

FMCG & tech durables sales data for Q2 2024



- FMCG trade grows 3% year-over-year to R303 billion for the first half of 2024
- Technology and Durables market growth stable at 2%
- Promotions are the key to growth in a price-sensitive market

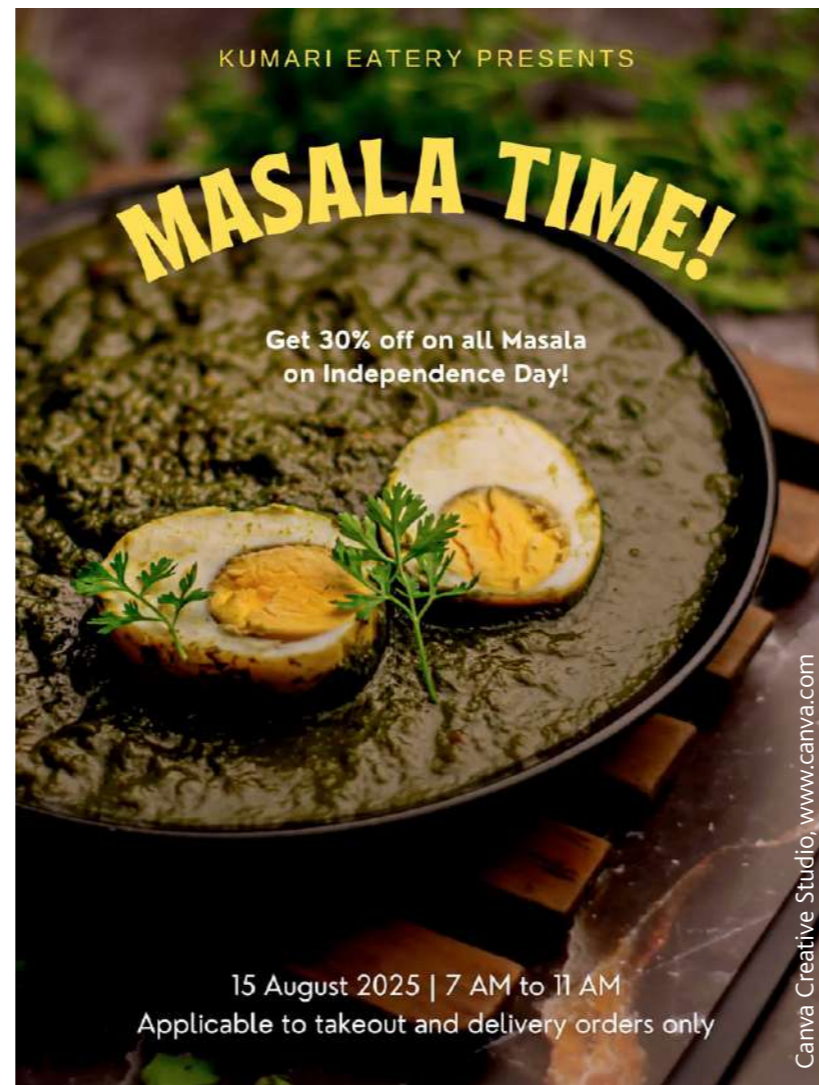
Zak Haeri  NielsenIQ
Managing Director
NIQ South Africa

NIQ South Africa has released its latest State of the Retail Nation¹ analysis for the first six months of 2024. The data reveals that South African consumers spent R303 Billion on fast-moving consumer goods (FMCG) through traditional and modern trade channels during the first half of the year. This represents 3% year-over-year growth, with the gains primarily driven by price increases. Actual sales volumes decreased across most FMCG categories.

Food and Personal & Health Care were the categories that showed the strongest growth at a time when consumers were under significant strain from higher cost of living. Although categories such as Snacks and Alcoholic Beverages registered growth for the first half of 2024, demand began to slow in the second quarter. Against a backdrop of rising prices, retailer and brand promotions are playing a major role in driving which brands consumers decide to spend their money on.

Zak Haeri, Managing Director for NIQ in South Africa says ...

“Our consumer research and market data paint the picture of a challenging landscape for FMCG manufacturers. Half of consumers report that their biggest concern over the next six months is rising food costs. Around a third of consumers, meanwhile, confirmed that their household financial situation has been impacted by the loss of jobs or income.”



“The result is that consumers are looking for relief through lower prices and are increasingly willing to switch brands to get a better deal. In fact, some 41% of South African consumers have changed their shopping behaviour in the past three months to better manage their expenses. Price and store switching are the most common strategies they use to save money on FMCG products.”

Price sensitivity and the impact of promotions

South African shoppers are among the most price-reactive consumers in the markets that NIQ covers. Whereas a 5% price increase for a typical FMCG product results in an average drop in sales of 8.5% in most countries, a similar price hike results in a 10.5% drop in sales in South Africa – 25% higher than the world average.

Conversely, a promotion offering a 20% saving boosts sales by an average of 53% in most countries. But in South Africa, such a deal typically drives a 95% uplift in sales. Around 36% of every rand consumers spend on FMCG in South Africa is spent on promotions, compared to a global average of 34%.

Haeri says, “Despite the evident price sensitivity of the South African consumer, FMCG retailers and brands should note that the overall value proposition remains important, especially in the premium tier. Indeed, our data shows that sales



of premium products are growing in 10 of the 20 FMCG categories, compared to economy products growing in only nine of the categories.

NIQ data also shows slowing growth for private label brands, which command 21.2% of every rand spent in FMCG trade. This suggests that private label brands may have reached a saturation point and are facing increased competition from branded goods, especially through promotional pricing. "Retailers should carefully evaluate the categories where private labels can still grow and focus on differentiation and quality to compete with established brands," says Haeri.

Retailers should take a balanced approach to the economy and premium segments of the market, with tailored marketing and promotional strategies to maximise basket value. "For the more price-sensitive segments, frequent and well-timed promotions are key. Even small price adjustments can have a substantial impact on sales," says Haeri. "For premium segments, the focus should be on quality, exclusivity, and long-term benefits."

Confidence returns to the Technology & Durables sector

The Technology & Durables (T&D) market grew by 2% in rand terms year-over-year in the second quarter of 2024, continuing the growth trend from the first quarter of the year.² Excluding the struggling cellphone segment, other T&D categories saw over 7% growth in both units and rand value. Large screen televisions (74" and above) showed especially strong growth of around 24%,

potentially buoyed by major sporting events such as the UEFA European Championship and the 2024 Olympics.

"T&D retailers and brands will be encouraged by these green shoots of consumer confidence," says Haeri. "We anticipate stable growth for the T&D market for the rest of the year, with possible tailwinds if we see interest rates start to fall later this year. Online sales growth continued to outperform traditional channels in the second quarter. New entrants such as Amazon and enhanced online offerings from all retailers mean we can expect to see this trend prevail for the second half of the year, particularly during Black Friday month."

Online sales grew nearly 10% year-over-year in the second quarter, with online participation reaching nearly 17%.

Retailers shifted more than 15 000 large screen televisions during the quarter – a rare occurrence outside of major promotional periods such as Black Friday. Fierce competition, driven by retailer and manufacturer promotions and bundle deals, and a decline in average pricing for a 75" television to below R20 000 also helped to ignite this market.

Telecoms sales drag T&D sector down, but appliances bounce back

Telecom devices make up 50% of spending in the T&D market. The mobile phone sector continued to feel pressure from the shift away from 3G to 4G/LTE and 5G devices. Price deflation, partly driven by the growing presence of new Chinese brands in the mid-market and premium segments, contributed to a significant drop in the value of this competitive market.



5G smartphones unit sales increased. However, despite a 7% decline in 5G phone prices, these devices remain 53 times more expensive than basic cellphones.



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In the laptop market, unit sales in the second quarter remained dominated by devices with Celeron processors, but value growth was driven by models with high-end processors. Average prices in laptops are increasing as consumers upgrade the processing power and screen size of their devices.

although promotional activity eroded average retail prices for both categories. Small domestic appliances showed healthy growth, largely driven by promotions over May, when one of South Africa's major T&D retailers celebrated its anniversary with specials – with competitors responding with deals of their own.

Desktops and monitors enjoyed something of a revival, growing faster than the average of the IT products segment.

Major domestic appliances also bounced back with strong growth following declines in 2023. Washing machines and fridges experienced healthy unit sales growth,

Promos move the needle

Haeri says, "South Africans love a good deal. Tech and durables sales in South Africa are dominated by a few key events on the annual retail calendar, including Back to School, Winter Sales, Christmas, and, especially, Black Friday. Our 2023 data shows that the top promotional events accounted for 55% of annual revenue for the product groups we track in South Africa.

"Another noteworthy trend is the way that many categories in the T&D sector are becoming increasingly divided into budget and premium segments. Commoditised, lower-end products account for the bulk of unit sales in markets such as televisions, cellphones and computers. However, robust demand for high-end versions of these products means that the value of the premium segment is growing at a faster rate than the mass market." **SR**

¹ Based on NIQ's comprehensive *Retail Measurement Service (RMS), which is the largest retail (grocery) data source in the country and the only currency used by all of South Africa's major retailers. This benchmark data comprises more than 10000 branded retail outlets (e.g., supermarkets and garage forecourts) and more than 143000 independent stores (eg, spazas and taverns) across South Africa's nine provinces and measures more than 80% of all retail grocery transactions.

² Based on GfK's Market Intelligence and Sales Tracking

Who are we?

A trusted source of retail information for over 65 years, our magazine informs and empowers retail business owners to grow whilst tackling current industry topics.

How can we help you?

We connect FMCG brands, and Equipment and Service suppliers to retail decision makers around South Africa. Elevate your brand with our wide variety of digital offerings.

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