

5 categories that could lead retail's recovery in 2021

While StatsSA's latest figures show retail trade [falling 3.5%](#) year-on-year from 2019 to 2020, continuing a 10-month downward spiral, South Africa's retailers are starting to show signs of adapting to the needs of the changing market.



Credit: Getty

Dov Girnun, CEO of alternative fintech lender Merchant Capital, says that although the sector has yet to recover from a combination of the country's Covid-19 measures and reduced consumer spending power, the company's collection data suggests the early signs of recovery in several key categories.

"We're starting to see South Africa's retail sector adapting to the reality of new customer preferences, lifestyle changes, the impacts of Covid-19 and technological developments. We believe the retail sector is on the mend, and will see greater recovery throughout 2021," said Girnun.

While the StatsSA report showed three of seven retail categories recording a decline in sales – with stores specialising in food and beverages decreasing by 33.6% year-on-year – categories like hardware, paint and glass had actually jumped.



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Merchant Capital's figures show five categories that could drive the retail sector's recovery this year as they adapt their businesses to the new operating reality, said Girnun.

1. Fuel

With more people working from home, the fuel industry has seen significant changes in fuel consumption – but has responded by finding new ways to attract revenue, said Girnun. This includes offering pharmacy goods, Wi-Fi access and electric vehicle charge stations at their forecourts.

"Fuel retailers are also using technology to innovate: Refuel is an app-based mobile business which brings fuel to you, for example," he said.

2. Hair and beauty

StatsSA's figures showed pharmaceuticals, medical goods, cosmetics and toiletries reporting a 3.3% year-on-year increase in December, in spite of people spending more time at home and using less makeup products.

"The focus of the industry has been redirected to self-care and wellness, resulting in a spike in these purchases. The hair and beauty industry is also embracing technology to offer immersive experiences like virtual reality 'try-ons', online masterclasses and tutorials," said Girnun.

3. Automotive

With South African consumers choosing to keep their cars for longer, businesses that help car owners maintain their assets are booming. One example of this is the recent surge in the number of car wash franchises, including environmentally-friendly operations and mobile and pop-up car washes, says Girnun.



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4. Clothing retail

While textiles, clothing, footwear and leather goods reported a 4% decrease year-on-year, the online retail industry grew by 40% during the Covid-19 lockdowns.

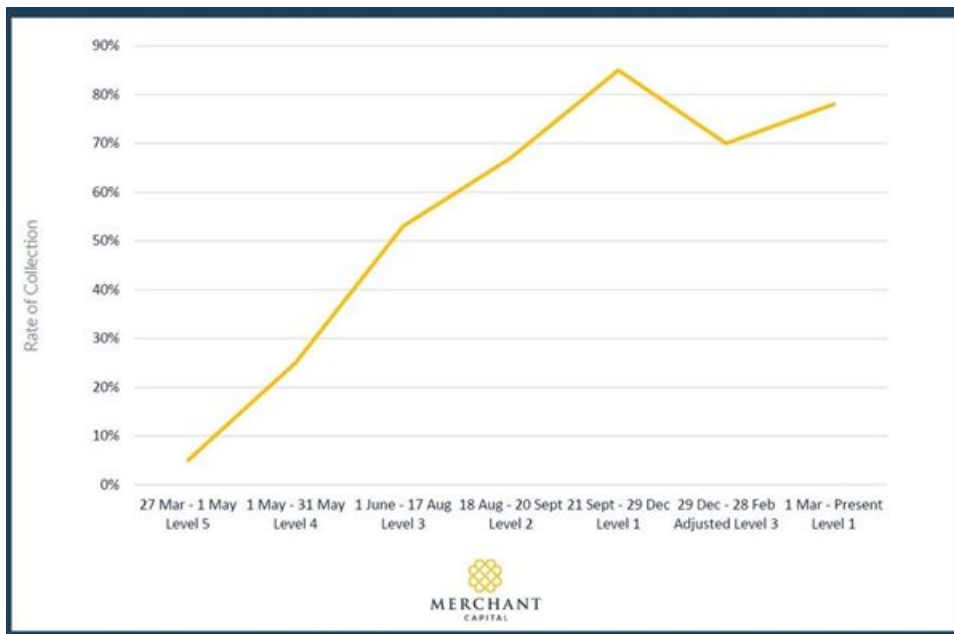
"As a result, clothing retailers have moved their focus online, in addition to their brick-and-mortar stores. Local brands are also championing the drive for 'sustainable fashion', as customers have fewer items of clothing, but keep them for a longer period," says Girnun.

5. Building and hardware

Hardware, paint and glass grew by 8% year-on-year in December, with home-bound consumers spending more on home improvement through DIY and household goods. "Building and hardware businesses have been quick to adjust their product lines to target this market," says Girnun.

What has their recovery looked like?

Merchant Capital's merchants work on a 'repay as you trade' system, where loan repayments are collected as a percentage of each transaction. The data below indicates levels of collections across the five industries through each stage of the lockdown. This clearly shows the implications of reduced turnover, as well as the impact of payment holidays and lockdown relaxations, says Girnun.



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