

Have retailers trained SA consumers to shop on sale?

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Plus five tips for local retailers to drive full-price purchase

Introduction

Thanks to retail promotions – an area in which South Africa is fast catching up to the trends of the United States and Europe – there’s a growing sentiment among value-conscious SA consumers that there’s no need to buy full-price merchandise, because it’ll be on sale next week. Retailers are ‘training’ shoppers, creating an apparent monster. But is there a happy middle ground? And how do we find it?

Where are we at?

Recession or no recession, South African consumers love to shop. It’s an activity for the whole family, providing upliftment, release and even ‘retail-tainment’. We have the sixth highest number of malls in the world, according to Moneyweb (2015). And one in three South Africans – 11.5 million in total – agrees with the statement, “Shopping makes me feel that my life is worthwhile.” (AMPS, 2014).

Granted, big-ticket items like homes, cars and furniture aren’t selling as quickly or as much as they once were, but many retailers are still performing well. “Clicks’ results are excellent,” says Mike Schüssler (economists.co.za). “Cosmetics are going through the roof.” What’s more, Woolworths Clothing and General Merchandise sales increased by 8.2% over the 52 weeks ending June 2016 (sharebox.co.za).

The art of the deal

And everyone loves a deal!

MIT has proved that the brain experiences actual pleasure in pursuit of a bargain (theatlantic.com, 2015), and this ‘deal addiction’ could be part of the reason for increased promotional pressure in SA’s retail environment over the past three years.

This comes at a time when consumers are feeling the financial pinch, so there’s huge competition for share of wallet, and ‘fast fashion’ and online retailers are cashing in. As a result, local shoppers, who are value-conscious anyway, have learned to recognise a good deal when they see one – and to look for one when they don’t.

Global pressure

In addition to the emergence of fast fashion retailers with strong value propositions, *and* the rise in online retail and its ‘always-on’ promotions, the quest for a good deal can also be attributed to exposure to highly promotional global brands like Amazon.

Going so far as to adopt ‘Black Friday’ and ‘Cyber Monday’ sales, SA retailers have begun to test a range of different promotional techniques, many of which also appear as ‘always-on’ or non-seasonal. Makro, Clicks and Woolworths, for instance, have run successful ‘3 for 2’ promotions on key items, as well as promotional pricing programmes in which cardholders get discounts for bulk or multi-buys.



Waiting for the sale

What's worrying is the growing sentiment among shoppers, regardless of their disposable income, that there's no need to buy full-price fashion merchandise, because it's likely to go on sale soon. Consumers are waiting to be promoted to.

This could turn out to be dangerous for the market as a whole. Why? Because if retailers rely on sales to drive traffic and increase spend at a time when retail sales are under pressure, there might be a dangerous race to the bottom.

It is even more worrying when promotions fail to attract *new* shoppers or to motivate an additional, or bigger shop, from *existing* shoppers. In these cases, all retailers have achieved with the sale or promotion is the discounting of existing behaviour.

Getting it right

So how can retailers get SA consumers to pay full price for merchandise, or even fork out a premium for exclusive and upmarket goods? Here are five tips:

1. **Newness.** Our market is hungry for fun, fresh experiences. There may be something to learn from US chain TJMaxx, whose success has been partly attributed to selling 'new, not sale' items. Consumers have a chronic 'fear of missing out' (FOMO) and love new stuff even more than last month's stuff, discounted.
2. **Clarity of purpose.** As McKinsey & Company recently highlighted in a report on SA consumers (July 2016) retailers must give consumers compelling reasons to shop, but they shouldn't "...try to differentiate themselves in every possible dimension... rather only one or two." H&M, for instance, offers consumers the latest fashion at extremely competitive prices – a winning formula.
3. **Soft sell = hard sell.** Shopping is an emotive experience, often dominated by emotional choices and behaviour. Lots of conversation takes place before, during and after a purchase – with compliments shared, tips given, and moments created that the consumer will forever associate with his/her favourite items and brands. Retailers that offer their consumers a sense of social currency really stand out (the success of John Lewis's penguin, Monty, is very well documented).
4. **Storytelling.** Design credentials and 'colabs' also enjoy great success, earning brands the right to demand a premium due to implied value. As do exclusives. Consider Nike's limited-edition 'Quick Strike' ranges, which sell out in mere days.
5. **Experiences.** South Africans – 32% of whom shop for pleasure at least once a month, says AMPS (2014) – appreciate great shopping experiences that are not only easy but also enriching and exciting. It is great to see the reintroduction of coffee and cafés into department stores, once again making them a destination shop.

The bottom line?

Retailers, to convince indebted South African shoppers to pay full price for your products, I suggest that you keep the newness coming, present very clear value, offer social currency to build an emotional connection, and ensure that the shopping experience is uplifting. After all, the search for the deal isn't going anywhere.

Fortune magazine says, "The lure is the serendipitous discovery... you're shopping for adventure and exploration. [This] is simply called the treasure hunt (2014)." That's not going to change any time soon, so you would do well to learn to work with it.

ABOUT THE AUTHOR

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