Retail trends: Now is not the time to put your head in the sand

By Mike Smollan

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At the end of last year at the GIBS South African (SA) Retail Industry Conference the consensus was that innovation, flexibility and agility would be in the driver's seat this year.

Source: © 123rf 123rf One of the current trends in retail is that with the increase in loadshedding, many people are visiting malls for the promise of electricity

Already six months into a packed year, those three drivers remain as relevant, and the benchmark for competitive advantage that keeps our pencils sharp.

So too, finding the balance in delivering value versus profitability as well as sourcing locally, bedding down omnichannel strategies and preparing for the 'Amazon Effect'.

At the same time as building meaningful customer relationships, which includes amping up the shopping experience as well as finding the sweet spot in the split between instore and online.

Furthermore, where market players figure out new and exciting ways to allow consumers to browse, buy and save – to meet them wherever, whenever, and however they prefer to shop.

While at the same time, mindful of the fact that analysts are also predicting that consumers will slow down (inflationary concerns aside), buying less stuff and being more invested in understanding the product life cycle.

Where are we at and what can we expect

July is all about checking in.

To see where we're at and what we can expect for the remainder of the year as we keep up to speed with the changes in the SA retail landscape.

Just looking at the latest Stats SA, retail sales data reveals that sales fell for a fourth consecutive quarter in SA, a key cause of which has been the surge in retail price inflation – from 3.8% in March 2022 to 8.5% in March 2023.

A recent report from *Trade Intelligence* supports this, revealing that FMCG retail trade is under enormous pressure - however despite this, retailers are continuing to innovate, serve shoppers, and even turn a profit.

Coupled with the ability to disentangle major market dynamics from the clutter that is, supply chain disruptions, rising inflation and even the pros and cons of new tech.

At the other end of the scale, the enormity of the load shedding "issue" has long passed the stage of being a personal or societal inconvenience. It's now a question of suppressing economic growth and the revenues of businesses both large and small – increasing input prices, reducing trading hours, and flattening consumer demand.

Social commerce, personalised shopping experiences, the gaining momentum of the circular economy and growth of Private Brands will continue to find footing as the second half of the year unfolds.

Three trends

A recent article on www.iafrica.com highlighted an additional three trends as we look to Q3 and Q4, as observed by Conor Powell from CHEP Sub-Saharan Africa:

1. More "specials" – are seen as one of the few upsides of an economic downturn. Debt Rescue released a survey revealing that a staggering 84% of South Africans are bargain hunting for everyday essentials.

2. There is still room for shopper uptake in e-commerce – although the use of online retail markets in SA is expected to rise by 25% this year (Mastercard), that still only makes up about 5% of total retail categories.

3. Mall culture alive and well – with the increase in loadshedding, many people are visiting malls for the promise of electricity, WiFi and hot food – particularly in the colder months.

   Those visiting malls are now not necessarily there to shop for groceries, in fact they are more likely to spend their money on other items which is changing the way in which retailers are presenting their products.

Andrea du Plessis, a senior retail analyst with *Trade Intelligence* summed up the current climate saying, "What we're seeing is that South African retailers continue to innovate, even under enormous strain, and that most of them are performing quite well. The important thing for any business is not to put their heads in the sand as our current challenges are not going to go away in a hurry. Every business needs to stay informed."

ABOUT THE AUTHOR

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