

# Take heed of these new retail trends that emerged over the 2023 holiday season

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South African consumers are under financial strain and, consequently, the way they shop has changed. And with further economic uncertainty expected in the coming year, we expect this evolution to continue. A few trends emerged during last year's holiday season, which we believe retailers should pay attention to going forward.



Karen Keylock. Image supplied

## Budgets leave little room for luxuries

Inflation, limited economic growth, energy supply challenges, and bleak consumer confidence are contributing to a tough retail environment in South Africa. Despite these challenges, large retailers enjoyed a solid 91% year-on-year (yoy) increase over the holiday season, with shoppers overwhelmingly prioritising the purchase of essential items such as food rather than clothing and gifts.

Insight: This situation is set to remain going forward, as indicated by PwC's South African Retail Sentiment Index 2023, which showed that consumers plan to continue reducing their spending across all retail categories except groceries. It seems that now is the time to consider diversifying to other products or product categories, particularly if your brand trades in luxuries.

## **Every saving counts**

Shoppers are actively looking for ways to stretch their rands further: the PwC Index also revealed that 99% of consumers say that they are adopting behaviours that help them save money, including delaying purchases until items are on promotion.

According to GfK Consumer Life Global Research conducted late last year, 57% of South African consumers postponed a purchase until the product was on sale or there was a special offer.

In addition, alternative payment methods, such as 'buy now, pay later' (BNPL) and payment plans like PayFlex and Pay Just Now, have grown substantially in popularity as shoppers seek ways to make ends meet.

So much so that, according to an Adobe Analytics report published in November 2023, BNPL as a payment method was up by 42,5% yoy over Black Friday. Reward programmes were also used to meet budget restrictions, with a PayPal survey reporting that almost 4 in 10 holiday shoppers chose this route to make holiday shopping more affordable.

Insight: Finding the right mix of promotional or discounted items that will not negatively impact your profits and sales volumes is essential. For example, bundled or 3-for-2 promotions will move more stock than straight percentage discounts on individual items. Also consider VIP discounts, personalised offers, referral discounts, and free shipping.

## **Embrace the omnichannel**

In their quest for better value, bargain hunters unleashed the internet, using virtual stores to price check and buy big-ticket items online. Online sales increased at nearly 3 times the rate of in-person sales, albeit off a much lower base (6,3% compared with 2,2%), the Associated Press reported the day after Christmas 2023.

Echoing this trend, South African franchises with a strong online presence and e-commerce capabilities saw a greater boost in sales during the holiday season according to the Franchise Association SA.

Insight: Although South Africa's pace is more gradual than the rest of the world, it is wise to gear up for more activity to take place online, which may mean reassessing employee and technology requirements. Interestingly, the Adobe Analytics survey confirmed that 59% of online sales were made via smartphones over Thanksgiving weekend in the United States, so freshening up how your brand's website looks and performs on smart screens is key.

In conclusion, retailers that are agile, forward-thinking, and willing to invest in keeping their brands on trend will be more successful at navigating this complex environment. Another way to increase your chance of success is to operate as part of a franchise group, which offers the undeniable advantage of the power of collective efforts.

When times are tough, the independent retailer has no one to turn to as they face challenges and run the risk of running out of steam, money, and options. But, as we've seen throughout the pandemic, being part of a franchise family means

sharing the challenges and finding solutions together.

## ABOUT THE AUTHOR

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