

# Are SA's promo-hungry shoppers in a state of economic denial?

The latest NielsenIQ *State of the Retail Nation Report* has found that South African shoppers have halved the number of times they go grocery shopping in a month compared to their shopping behaviour before the onset of the Covid-19 pandemic (2019 vs 2022), but this has done little to dent spend on consumer packaged goods (CPG).



Source: Supplied

The *State of the Retail Nation Report* report findings reflect data measured over the four weeks to the beginning of September 2022.

Overall annual CPG sales measured R498bn in the latest reporting period - a 10.3% annual increase - while the latest month (to the end of August 2022) versus the same month last year, showed a 17.2% increase in value sales. This spike is due in large part to the current inflationary heightened price shopping environment as well as the base effect from the liquor ban last year.

## Promotions dominate sales growth

One of the most striking aspects of the report is the ongoing dominance of promotions. Of the top 20 product category leaders, only 20% are achieving organic sales growth versus the majority achieving increases through promotion-driven sales.

This is borne out by the NielsenIQ data which showed that 30% of FMCG volume product sales (number of items/units) are currently sold on promotion - a 2% annual increase. In the liquor category, 47% of the top 20 products are being sold on promotions which is up 9% from a year ago.

NielsenIQ South Africa MD Ged Nooy comments; "As brands look to gain share in the short term and assist in managing shelf inflation, we see higher and higher reliance on promotions to gain market share. The problem is that over-promoting drives down value perception resulting in disloyal promo-only buyers."

## Fewer trips to the shops

The latest data also shows that since 2019, the number of trips shoppers take to the shops in a month has halved, down from an average of six times a month to only three times a month (note: NielsenIQ includes online shopping as a shopping 'trip').

This behaviour was observed before Covid-19 but has become more noticeable due to the current increased cost of travelling to physical stores. When consumers do venture out on a shopping trip, they are visiting fewer shops but are adding more product categories to their basket and spending more per trip to make it count.

Another interesting trend is that shoppers are prioritising retailers with the best overall basket offer. As opposed to being overly focused on single-item promotions, they are looking for overall value.

## Top-performing manufacturers

In terms of producer performance, the NielsenIQ report includes a top 20 manufacturer ranking which shows that only four manufacturers in this list are seeing declines in sales value growth.

Out of the top 20 (excluding liquor manufacturers), the Willowton Group - which produces a variety of cooking oils - is showing the biggest annual increase in sales at 34%. This is understandable given the inflation experienced by this product category. Other top sales growth performers are Astral Foods and Premier at 25% and 24% respectively and RCL Foods at 13%.



### Food inflation a thorn in SA consumers' side

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## Inflation across the basket

Price increases remain an obvious concern with overall basket inflation sitting at 11% versus a year ago. This figure is calculated across 580 categories, weighted to their size in the basket. (NielsenIQ monthly inflation figures are based on the difference between rand value sales growth vs unit sales growth i.e. how much more consumers are spending in terms of rands paid per pack than they were the month before.)

- Cooking oil recorded 49% inflation (three-month average) however, this continued price pressure has seen a decline in actual units sold. Consumers have been forced to adapt their palate and usage patterns in the face of price pressures and this is now showing in reduced volume sales.
- Despite experiencing relatively mild inflation, long-life milk and sugar have also taken hits as has chilled processed meat, which is down 10% in volume sales.
- Fresh milk is another casualty of the inflationary environment despite having relatively low inflation.

- Bread continues to beat the curve with 15% volume growth over the last three months as does maize meal and the sales of energy drinks continue to soar.

## **Consumers living in a bubble?**

However, despite the all too obvious global and local financial pressures at play, including the fact that South Africa is technically in a recession, Nooy points out that this is not reflected in purchase behaviour.

“It seems as if consumers are in denial of the economic situation. The danger of this is that we’re living in a bubble. This will eventually burst and will create a crisis mentality amongst shoppers. As a result, price increases and a reduction of promotions driven by external factors could see significant volume impacts in 2023,” Nooy cautions.

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