

Maxed out promotions create false sense of security amongst SA shoppers



nielsen

Ged Nooy

NielsenIQ South Africa MD

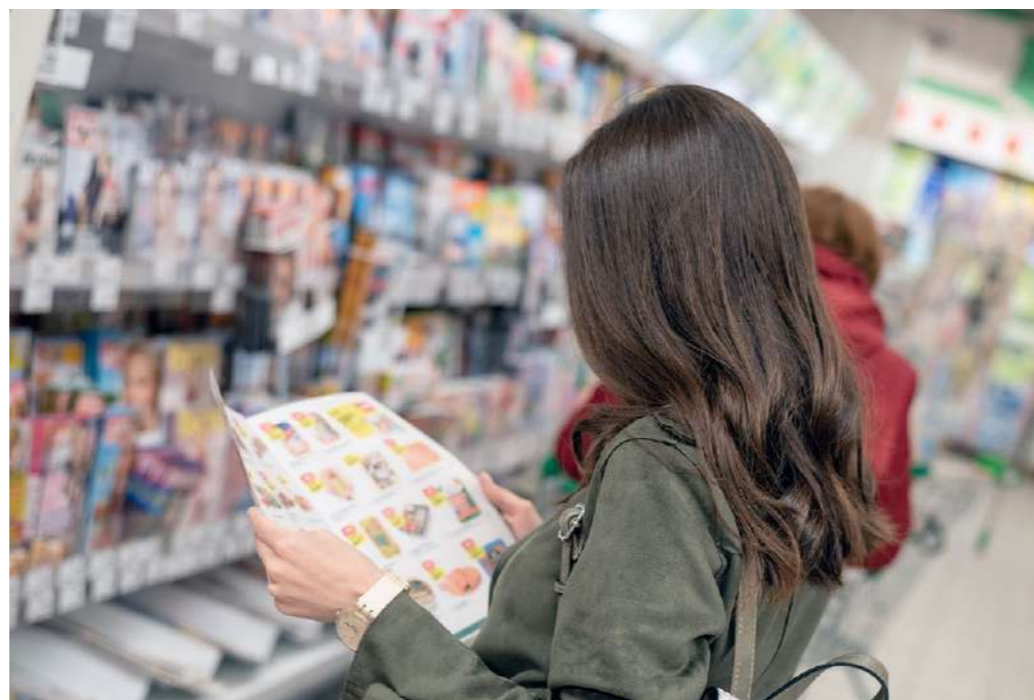
- 30% of FMCG product currently sold on promotion
- SA shoppers halve shopping trips
- Shoppers prioritise retailers with best overall basket offer

The latest NielsenIQ State of the Retail Nation report which reflects data measured over the four weeks to the beginning of September 2022, has found that shoppers have halved the number of times they go grocery shopping in a month compared to their shopping behaviour before the onset of the Covid-19 pandemic (2019 vs. 2022).

Despite this, overall annual consumer packaged goods sales measured R498-Billion in the latest reporting period – a 10.3% annual increase – while the latest month (to the end of August 2022) versus the same month last year, showed a 17.2% increase in value sales. This spike is due in large part to the current inflationary heightened price shopping environment as well as the base effect from the liquor ban last year.

Promotions to the max

One of the most striking aspects of the report is the ongoing dominance of promotions. Of the Top 20 product category leaders, only 20% are



achieving organic sales growth versus the majority achieving increases through promotion-driven sales.

This is borne out by the NielsenIQ data which showed that 30% of FMCG volume product sales (number of items/units) are currently sold on promotion – a 2% annual increase. In the Liquor category, 47% of the top 20 products are being sold on promotions which is up 9% from a year ago.

NielsenIQ South Africa MD Ged Nooy comments; "As brands look to gain share in the short term and assist in managing shelf inflation, we see higher and higher reliance on promotions to gain market

share. The problem is that over-promoting drives down value perception resulting in disloyal promo only buyers."

Fewer trips to the shops

The latest data also shows that since 2019 (pre-Covid) the number of trips shoppers take to the shops in a month has halved, down from an average of six times a month to only three times a month (note, NielsenIQ includes online shopping as a shopping 'trip').

This behaviour was observed before Covid-19 but has become more noticeable due to the current increased cost of travelling to physical stores. When consumers do venture out on a shopping trip, they are visiting fewer shops but are adding more product categories to their basket and spending more per trip to make it count.

Another interesting trend is that shoppers are prioritising retailers with the best overall basket offer. As opposed to being overly focused on single item promotions, they are looking for overall value.

Manufacturers stand firm

In terms of producer performance, the NielsenIQ



Image courtesy of Firmbee, Unsplash



report includes a Top 20 Manufacturer ranking which shows that only four manufacturers in this list are seeing declines in sales value growth.

Out of the Top 20 (excl liquor manufacturers), the Willowton Group – which produces a variety of cooking oils – is showing the biggest annual increase in sales at 34%. This is understandable given the inflation experienced by this product category. Other top sales growth performers are Astral Foods and Premier at 25% and 24% respectively and RCL Foods at 13%.

SA inflation in a holding pattern

Price increases remain an obvious concern with overall basket inflation sitting at 11% versus a year ago. This figure is calculated across 580 categories, weighted to their size in the basket. (*NielsenIQ monthly inflation figures are based on the difference between Rand value sales growth vs. unit sales growth i.e. how much more consumers are spending in terms of rands paid per pack than they were the month before.)

- Cooking Oil recorded 49% inflation (3-month average) however, this continued price pressure has seen a decline in actual units sold. Consumers have been forced to adapt their palate and usage patterns in the face of price pressures and this is now showing in reduced volume sales.
- Despite experiencing relatively mild inflation, Long Life Milk and Sugar have also taken hits as has chilled processed meat, which is down 10% in volume sales.
- Fresh milk is another casualty of the inflationary environment despite having relatively low inflation.
- Bread continues to beat the curve with 15% volume growth over the last three months as does Maize Meal and the sales of Energy Drinks continue to soar.

State of denial?

However, despite the all too obvious global and local financial pressures at play, including the fact that South Africa is technically in a recession, Nooy points out that this is not reflected in purchase behaviour. "It seems as if consumers are in denial of the economic situation. The danger of this is that we're living in a bubble. This will eventually burst and will create a crisis mentality amongst shoppers. As a result, price increases and a reduction of promotions driven by external factors could see significant volume impacts in 2023," Nooy cautions. **SR**

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and friends, playing with a pet, physical touch (like holding hands and hugging) and giving compliments to others. It produces feelings of love and connection, and it's what binds human beings to each other.

While you need to think very carefully before you go out there and start hugging your customers, simple gestures like a handshake, or allowing a customer to feel a soft toy or similar can make a difference.

“A short personal chat can also work wonders, especially if it acknowledges that your customer is someone you know, recognise and appreciate.”

But it should also be obvious to you that simple acts of generosity and kindness achieve the same, especially if they hit some problem – like dropping some of their shopping, or being unable to find something, or reach something. But there is one very important factor that plays a role in this. Obviously, the person on the receiving end feels good, and the person who does something nice also gets a hit of oxytocin (which makes it more likely that we pay it forward again). But even an *obvious* who *understand* someone before kind and

To a lesser degree some fragrances or a massage also help. Once again, what you can do is obvious, and you can manage these things in your business without spending a fortune.

Now, one final word of advice... unless you are like my dad whose need to understand the science was so important... don't get caught up in the terminology and try to identify which chemical plays what role. We've looked at a bunch of things that you can do to create positive feelings that result in loyalty.

And finally, **endorphin**, the pain killer chemical.

“Endorphins trigger positive emotions

don't have to do it every time. The principle of occasional reinforcement – a little surprise out of the blue – can also be potent.

“When we develop addictions – to gambling, eating, smoking, drugs, online gaming, likes on social media, and so on it's the dopamine that makes it so hard to stop.”

But you can also use dopamine effectively by celebrating things with your customers. Anything that you do to make them feel even a small win can trigger

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