

South Africans prioritise value for money in festive season spending

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As the Black Friday promotional frenzy fades into memory, it's time to dissect the outcomes for South African retailers and analyse what we can expect to see over the festive season. Zak Haeri, MD for GfK and NIQ in South Africa, looks at sales volumes over Black Friday 2023 and how evolving consumer behaviours will affect retail spend in the run-up to Christmas.

As South African consumers grappled with financial constraints, brands have faced the uphill task of responding to the pressure on discretionary spending throughout 2023. The Black Friday period was no exception, with disappointing sales value and volume setting the stage for what is likely to be a relatively difficult festive season for most retailers.

Our sales tracking data shows that sales volumes in the technical goods sector for the Black Friday week were 3.6% down year-over-year while sales value reflected a 0.5% fall. Given the tough economic conditions, some retailers were bracing for a more dramatic fall in sales. Yet many will be disappointed that they could not claw back revenues after what has been a difficult year for most.

The star performers this year were telecoms products, which were up 54% compared to Black Friday week in 2022; major domestic appliances, up 11%; and small domestic appliances, which showed 25% growth. IT products dipped 9% year-over-year and consumer electronics like panel TVs, which are usually reliable sellers over the Black Friday period, fell 14%.



Zak Haeri, MD for GfK and NIQ in South Africa

Smaller luxury items did well, which seems to suggest that consumers still want to indulge. Core wearables showed an impressive year-on-year growth of 54% in the week of Black Friday, vacuum cleaners were up 25%, cooling products were up nearly 14%, and coffee machine sales increased 15%.

Interestingly, discount ranges were not as attractive as last year, perhaps because a volatile exchange rate has limited scope to pass lower prices on to customers. In the instances where retailers were offering more impressive discounts in the region of 50% off the usual price, it seems like some of the deals might have been for older stock that consumers were less interested in buying.

Previous Black Friday promotions have set a high bar, particularly pre-pandemic, and many retailers struggled to meet it this year. With so much pressure on consumer finances right now, and few innovative and exciting products being launched, it's not surprising that we've seen most categories struggle during this key sales period.

Value shopping to shape the festive season

Looking back on data for Christmas 2022 as well as the 2023 Black Friday data, we're expecting muted performance for technical consumer goods over the festive season. In line with the festive season in 2022, we believe that telecoms and major domestic appliances will perform well. We're also expecting the personal care categories that performed in Black Friday 2023 to show strong performance.

Our data for Black Friday shows that the technical goods market has become polarised between well-off consumers and those who are struggling. High-income consumers still want to buy the best products they can get, but middle-income

consumers are gravitating towards more affordable options. Retailers should thus tailor strategies to capture both premium spenders as well as entry-level consumers.

We expect the festive season to be dominated by value shopping. Consumers have tightened their belts – they're looking for value for money and considering the trade-offs they need to make with every cent they spend. Recent data shows 99% of South African consumers have changed how they shop for FMCG products. Nearly a third buy whatever brand is on promotion, four in ten shop more often at discounters, and nearly half are focusing on essentials.

Some 75% of South African consumers have spent less on necessities due to rising prices, compared to 57% of global consumers, while 54% have switched from premium to less expensive brands and 42% have bought something second-hand rather than new. They're also more open than ever to buying white-label or no-name brands.*

Navigating the new consumer landscape

Despite the challenging landscape, retailers and brands can still grow market share and profitability by demonstrating genuine value to attract customers and honing their channel strategies. A coherent omnichannel strategy is essential for most retailers.

Supporting customer choice by making it easy for them to shop in any channel or medium – and to switch between touchpoints when it suits them – can help retailers to maximise opportunities to acquire and retain customers. It's not just a simple online/offline divide, but also considering how to leverage formats like pop-up stores, platforms and marketplaces like Takealot and Mr D, and even innovations like virtual and augmented reality.

Given how price sensitive consumers are right now, retailers should focus on building long term relationships. Personalisation can be a winning strategy. Personalised promos are more viable than ever, thanks to mobile commerce and digital loyalty schemes. They resonate strongly with households that are struggling to make ends meet or with buyers that need to support larger families.

A final point is that discounting and promotions need to be handled with care. Even the most affluent consumers are price-savvy and know how much something normally costs. Bogus discounts will not impress consumers any more. Well-timed, attractive deals during key promotional periods such as the twin peaks of Black Friday week and the week ahead of Christmas are key.

**Source: GfK Consumer Life Global 2017 and 2022 & GfK Consumer Life Global 2022 Market Brief: South Africa. The global study covered 18 countries.*

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