

Customers searching for promotions, value this festive season

South African shoppers are approaching the 2012 festive season by searching for promotions and value, says the 15th annual Deloitte Holiday Survey. The survey covered 18 European countries and South Africa.



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Large representative samples of shoppers were surveyed during the second and third weeks of September to see what they intended spending on gifts, food and beverages and entertainment over the festive season.

South African consumers are planning to increase their holiday spending on food, gifts and socialising by an average of 5.7% relative to last year, despite having reported a decline in their overall spending power.

"While South Africans reported that their overall spending power had decreased this year, they are still relatively optimistic about their future spending power and would rather cut back on holidays, clothing and other entertainment than on their festive season spending," says Kay Walsh, Deloitte economics advisory lead.

Highlights

- Average year-end holiday spending in South Africa expected to increase by 5.7%.
- 20% of South Africans surveyed believe economic conditions will be positive next year, while 48% believe their personal spending power will improve.
- 82% of shoppers will buy products and gifts that are on sale.
- 81% said they would focus on buying useful gifts
- 32% of South Africans reported that loyalty programmes will have a significant influence on their purchasing decisions.
- Tech savvy shoppers will be more selective and use Internet research and retail channels to help identify the best buys

Europe still struggling

Differences in underlying economic conditions across European countries are borne out in their holiday spending plans...

It comes as little surprise to find that consumers in the heavily-indebted Eurozone economies including Greece (-16.5%), Portugal (-13.5%), Italy (-3.7%), Spain (-3.9%) and Ireland (-1.7%) will be cutting their holiday spend this year. European countries in which consumers will be maintaining holiday spend include France, Luxembourg, Denmark, the Netherlands and Slovakia. Holiday spending is set to increase in Switzerland (+4.2%), Germany (+7.0%), Poland (11.5%), Russia (+8.6%) and Ukraine (+13.5%).

South Africans love food, gifts

South Africans will prioritise food and gifts in their overall holiday budget this year. Of budgeted holiday spend in South Africa, 30% will be allocated toward food, 26% on gifts, 24% on socialising and 20% on travel. Europeans have similar priorities, with consumers in most countries allocating the largest share of their budgets to either food or gifts. Of all the nationalities surveyed, the Greeks allocated the most (25% of total budget) to socialising this festive season, followed by South Africans (24%) and the Danish (23%). Italians and South Africans allocated the most to travelling (20%).

Economic concerns

Despite the increase in holiday spending, South African consumers feel there has been little improvement in economic conditions since 2011

Consumers remain concerned about the health of the South African economy, with just under 50% reporting that the current economic environment is negative while a small minority (10%) said it was positive. The net result is the same as last year, suggesting that in consumer's opinion, economic conditions have neither improved nor deteriorated since the final quarter of 2011.

Pessimism appears to increase with age. Around 13% of consumers aged 18 to 34 said they felt current conditions were positive, as compared to only 2% of consumers aged 55 to 64.

South Africans also hold a relatively dim view of the prospect for the economy with only 1 in 5 suggesting that economic conditions will be positive next year. However, they are certainly more optimistic than most of their European counterparts - less than 1 in 10 consumers in the heavily indebted "PIGS" (Portugal, Italy, Greece and Spain) are positive about economic conditions in 2013.

Optimistic South Africans seek promotional offers

Over the past five years, South African consumers have been consistently more optimistic about their personal finances than the state of the economy at large. While only 20% believe economic conditions will be positive next year, 48% said they were confident their personal spending power would improve. Across the 20 countries surveyed, South Africans are by far the most optimistic about their future spending power and it appears that this has contributed to resilient holiday spend.

As Rodger George, consumer business industry leader at Deloitte explains, "The need to celebrate and share gifts despite the unfavourable economic conditions will affect the purchase behaviour of shoppers over the festive season. They are likely to seek out promotions and specials to offset the increases in living, electricity, education and health costs.

"Our survey revealed that promotions will be the biggest factor driving spending decisions for shoppers 18-34. Given that a large majority of spending will occur before 15 December 2012, retailers who adopt early-season discount strategies may capture a sizable portion of the holiday spend."

South African shoppers have indicated that they will increase their purchases of discount and private label products by a further 17% this year. In addition, 81% of them will focus on buying useful gifts, which is consistent with trends in previous years.

In line with the trend for giving useful gifts, gift cards/vouchers will also be popular - with the average value of vouchers expected to be between R250 and R300. Loyalty / reward programmes will also be influential when it comes to making decisions about where to shop and what to buy - 32% of South Africans surveyed say that loyalty programmes will significantly influence where they shop. Another 43% say that these programmes will influence their behaviour. Thirty-one percent of South African shoppers indicated that they would use loyalty points to assist with their purchases.

What's in the stocking?

Cash has topped the gift wish list for South African adults (41%) again this year, suggesting that most of those surveyed believe that a practical, somewhat impersonal gift is better than an unwanted surprise. That said the more traditional gifts, including chocolates (38%), CDs, clothing and books (37%), remain popular choices.

Smartphones entered South African adults' Top 10 most-wished-for gifts for the first time this year. The rising popularity of new mobile phone and computer technologies is clear - 24% of South Africans surveyed added a smartphone or tablet computer to their wish list this year. Men and the younger consumers (18 to 24 years), with 30% of men and 34% of the youth listing them as a first choice, prize Smartphones particularly highly. Unfortunately, however, they are unlikely to receive them - smartphone and tablets were ranked only 28th and 29th on the list of gifts likely to be given.

While cash was the most-desired gift, chocolates topped the list of gifts most likely to be purchased this year, followed by books, CDs, cosmetics and vouchers.

Video games and CDs are the gifts that South African adults are most likely to give to teenagers. Other popular choices include cash and clothing. Video games are also the first choice for teenagers in eight of the 19 European countries surveyed, but European parents are more likely to buy their teenagers books.

Children under the age of 12 can expect to receive games (45%), dolls (38%), action toys (37%) and learning and experimenting toys (37%). Women are more likely to purchase children's books, arts and crafts and clothing, while men are more likely to purchase action figurines, technical toys and gaming consoles for kids

Cross-channel trend continues

The majority of shoppers indicated that they would do their gift shopping in hypermarkets / supermarkets (33%), speciality chains (32%) and traditional department stores (20%). The remaining 15% of shopping will occur in smaller speciality stores, traditional local shops and factory outlet stores.

Although the incidence of searching online for product and price comparisons is on the increase from last year, the large majority of shoppers still prefer to buy their product in store.

Interestingly, the use of social media as part of the shopping experience is set to increase. Of the tech savvy South African shoppers that will be using this medium, 64% indicated that they will use social media channels to find discounts, 62% indicated that they will use it to read reviews on products and stores and 61% indicated they would use it to research gift ideas. This will be predominantly be through secondary sources, as only 36% of these shoppers indicated that they will obtain the information by accessing the social media sites of retailers.

"What shoppers like about the 'cross-channel experience' is that they can use the respective advantages of e-commerce and physical stores to optimise their purchasing, whilst getting insights and advice from people they trust in their social networks. Implementing a true cross-channel strategy, built on an integrated customer relationship, will give retailers a definite competitive advantage," concludes George.

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