

The impact of economic conditions on the retail market and different consumer segments

Different factors are driving a lot of retail behaviour at the moment, impacting the different segments' behaviour from how they feel about retail, their shopping behaviour as well as their engagement with loyalty programmes.



Source: © 123rf [123rf](#) How consumers feel about retail differs from consumer segment to consumer segment

Using its Eighty20 National Segmentation, Eighty20, a consumer strategy, analytics and research business, analysed the retail market and four consumer segments.

Consumer segments

- **Mass Credit**

There are close to 10 million people in this segment, who are responsible for about R637bn in annual expenditure. With an average age of 36, their average personal income is just over R5,175 per month. About 80% of the segment have retail store accounts and 17% own a credit card.

This segment is in survival mode, shopping less frequently and opting for bulk deals. Their decision on bulk buying deals is impacted by loadshedding. This segment is also downgrading brands, with cheaper options are being added to their shopping carts. The Mass Credit market is less loyal to retailers, as finding the best deal is crucial.

They are visiting malls less frequently and are extremely focused on comparative shopping. Loyalty programmes have become a huge part of their shopping behaviour and they are affiliated to almost every loyalty card. Loyalty programmes are a means of financial relief and they find themselves reliant on all notifications for the best deals via SMS, social media or apps.



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- **Middle Class**

There are close to four million people in this segment, who are responsible for about R754bn in annual expenditure. Their average age is 40 and they have a personal income of around R14,591 per month, with a household income of nearly R25,000. They hold roughly 30% of all home and VAF loans in South Africa, but only 20% by value.

This segment is feeling the pressure of the current economics as well as the safety and security of the country. The Middle Class is also opting to do a lot more online shopping as it's more convenient. These customers are shopping for smaller baskets – less luxuries and more essentials – careful to account for loadshedding in their product choices.

Online shopping is viewed as highly convenient as they don't need to leave home, they are getting the best deals which saves them both time and money. They value Pick n Pay Smart Shopper, Checkers Xtra Savings and other loyalty programmes, especially those with fuel partnerships.



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- **Heavy Hitters**

There are close to three million people in this segment, who are responsible for about R1.5tn in annual expenditure. This segment makes up the wealthiest 5% of the country. Two-thirds of this segment is made up of families, with an average age 44 and an average personal income of R45,512 per month.

This segment holds more than half of all home loans and VAF in South Africa, but 76% of home loans and 69% of VAF by value. Growth in these credit products has been low at 11% YoY.

Overall Heavy Hitters are conscious about their spend and are increasingly planning and budgeting their expenses. This segment is prioritising groceries, with luxuries or treats coming in second.

This segment views big shopping centres as a huge temptation – so the focus is increasingly on planned shopping trips within proximity to where they reside. Big shopping malls are still popular for end-of-season sales and entertainment. They also love loyalty programmes where there is a cross-pollination of retail and fuel.

- **Students and scholars**

There are close to eight million people in this segment, who are responsible for about R82bn in annual expenditure.

Their average age is 18, with an average personal income of just over R2,100 per month. This segment has very little credit – mainly retail and unsecured – with the rate of new defaults double the overall population.

With fewer responsibilities and expenses this segment is not feeling the pressure as much as their older counterparts. They prefer in-store shopping to buy the best products as opposed to online app deals, not price-sensitive deals.

In terms of loyalty, the fuss-free ones like Seattle Coffee are a winner as it requires very little effort and spending per unit is low.

Pressure on the consumer

Many factors are putting pressure on the consumer. This is best observed in the sharp increase in credit default over the last six months.

Particularly worrying is the increase in default for home loans and VAF. Together these two types of credit account for more than 70% of total loan balances.

“It is evident that the current economic landscape has impacted the frequency of shopping trips, basket size as well as a key focus on prioritising essential grocery items.

“Comparative shopping and bargain hunting is driving a lot of retail behaviour at the moment, with retailers needing to be smart with their promotions, ranging and online presence to attract additional and retain existing spend,” says Steve Burnstone, CEO at Eighty20.

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