

# How Dis-Chem customers changed their shopping behaviour during lockdown

In a trading update for the 24 weeks from 1 March to 15 August, listed pharmacy retail group Dis-Chem said online sales grew 344%. The company said that the quick deployment of additional hubs together with an investment in its e-commerce platform enabled it to meet the increased online demand during the lockdown period "as best as possible".



"Covid-19 has matured the e-commerce environment and consumer adaption by 3 to 5 years," the group said.

During the 24 week trading period, Dis-Chem recorded revenue growth of 8.8% to R11.7bn, with the group largely allowed to continue operations during lockdown. However, despite being an essential service provider and trading throughout the lockdown period the hard lockdown regulations that were implemented restricted the group from selling all its products and trading within its usual operating hours.

During Level 5, Dis-Chem was unable to sell 20% of its products, including higher-margin products from its Beauty category. Lost revenue as a result of the restriction was approximately R200m for April.



Covid-driven shift in consumer values and spending behaviour

20 Aug 2020



## Changes in sales and gross margin mix

Dis-Chem said the various restrictions during each level of lockdown dramatically changed the shopping behaviour of its customers. "Fashion and entertainment are the biggest drivers of footfall in malls. As such, the location of our stores in convenience centres vs malls played a vital role in the composition of turnover growth," the group noted.

Sales at convenience centres rose by 16.4%, but fell by 7.8% at shopping malls over the reporting period. During Level 3 – 1 June 2020 to 15 August – Dis-Chem noted 17% growth in convenience centres, but a 5% decline in sales in shopping malls.

The group experienced a change in its sales and gross margin mix due to sales restrictions during Level 5 of lockdown, with the sales of lower margin Covid-19 related products increasing and reduced impulse purchases because of lower foot traffic. Covid-19 related products represented approximately 9% of total retail sales and 13.8% of front shop sales. The group said it's slowly starting to see the sales and gross margin mix normalise.



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7 Jul 2020



"As a result of social distancing, increased sanitising measures, people working from home and children not going to school, the country experienced fewer cold and flu cases than in previous years. This adversely impacted the dispensary category, specifically over the counter (OTC) sales. Strong chronic drug adherence due to health education, awareness and higher patient risk, partially offset the impact," Dis-Chem said.

Non-essential product sales restrictions hurt the retailer's higher-margin Beauty category sales with two of its biggest promotions, Beauty Fair and Mother's Day, falling within the lockdown period. This category was also impacted by the group's large flagship stores located in malls, trading down.

In the Baby category, Dis-Chem experienced pre-lockdown stocking up, adversely affecting sales during the lockdown period. "Expecting mothers were the most cautious shoppers, which contributed to both the decline in in-store purchases and the exponential online sales growth in this category," the group noted.



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24 Jul 2020



## Improved health awareness

"Healthcare and Nutrition performed exceptionally well as customers increased their spend on vitamins and immune boosters. Sports supplement sales within the category declined vs the corresponding period as a result of the closing of gyms and cancelling of sporting events," Dis-Chem said. The group, however, believes that Healthcare and Nutrition will continue to take an additional share of customers' wallets as a result of improved health education and awareness in light of the pandemic.

Dis-Chem Pharmacies chief executive Ivan Saltzman said that despite the negative factors that constrained regular trading, the group remained committed to meeting the needs and demands of its customers.

"We continue to benefit from the resilient nature of the industry in which we operate and are encouraged by elements of the changing healthcare landscape that highlight the importance of our core dispensary and clinic offerings. We are excited about the growth we have seen in our clinics, which together with our Telemedicine offering, will play an important role in the delivery and growth of the primary care market within South Africa's healthcare system," Saltzman said.

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