

## No trimmings on this year's festive budget

Shoppers are likely to trim their budgets instead of opting for all the trimmings this festive season, according to research conducted for South African Council of Shopping Centres (SACSC) by Urban Studies. The survey gauged expectations of landlords, retailers and financiers for the season's Christmas shopping.

The 2015 festive season was spoilt for retail trade by the chaos of having three finance ministers in three days, in early December. Despite this, December 2015 sales increased by 8.4%, topping the R100bn mark for the first time. The research revealed that those surveyed were equally divided about whether retail turnover for December would be better or worse than 2015.



Amanda Stops

Commenting on the research, Amanda Stops, CEO of SACSC, says, "With the rapidly changing world of retail, South Africa's volatile political economy and our growing shopping centre market, we felt it was important to test the sentiment around consumers and their spending patterns during the retail's busiest time of the year. Consumer spending is a major contributor to South Africa's economy and while festive season retail sales look likely to grow at a better rate than in 2015; this will vary considerably across income groups and geographical areas."

### Black Friday sales growing trend in South Africa

Dr Dirk A Prinsloo of Urban Studies, reports, "Many feel that the impact of Black Friday will show an increase in November retail sales figures with the knock-on impact of a slight drop in December figures."

For the first time in South Africa, Black Friday was a major event 2016. "This trend will undoubtedly become more established in future, not as a better Christmas, but as an earlier Christmas."

"Some of those surveyed expect as much as a 20% increase in November sales and a lower growth in December sales figures. However, we will have to wait until February, when sales figures are released, to see how big the influence of Black Friday was on both November and December trade."

### Combined sales could be around R195bn

Prinsloo expects November and December 2016 sales will show growth to R85bn and R110bn respectively. Factors influencing this include the pressure on the economy, different shopper patterns, more new mall developments and increased competition, job losses and political uncertainty.

Respondents listed economic pressures constraining consumers as slow GDP growth, inflation, rising taxes, unemployment, job insecurity, electricity and water, toll roads and possible interest rate hikes.

Prinsloo points out that behind all these pressures are our volatile political environment and a lack of leadership. This is also driving the currency volatility of the Rand. "The last time that politics played such a prominent role in the economy was in the early 1990s."

## **How different income groups shop**

Respondents were also asked about the shopping behaviour of different segments of the market, revealing diverse spending patterns.

Lower income consumers will budget and focus on food and necessities, this festive season. These shoppers participated strongly in Black Friday specials. Many rural shopping centres are showing good turnover growth compared with metropolitan malls. Remittance money flowing to these areas from the metros is a large source of income.

The mid-market is under pressure with available credit already stretched and precious little extra money. They will find it difficult to keep their heads above water, financially speaking, in January and February. Moreover, if interest rates increase, the pressure will become even more severe. This has big impact for retail because this market remains the largest, single segment influencing retail spend.

The affluent are less influenced by pressures from the volatile economy, but not completely immune. They may spend less on overseas trips or shorten their holidays. It would be a mistake to think of this market as big spenders, cautions Prinsloo. "Often, this is not the case. They are more cautious with money." Affluent shoppers are only 10% of the market but contribute over 30% of total spend. Top-end shopping centres are performing well, and respondents were positive about the market.

## **Differences in geographical markets**

Local economies in different geographical markets also set to influence shopping patterns.

Mining areas and manufacturing towns are likely to see festive sales decreases, while northern provinces will see good results from an influx of additional disposable income from the metros. The outlook for retail in coastal areas is good. In addition, with people taking shorter holidays, there will be more people in Johannesburg and Pretoria to shop.

"However, some retailers expect lower sales across the country. These views vary depending on market segment, product and pricing. Fashion retailers have been under pressure since August 2016 and are likely to be down in sales. Even so, some South Africans will buy clothing as essentials instead of spending money on unnecessary items."

## **Other seasonal retail considerations**

The Urban Studies research also revealed that some retailers would have extra promotions while the majority of campaigns will not go beyond Christmas carols and tinsel.

Most property owners expect online shopping to have no impact on retail sales, with shoppers researching online but buying instore. Most retailers, however, are mindful of the impact of online shopping but foresee incremental growth.

Among the challenges faced at malls during busy shopping peaks, respondents listed problems with crowd control, shoplifting and stockpiling.

## **Looking ahead to 2017**

The research also revealed that the outlook for 2017 reflects mixed views ranging from optimism and uncertainty to downright bleak.

“Some retailers are not planning to open any new stores during 2017 and some landlords don’t foresee any real growth during the next year. Even though shopping centre developers are aware of the difficult times, they are still pushing new developments. Between 500,000sqm and 600,000sqm of new shopping centre space is under construction or in final planning stages.

“On the other hand, building plans passed have slowed down and banks are becoming more reluctant to fund developers. One of the big concerns in 2017 could be further job losses and an increase in unemployment well above the 27.1% at the moment.”

“There is fierce competition in some areas, such as Pretoria’s Menlyn, Brooklyn and Menlyn Maine as well as in Port Elizabeth, which will put pressure on centre performances in 2017.”

Those research respondents who were positive about 2017 still admitted that structural weaknesses, such as store sizes, layout, design, poor locations in-centre and dated appearances should be rectified.

“2017, if relatively stable, has been identified as the year most economic indicators will remain moving sideways, certainly until most of the uncertainties have been addressed and changed,” concludes Prinsloo.

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