Volume 4, Issue 1

Absa Corporate and Investment Banking

Welcome to the

Consume This

Newsletter

In an era of accelerated change, navigating the vast consumer goods and services landscape can be daunting. In 2024, we will release a series of monthly reports curated by industry experts, leveraging internal data sources and global as well as local research across the consumer goods and services sector to bring you the latest insights and trends. Prepare to gain global and local insights that are shaping sectors from food, clothing, building and hardware, to health and beauty.

Your story matters

In this newsletter

Most valuable player:

The consumer

Our exploration of the consumer goods and services sector begins with its most valuable player: the consumer. Beyond the price tags and marketing campaigns, the consumer story is ultimately one of human lives, their aspirations, anxieties and evolving needs. The shape-shifting consumer has left the sector scrambling to keep up. The unwavering evolution of the consumer is driven by complex global and local events such as economic fluctuations, politics, wars, the pandemic and environmental concerns. The onus is now on the manufacturers in the consumer goods sector and retailers alike to align their strategies to these trends.

This article gives insights into the shifting consumer landscape.

Festive season insights:

In this article, we investigate consumer spending over December 2023 and compare it to similar periods over the past three years using Absa's Merchant Spend Analytics. Traditionally known for its lavish spending and being a retailer's dream month, December 2023, however, saw a slowdown in consumer spending. This follows a trend from our Black Friday Insights Report that we released in December 2023, where consumer spending also decreased.

The 2020 consumer who was lockdown-fatigued with excess cash has evolved into a cautious and cash-constrained but smart consumer who is value-driven. The data tells a story of an ailing consumer whose financial health is at risk.

Key takeaways: December 2023

Consumer trends

Total consumer spending growth slowed down to 5% compared to 10% growth in December 2022.

The top 10 core categories in consumer spending showed stability, albeit fluctuating.

Essentials took precedence over leisure.

Consumers were increasingly using credit cards to manage their purchasing power.

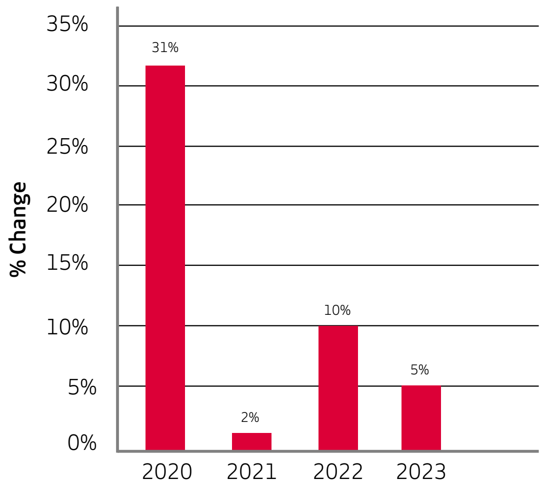
Shopper frequency dropped across all retail categories.

Dwell time for consumers in each of the retail categories decreased.

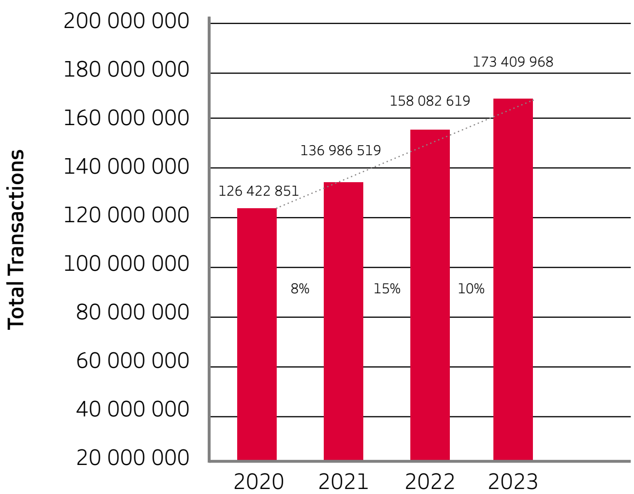
Provinces that are holiday hotspots and non-holiday provinces alike saw a decline in visits except for Gauteng.

1. Volatile consumer spending

During the December 2020-2023 period, total consumer spending in rand value and the total number of transactions show a positive trend, albeit fluctuating. The December 2023 rand value regressed and grew by only 5% compared to December 2022's 10% growth. Both years' growth is primarily attributed to inflationary pressures from the food category, which has a 50% market share in consumer spending. Whereas the 31% growth observed in December 2020 was primarily due to the easing of lockdown restrictions and consumers being able to spend the funds they had saved during lockdown. Lockdown restrictions fuelled the surge in eCommerce, driving consumer spending up, resulting in a year-on-year increase in the volume of transactions.



Graph 1: Total consumer spending in % change over December 2020-2023
Source: Absa Merchant Spend Analytics



Graph 2: Total number of transactions over December 2020-2023
Source: Absa Merchant Spend Analytics

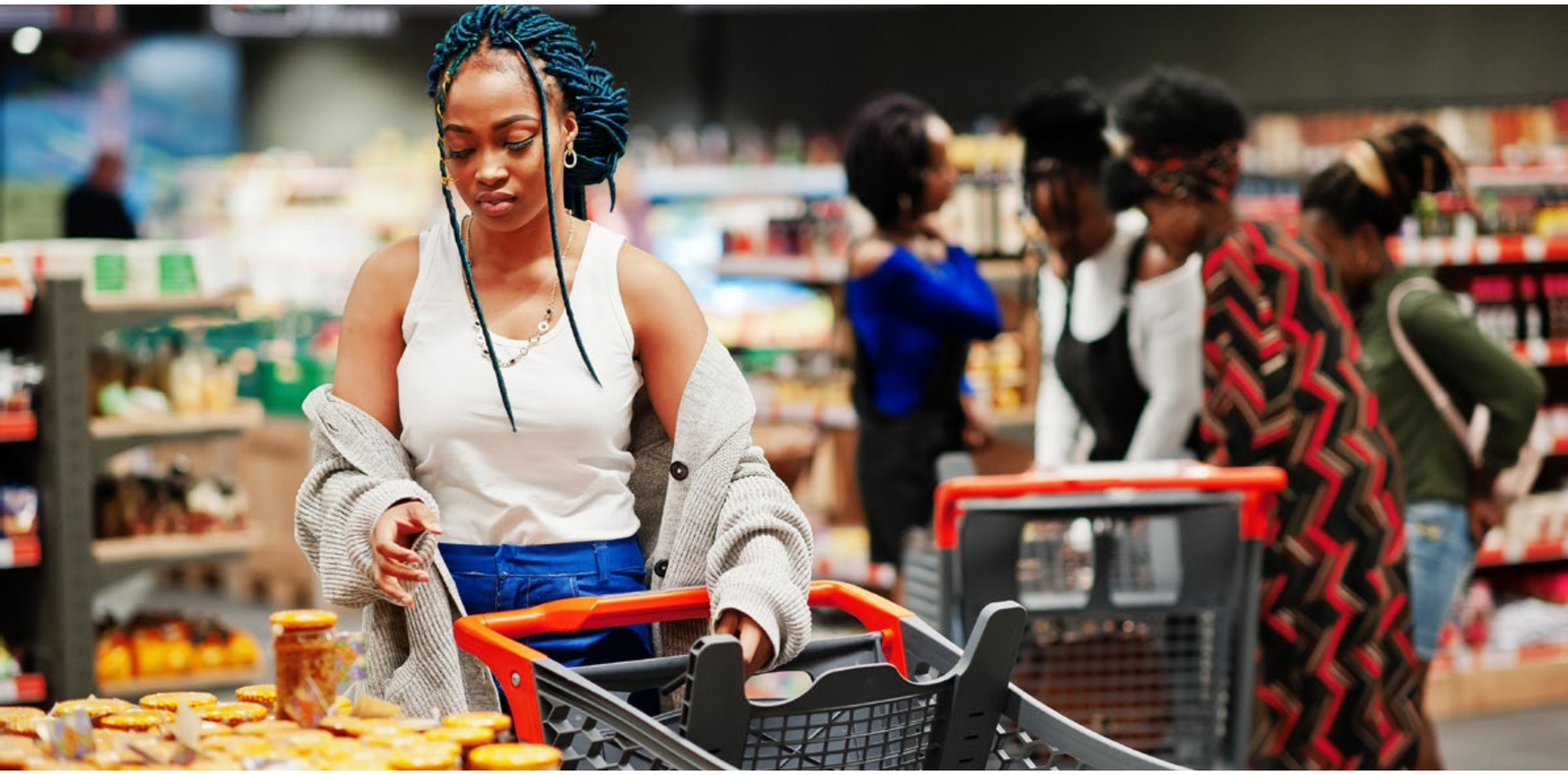
2. Market share

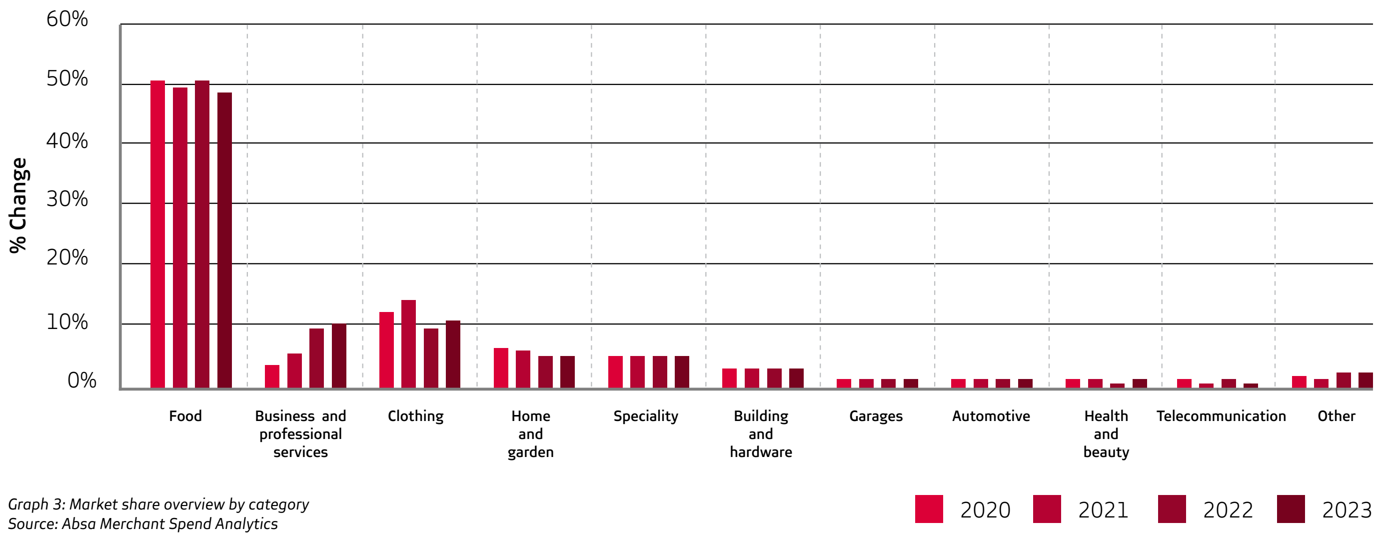
The consumer spending landscape has changed since December 2020 when the top three categories in consumer spending were food, clothing, and home and garden. Fast forward to December 2023 and the top three categories are now food, business and professional services, and clothing, as depicted in Graph 3 below.

Food and clothing, traditionally strong contenders in consumer spending, seem to be experiencing instability due to inflationary pressures and consumers' shifting priorities. The food category is showing a slight downward trend. As of December 2023, it owns 48% of market share, which is a drop from 50% in December 2022.

Faced with high food inflation, some consumers are turning to local informal markets for affordable food options. Clothing once peaked at a 16% share of the market in December 2021 and now has a 12% share for December 2023.

Exhibiting consistent growth since December 2020, the business and professional services category increased its market share from 6% to 13% in December 2023. This growth has propelled it into second place, surpassing the previously dominating clothing category. This category consists of legal services, insurance sales, and personal and business services.



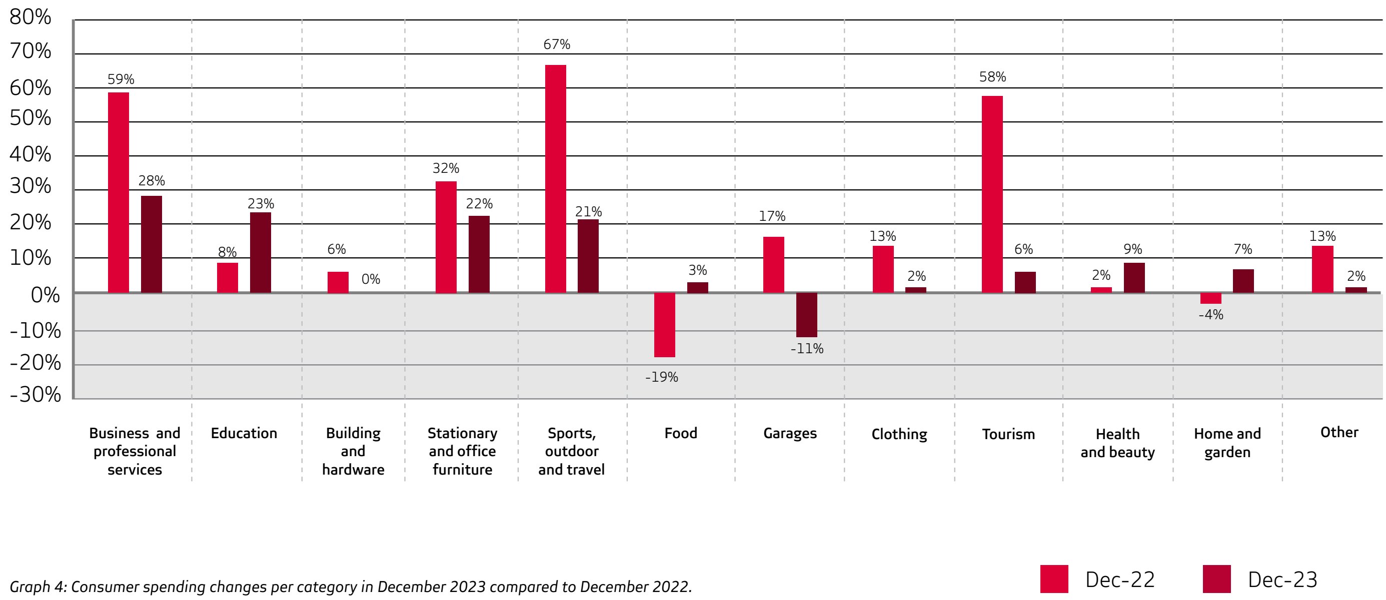


Graph 3: Market share overview by category
Source: Absa Merchant Spend Analytics

3. Essentials took precedence over leisure (December 2023 vs December 2022)

December 2023 witnessed a marked change in consumer behaviour with a preference for essentials due to consumers prioritising their needs instead of the usual leisure enjoyed in this period. Leisure activities such as sports, outdoor and travel, and tourism saw a significant downturn compared to December 2022. In addition to this, the health and beauty category grew in this period. According to Statista's Consumer Trends in Action Report, the growth in the health and beauty industry is being driven by consumers under 40 who are advocating for self-care and this will be a growing trend in 2024.

Against the backdrop of December 2023, when a reduction in consumer spending was observed, education spending surged. Spending in this category increased by 15% compared to December 2022 as savvy consumers prepared for back-to-school. This pullback may suggest that consumers are shifting their purchasing behaviour by taking advantage of Black Friday deals and doing their festive season shopping in November. This is in addition to the economic pressures that consumers are facing.

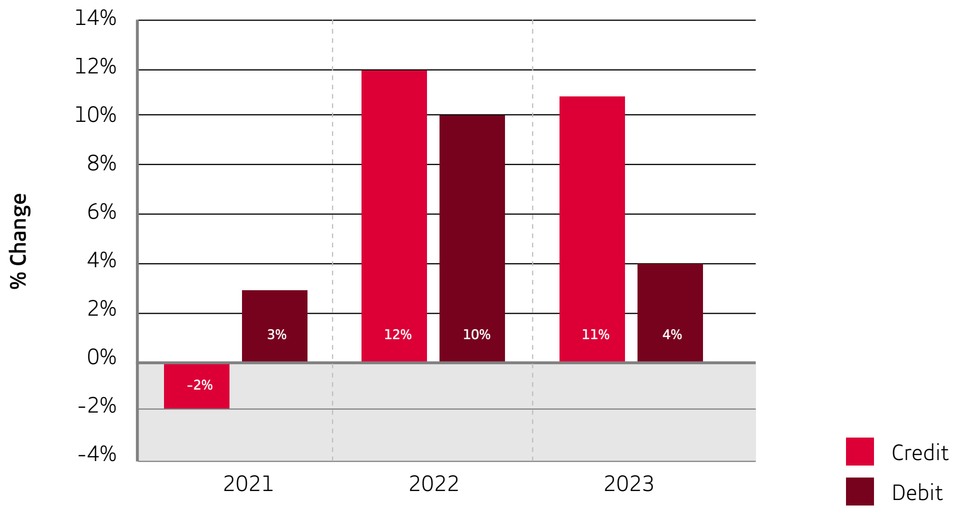


Graph 4: Consumer spending changes per category in December 2023 compared to December 2022.

4. Credit and debit card use

Consumers are increasingly using credit cards to manage their purchasing power in the face of inflationary pressures and shrinking disposable income as depicted in the graph below. An analysis of card payment data reveals an unstable trend in credit and debit card use, however, the growth rate for credit card use remains above that of debit cards. While credit card spending exhibits a higher growth rate, debit cards account for most of the purchase value in rand.

Despite the increase in credit card use, TransUnion reported a decline in new credit card insurance. This could be attributed to the current high interest rate environment and the inherent high interest rates associated with credit cards. The surge in credit card use could also indicate a trend of consumers transferring funds from debit cards to credit cards to benefit from the attractive rewards offered for using credit cards.



Graph 5: Total credit and debit card spending for December 2021, 2022, 2023.
Source: Absa Merchant Spend Analytics

Festive season travel and retail activity

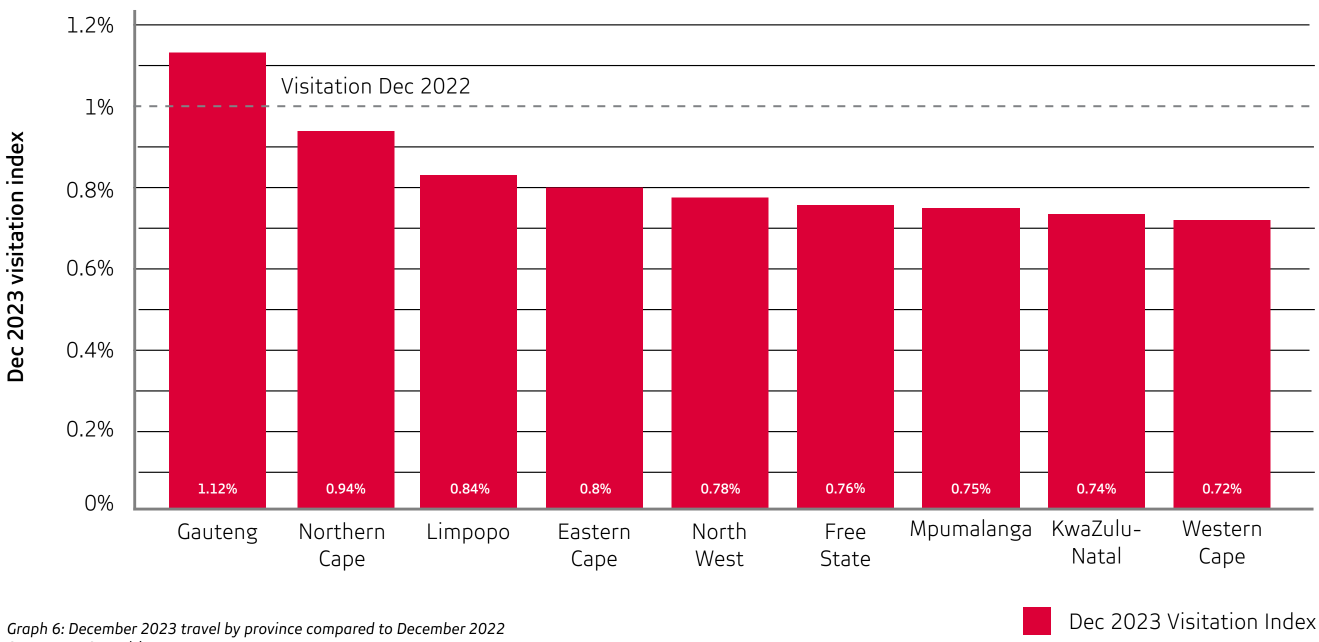
Comparative analysis between December 2023 and December 2022

1. December 2023 travel by province

During the December 2023 period, all provinces saw a reduction in visits except for Gauteng, which experienced a 12% increase compared to December 2022 as depicted in the graph below. Popular holiday destinations, KwaZulu-Natal (KZN) and the Western Cape, had the highest declines in visitors.

The decline in tourism spending as shown in Graph 4 may be due to the declined travel during 2023. Consumers prioritised essentials over leisure activities during this period because of the current economic conditions.

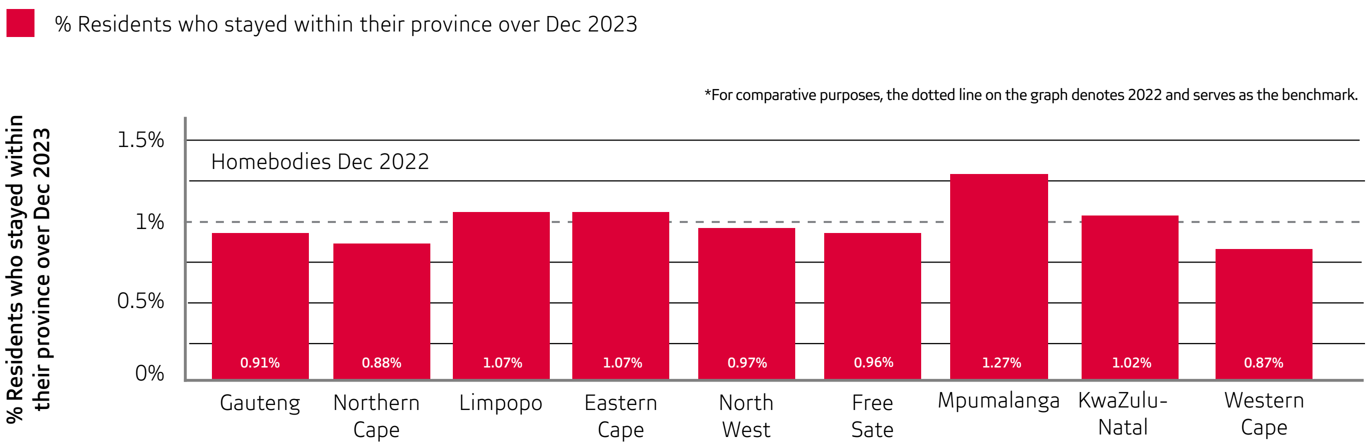
*For comparative purposes, the dotted line on the graph denotes 2022 and serves as the benchmark.



Graph 6: December 2023 travel by province compared to December 2022
Source: IRL Consulting

2. Non-travellers during December 2023

North West, Mpumalanga, Free State and Gauteng all showed increased proportions of residents remaining in the province during December 2023, with Gauteng residents being 30% more likely to stay home than in 2022. The Western Cape, Northern Cape and Eastern Cape were observed to be ±13% more likely to travel interprovincially during December 2023. High fuel costs and the general economic conditions may have encouraged consumers to stay home.



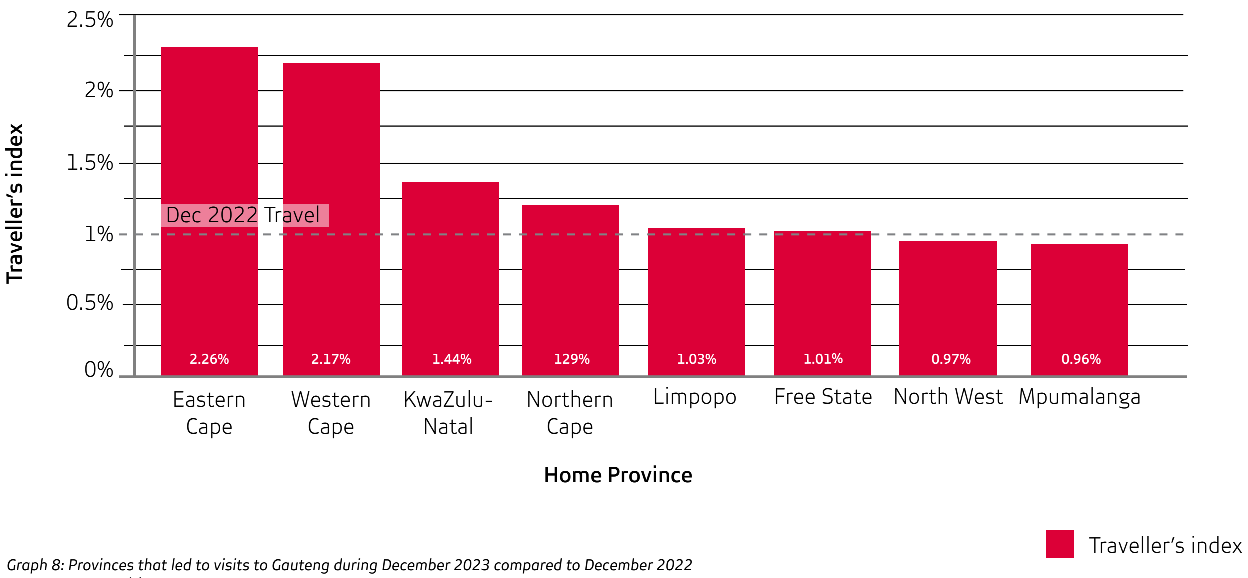
Graph 7: Residents who stayed within their provinces during December 2023 compared to December 2022
Source: IRL Consulting

3. Where did visitors to Gauteng come from in December 2023?

Traditionally, Gauteng is not a holiday destination for the festive season. This seems to have changed for December 2023, when a higher proportion of individuals chose to stay in the province, with residents from other provinces showing a higher propensity to travel to Gauteng. These numbers may be slightly inflated due to a lower base of visits in December 2022. In Graph 8 below, it is more important to note that increased visits came from all provinces, except for the North West and Mpumalanga.

On 8 December 2023, the Gauteng province launched a campaign to attract more visitors. The campaign, named Festive Summer ena'lento eGauteng, positioned the province as an entertainment and leisure destination. This campaign had activities planned across the province from cultural activities to township tourism, which attracted visitors from across the country.

*For comparative purposes, the dotted line on the graph denotes 2022 and serves as the benchmark.

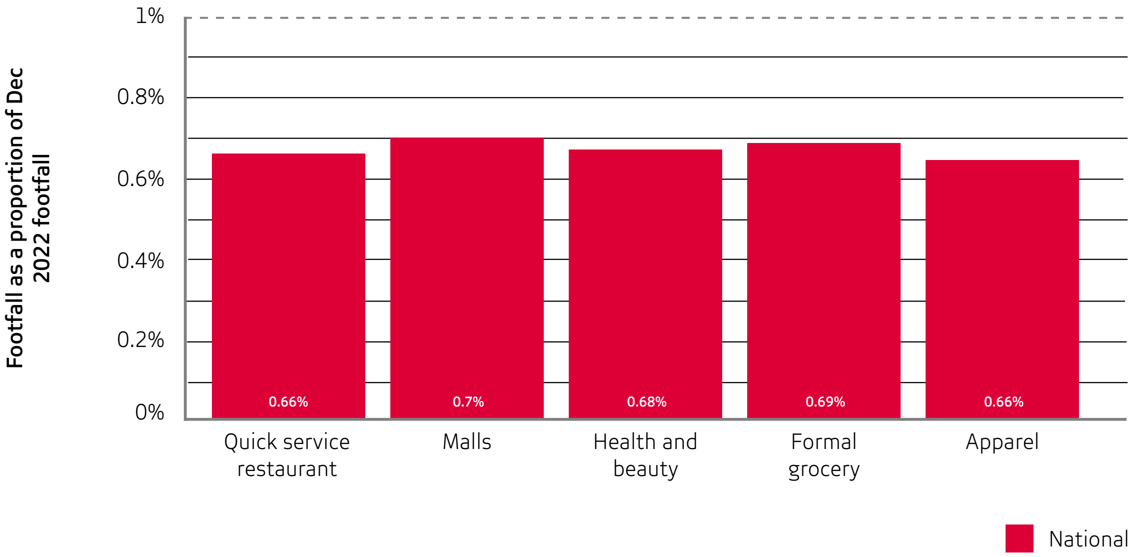


Graph 8: Provinces that led to visits to Gauteng during December 2023 compared to December 2022
Source: IRL Consulting

4. National visits by retail category

December 2023 saw a downward trend across all retail categories compared to December 2022. This aligns with muted growth in consumer spending, as depicted in Graph 9. According to data insights provided by IRL Consulting, Black Friday season 2023 may have given consumers the opportunity to adequately stock up on groceries for the festive season, which could have resulted in less frequent visits to shops through the December 2023 period. eCommerce may have also aided in consumers not being seen in the shops to the same degree as in 2022.

*For comparative purposes, the dotted line on the graph denotes 2022 and serves as the benchmark.



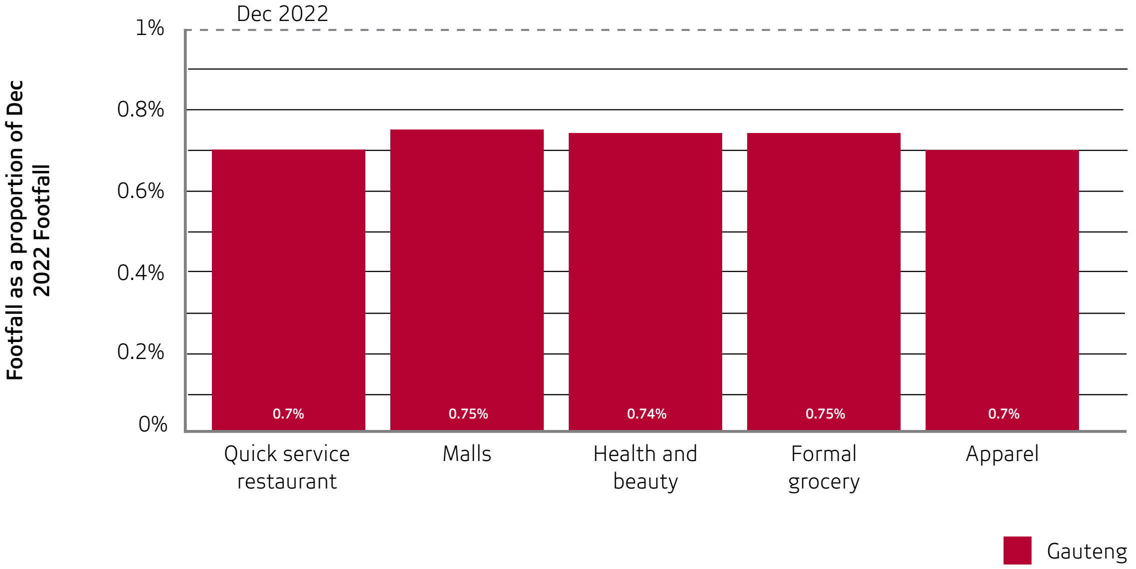
Graph 9: December 2023 national visits by retail category compared to December 2022
Source: IRL Consulting

a. Visits by retail category: Gauteng, Western Cape, Eastern Cape and KwaZulu-Natal

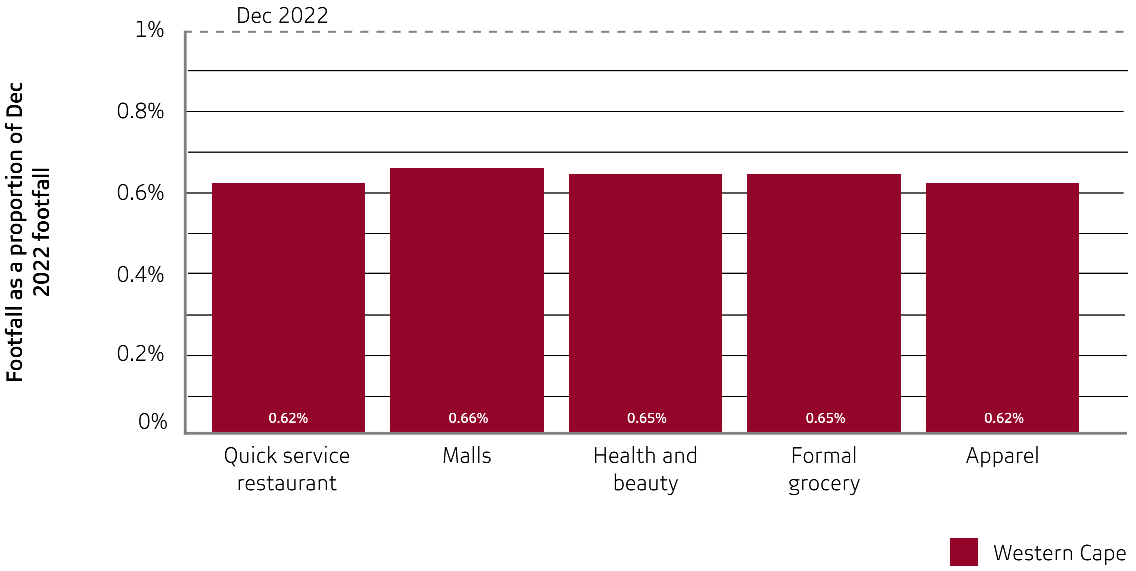
In line with the national trend depicted in Graph 9, all four provinces experienced a decline in visits across all retail categories during December 2023 when compared to December 2022 as depicted in the graphs below.

Although Gauteng experienced an uptick in overall visits from outside the province, this did not translate into an increase in foot traffic to retail outlets.

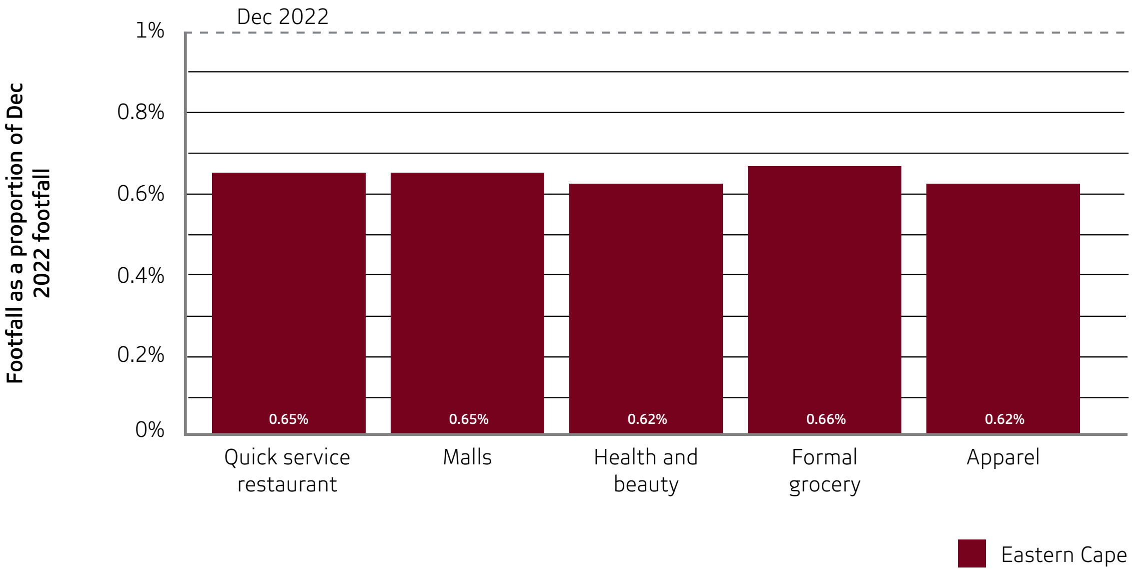
*For comparative purposes, the dotted line on the graph denotes 2022 and serves as the benchmark.



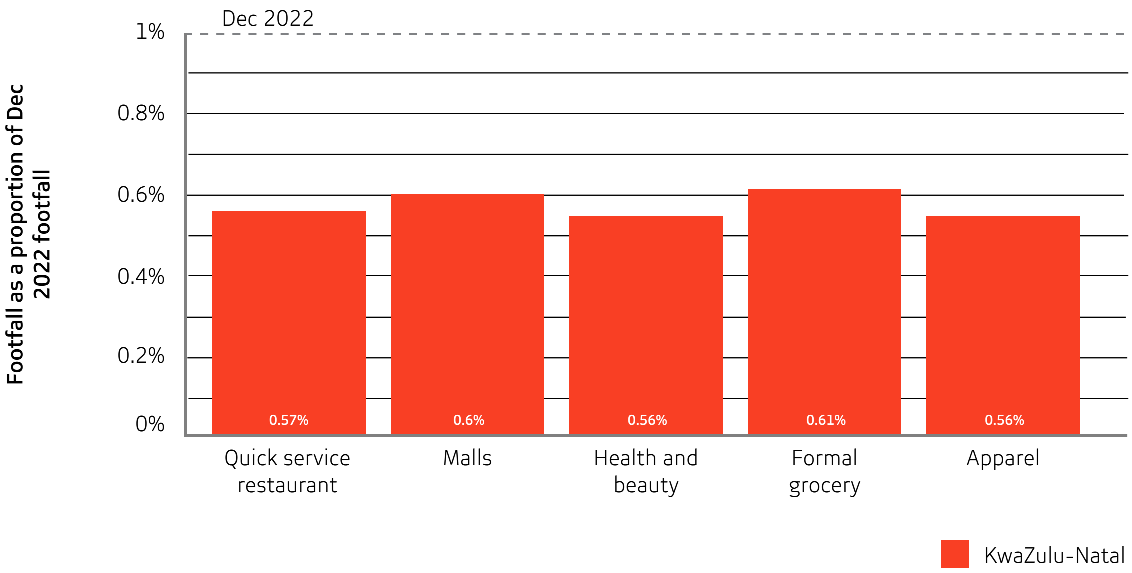
Graph 10: Visits to retail categories by consumers in Gauteng



Graph 11: Visits to retail categories by consumers in the Western Cape



Graph 12: Visits to retail categories by consumers in the Eastern Cape



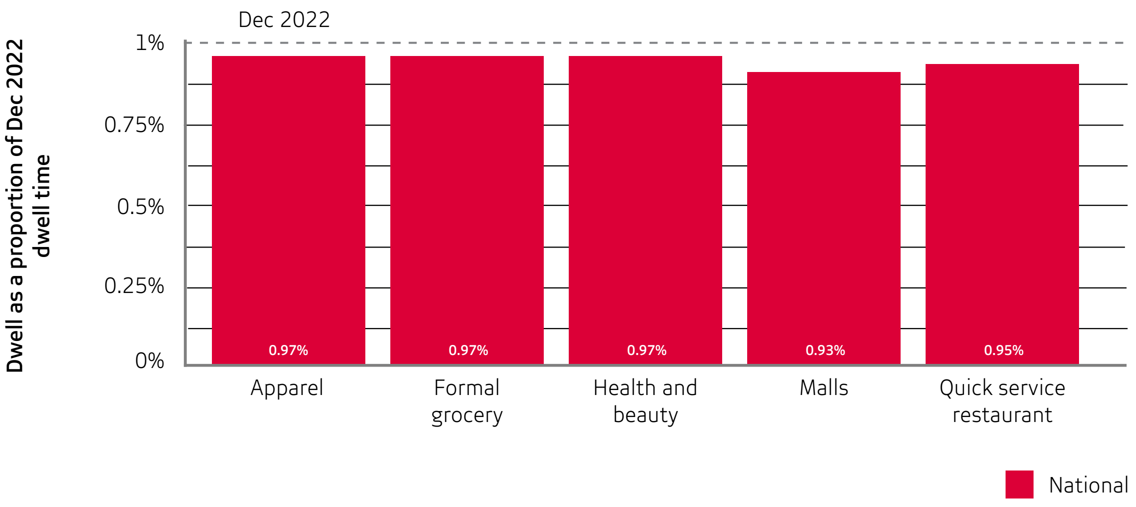
Graph 13: Visits to retail categories by consumers in KZN

5. National dwell time and frequency by retail category

Nationally, dwell time for consumers in each of the retail categories is down for December 2023 when compared to the same period in 2022. This may be due to lower levels of load shedding during December 2023, which would have aided retailers in servicing customers faster throughout the month. The drop in visits to retail outlets may have allowed consumers to move with more ease around the stores, further contributing to lower dwell times. In Graph 15 (See page 15), shopper frequency has also marginally dropped. The increased use of online shopping may have contributed to lower shopper frequency.

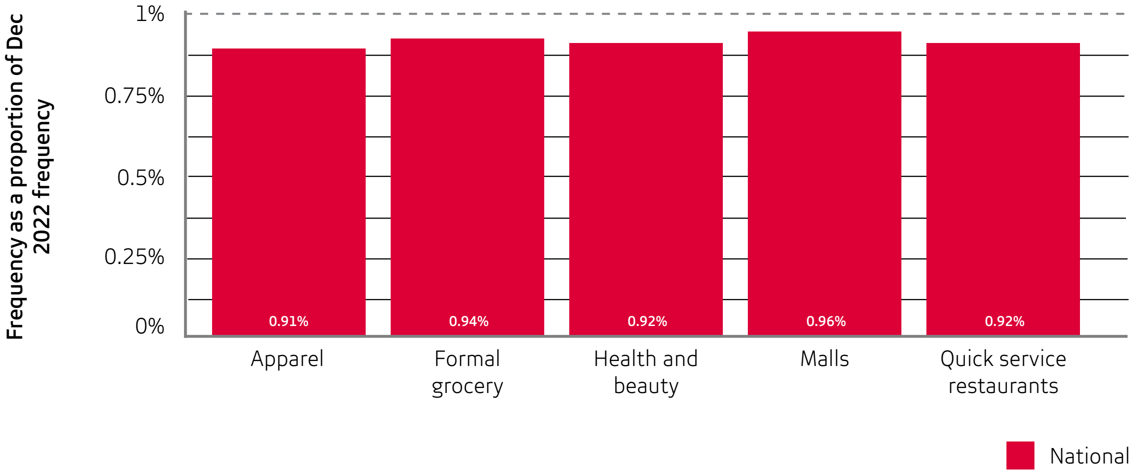
Dwell time

*For comparative purposes, the dotted line on the graph denotes 2022 and serves as the benchmark.



Graph 14: Dwell time in December 2023 across retail categories compared to December 2022
Source: IRL Consulting

Frequency



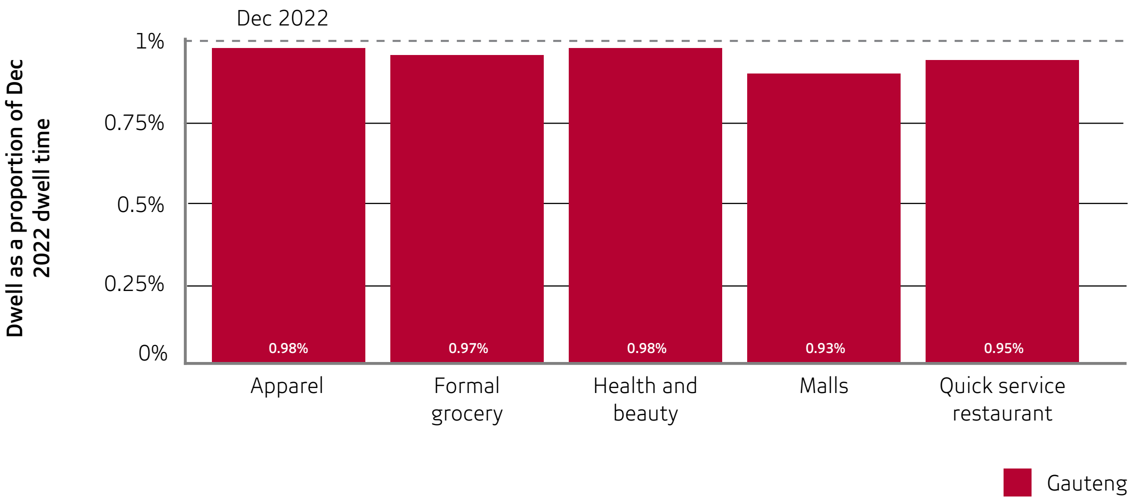
Graph 15: Shopper frequency in December 2023 across retail categories compared to December 2022
Source: IRL Consulting

a. Dwell time and frequency by retail category: Gauteng, Western Cape, Eastern Cape and KwaZulu-Natal

The following graphs show dwell time and shopper frequency during December 2023 compared to a similar period in 2022. Overall, dwell time and shopper frequency are in line with the national trend and show a slight downward trend in each of the retail categories in the four provinces during December 2023.

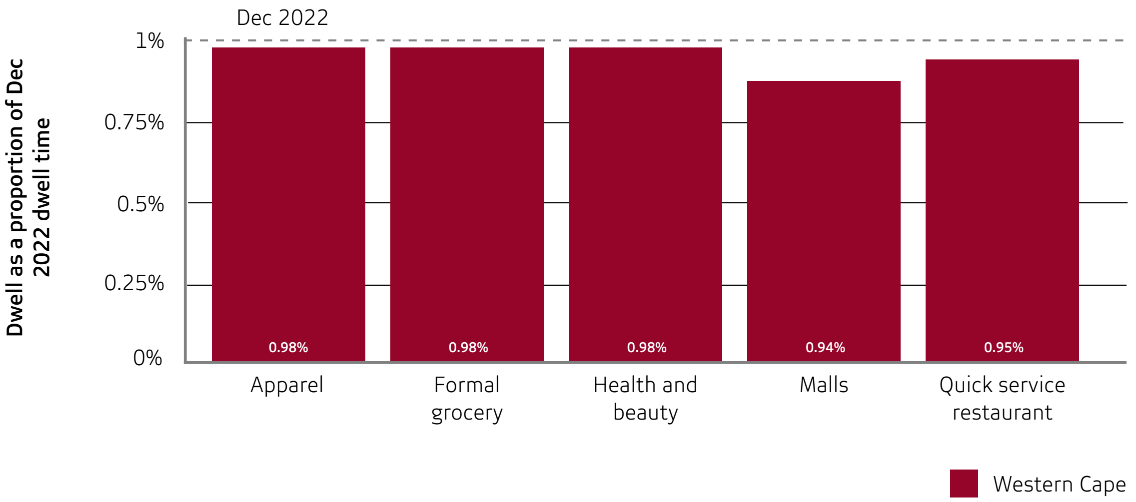
Dwell time

*For comparative purposes, the dotted line on the graph denotes 2022 and serves as the benchmark.



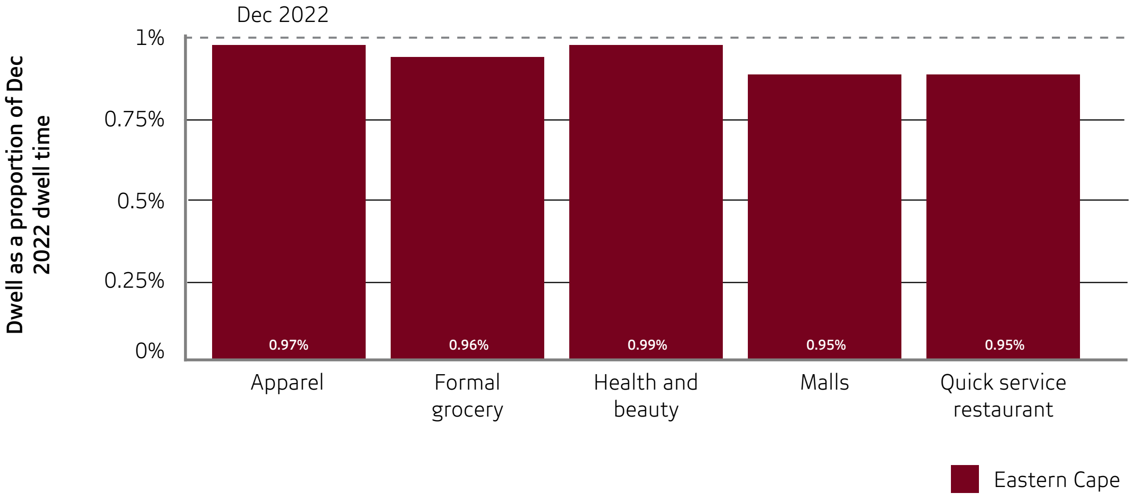
Graph 16: Dwell time in retail categories by consumers in Gauteng
Source: IRL Consulting

Dwell time



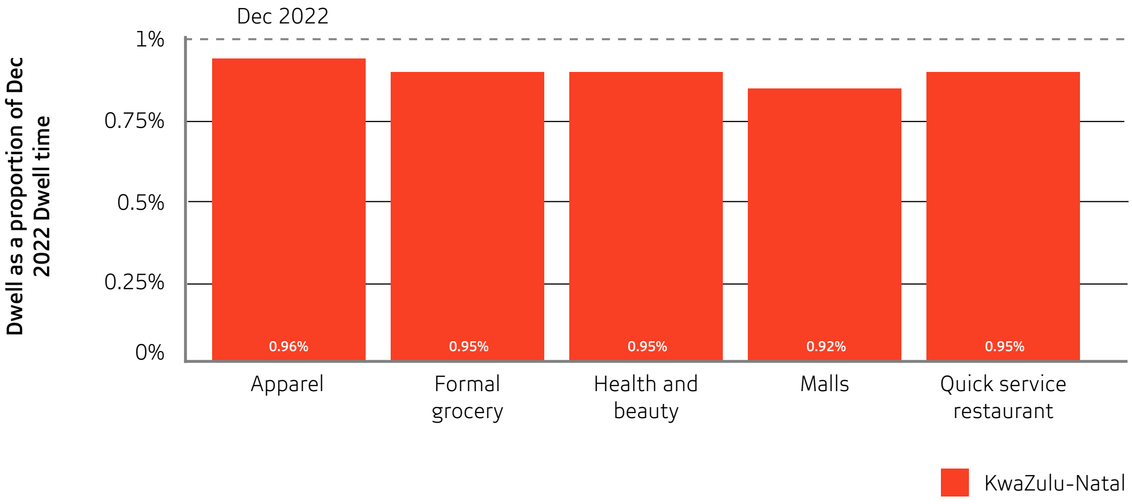
Graph 17: Dwell time in retail categories by consumers in the Western Cape
Source: IRL Consulting

Dwell time



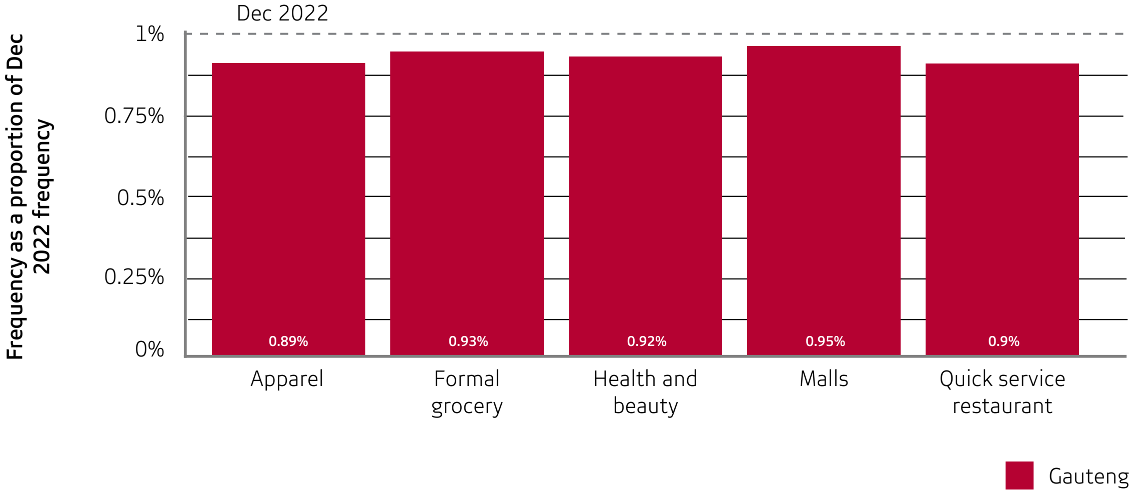
Graph 18: Dwell time in retail categories by consumers in the Eastern Cape
Source: IRL Consulting

Dwell time



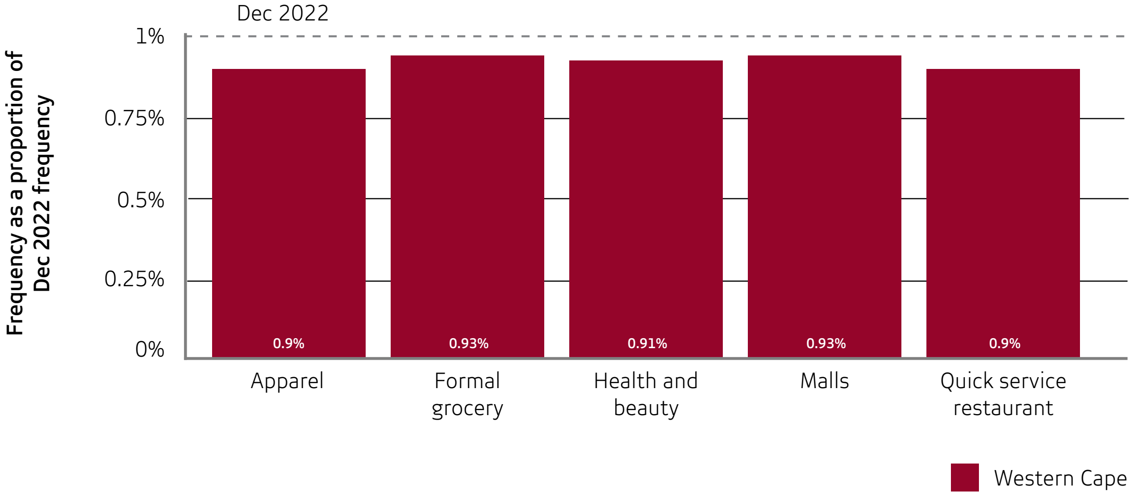
Graph 19: Dwell time in retail categories by consumers in KZN
Source: IRL Consulting

Shopper frequency



Graph 20: Shopper frequency to retail categories by consumers in Gauteng
Source: IRL Consulting

Shopper frequency



Graph 21: Shopper frequency to retail categories by consumers in the Western CapeSource: IRL Consulting

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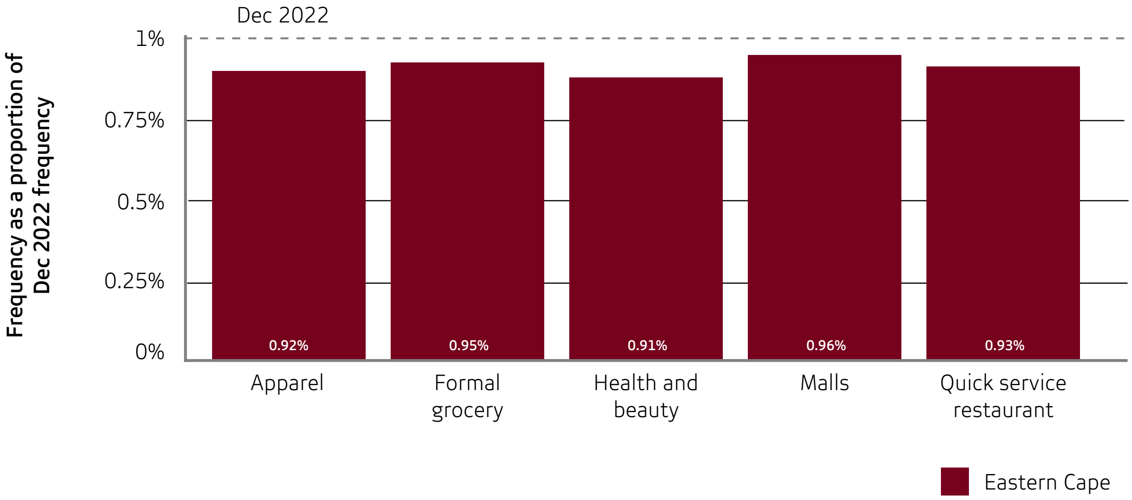
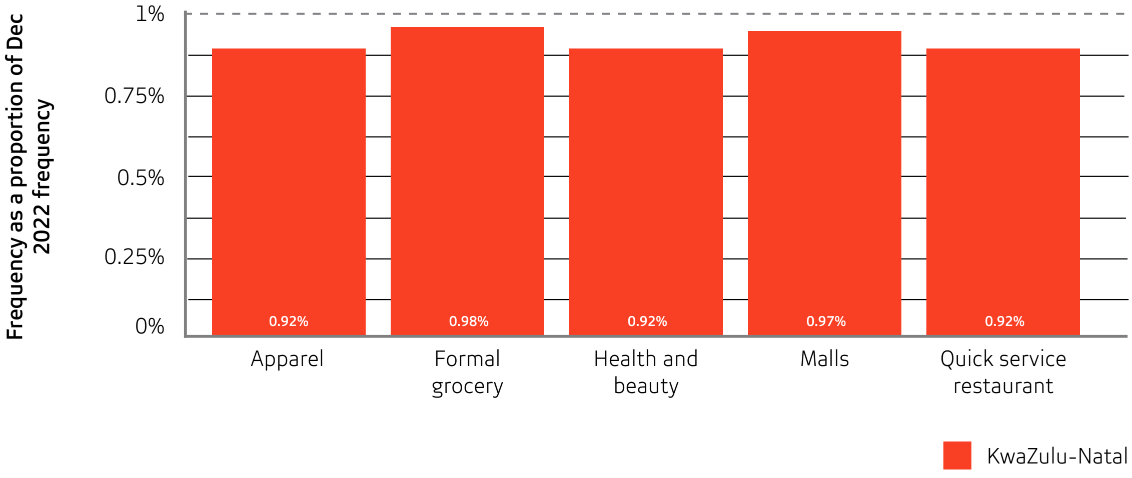
Shopper frequency



Graph 22: Shopper frequency to retail categories by consumers in the Eastern Cape
Source: IRL Consulting

Shopper frequency



Graph 23: Shopper frequency to retail categories by consumers in KZN
Source: IRL Consulting