

State of the Retail Nation monthly report



- South African retail sector records R519-Billion in annual sales
- Stabilisation in alcohol sales recovery
- Top manufacturers seeing strong double-digit growth

NielsenIQ South Africa has released its monthly State of the Retail Nation report which shows total annual sales of R519-Billion at South African retail outlets ('latest month' 4 weeks ending 1 May 2022) which represents a 13% annual increase. At a more focused level, in the latest month, the data indicates sales of R42-Billion representing a 10% increase when compared to April 2022.

These insights emanate from NielsenIQ's Market Track, the largest retail (grocery) data source in the country and the only currency used by all South Africa's major retailers. This benchmark data comprises more than 10 000 branded retail outlets (e.g. supermarkets and garage forecourts) and more than 143 000 independent stores (e.g. Spazas & Taverns) across South Africa's nine provinces and measures more than 80% of all retail grocery transactions.



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Knock-on effects of liquor bans

A globally unique phenomenon in the local retail sector is the ripple effects of the successive and unprecedented liquor bans during 2020 and 2021 on the local market. This has resulted in rapid increases in sales figures for liquor brands since the suspension of these bans and a period of apparent rapid growth as sales returned to normal.

NielsenIQ South Africa MD Ged Nooy comments; "What we see now is a stabilisation of this rapid recovery, given that April 2022 is the first month that alcoholic beverage sales growth has slowed down compared to the same period in 2021. However, sales

within this sector have not returned to pre-Covid levels or exceeded previous levels, and we are not quite back to pre-ban level liquor sales with them lagging pre lockdown levels slightly."

He adds that what is interesting to note is that the palate of South African liquor consumers has perhaps been changed for good due to lack of access during the country's liquor bans. For example, Gin sales have now surpassed vodka sales.

"In addition, while beer is undoubtedly still the largest liquor category in terms of sales, consumption patterns around this alcoholic beverage have changed with a continuation of the trend toward larger 'long lasting' bottles that consumers resorted to when supply was scarce."

Another interesting gain amidst staple product categories is a sharp increase in sales of Bread which showed a 24% increase in April 2022 versus the same month in 2021 within the Modern Trade sector, and a 35% increase in sales value within the Traditional Trade sector.



Top 20 manufacturers

The NielsenIQ report also shows that 18 of South Africa's Top 20 manufacturers - which account for 66% of total sales - have posted growth in the latest month. 12 of these manufacturers are seeing strong double-digit growth, with the highest seeing 31%. "The COVID-19 era has stimulated the market in some ways, with people cutting back on out of home consumption. We continue to see growth through entrenched retail consumption at home," explains Nooy.

Inflation nation

NielsenIQ measures inflation monthly and calculates it based on the difference between Rand value sales growth vs. unit sales growth = or quite simply how much more consumers are spending in terms of Rands paid per pack than they were the month before. This shows that of the top 20 categories in product categories Cooking Oil has experienced 36% inflation (over the last month) with value sales of Cooking oil up 43% in the last month. Other product categories experiencing high inflationary impacts on price are frozen chicken 16%, and laundry detergents 11%.

It is also important to appreciate that these increases were before the latest hefty fuel price increases in June 2022. Nooy surmises, "Based on the current record high petrol price, manufacturers will not be able to absorb the effects of the perfect storm of increasing input costs as they have before and we can expect to see a rapid onset of inflationary impacts on prices."



Image courtesy of Artem Beliaikin, Pexels

Traditional trade triumphs

An interesting aspect of this month's report is that it points to a return to buoyancy within the Traditional Trade sector i.e. unbranded stores (e.g. spazas, taverns, independent grocers and forecourts) with total sales for the latest month growing by 13% (versus the same month in 2021) and total annual retail sales of R119-Billion (last 12 months) which represents 21% annual growth.

This stems from independent retail gaining through TT shoppers increasing their basket size and consumers shifting back into this channel.

Nooy explains, "The lockdowns of the Covid-19 era resulted in restricted movement of shoppers and forced them to use only one retail outlet for shopping. "We have seen a return of shoppers to traditional trade outlets as life returns to normal they are now able to shop where they want. Within supergroup categories in the TT sector, alcoholic and non-alcoholic beverages retain number one and two positions respectively, followed by shelf staples and the third category: Biscuits, Confectionary and Snacks which make up the bulk of the basket (42%) bulk and Tobacco which makes up 38% of basket.

Changed consumers

Overall, South African shoppers have undertaken some big shifts since the onset of the Covid-19 pandemic in March 2020. One of the biggest of these shifts continues with local consumers still going into stores less often, which points to curtailed lockdown shopping occasions despite the removal of restrictions.

Nooy elaborates, "The reality is that South Africans are shopping at fewer retailers but spending more per trip, with the average value of the South African shopping basket increasing by R131 since April 2020. Despite a steady increase in value per buyer over the past two years, volume is not rising at the same rate, as consumers are forced to pay more and stretch their products. It will therefore be interesting to see how consumers react in the next month amidst a global perfect storm of inflationary pressures." **SR**