

Retail sales growth a relief, but not surprising - Merchant Capital

With analysts warning of a gloomy outlook for South Africa's beleaguered retail sector, the release of Stats SA's retail [sales figures for November 2019](#) have provided a glimmer of good news.



According to Stats SA, seasonally adjusted retail trade sales increased by 3,1% in November 2019 compared with October 2019. This followed month-on-month changes of 0,1% in October 2019 and 0,7% in September 2019. In the three months ended November 2019, seasonally adjusted retail trade sales increased by 1,2% compared with the previous three months.



Black Friday lifts November 2019 retail sales

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But Dov Girnun, the CEO of Merchant Capital, a fintech funder that assists more than 7,000 small and medium-sized retail businesses in South Africa, says the positive figures are no surprise to those working in the SME retail sector.

“We’re not going to sugar-coat it: Last year was volatile, to say the least, and financially consumers are still very vulnerable. This has naturally had a heavy impact on their spending habits and similarly, the bottom line of retailers. But despite the economy’s gloomy position, and the advent of load-shedding in 2019, we’ve seen an escalating need for funding in the past 12 months, which generally signals growth in the sector,” said Girnun.

Brand power

Stats SA said that measured in real terms (constant 2015 prices), retail trade sales increased by 2,6% year-on-year in November 2019. The main contributors to the 2,6% increase were general dealers; retailers in textiles, clothing, footwear and leather goods; and retailers in food, beverages and tobacco in specialised stores.

Girnun explained that many smaller clothing retailers were thriving by being able to tap into niche markets, build their own brands with their audiences and having the flexibility to change their approach quickly to meet market needs.

“While we’ve seen some big brands like TopShop, Palzaleri and Mina leaving the sector, brands still embody immense value in a climate where people are only buying what they need – but what they need is not necessarily about a number of t-shirts, but rather about value. It’s important to remember that consumer spending is emotional. If a brand or product can help people feel better, they will find themselves in a more powerful position than most,” said Girnun.



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Merchant Capital recently released a '[Men and Women's retail report](#)', aimed at giving small retailers in the men and women's sector workable intelligence to help them survive the current market conditions. One of the trends highlighted is the growth of the so-called 'omnichannel' approach, that offers shoppers a unified experience across both online and offline channels.

“But regardless of the developments in technology, small retailers’ focus should remain on the customer: building deep relationships, winning at customer experience, and using technology to their advantage in these strategies,” said Girnun.

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