

# What is shaping grocery retail in South Africa - Part 1

By [Maryla Masojada](#)

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*In this two-part report, Trade Intelligence reveals the drivers and trends shaping grocery retail in South Africa in the short to medium term.*



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The overarching theme for 2018? The pace and rate of change. As 2018 begins, we find ourselves in a time where extreme economic pressure and the accelerating rate of technological developments are significantly influencing how consumers and shoppers behave, and shifting the demands made on those who supply or service them. We are racing towards a game-changing revolution in how products are made and sold, where and by whom.

These influencers, and the impact of South Africa's complex political and macro-economic environment, present a unique and fascinating picture. What is driving consumer goods retail strategy is twofold – behaviours driven by consumer demand (covered in this article) and those shaped by organisational 'back-end' profitability requirements of the retailers themselves.

On the consumer-demand front, there are four key drivers at play that are shaping consumer goods retail strategy and behaviours: value as a necessity, time is a luxury vs experience as a drawcard, living healthy vs nutritional deprivation, and ethical living.

## Value as a necessity

The impact of acute and growing economic pressure has in turn increased the pressure on retailers to bring the best-quality product at the best price to the complete spectrum of customers.

**Trend 1: Price warfare:** Having the cheapest price is increasingly the single determinant in the choice of shopping destination, and retailers are responding with innovative mechanisms in the race to demonstrate tangible value to shoppers – from loyalty points to cashbacks, multi-buys and BOGOFs.

The importance of the welfare wallet cannot be underestimated, and certain retailers depend heavily on the flow of social grant monies into the hands of their recipients. The acceleration of private label up the priority spectrum, from Shoprite to UMS, Pick n Pay to Jumbo, both as margin generator and competitor differentiator, is a clear expression of the hunt for margin and differentiation in a context of cash-strapped shoppers.



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## Time is a luxury vs experience as a drawcard

The demand for convenience by time-poor consumers continues unabated. The counter-balance to this? Consumers and shoppers will still spend time to have an experience instore.

**Trend 2: The rise and rise of convenience retailing:** The rise of the small store has significant implications for retail business models, supply chains and brand or product innovations. It is how these multiple drop-off points are cost-effectively served that will influence who wins.

How will large stores compete? 'Everything under one roof' will extend even further, with 'retailer as lifestyle partner' positioning and shopper experience being used as the drawcards. On the e-tailing front, South African retailers are on the road, with varying degrees of success. The challenge of the last-mile remains the inhibitor, although interesting innovation is underway, from township bicycle deliveries to click-and-collect solutions.

**Trend 3: Increased focus on optimising the shopper experience:** Expect further expansion of lifestyle-focused formats and products with next-generation stores, from Checkers Ballito to Pick n Pay Constantia emphasising in-store experience to attract shoppers and drive sales of high-margin lines. As Doug Stephens @RetailProphet says, 'the line between retail and hospitality will soon barely be visible. Experiences won't sell products. Experiences will be the product.'

Digital connectivity, augmented reality, virtual reality, artificial intelligence and blockchain technology are rapidly transforming how retailers and manufacturers engage with shoppers. Just the advent of scannable barcodes in the store or at home will transform how and from whom shoppers buy, held up only by how fast supply chain infrastructure can cost-effectively respond.



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## Living healthy vs nutritional deprivation

Healthy living is taking the developed world by storm. With ageing populations, and a global and local increase in consciousness around wellness of body, mind and soul, consumers have growing expectations of health and wellness products and services. The retail response ranges from increasing allocation of shelf space to healthy products to the continued expansion into pharmacy and wellness clinics.

At the other end of the continuum is nutritional deprivation – where, either through lack of awareness or lack of access to healthy food, consumers are nutritionally deprived. Although it is important to remember, no one knows better how expensive it is to be ill, than people who cannot afford to be ill.

**Trend 4: Retailer as 'lifestyle partner':** In the ongoing race to attract and retain the cherry-picking shopper, retailers will continue to expand their lifestyle services whether in healthcare, nutrition, beauty advisory services, parenting support or in hospitality and banking. The latter further facilitated by the explosion of cybercash, mobile payment technology and digital payment apps – from Woolworths to the informal traders of Durban's Warwick Triangle.



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### Ethical living

The world's population consumed 1.6 planets' worth of resources in 2015, a number reportedly set to increase. Clearly something has to give. Increased awareness of what ethical living means shows up across the retail landscape. The counter-trend of growing consumerism still prevails, particularly in less-developed markets; however, the shift to more ethical consumerism is accelerating.

**Trend 5: Sustainability as a competitive imperative:** There are those who 'get it' and those who don't. Previously the domain of the likes of Spar, Pick n Pay and Walmart Massmart, sustainability has become more pervasive. Shoprite, who once stated that 'we do sustainability when it is profitable', has now clearly articulated 'focus on environmental impact' as one of their eight key strategic focus areas – a clear expression of the recognition of the fact that doing 'sustainability' well (and the scope of what that covers) can see significant cost saving and margin-generating benefits.

**Trend 6: Community retailing as competitive advantage:** Building and investing in the community you serve ensures a healthy, financially viable customer into the future. Again, there are those who get it and those who don't. South African retailers and wholesalers are increasingly prolific in this area, and going forward, community retailing will increasingly underpin retailer and supplier shopper marketing strategy and activities.

**Trend 7: Ethical trading:** With the recent Steinhoff debacle, corporate governance and controls will tighten into 2018. The positive here is the improvement of accountability, while the negative is the restrictions this places on corporates who need to be light on their feet to effectively compete with independents.

In conclusion, when defining strategy in response to the market forces at play, grocery retailers and manufacturers will look at these seven consumer-driven trends in conjunction with the seven 'back-end' drivers of profitability, which will be detailed in part 2 of the Ti Retail Trends 2018 report.

The retail winners of the future will be those who adapt fast to escalating change, effectively balancing the consumer-driven demands and operational profitability drivers.

[\*Read #BizTrends2018: What is shaping grocery retail in South Africa - Part 2.\*](#)

### ABOUT MARYLA MASOJADA

Maryla Masojada is co-founder and MD of Trade Intelligence, South Africa's pre-eminent source of retail business research, analysis and capability building solutions. TI has been providing powerful insight commentary and profiles on the South African consumer goods retail landscape and its players to over 40 of SA's leading multinational and local consumer goods manufacturers, retailers and service providers, since 2004.

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