

Dark times ahead for retailers as load shedding looms over the festive season

While initially anticipating festive retail sales would only grow marginally in 2014, Growthpoint Properties Retail Portfolio Divisional Director Stephan le Roux believes the added stumbling block of load shedding, which is often unscheduled, has become major obstacle for retail sales growth during this important season and the continuation of load shedding has made even slight growth for retailers, restaurants and malls unlikely.



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"Load shedding is having a severe impact on South African retailers this festive season. The situation is especially dire for restaurants where there is limited opportunity to recoup the lost turnover." While many restaurants cook with gas, often the safety systems governing the gas are electric and thus shut down the gas when the power is down.

He believes Eskom needs to consider the harmful effects load shedding has on the retail sector and that it should keep South Africa's malls switched on during peak shopping times. "Businesses and jobs depend on the season's trade. Many retailers are counting on festive season sales to keep their heads above water after a tough year.

He adds the very least Eskom can do is stick to its load shedding schedule so that shoppers can plan their retail trips accordingly and retailers can be confident and prepared that the power will come back on when it is supposed to.

2014 has been a tough year for retail, based on fortunes of the South African consumer, which have been rocky at best. "The South African consumer remains fragile and possibly worse off than a year ago. The protracted strikes in 2014 resulted in lower annual income for a number of families and unemployment remains high. While the expected reduction in the petrol price may bring some relief in time for the Christmas season, it will not be sufficient to translate to buoyant retail sales."

Delivery of couriered items outweighs post

With South Africa's postal fiasco, online purchases are still likely to be limited to couriered items. "Big-ticket electronic purchases and spoil-myself gifts are likely to dominate in the online shopping space this holiday."

He also cautions that festive sales are likely to vary from one shopping centre to another, depending on the market being served. He expects retail centres in Gauteng and Western Cape to outperform the rest of the country and sees shopping centres that cater to higher consumer demographics outperforming others. On the other hand, he believes those in mining areas and those in the Eastern Cape are likely to underperform.

Poor 2015 outlook

However, it is not only the festive season retail sales and online shopping that stand to deliver little growth. Next year is set

to be a dreary period for consumers and retailers alike.

"Retailers and retail property are likely to remain under pressure in 2015, especially as the effect of the failure of major retailers such as Elterines impacts over the next few months. In the absence of GDP growth, and facing a continuing tightening of credit extension to households, possible further strikes in the public sectors, the biggest employer in South Africa and imported cost pressures, the consumer will remain under tremendous pressure at middle and lower income levels."

The possibility of higher personal taxation, rising interest rates and ever-increasing medical costs, education and indirect taxes will weigh down on higher-income consumers' confidence and spending.

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