BIZCOMMUNITY

How SA's recession is impacting consumer spending

By Gareth Pearson

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With Stats SA reporting a 0.7% GDP decrease in the first quarter of 2017, the announcement we were all dreadiWith Stats SA reporting a 0.7% GDP decrease in the first quarter of 2017, the announcement we were all dreading finally came in June: South Africa was officially in a recession. For marketers and retailers, first thoughts have turned to consumers; will this economic fallout drag consumer spending down further and irrevocably change how and where consumers spend their money?

The short answer to both questions is no. I don’t believe retailers and manufacturers will see a significant change in consumer purchase behaviour in the coming months, simply because this has already happened.

When it comes to spending their hard-earned rands, South African consumers are savvier than we give them credit for. As food, petrol, power and other living costs have slowly crept up over the years, so consumers have been quietly adapting their purchase patterns accordingly in the background.

Recent shopper insights* reveal the full scope of these changes. Consumers are actively doing pre-shopping research either through broadsheets or online, and comparing retailers’ offerings to seek out the best value before even leaving the house. If competing stores offer greater savings on the products shoppers want, this is enough to compel them to move away from their preferred retailer and shop somewhere else.

Instore, consumers have made product substitutions and downsized on products they normally purchase. So consumers would rather buy multipurpose cleaners as opposed to many different cleaners for different uses, refill packs as opposed to original packs and frozen vegetables (which last longer) instead of fresh produce.

Best-loved brands get the boot

Behaviour changes also show best-loved brands have been swapped for cheaper brands and, increasingly, house brands. Many consumers have begun buying brands they previously chose not buy because of the perceived value these brands now offer in helping them save money.

However, brands are still perceived as a guarantee of quality and for some products, consumers will not compromise on buying manufacturer brands. Food products and items bought for special occasions – which provide an opportunity to impress, and maintain pretences by purchasing premium products from higher end stores – being two cases in point.

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Interestingly, where one would think consumers would buy in bulk to try net better savings, the research shows shoppers would actually rather buy single products instead of bulk items for immediate savings at the tills. They also prefer multiple smaller pack sizes where collectively these are cheaper than larger pack sizes, and would rather buy smaller quantities of a product where they are not prepared to compromise on the brand.

In some instances, consumers simply no longer purchase certain items, pointing to their extreme need for frugality in current market conditions. Bath foam and salts, branded body soap for kids, cheese spread, double ply toilet paper, ice-cream, manufacturer brand breakfast cereals, syrup and tomato sauce, for instance, have all been cut from the monthly shopping list.

Added to this, consumers have also changed the way they use these products in their homes to maximise usage and minimise wastage. This includes the alternative use of products, like using margarine in place of cooking oil and fragranced body lotion instead of perfume.

It’s obvious South African shoppers have intuitively responded to market conditions. With these trends set to continue for the foreseeable future, the real question marketers should be asking right now is how to consistently deliver the value consumers are so desperately seeking, to ensure it is their products that find their way into consumers’ hotly contested trolleys.

*Value shoppers will be seeking in 2017, BMi Research, September 2016

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Gareth Pearson, CEO and shareholder of BMi Research (www.bmi.co.za), is a market research specialist with particular focus in the industrial and FMCG markets in various sectors, including the retail market. He serves as a member of the South African Institute of Packaging's Regional Committee and is involved with the South African Packaging Council. Gareth was responsible for the merger of BMi Foodpack and Adcheck Research during 2008. Contact Gareth on tel +27 (0)11 615 7000.

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