



The Global Consumer Insights Survey Pulse 5

February 2023



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The Global Consumer Insights survey is an online quantitative survey assessing a global sample through a panel provider. Twenty-five territories participated in the survey. On average, 500 responses are collected from each territory. Pulse 5 is the latest of the survey series that started with Pulse 1 in November 2020, Pulse 2 March 2021, Pulse 3 September 2021, Pulse 4 March 2022 and Pulse 5 that ran in November 2022.





Challenges facing consumer market companies in South Africa

Loadshedding

Rolling blackouts were implemented on 208 days during 2022 (or four days every week), totalling 11,797 Gigawatt hours (GWh) of lost power. PwC estimates that loadshedding reduced real GDP growth by five percentage points in 2022.

Economic growth

Statistics South Africa (Stats SA) reported early in December 2022 that the local economy expanded by 1.6% q-o-q in 2022Q3 at a seasonally adjusted and annualised rate. However, as with many of the recent quarters, q-o-q and y-o-y economic growth was below potential due to electricity load-shedding. It is clear that electricity load-shedding — seen on every day of the year so far — will again be South Africa's biggest economic challenge in 2023.

Inflation

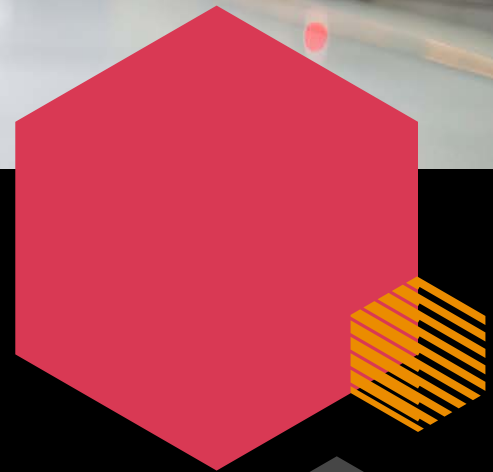
Consumer price inflation has been above the central bank's 3%-6% target range since May 2022. On a positive note, producer price inflation peaked in July (18% y-o-y) last year, and following declines in the subsequent four months, is now seen as being on a downward trend.

Interest rates

The central bank lifted interest rates by a cumulative 350 basis points in the year ending November 2022 as it normalised monetary policy (following big rate cuts in 2020H1) and attempted to manage local inflation expectations as price pressures escalated in 2022.

Unemployment rate

During the first three quarters of last year, total (formal and informal) non-agricultural employment increased by a net 1.2 million (8.4%), reaching 15.8 million jobs in 2022Q3.



Global Consumer Insight Survey Trends

1. Polycrisis driving concern around personal finances and future behaviours

1.1. Macro economic impact on the consumer

Consumers' concern regarding the ongoing global polycrisis - including the economic downturn, the pandemic, and social unrest, and the impact of these on their personal financial situation - is evident. In comparison to the global results, South Africa has the second-highest proportion of consumers, with 72%, who are either extremely or very concerned about their personal financial situation. As record levels of load shedding, rising inflation, and a poor job market continue to plague the local economy, many consumers are holding back on non-essential spending, with some stopping all non-essential spending altogether.

Fifty-seven percent of South African consumers are very-to-extremely concerned about their personal financial situation. They have taken action to hold back on non-essential spending, with some stopping all non-essential spending. These consumers, referred to as "most concerned consumers", are significantly more likely to be planning changes in their shopping and lifestyle behaviours:

- Expect a significant decrease in spend across all retail categories in the next six months
- Significantly less likely to be planning travel in the first half of 2023
- More likely to 'almost always' take a number of actions in response to issues with shopping experiences both online and in-store. This includes shopping at multiple, different, retailers or switching between online and in-store shopping
- More likely to be concerned about privacy of their personal data
- Significantly more likely to delay purchases until the items are on promotion and buy in bulk to save over time
- More likely to object to the sharing of their personal data (20%). In response to data privacy concerns, they are more likely to reduce spend and interaction with these types of companies, and manage options when presented with data privacy terms





1.2. Shopping trends - future expenditure

As the economic outlook remains uncertain, consumers are becoming increasingly focused on cost-saving measures. Looking ahead to the next six months, nearly 99% of shoppers are planning to adopt behaviours that will help them save money. This includes delaying purchases until they are on sale, as well as buying in bulk to reduce costs over time. These changes in consumer behaviour are likely to exert additional pressure on retailers, who are already grappling with constrained margins.

A significantly larger proportion of consumers are planning to reduce their spending across retail categories, with the greatest decrease forecast in fashion (Planned decrease in spend: Pulse 5: 32% Pulse 4: 24%) and in health and beauty (Planned decrease in spend: Pulse 5: 26% Pulse 4: 18%). Consumers are also expecting to spend less across homeware categories, sports, home entertainment and virtual online activities. The only category that is more likely to not see a decrease in spend is groceries, however this is probably driven by consumers' expectation of the rising cost of living driven by inflation.

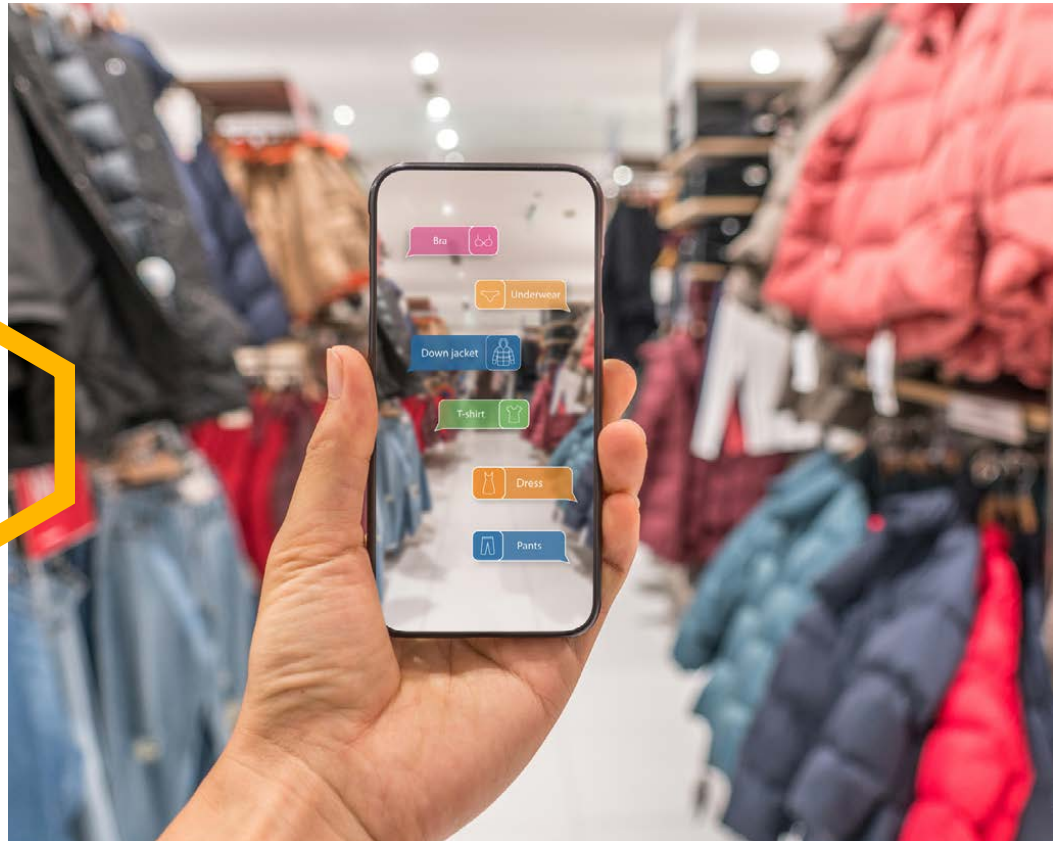
1.3. Spend on luxury or designer products

Due to the pressures on personal finances and the rising cost of luxury items, consumers are increasingly likely to reduce spending on luxury or premium products. This trend is particularly pronounced in those consumers who are most concerned and have taken action on non-essential spend (43% vs 37%). However, despite this shift, many consumers still express a desire to purchase luxury or designer goods in the future. This is driven by a desire to treat oneself or others (53%) and the perception of higher quality (46%).

1.4. Appetite to pay more for specific product types

Despite the overall trend of reduced spending, there is still a strong appetite for products that align with specific values. Consumers are willing to pay more than the average price for products that are produced or sourced locally (85%), made from recycled, sustainable or eco-friendly materials (83%), and produced by a company with a reputation for ethical practices. This trend highlights the growing importance of corporate social responsibility and sustainability in the retail sector.



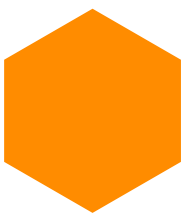


2. Shopping channel trends

2.1. Stabilisation of the new normal.

In the last six months the 'new norm' for daily or weekly shopping habits for non-grocery items continues to stabilise across channels. The use of popular channels of in-store (most popular), mobile phone, and PC remains relatively unchanged. There is a continuation of a trend, starting in 2021, of consumers stating that they never purchase products via tablets (Pulse 4: 51% Pulse 5: 57%), smart home voice assistance (Pulse 4: 61% Pulse 5: 66%), and wearable devices (Pulse 4: 63% Pulse 5: 77%).

Looking ahead, South African consumers are signalling a shift in their shopping habits. They anticipate an increase in the use of online channels (57%), retailers that offer efficient delivery or collection services (59%), and retailers that implement click-and-collect options (48%). However, when it comes to shopping in physical stores, most expect that their behaviour will remain unchanged over the next six months. This represents a significant change in outlook compared to previous surveys, where 47% of consumers had expressed a desire to reduce their in-store shopping.





2.2. The desire for a more holistic in-store shopping experience

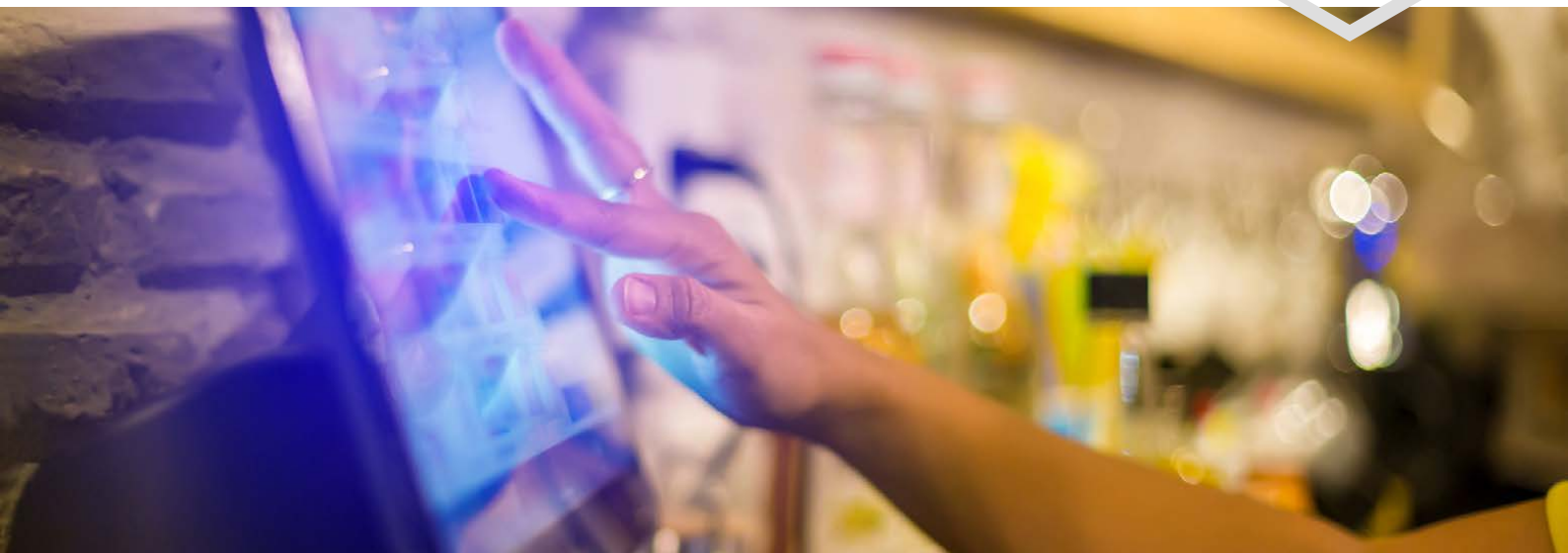
In today's retail environment, consumers are seeking a seamless blend of digital and physical shopping experiences. As technology continues to evolve, shoppers are increasingly drawn to digital features that enhance their in-store experience. These features include a deeper integration of physical stores that provide customers with the ability to touch and examine products, as well as access to knowledgeable and helpful sales associates, combined with the convenience and personalisation of digital capabilities. This trend indicates a desire for a more holistic shopping experience that leverages the best of both worlds:

The ability to tangibly view / test / check products before buying is the primary reason 81% of consumers plan to continue shopping in physical stores or use click and collect services.

Over 30% of in-store shoppers identified knowledgeable and helpful sales associates as the top attribute which would most enhance their shopping experience. This sentiment is particularly prevalent among older shoppers, with 78% of Baby Boomers and 71% of Generation X identifying this as their top attribute that would improve their shopping experience.

A majority of shoppers, 59%, expressed a positive sentiment towards attributes such as click and collect, the ability to try digital immersive experiences, or the use of a retailer's website or app in-store to browse for products. These digital capabilities are becoming increasingly appealing to consumers.

A significant portion of South African consumers have a preference for self-service options in-store. Fifty-nine percent of respondents reported that they find these capabilities appealing. This trend is noteworthy given the limited availability of self-service checkouts and 'scan and go' technology in the South African retail market and also where significant unemployment represents other challenges.





2.3. Metaverse

In the past six months, 24% of consumers have used the metaverse for a variety of activities, including virtual experiences and purchasing products. This trend is particularly pronounced among millennials and Gen Z users who are students, self-employed, or part-time employed. Half of these users reported that they transact on the metaverse at least once a month, highlighting the growing significance of this channel as a new form of commerce.

In terms of Metaverse activations from a marketing perspective, in 2022 we saw the likes of Nedbank utilising UbuntuLand, a virtual world in Africa, to activate and amplify its Golf Challenge, as well as Massmart deploying a treasure hunt in the online game platform, Roblox, to promote Game's Black Friday vouchers. At the moment most enterprises who are considering Metaverse deployments are focussing on building PR and technical learnings. With this as the foundational phase, revenue generation and cost efficiency pursuits are likely to follow.



3. Supply chain disruption and impact on customer behaviours

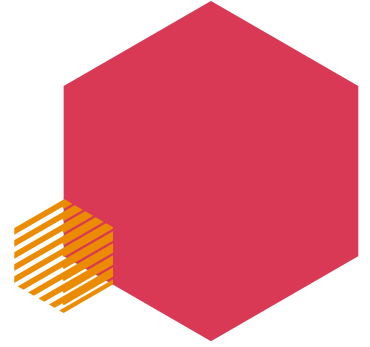
In line with the results of the previous pulse, several key factors continue to shape the consumer shopping experience. Unsurprisingly, rising prices remain the most prevalent issue for shoppers, whether they are shopping in-store or online. For in-store shoppers, long queues (50% of in-store shoppers) and stock shortages (28% of in-store shoppers) continue to be major pain points. For online shoppers, in addition to increasing prices, product availability (30%) and longer-than-expected delivery times (25%) are the most commonly encountered issues.

In response to these issues, consumers tend to resort to shopping across multiple retailers (55%) and using comparison sites to check product availability (44%).

4. Data privacy and loyalty programmes

South African consumers are increasingly concerned about data privacy when interacting with social media companies, with 62% reporting that they are very or extremely concerned. However, retailers enjoy a high level of consumer trust when it comes to personal data, as significantly fewer consumers (39% of customers) reported that they are very or extremely concerned about their data privacy when interacting with retailers. To address their data privacy concerns, half of consumers are taking conscious steps to limit the personal data they share with companies, and actively choosing to opt out of receiving communications from these companies.

Despite these data privacy concerns, 63% of consumers are willing to share their personal data for tailored offers through customer loyalty programmes, indicating a trade-off between privacy and personalised offers. The loyalty programmes are widely adopted, as less than 1% of survey respondents indicated that they do not use them. The benefits of loyalty programmes are widely acknowledged by consumers, as 57% find them beneficial for rewards and discounts and 68% find the promotions and offers relevant and personalised to their shopping habits. This also results in consumers being 59% more likely to shop at retailers which offer customer loyalty programmes. These results underscore the potential of customer loyalty programmes to effectively leverage consumer data to enhance the customer experience.



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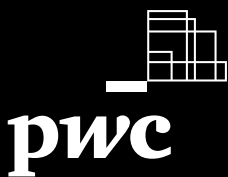
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