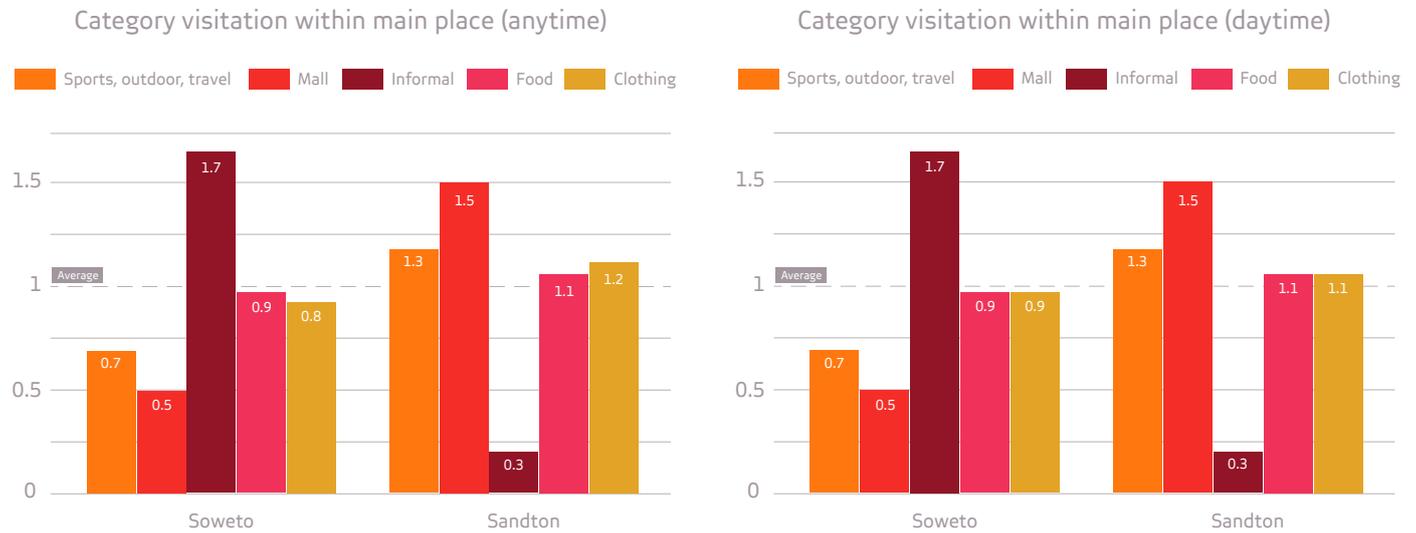
Soweto and Khayelitsha are interesting as both townships have significantly less business density (59% and 58% respectively), but after COVID-19, registration densities are 31% higher for Soweto and 29% higher for Khayelitsha than for their benchmark areas (Sandton and Milnerton respectively). This suggests that both Soweto and Khayelitsha have the opportunity to close a part of the business density gap between themselves and their benchmark areas, if their new business momentum is sustained.

Mamelodi has double the business density of Centurion; however, after COVID-19, registrations in Mamelodi were only 20% denser. Umlazi, Tembisa and Mamelodi have a higher density of registered businesses than their benchmarks, whereas Soweto and Khayelitsha are both significantly lower. All the townships in this study have shown more business registration by square metre after COVID-19 than their respective benchmarks. It is no surprise that the past two years have sparked people into action on the entrepreneurial front. The sustained uncertainty has caused individuals to build their financial security through other means than a nine-to-five job.



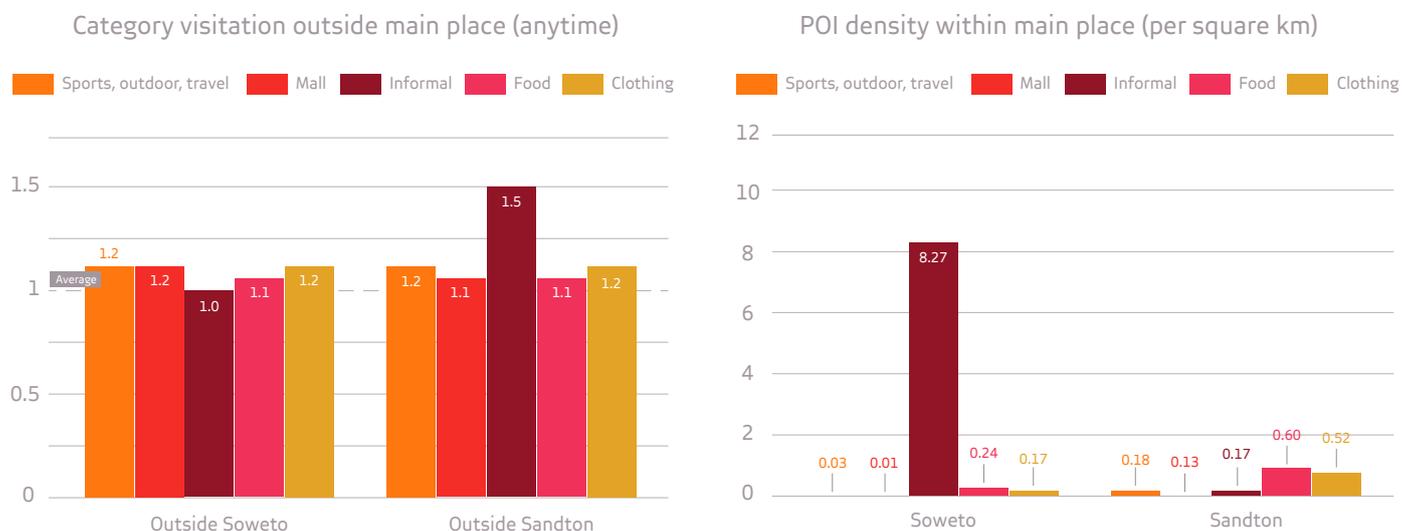
Point-of-interest visitation

This graph shows how much more (or less) likely a resident of Soweto or Sandton is to visit a POI category within their main place. The right-hand graph shows the same, but is limited to daytime visitation between 08:00 and 18:00.



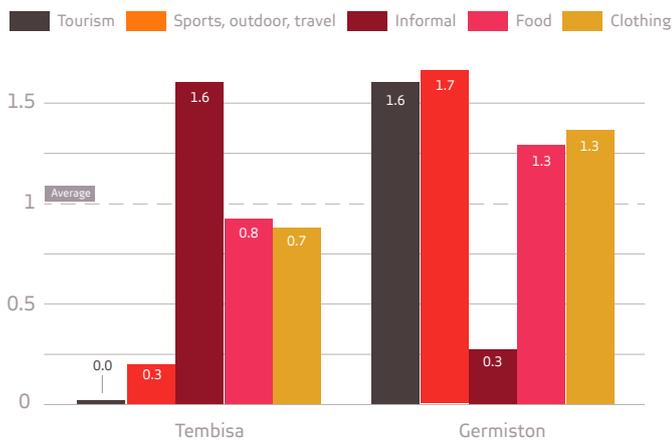
Soweto under-indexes against all category visitation against a resident in Sandton, except for the Informal Groceries category, and a Sandton resident is far more likely to visit formal retail than a Soweto resident. Clothing and Food categories are closely matched while Sandton residents are significantly more likely to visit tourist attractions than a resident of Soweto, and 50% more likely to visit Building and Hardware. Most of the visitation activity across the categories occurs during the daytime. Clothing and Food offer retail opportunities occur within both Soweto and Sandton because of the higher propensity to visit outside of their main place.

This graph shows how much more (or less) likely a resident of Soweto or Sandton is to visit a POI category outside of their main place than within their main place. The right-hand graph shows the density per category.

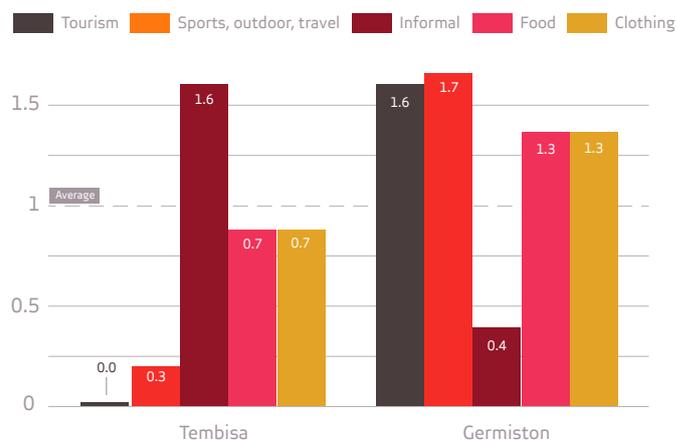


Soweto residents show a high propensity to visit categories outside of the township, with the exception of Informal Groceries. Soweto residents visit malls outside Soweto rather than within the township. Interestingly, Sandton residents do show propensity to visit Informal Groceries, but not within Sandton. This could be due to a lack of density but also a convenience factor when travelling. Based on density (right graph), Sandton has a higher density of the category POI vs. Soweto – except for Informal Groceries. The Informal Groceries category is flooded within Soweto whereas Food and Clothing are underserved in Soweto. Sandton residents are equally happy shopping outside of Sandton as in Sandton. This graph shows how much more (or less) likely a resident of Tembisa or Germiston is to visit a POI category within their main place. The right-hand graph shows the same, but limited to daytime visitation between 08:00 and 18:00.

Category visitation within main place (anytime)

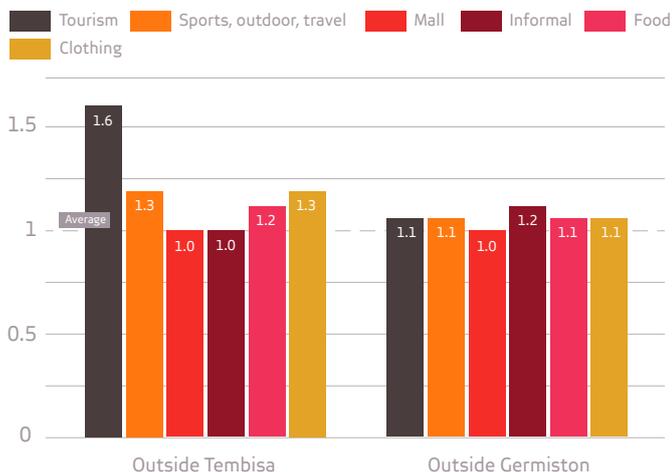


Category visitation within main place (daytime)

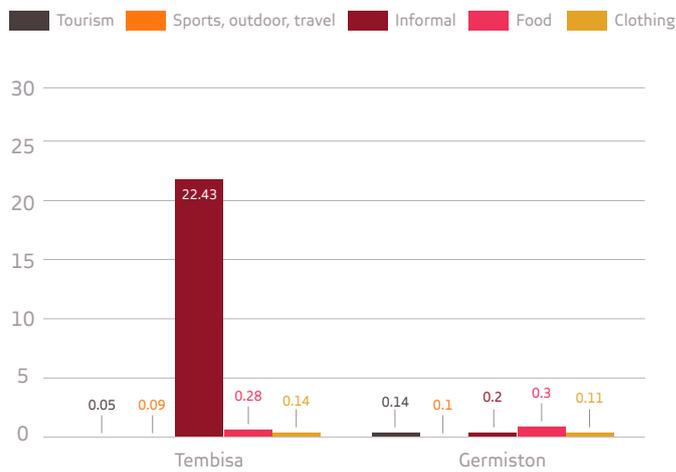


A Tembisa resident is less likely to visit all categories across the board with the exception of Informal Groceries vs. a Germiston resident. Clothing and Food categories are the closest match for visitation, with Germiston still outperforming Tembisa by 20% and 30% respectively, clearly illustrating that Informal Groceries are key to feeding the sampled Tembisa residents. Tembisa residents visit Tourism and Sports and Outdoor categories significantly less than Germiston residents do. These graphs suggest that Tembisa is underserved in major categories. This graph shows how much more (or less) likely a resident of Tembisa or Germiston is to visit a POI category outside of their main place than within their main place. The right-hand graph shows the density per category.

Category visitation outside main place (anytime)



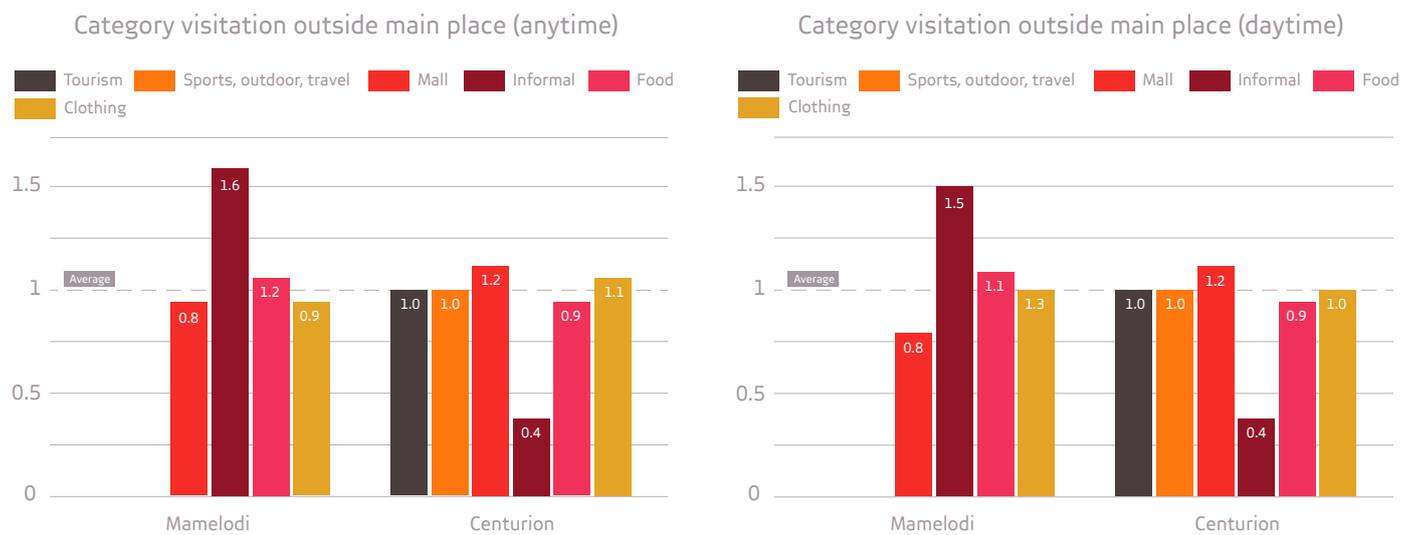
POI density within main place (per square km)



When compared to the benchmark area, Tembisa residents appear only to be served in Informal Groceries and Food, with minor servicing within Sports and Outdoor, and Clothing. The residents show an inclination to visit underserved categories, indicating that there is a requirement for Tourism and Clothing within the township. Tembisa is densely populated with Informal Groceries POI and this creates a level of convenience for them. Interestingly, Tembisa and Germiston are closely matched on Food POI density, but Tembisa residents are more likely to shop outside of Tembisa for formal food.

This may be due to travel convenience or product availability. Germiston residents are best serviced in Clothing and Food and they show a higher propensity to visit within Germiston in those categories. Tembisa residents will shop outside of the township more predominantly than within, except for Informal Groceries, which is highly serviced. Germiston residents are active users of Sports and Outdoor, despite a minimal POI count.

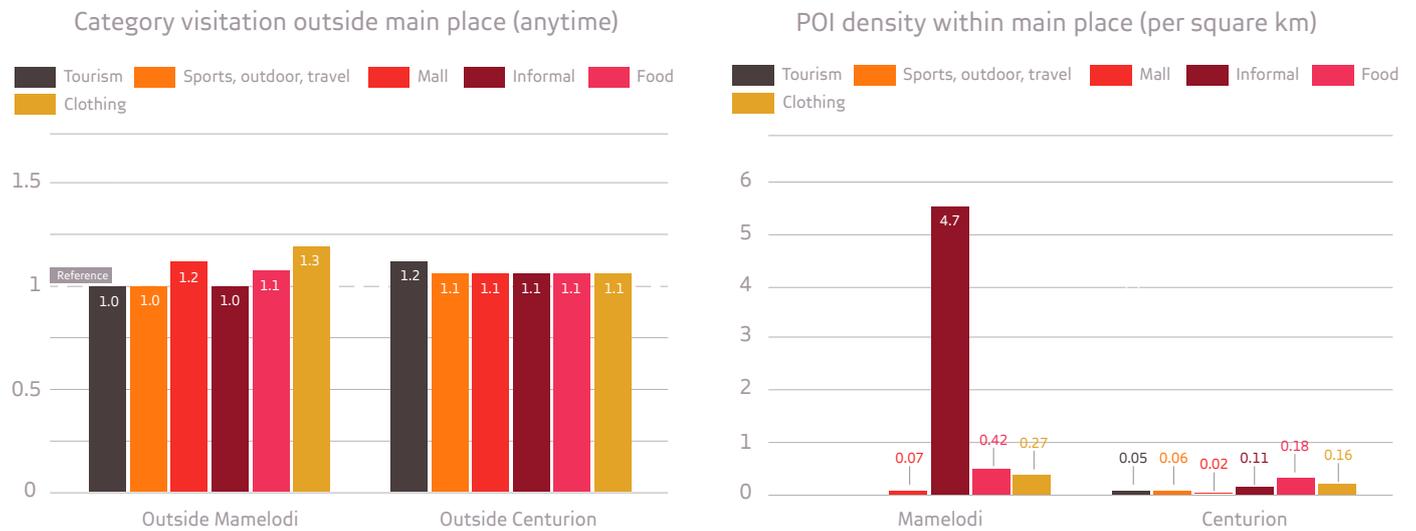
This graph shows how much more (or less) likely a resident of Mamelodi or Centurion is to visit a POI category within their main place. The right-hand graph shows the same, but limited to daytime visitation between 08:00 and 18:00.



Mamelodi residents over-index on both Informal Groceries and Food categories vs. Centurion. Mamelodi is under-served in Tourism, and the Clothing category is closely matched by visitation. The majority of category visitation is during the day for both Mamelodi and Centurion. The market for Food and Informal Groceries appears to be larger in Mamelodi than in Centurion. (Based on the density on the next page, we can see how this would be the case.) Centurion and Mamelodi interact with the available category POI quite similarly; this could mean that the residents of both areas share similar expenditure/expectation characteristics.



This graph shows how much more (or less) likely a resident of Mamelodi or Centurion is to visit a POI category outside of their main place than within their main place. The right-hand graph shows the density per category.



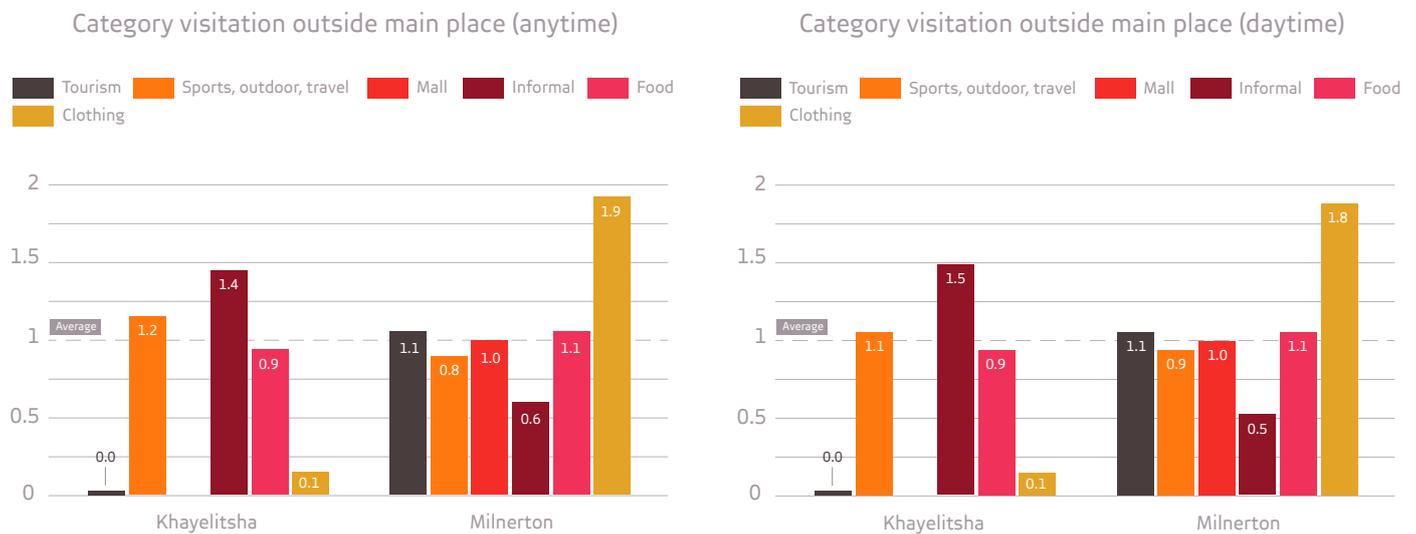
Mamelodi is highly serviced in Informal Groceries and very well serviced in the Food and Clothing category (more so than Centurion). Despite this, Mamelodi residents are still 20% more likely to shop for clothes outside of the township. Centurion residents are well serviced across all categories, but have the same propensity to shop outside the suburb as within. This could suggest a transient workforce shopping close to work for convenience.

Mamelodi is better serviced in Informal Groceries, Food and Clothing than Centurion; and this is matched by Mamelodi outperforming Centurion in those categories. This could suggest that new category POI will be supported. Centurion does not appear to offer retail opportunities that match the residents' income/expectations, but this needs to be investigated further.





This graph shows how much more (or less) likely a resident of Khayelitsha or Milnerton is to visit a POI category within their main place. The right-hand graph shows the same, but limited to daytime visitation between 08:00 and 18:00.

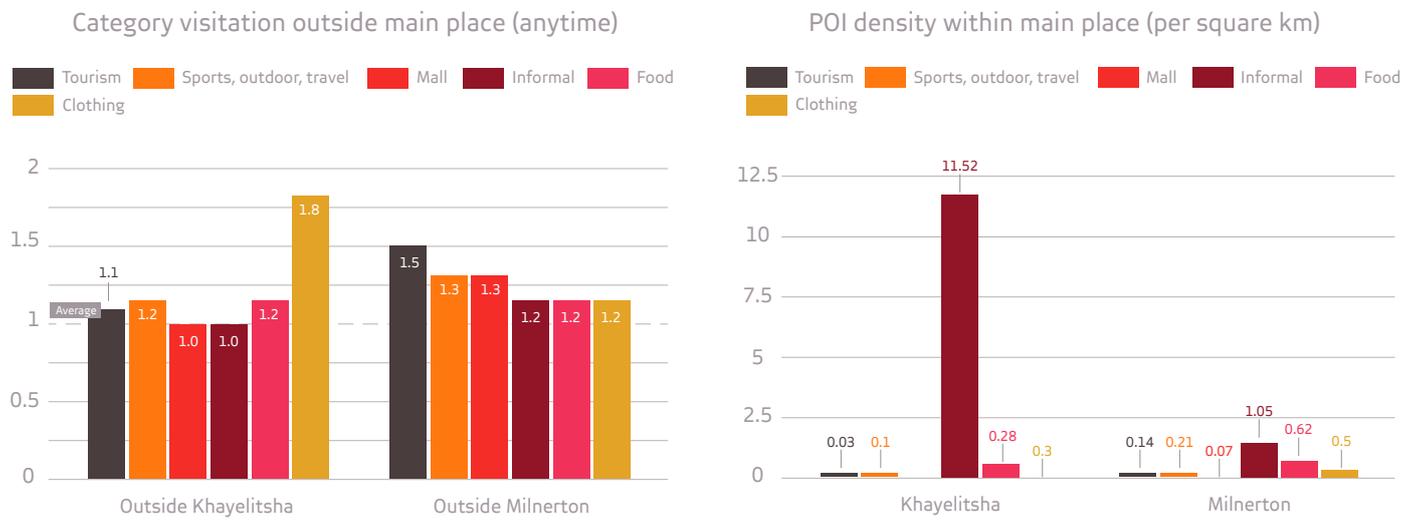


There is very little difference between anytime and daytime visitation. Most category visitation is done during the day. Khayelitsha, as mentioned in the previous report, supports Sports and Outdoor activities. The township also over-indexes in Informal Groceries while Clothing looks like a missed opportunity.

When compared to other townships, it could be that clothing may be supported by an informal clothing offering; but this needs to be investigated further. Where represented, the residents of Khayelitsha match visitation within the township as residents of Milnerton do in the suburb. This suggests that additional POI would be supported.

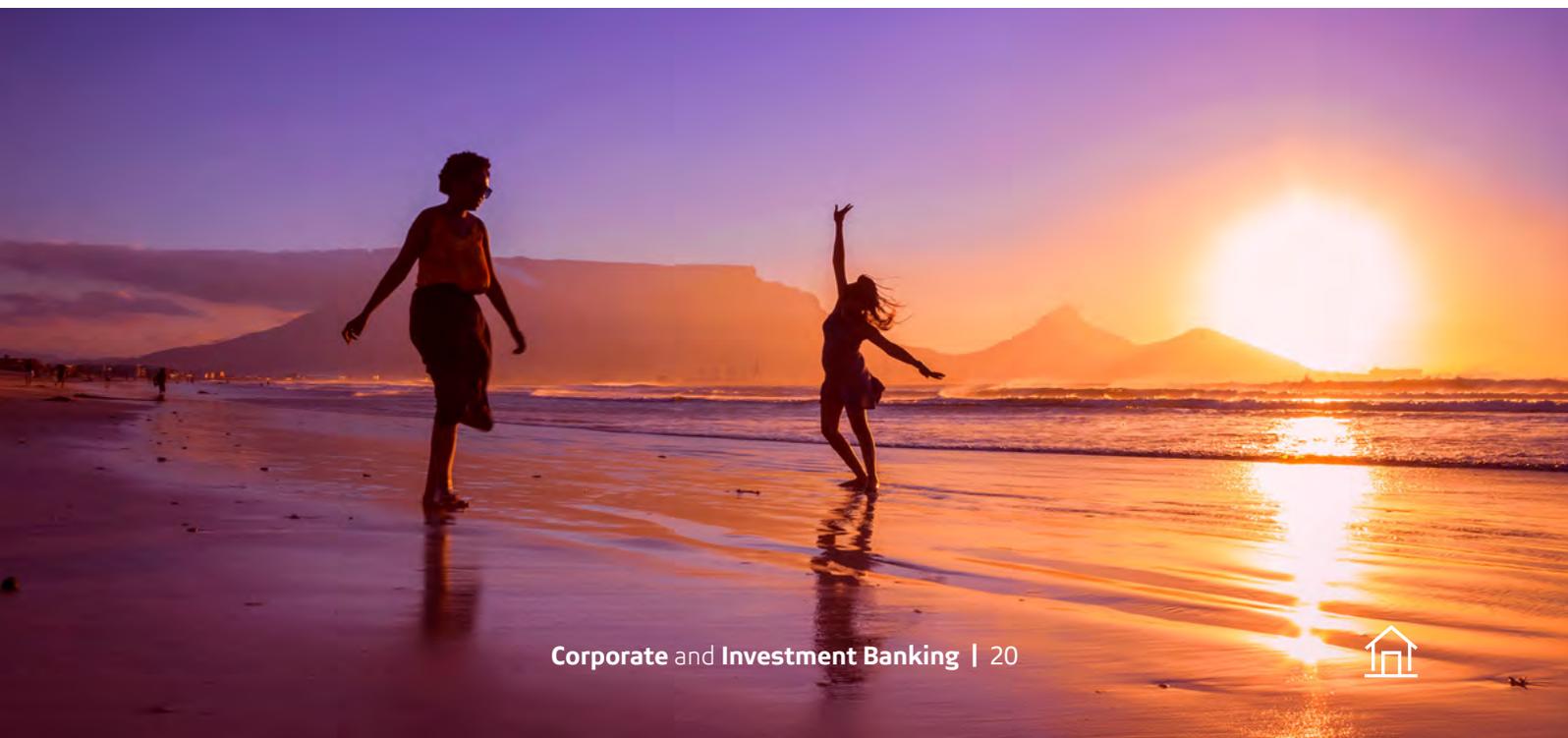


This graph shows how much more (or less) likely a resident of Khayelitsha or Milnerton is to visit a POI category outside of their main place than within their main place. The right-hand graph shows the density per category.

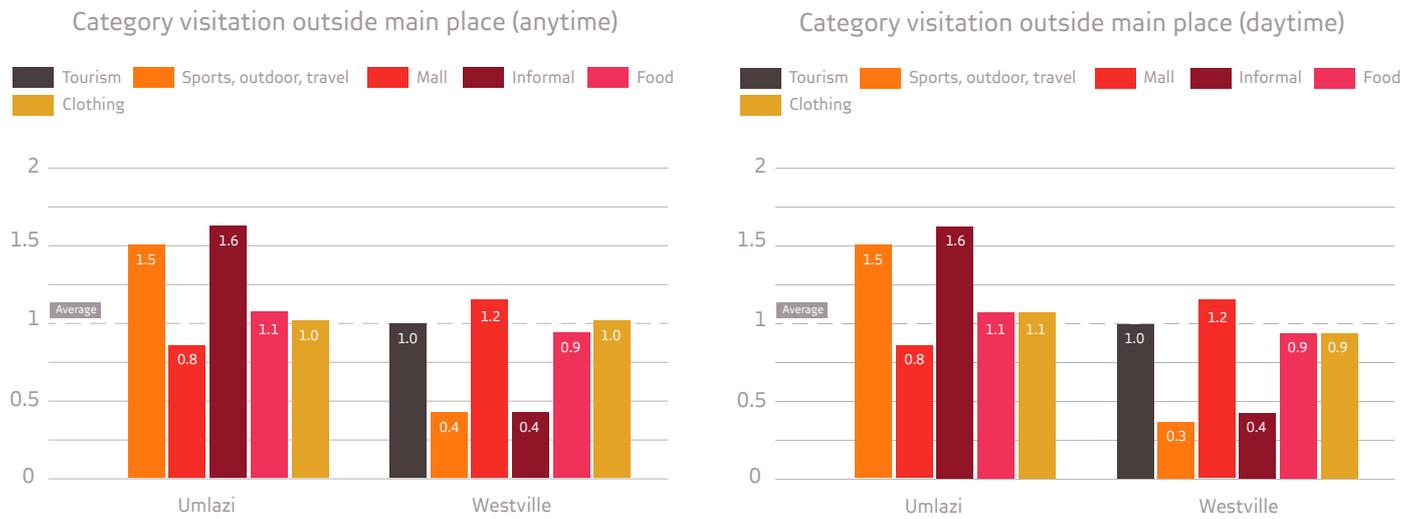


Given the density vs. visitation, it is obvious that there are huge category opportunities within Khayelitsha. The opportunity for Tourism appears larger than the need for Malls for a Khayelitsha resident. Clothing and Food categories are minimally serviced within the township and residents are using those POI outside of Khayelitsha. The residents of Milnerton appear to prefer shopping outside the suburb despite being well serviced; this includes Informal Groceries.

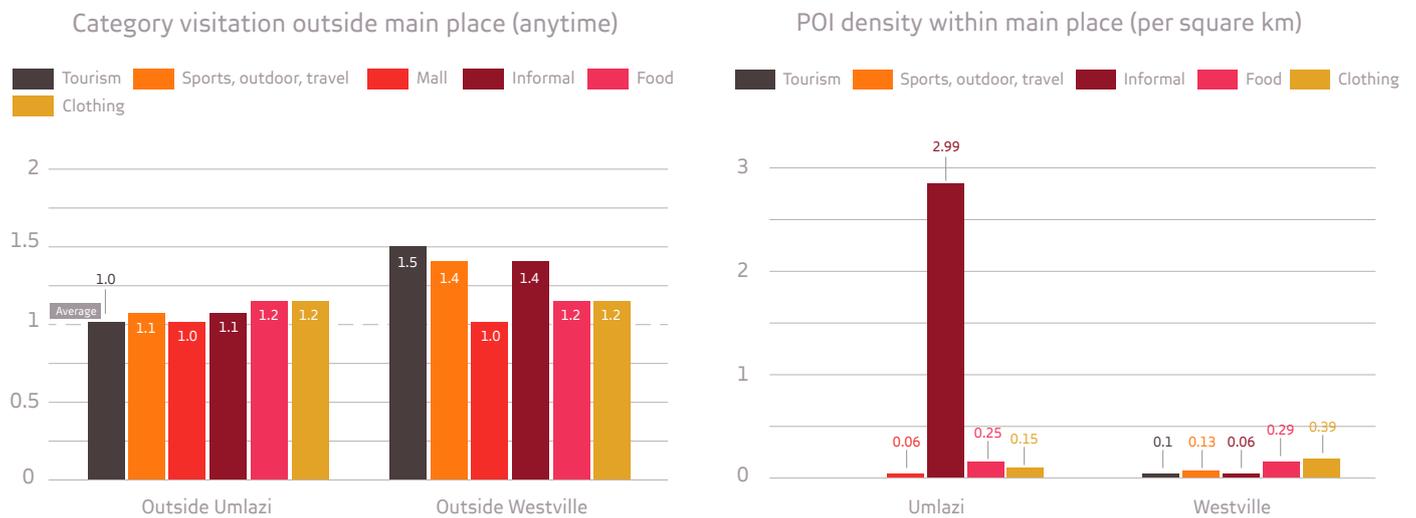
There could be many reasons for this, including quality, stock availability and affordability, but this would need to be explored. Khayelitsha’s category landscape is dominated by Informal Groceries and Food, and the Sports category is incredibly well supported. Interestingly, Milnerton also has a high density of Informal Groceries, suggesting a migrant workforce. Milnerton residents are shopping outside of Milnerton across the categories and there is an opportunity for Milnerton traders to improve their share of visitation of their residents.



This graph shows how much more (or less) likely a resident of Umlazi or Westville is to visit a POI category within their main place. The right-hand graph shows the same, but limited to daytime visitation between 08:00 and 18:00.



Residents of Umlazi are under-served in Tourism. Umlazi outperforms Westville in Informal Groceries, Sports and Outdoor, Food and Clothing. Westville residents are as likely to visit Informal Groceries and Sports and Outdoor, but most interestingly, Westville residents do not show much market favouritism within the suburb. While the majority of visitation is during the day, within the represented key retail categories, Umlazi and Westville visitation is similar. This graph shows how much more (or less) likely a resident of Umlazi or Westville is to visit a POI category outside of their main place than within their main place. The right-hand graph shows the density per category.



Umlazi residents show a propensity to visit across the categories outside of the township; this includes Informal Groceries. There is a clear requirement for Tourism and Food within Umlazi. Westville opportunities exist given the propensity to shop outside the suburb (Food, Clothing, Sports and Outdoor and Tourism). Food and Clothing are well serviced in Westville and Food and Clothing are well represented in Umlazi, but residents appear to prefer formal food and clothing opportunities outside the township. Umlazi residents tend to be Informal Groceries shoppers, while they shop for food and clothing outside the township. Westville residents, despite having access to all categories, appear to prefer POI outside their main place.



Convenience

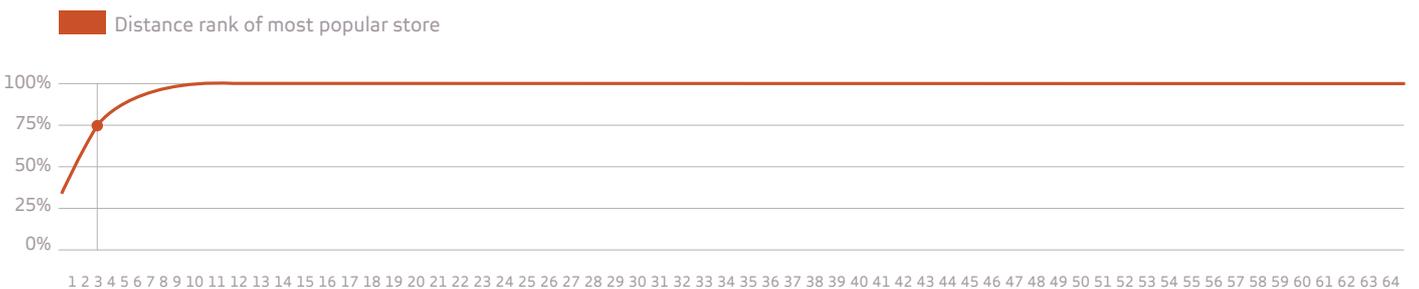
This graph shows the average distance travelled from home to the most popular grocery store, measured in kilometres. Most popular is measured by frequency of visit by month.



Distance to favourite store is on a positive trend as people are beginning to travel further to visit their favourite stores. Distance travelled starts at 1.4 km in September 2020 and climbs through the December holiday period to 1.8 km before settling into COVID-19-fear norms from March to July 2021. We begin to see a positive trend from August 2021 and climb in September 2021 – this coincides with adjusted level 2 lockdown for South Africa. In December 2021, we saw a holiday spike that maintains an elevated status in 2022 compared to 2021.

In July 2022, the average distance travelled to favourite store is 1.7 km. The graph above suggests that December holiday periods drive an increase in distance to one’s favourite store. This pattern was not seen in April holidays in either year. Based on previous insights, it correlates with our view that shoppers shop at home before holiday season travel during Easter. April, May, June and July 2022 offer a stable distance to favourite store, suggesting that the post-COVID-19 petrol price and interest rate norms have been reached. (See drop in January 2021 and April 2021.)

This graph shows the average distance travelled from home to the most popular grocery store, measured in kilometres. Most popular is measured by frequency of visits by month.



71.48% of residents' favourite grocery stores will be within their three closest stores to home. 34% of residents' favourite grocery stores are the closest to home, while 57% of residents' favourite stores are closest or second closest to home. 90% of residents' favourite stores are one of the closest six to home. This suggests that South African food shoppers base their decision on proximity to home. If a grocery store is not one of the six closest to the customer's home, it only has a 10% chance to be the favourite store.

This reminds us of some of the initial footfall data shared in previous issues, which illustrated that shopping centres located in close proximity to suburbs were better able to maintain footfall levels closer to their pre-COVID-19 levels as compared to larger malls and regional malls.

This graph shows the average distance travelled past the closest grocery store to the most popular grocery store, measured in metres. Most popular is measured by the frequency of visits by month.



In March 2021, on average, people were only willing to travel 377 m past their closest grocery store to get to their favourite grocery store. Since then, the distance travelled has been on a positive trend. We saw expected spikes over the December holiday period in both 2020 and 2021. In July 2022, the average is 836 m past the closest store and in total the average is 752 m.

People are becoming more willing to travel beyond their closest grocery store to reach their favourite store. The increasing distance suggests that post-COVID-19 shopping is seen less as a risk and not only for convenience. The average distance past the closest grocery store also suggests that a grocery store is 75% more likely to be a favourite if it is within 750 m of the closest store and not more than 1.7 km from home.



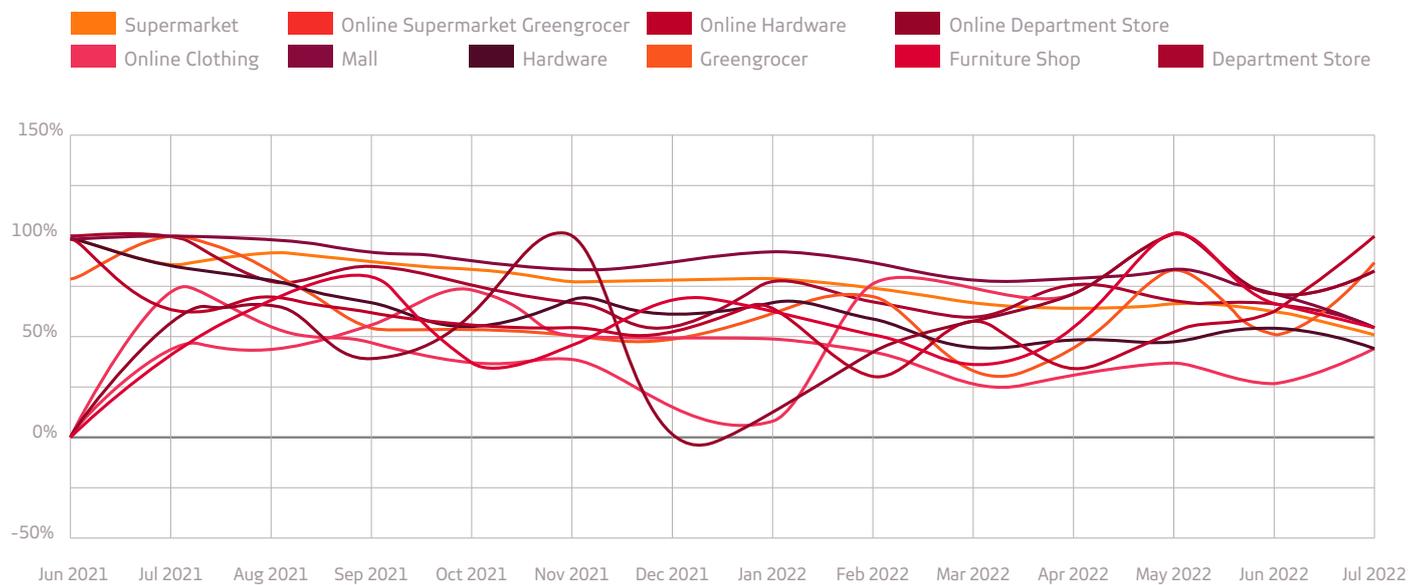
Across the border⁴

Zambia and Kenya

Zambia

Lusaka – Footfall trend

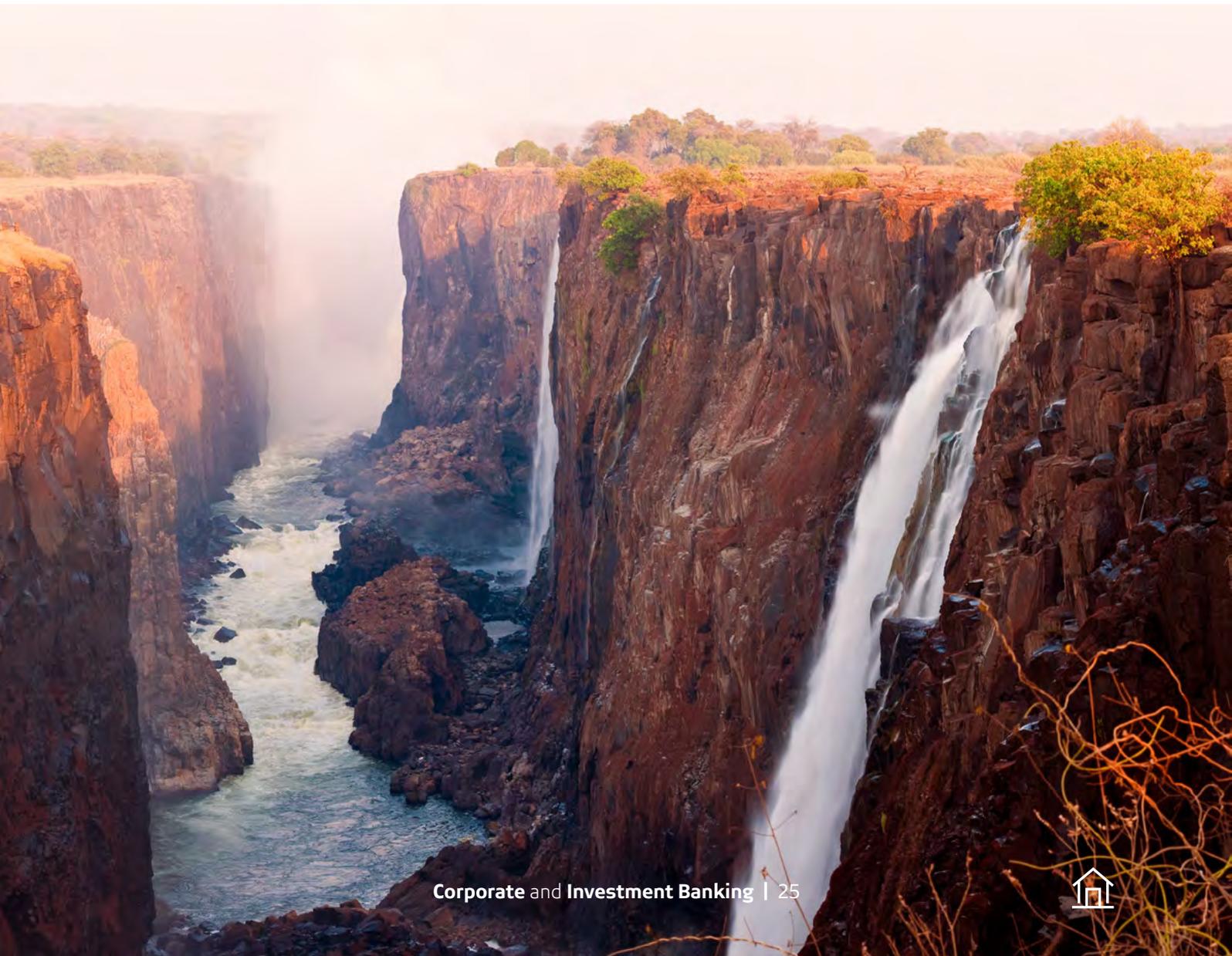
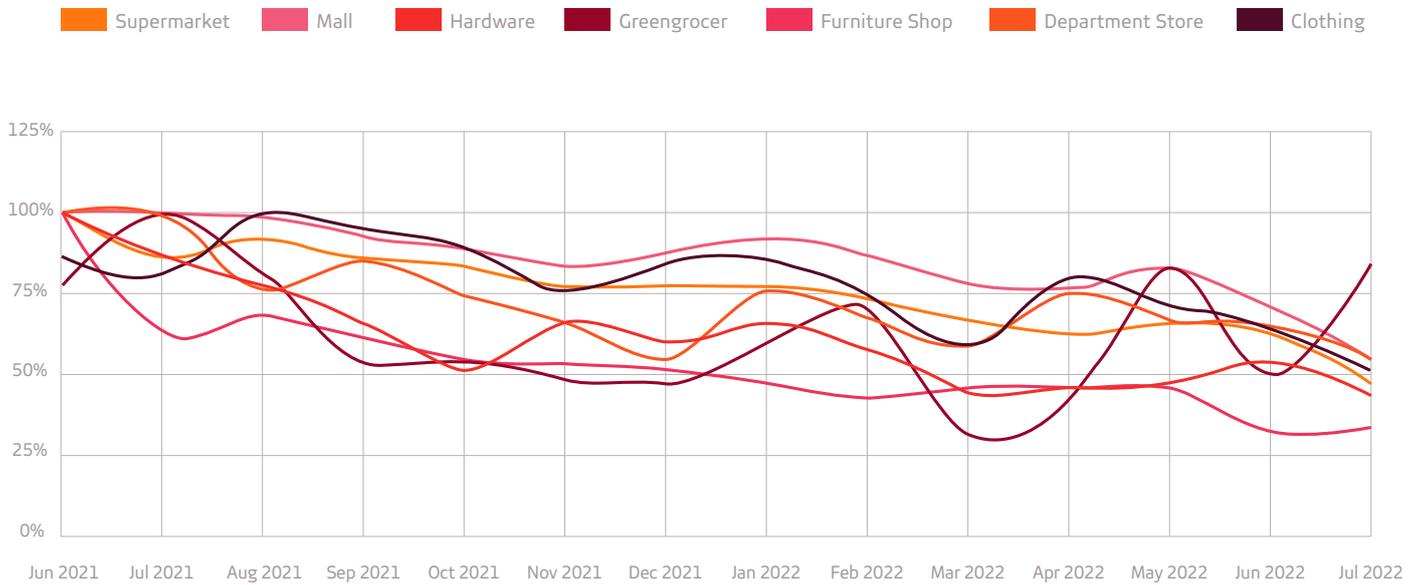
This graph shows the footfall trend for Malls, Supermarket, Greengrocer, Department Stores and Clothing categories in Lusaka over the past year. This graph is only for Lusaka due to POI research and footfall stability by category.



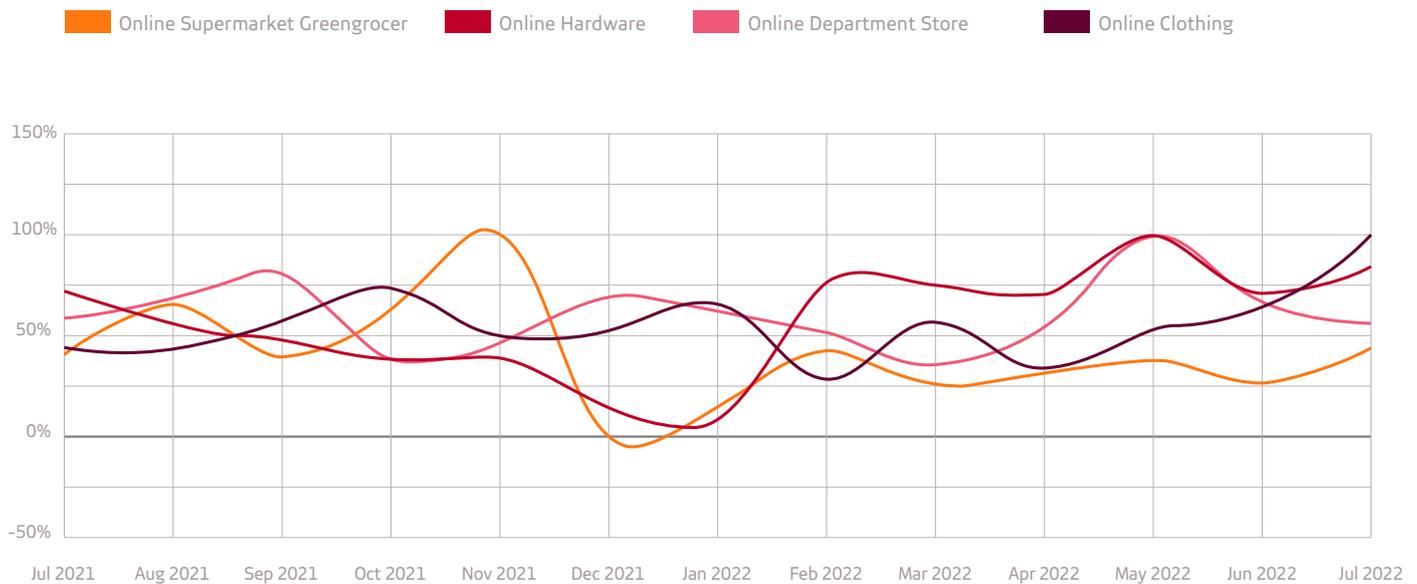
⁴ Provided in partnership with In Real Life (Pty) Ltd



These graphs show the footfall trend for Malls, Supermarket, Greengrocer, Department Stores and Clothing categories, with Online search separated, in Lusaka over the past year. This graph is only for Lusaka due to POI research and footfall stability by category.



Lusaka Online



Footfall across the categories is on a downward trend. It remains stable in July (except for Furniture) despite the normal dip we see following the statesman's death (Kaunda dies June 2021). The August 2021 elections and violence do not appear to affect Lusaka's footfall – except for Department Stores. (This looks to have been somewhat picked up by Online.) Mall visitation in Lusaka is on a downward trend but is the most stable category.

Online Department Stores and Online Clothing hold the most stable position for Online. Online Greengrocer and Supermarkets spiked in November while traditional footfall continued down and fell to zero in December. Hardware Online also fell sharply in January 2022, but recovered well from February 2022 and finished July 2022 on a positive trend, behind Clothing.

It is interesting to note the volatility of the Greengrocer footfall in February 2022, May 2022 and July 2022 spikes. There appears to be a healthy online shopping community within Lusaka with only Online Department Stores on a marginal negative trend, compared to footfall that is down across the board (except for the volatile Greengrocer category).

Key dates to consider:

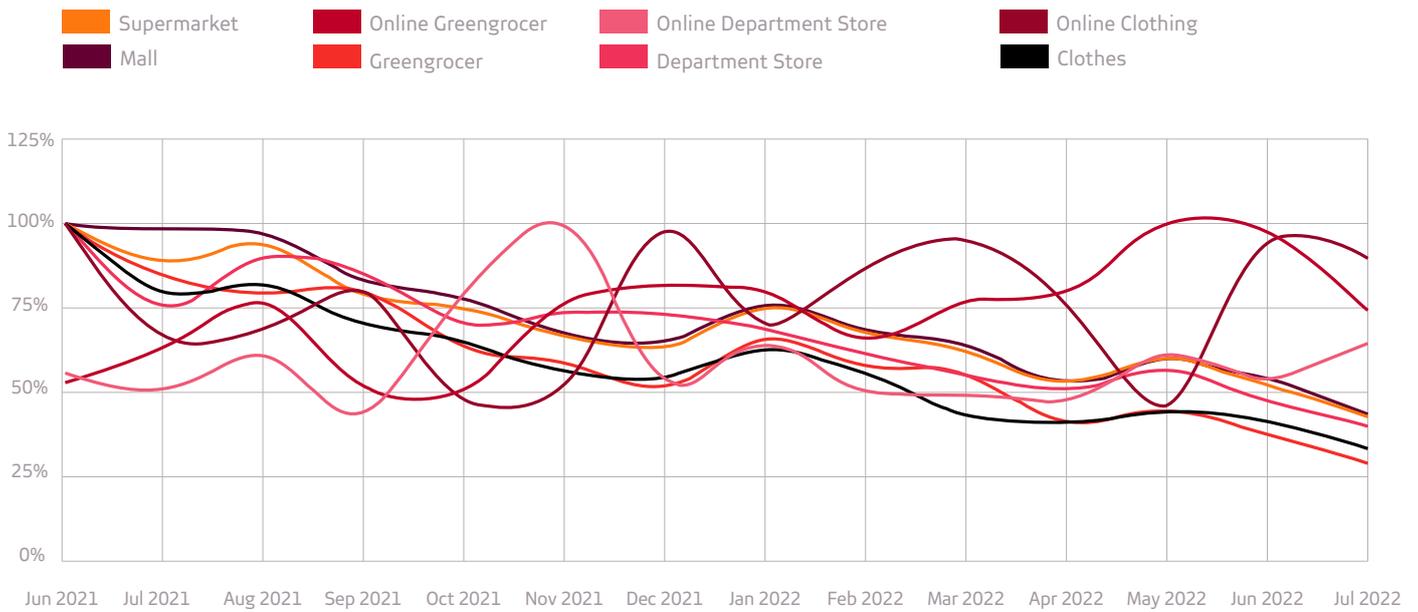
- May 2021 – Bridge linking Botswana to Zambia inaugurated
- June 2021 – Kenneth Kaunda dies
- Aug 2021 – Election violence, military called in
- Aug 2021 – Presidential voting
- Aug 2021 – Opposition leader Hichilema wins election
- Jan 2022 – COVID-19 spike
- Apr 2022 – Hichilema eight months without salary



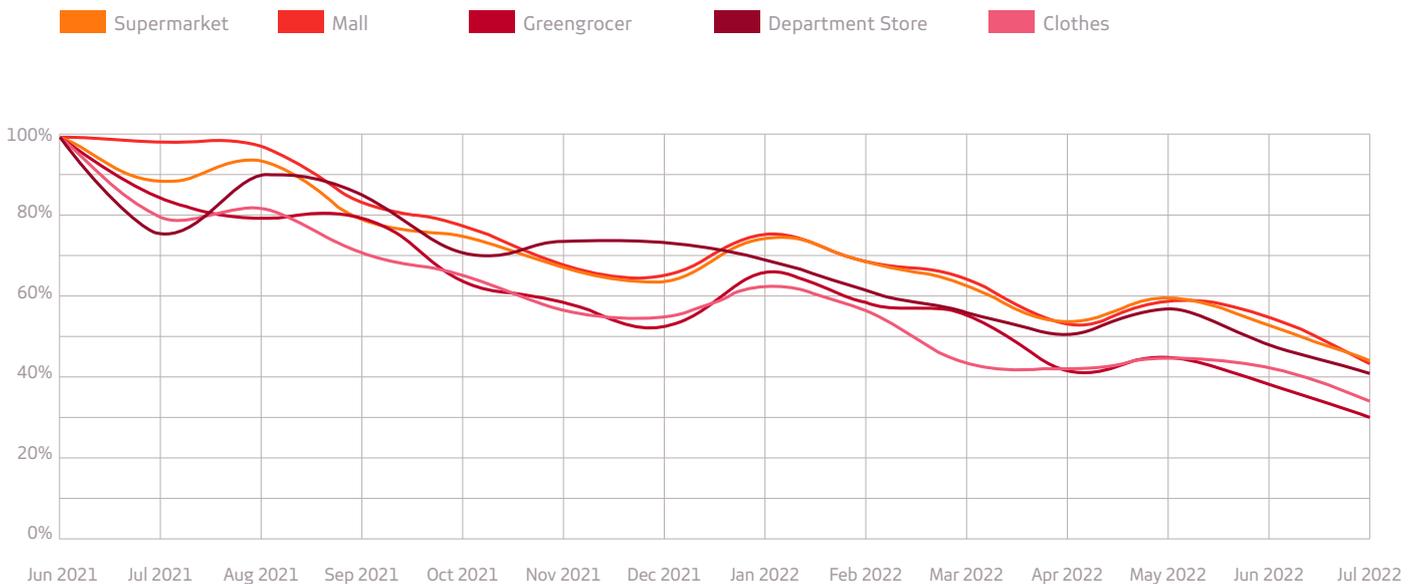
Kenya

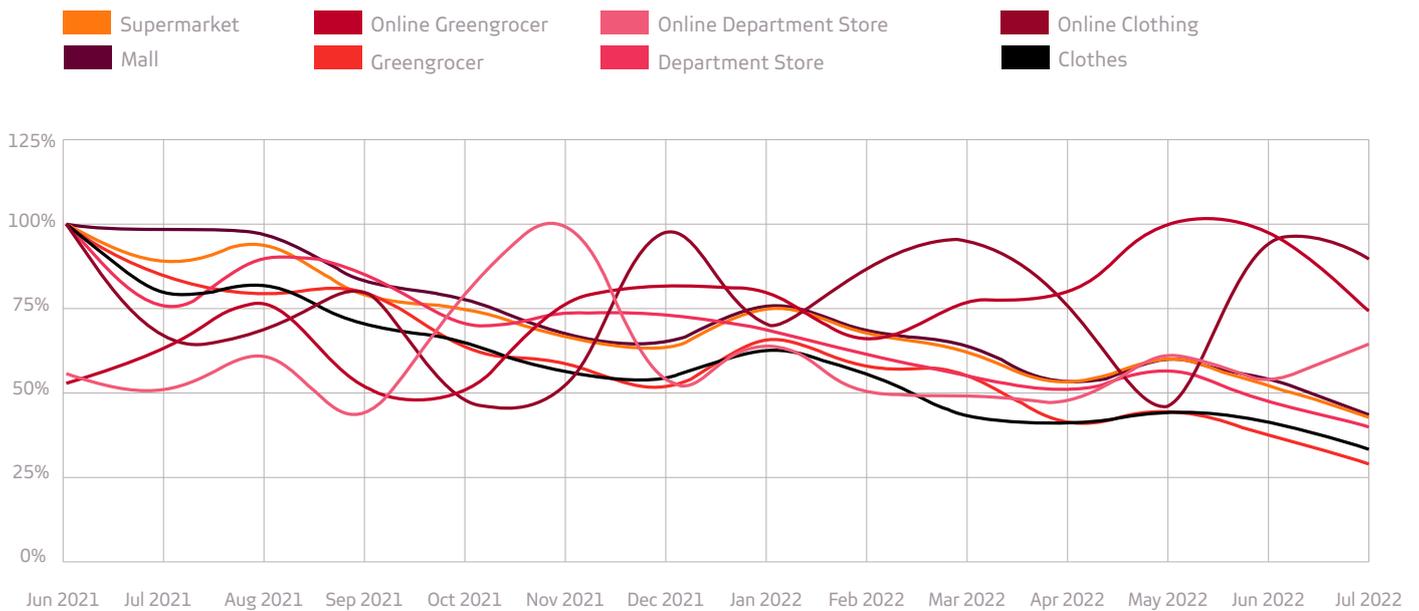
Nairobi – Footfall trend

These graphs show the footfall trend for Malls, Supermarket, Greengrocer, Department Stores and Clothing categories, with Online search separated, in Nairobi over the past year. This graph is only for Nairobi due to POI research and footfall stability by category.



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Footfall across the categories is on a downward trend. There appears to be resistance across the board in January 2022 and May 2022, but all categories are sitting between 30% and 50% of January 2021 highs.

Online shopping appears to be seasonal but the Online Greengrocer trend is less seasonal and on a positive trend. Clothing and Greengrocers are the hardest hit by footfall – the Grocery category may be explained by the droughts. Online Clothing does appear to support the Clothing category.

Online Department Store searches are trending upward (but on at 65% of November highs) while footfall to Department Stores is at an all-time low. There is definite negativity within the Kenyan retail space. There is some hope within Online but the market appears to be established only within Department Stores and Clothing shopping.





Key dates to consider:

- June 2022 – Minor COVID-19 spike
- Aug 2022 – Election disputed
- Aug 2022 – William Ruto becomes the new president
- Aug 2022 – Odinga challenges election results in court
- Sept 2022 – Court upholds Kenya election results



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