

‘Tis the Season to spend wisely

Leading up to the holiday season, South Africans are preparing to ditch the work shackles and enjoy a well deserved break. For some, this will include travel, entertaining, and purchasing of gifts. This increased expenditure creates a spike in retail sales which is significant, and of late has been a lifeline for retailers.



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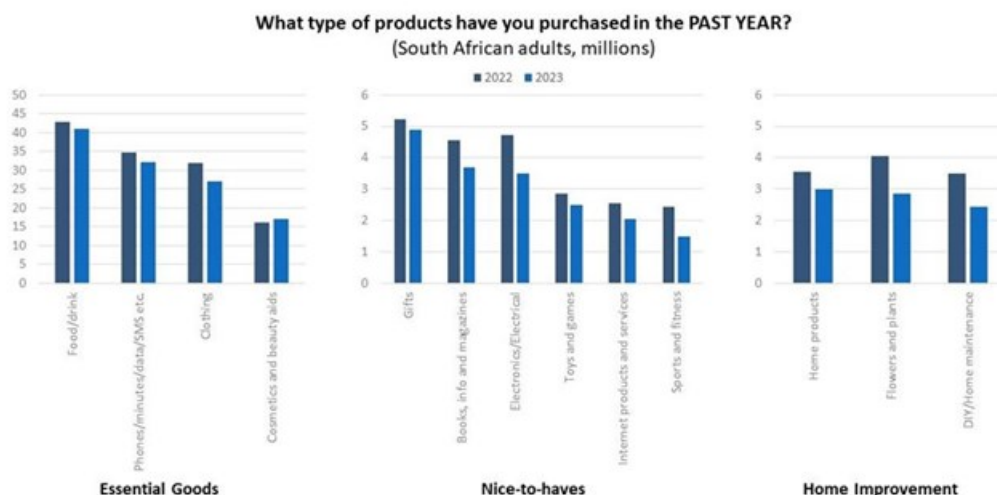
November, including Black Friday, Cyber Monday (and many retailers now pushing for a “Black November”) saw 2022 November sales 20% higher than the average monthly sales for the first 10 months of the year. December 2022 added a further 18% on November sales, according to StatSA.

Eighty20, a South African consumer analytics and research business unwraps how shopping behaviour has changed over the past year across retail categories.

According to MAPS research, top findings reveal significant shifts in consumer behaviour towards value-centric offerings in South Africa as the reality of our high unemployment, rising food prices, and additional expenses stemming from load shedding have collectively eroded household budgets. It suggests that this festive season could see more gifting without the glitter.

The number of consumers purchasing across all major categories has declined over the past year. Purchases on essential goods such as food, airtime, clothing and cosmetics have seen a relatively small 5% decline in customers purchasing year-on-year, while 'nice-to-haves' such as gifts, electronics, toys and games saw a much larger 20% decrease year-on-year.

Home improvement saw an even bigger decline at 25% although people spent quite a bit on their homes when they were forced to spend a year or more stuck in them in 2020/21.



Source: MAPS July 2022 to June 2023 & MAPS July 2021 to June 2022: What type of products have you purchased in the PAST YEAR?

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The Eighty20 National Segmentations divides all adult South Africans into eight homogenous groups and provides an interesting lens through which to look at purchase behaviour. While the overall number of purchases are down, they are not down across all segments.

What the data shows is that the poorer segments, Mothers of the Nation and Hustling Males are the most affected by financial constraints and have experienced a drop of 14% and 16% fewer purchasing customers respectively. Comfortable Retirees and Heavy Hitters, the two most affluent segments, are spending more, with the Retirees spending on home, hobbies and sports & fitness and the Heavy Hitters on essential items.

Although the essentials categories have been relatively stable over the last year, the clothing category has experienced a significant 16% decline in the number of purchasing consumers, according to MAPS. Consumers are moving to purchasing just essential clothing from stores offering value and are spending less at higher end stores.

Purchasing clothing for special occasions or gifts for others has also become less frequent. This festive season might be one where relatives will appreciate stocking fillers as gifts - that new pair of socks, underwear or deodorant that weren't so fondly received in previous years.

Clicks is an example of a retailer that understands these changes in buying trends and is expected to benefit from its 'stocking filler offering' such as fragrances, bath and body, confectionery, small electrical items and beauty.

According to Melanie Van Rooy, head of marketing at the Clicks Group, they are expecting modest double digit growth this festive season, although spending is likely to happen later than usual during the two weeks from 16 December leading to Christmas.

"Shoppers can expect more exclusive gift ideas for the whole family across electrical, home, sweets and snacks as well as fragrances, with additional value across our unique 3 for 2 purple sticker festive promotion. When buying three purple sticker gifts, the cheapest one is free. Clicks' 10.5m ClubCard members can also expect exclusive promotions and festive

competitions where members can win Fuel for a year at Engen," says Van Rooy.

Festive debt

Increased travel, entertaining and gift giving events puts significant pressure on overspending over the festive season, which for many South Africans means carrying over debt into the new year.

A 2022 report by DebtBusters revealed that the average South African household has Christmas debt of more than R10,000. And a 2023 survey by the National Debt Review found that 40% of South African consumers used their credit cards to finance their Christmas spending in the past.

For a minority of consumers, the reality of their financial situation will keep them spending within their means. For most, it is more likely that the emotional festive ads, the time of the year and the simple desire to enjoy a hard-earned break will make it easy to spend while trying to forget about debt for a short while.

"It is abundantly clear that while consumers feel the pinch, this festive season will be one for simpler, basic gifting for the lower-income segments, but the more affluent market will continue to spend on lifestyle favourites and essential items. Consumers will however opt for promotions with value-added offerings." concludes Eighty20.

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