

Informal market offers brand custodians further ROI

The secondary independent and informal trading sector has strengthened to show a professional and formalise side to it.



By Gerard Eksteen 21 Aug 2013

During the numerous audits that have been conducted in this trading sector by Storevue on a national basis, there have been three significant trends observed, which could well have a positive impact on the economic influence of this sector in the future. Back this up with the latest SAARF LSM statistics that still reflect an extremely high purchase incidence from spaza and other neighbourhood outlets across all LSM groups and it goes to show that brand custodians looking for the additional market share gains and ROI cannot ignore these channels.

1. Power of syndication leads to competitive pricing

We have recently noticed an explosion of independent supermarkets in townships and suburbs. Foreign immigrants, whose 'trading spirit', work ethic and entrepreneurship is inbred, own many of these. Syndicated buying by these groups has led to keen price offerings on a host of basic commodities and, in these tough economic times, shoppers will forego long trips to more luxurious shopping surroundings in exchange for value for money on their doorstep. For example, the research observed a well-known brand of potato chips in an independent in Langa, selling for R4.00 a pack. Go into one of the major chains and you will pay R4.49 and in a suburban café, you will pay R5.00 for exactly the same product.

2. One link - beginning of a chain

With a deep understanding of local customers, cash flows, stock turns and margins, it was only time before a one-man business saw the opportunity to grow into a mini chain, as witnessed on an audit recently. An individual with an entrepreneurial spirit is successfully competing with the large chains with a value for money offering in Black hair products and cosmetics; to the extent that he has now grown his business from one to 15 outlets in a very short space of time. Just goes to show that if you understand the customer and the trading environment, there is no reason why you cannot challenge the giants.

3. Informal necessitates formal dress codes

Beware the brand that rests on its laurels and relies on the wholesale channel to get to market. Those prepared to get out there and truly understand the trading environment relating to independent supermarkets, tuck shops, spazas and street vendors are the ones who will succeed in the long term.

What was previously a fairly stark and sterile environment is fast becoming one where brands are being pressurised into dressing formally in order to remain competitive; hence the increase in POS exposure, the appearance of premium brand unitary and evidence of the appearance of planograms in some outlets, albeit in a simple form.

When one studies the visuals covering this sector, it becomes abundantly clear which brands are including this sector as an integral part of their marketing, sales & shopper strategy; P&G, ABI, Simba and Mars, to name but a few.

With the rapid transformation that is happening in these trading sectors, brand owners can no longer be complacent, ambivalent and need to include these sectors as direct customers in their channel strategies as opposed to secondary markets fed by wholesalers.

Passionate about understanding the retail trading environment, formal and informal.
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