

# The double-edged demand of the South African consumer

The South African consumer landscape is currently fragmented and polarised, characterised by the double-edged demand of the South African consumer. Some are feeling more prosperous, while others are amongst the most stretched spenders in the world. Some crave new, premium or convenience products, while others seek value for money, quality private-label goods, and prefer to stick to their firm favourites.



This was the message at global measurement and data analytics company Nielsen's Double Edged Demand conference, which highlighted the dichotomy across three core themes: Purpose, Value, and Convenience; derived from a recent Nielsen survey of what clients see as their most important future growth and innovation drivers.

Opening the event, Nielsen Africa MD Bryan Sun said; "There is a growing realisation amongst retailers and manufacturers that the consumer has to be at the centre of their growth strategies. To achieve this requires a crystal clear view of the consumer context - their circumstances, needs, aspirations and outlook, and determining how you can meet this in the short, medium and long term."

## Purpose - Staying true

Within this context, Nielsen Bases Lead for Africa, Esti Prinsloo looked at the concept of Purpose i.e. a brand or company's reason for being, which was described as essential to connect with discerning and fickle consumers.

Prinsloo commented; "Gone are the days when a well-known brand name was enough. Acceleration and amplification of information, excitement, experiences and exponentially more choices have led to consumers craving niche and enhanced products. This 'expectation' environment is propelling consumers to switch and try new products, services and experiences."

Elaborating on the importance of Purpose, as it relates to double-edged demand, Prinsloo said it was also about understanding loyal and disloyal consumers. "Modern-day consumers are 'playing the field' as the risk of trial becomes less. Proof of this is that a whopping 38% of South African consumers, actively look for something new/love trying new things.

"Fifty four per cent are more conventional, preferring to stick with what they know but they can still be moved to experiment, while a third of South African consumers are more likely to try and swap brands. Purpose becomes all the more important when we see eroding brand loyalties. In current times, Purpose is what still holds the power to bind a consumer to a brand."



### Discount-obsessed South Africans being trained to buy on promotion

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## Value - Unlocking consumer spend

Within this fast and fickle environment, Nielsen South Africa MD for Connect Kerith Botha said it was key to understand the concept of Value and what that means to different consumers. "It's also important to remember that for consumers; value is not just about price and something being 'cheap'. It's about getting bang for their buck. Consumers will, therefore, pay more for a product that delivers what they are looking for, whether it's quality, uniqueness, heritage, social responsibility or fresh organic ingredients."

Looking specifically at the Premium Product category, she explained that consumers see these types of products as providing Value because of their special, enhanced or exclusive benefits and that there is a definite willingness of local consumers to pay for these characteristics. In line with this, almost a quarter of local spend within private label and branded products, comes from premium products.

In addition, 40% of respondents in a recent Nielsen Premiumisation Study said they would 'premiumise' and 45% stated they are willing to pay more for personal electronic goods, 45% for clothing and shoes and 39% for meat and seafood. In terms of "what makes a product premium to you?", 65% said high-quality materials/ingredients, 55% exceptional function/performance and 55% well known and trusted brand.

Botha added; "Even though South African consumers are feeling the current wallet squeeze, their hunger for true quality and value presents a huge opportunity for manufacturers and retailers. However, to capitalise on this huge potential for innovation and growth, it's all about understanding consumer sentiment and their propensity to spend."

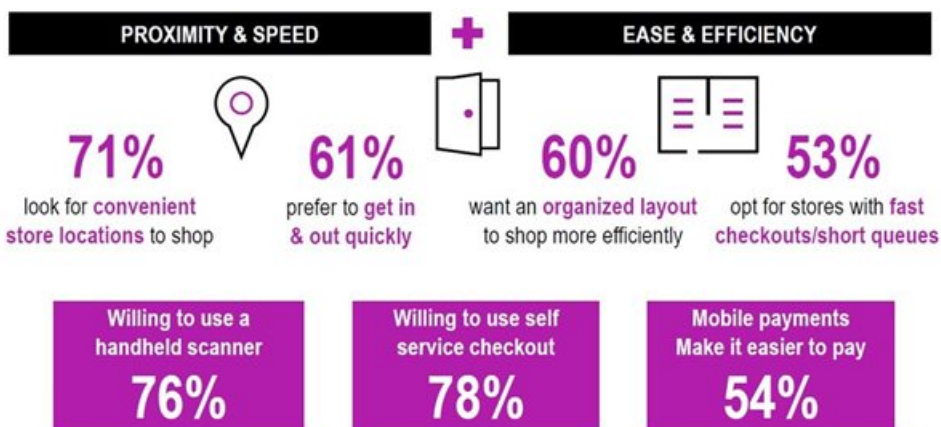
## Convenience - A hyperconnected hyperlife

The third 'super driver' discussed at the Nielsen event by Consumer Insights Lead for Nielsen South Africa, Kim Reddy was the concept of Convenience.

She explained that; "Consumers around the globe are leading an increasingly hectic 'hyperconnected hyperlife', looking for things that make their lives simpler, with work-life balance regularly cited as one of their biggest concerns. They therefore need products, places, spaces and processes to help them overcome everyday obstacles for effortless living and anything

that saves consumers time and effort is highly sought after.”

## CONSUMERS WANT MORE SPEED & EASE



Source: Nielsen Global Retail Growth Strategies Survey

Reddy said that a key understanding is that convenience does not mean the same to everyone. “Circumstances, culture, location, market maturity and technology are key influencers, and are driving the need for FMCG convenience solutions tailored to cater to different segments of society and geographic areas.”

Against a backdrop of increased demand for ease, utility and simplicity, Reddy said some of the key factors to consider when future-proofing businesses, include the Urbanisation phenomenon. “South Africans are flocking to urban areas in search of better employment prospects, infrastructure, services and a wider array of lifestyle options.

“This is important as the evolving structure of urban environments will mean higher urban population density and smaller living spaces and shrinking households resulting in the need to rationalise meal preparation, storage, disposal and eating areas which will see consumers reconsider their product choices, usage patterns and shopping dynamics.

“Urbanisation will also lead to a strain on the infrastructure, traffic congestion, with more time spent on the road. All in all, leading to a time-strapped consumer who will have less time at home for cooking, cleaning, and meals will often be consumed on-the-go.”

The last key driver discussed, was the scope and scale of technology that has exploded in recent years. Reddy explained; “Growing smartphone penetration and the rise of smart homes, buildings and cities will escalate consumer connectivity to services, to help streamline their lives and give them more control to customise, and order products and services, where and when they need them.

“Retailers and manufacturers will therefore need to match these “in the moment” needs, leveraging data to develop solutions, and deeper relationships with their consumers. Solutions will need to be ‘right here, right now and right for the consumers’,” she concluded.

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