

How local brands can build resilience into their operations

In the wake of some dire warnings from the chiefs of local retailers, Chelsea Owens, client service director, and Kevin Lewis senior paid media manager & team lead at Incubeta SA share some insights into the South African retail industry and suggests how local brands can build resilience into their operations.



Source: © 123rf [123rf](#) Incubeta shares some insights into the South African retail industry and suggests how local brands can build resilience into their operations

Local retailers are under increasing pressure with Stats SA showing that local retail trade sales decreased by 0.5% year-on-year in February 2023 and the second half is not looking any better.

South Africa is more nuanced, calls for a regional strategy

“The way we shop and spend our money has shifted dramatically. We are seeing very little frivolity in purchasing decisions and retailers are having to work hard for every rand.

“An interesting online trend is that while the number of transactions has dropped, the average order value has increased as customers stockpile on essentials to overcome further price shocks,” says Owens.

Owens says retailers will need to shift strategies to support this changed landscape, saying they must start planning and

stocking based on regional requirements rather than having a blanket national plan.

For instance, she points out that since the Western Cape has not been as badly impacted by load shedding as the rest of the country, suppliers should manage their distribution centres accordingly.

Disparate digital assets mean lost opportunities

Another challenge identified by the team is that many retailers are still struggling with their technical management and delivery.

“Many retailers lack the technical expertise and resources to integrate their digital assets. Websites still tend to be built and maintained by the tech department and in isolation from the greater marketing team.

This is especially problematic when mobile apps are added into the mix. This creates a disconnect between online and offline experiences and ends up hurting the brand.

What’s more, we often see the communication between brand and agencies falling short when it comes to their technical assets which exacerbates the disconnect,” says Lewis. .

To address this gap, Owens says local brands need to invest in a dedicated omnichannel manager role to drive cohesion across channels.

Personalisation is key

One way CMOs can buffer their organisations against external pressures is to grow the spend of existing customers.

Brands that have a good understanding of their customer and their habits are in a better position to protect their revenue in a downturn.

This is supported by research from Deloitte’s 2023 retail industry outlook, that shows the cost of acquiring a new customer can be up to seven times that of retaining existing ones.

Using data from loyalty programmes is now vital.



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“Speaking directly to consumers and offering the right discounts to bring customers back can make a big difference. We have also advised clients to broaden their product offering and then use feeds to personalise the offerings based on what you know about your customers,” says Lewis.

He adds: Many retailers are still stumbling on the cross-sell and having market insights becomes vital.”

Bundled deals can work when money is tight

Owens says customers are now very aware of what products cost and given that they are keen to take advantage of specials, bundled deals can really move the sales needle.

She points out that 3-for-2 deals are growing in popularity, saying this tactic is particularly useful when trying to capture the

spend of customers who are prepared to shop at multiple stores to get the best value available.

The same is true for month-end deals which Owens points out are far more prevalent than last year.

Data: Still best currency for retailers

Data and first-party data, in particular, is driving retailing today and without being able to profile your customer segments retailers would be hard-pressed to deliver any kind of meaningful strategies.

“Retailers looking to create the data cohesion needed for valuable insights must start with a hard look at their systems across the organisation and integrate their data.

“CMOs and CIOs need to communicate and figure out what is available and then figure out how to extract and analyse the data they have,” Owens says.



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Be realistic and properly support your efforts

As the power of the algorithm has grown, digital marketing has shown how effective it can be.

But the Incubeta retail team believes clients must view its efficacy with a healthy dose of realism.

“What you put in is what you get out. When there is a deficit, agencies have to work exponentially harder to achieve the necessary results.

“No retailer would only stock their shelves with half of their available products or keep their shelves at 50% capacity with one person manning 20 tills.

“Yet this is the approach when it comes to how some brands support their digital initiatives. Digital is efficient and agile, but it is not a magical solution,” Owens warns.

To sum up, Owens and Lewis say it makes sense for companies to put the added effort into making their existing systems perform optimally, make sure they access and use all available data, and cultivate a productive relationship with their digital partners.

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