

Discovery & Visa's *SpendTrends2023* reveals SA's new normal

By  Danette Breitenbach

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The *SpendTrend 2023* report, released today, provides insight into what 2023 might look like as it examines trends in consumer behaviour and spending habits.



Source: © Freight News [Freight News](#) Discovery & Visa's *SpendTrends2023* reveals the new normal, showing groceries are the largest segment of spending

A collaboration between Discovery Bank and Visa, the report highlights were presented by Hylton Kallner, CEO of Discovery Bank and Lineshree Moodley, general manager for Visa, South Africa.

The report covers four years from 2019 to 2022.

"This makes the report very relevant, as it covers pre-Covid, the Covid period and post-Covid so it provides real context to what is happening on the ground in South Africa on an economic level, showing actual individual spending," says Kallner.

Moodley says the data provides key insights that enable them to remove barriers and include more people in the economy through discussion and action.



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Top trends

- **Sustained consumer shift to electronic payments**

South African consumers spend on cards increased by 22%. Electronic payments have remained strong and stable relative to 2019 with e-commerce well above pre-Covid levels. The growth in non-cash transactions has accelerated.

“Electronic spend by consumers is stable, with strong e-commerce growth. South Africa has experienced significant e-commerce growth, which, while it accelerated due to Covid, was already there pre-Covid, despite inflationary pressures,” says Moodley.

This trend matters as this sustained shift to digital and growth in non-cash transactions has accelerated so every player in the ecosystem needs to invest accordingly to enable new forms factors of payments, such as retailers and restaurants accepting payments along with swiping or tapping your card.

- **The recovery and rise of travel**

While there has been an increase in the average travel basket size, there has been a decrease in the frequency of travel. Despite the decreased frequency in travel, and this is across both leisure and business travel, domestic travel locally is up to levels that surpass pre-Covid level in 2019. This shows that South Africans are eager to travel again.

“At the peak of the pandemic, Namibia and Botswana were the favoured destinations of South Africans, the pre-Covid favourite destinations, the UAE, US, and UK, are now back. This is good for our economy, as it better for the country when this industry grows,” explains Moodley.

Payment players need to stay relevant by ensuring their travel related incentives meet new demands. For example banks are buying travel booking platforms and travel agencies and airlines are launching WhatsApp check-ins.



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- **Digital wallets becoming universal**

The report shows that 72% of face-to-face transactions globally were contactless. South Africa leads the pack with more than 50% of face-to-face contactless transactions.

Previously led by hygiene concerns during the Covid period, the drive for consumers to adopt contactless and mobile payments has shifted to convenience and ease of use. As such the adoption of these transaction types has remained high and as its user experience improves, more consumers are using it.

The average transaction size for mass affluent consumers increased by 91% on contactless channels. However this the lowest compared to everyday affluent and high net worth consumers. “This shows that there still more to be done to educate consumers and merchants on the additional security of tap-and -go payments,” says Moodley.

- **Guarding against fraud**

The increasing digital banking and payments ecosystem coupled with rapid innovation have meant that new and more complex fraud streams have come about. These evolving threats require banks to move away from conventional fraud detection processes to using an extensive set of rules to novel tools such as machine learning.

Top categories of spend

The report highlights three categories of spend - travel, eating out and takeout, and groceries – where spend has returned to normal levels as in 2019.

- **Groceries**

Groceries are the largest segment of spending (based on spend of Discovery clients). However, the impact of the inflation rate on the average basket of groceries has to be recognised and is cause for concern. If broken down by income segment, the actual spend increase for the affluent market is just four percent.

“The mass affluent market’ average basket reflects a 12% increase as per Stats SA. However, at the mass market level the increase is 46%, highlighting the less flexibility in these baskets. For example brown bread has increased by 80% in price. It is here at the lowest income levels that there is the most pressure,” explains Kallner.



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- **Travel**

Travel boasts the third highest spend after services. This category saw a significant reduction during the Covid period but has showed a strong recovery and is back to 2019 levels or more.

“The insight here is that there has been an increase in domestic travel in South Africa in every segment. This is an important trend for the local tourism market to capture an increasing market share of local internal traveller. Also, there is an increase in inbound international travellers,” says Kellner.

However, while this is a positive outcome post-Covid, the spend itself is a function not of increased travel but the increased cost of travel. Domestic flight costs in South Africa are up by between 35 and 50% over the period of the report.

“This is being driven by two phenomenon; the price of fuel, which has increased by 82% over the past year and the reduction of capacity on domestic flights. There are 134,000 seats or 800 flights less a week compared to 2019,” explains Kellner.



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- **Eating out and takeouts**

The new normal consists of less time spent on driving and a return to eating out. "Since 2019 Discovery has seen a 16% reduction in kms driven by its clients. While the average distance per trip is consistent, people are doing less trips," says Kellner.

This reflects the hybrid environment we are living in. People go to the office only a few times a week and work from home the rest of the time. The increase in the price of fuel has also led to less trips.

"The impact in the long term is an increase online spending and home deliveries. Despite online shopping being the primary channel in 2020 for many people, spend reverted back to pre-Covid trends post-Covid," he explains.

However online shopping continues to increase, driven by age and convenience. In terms of age this is especially driven by the 30- to 50-year-old segment.

"In terms of convenience, in the week people tend to use online and then on weekends they go out so we see more POP transactions. When people do go out, they tend to eat out and we have seen a 40 to 50% increase in spend in restaurants and takeouts," explains Kallner.

In 2022 this spiked as load shedding hit the country. There is a correlation between takeout levels and load shedding. The bipolar impact of load shedding is evident across the restaurant industry, which saw an increase in spend over load shedding levels 5 and 6.

Trends for 2023

- Growth in online spending will continue with increased adoption in contactless payments.
- Sustained levels of eating out and takeout as hybrid working models expand.
- Growth in local travel will continue.

"With contactless payments now making two-thirds of all payments, we will see payments become seamless and simple but also more secure. This is important as it takes us to a cashless society," says Kallner.

"Spend returning to historic category distributions, and strong rebound growth, making up for lost ground between the start of the pandemic, speaks to the resilience of the SA consumer," he adds.

ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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