

Don't discount low-cost retail in South Africa

By [Faheem Hoosen](#)

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For retailers, relevance is reflected in a mirror of realities that must be understood with respect and met with dignity, especially in a diverse market such as South Africa. Low-cost retailers do this well.



Boxer. Source: Fick n Pay Group

Discount supermarkets enable consumers to 'buy two', 'buy three', even 'buy more'. To 'shop now and save'. These retailers are often structured to provide goods to people through divisions that sell a broad range of products, from basic household goods and groceries to house-building goods. This retail category has spending power in and through what is called the kasi economy, which is said to be in the region of hundreds of billions of rands.

Lifeline for township consumers

From Boxer to Cambridge Food, low-cost retailers – more commonly called discount supermarkets – have a significant footprint in townships. And as major contributors to this market, they are a lifeline for almost half of South Africa's urban population, particularly as so many people battle unemployment and low household income. This is seen in both the consistent thrum of sales volumes and non-stop foot traffic through these stores.

These shops are integral to the future growth of this critical economy. Consider the traction shown by established kasi brands such as Boxer, which towards the end of 2022 opened its 400th store. Many of these spaces are also synonymous with routine and comfort for many people as they shop for supplies after a long week of very early mornings and equally late nights, travelling between work and home.

The community roots of these trusted supply stops are clear from a comment by Boxer Hebron Mall store manager Keamogetswe Mashaba [who said](#), "We're the community champion. We offer an 'all under one roof' service underpinned by a deep passion to be part of, and grow, our community."



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Convenience and price drive purchasing behaviour

One of the strongest foundations of the kasi market is that it is a cash-based economy in a shaky credit-based financial sector.

Another key trend and buying behaviour to note when it comes to this retail segment is highlighted in the [2022 Township CX Report](#). The study found that township residents put convenience first and foremost, strategically planning their shopping trips due to limited access to transport and associated costs.

This is important to keep in mind in terms of the harsh reality that at the bottom of the pyramid (BOP) in South Africa, an average of five to eight people can occupy one room in a house. As such, price over personal choice remains the ultimate decision-maker for the majority of consumers in the current context of shoestring budgets.

This point is unpacked in statistics from the Department of Employment and Labour that pinpoint the country's minimum wage, averaging R21.41/hour between 2019 and 2022. The heavy reliance on the informal sector for jobs, linked to this exceptionally low rate, makes for meagre household budgets that need to provide for many people.

Comparatively, the September 2022 report by Stats SA confirmed that the average salary in South Africa was R24,574, which also impacts trade volumes for this economic contributor segment.



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Rise of independent retail

Spaza shops, according to the report, are starting to compete more with low-cost retailers. The rise of independent retailers is key to consider as consumers turn to them for on-route convenience – and with growing levels of trust in supply. This shift, reflected in a 29% growth among spaza shops, has been driven in part by technology, as well as a growing preference to buy local products over and above known and trusted discount brands.

A further variable that impacts purchase decisions in this market segment, suggests [Retailing Africa](#), “is versatility - one product with multiple uses such as the sunlight brick soap, considered ideal for bathing, and washing clothes; or mielie

meal, which is an essential calorie-providing carbohydrates and can be had as either a porridge at breakfast; or the starch at supper time.”

Added to that, new shopping precincts and corridors are an area of interest for development in emerging markets such as South Africa. Whilst investment in this infrastructure remains unstable and slow on the uptake, nodes that integrate transport corridors with relevant retail spaces, have the potential to create new trade value for the likes of low-cost retail brands.

So while there is still significant work to be done to maximise high volume, low-cost trade growth, at the beginning of every day – not just at the end of the day – we must remain invested in discount supermarkets. It is with certainty that we know that their growth in market share will have a material positive impact on the growth of our economy.

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