



Consumer Barometer

Amongst connected
South African consumers

Evaluation of consumer behaviour
change over the past two years

Kantar Insights South Africa

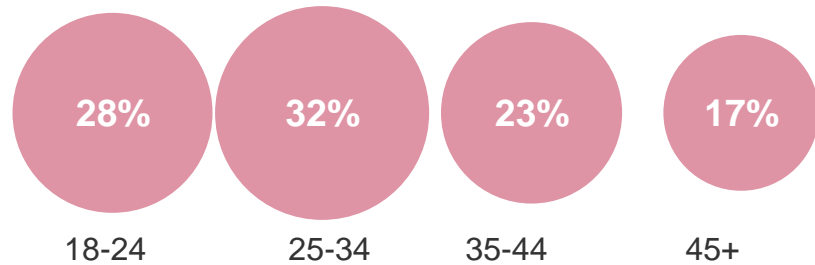
Online survey

Fieldwork: 3-9 May 2022

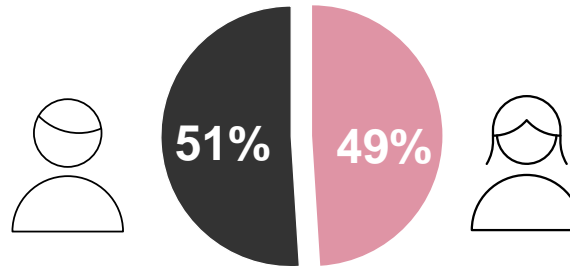


We spoke to 500 South Africans, representative of the connected* population of South Africa

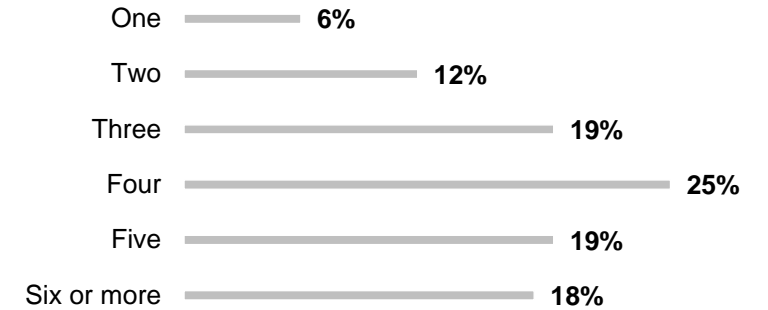
Age



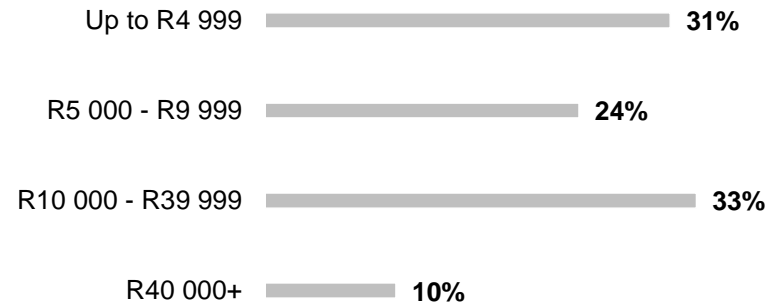
Gender



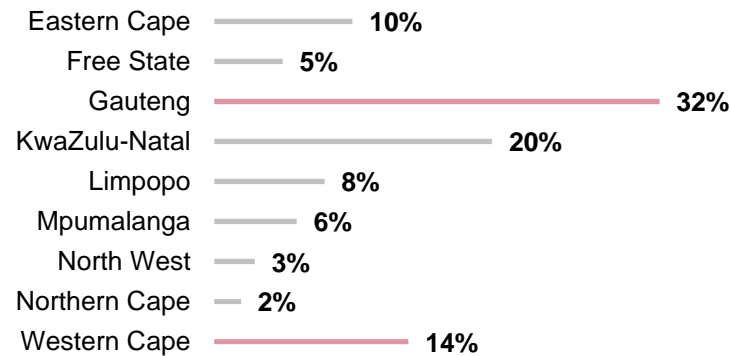
Household size



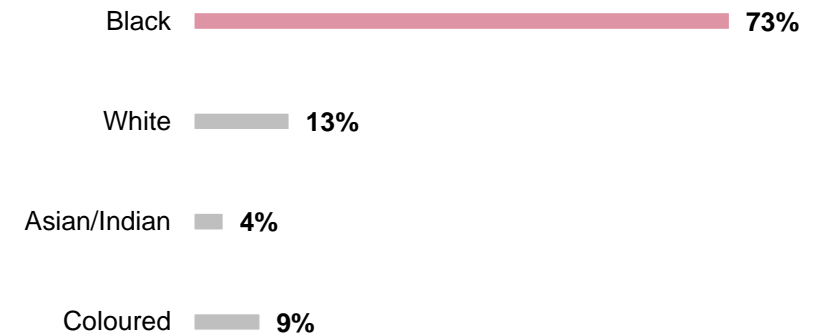
Household income



Region/Province



Ethnicity



We're struggling

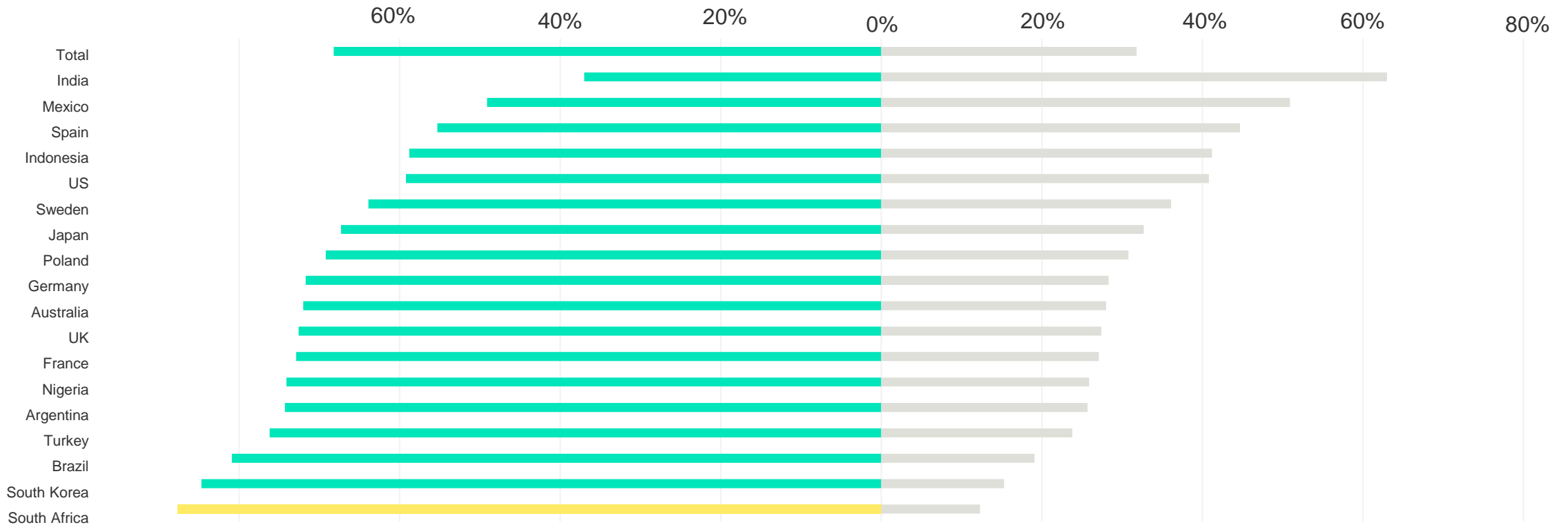
#KZNfloods
#EskomSePush
#NoLights
#NoWork
#RisingPrices
#PetrolIncrease
#domesticviolence
#PoorServiceDelivery
#Looting
#Potholes
#Inflation



Alongside South Africa's barometer, Kantar is tracking consumer issues globally. Out of the 18 markets surveyed, South Africa has the most negative outlook

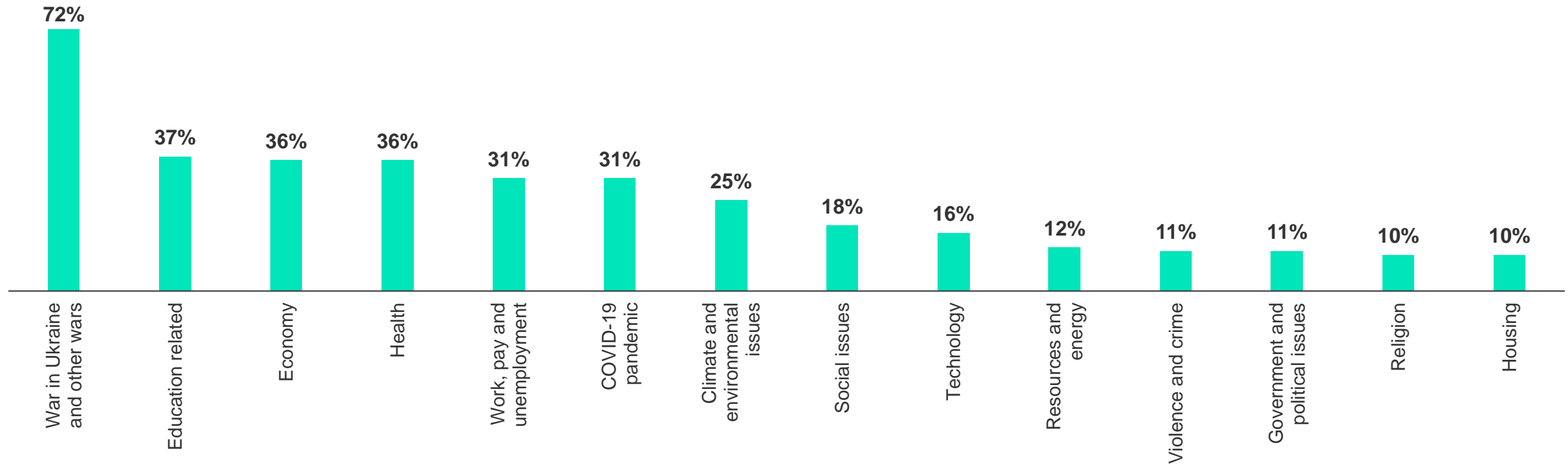
General economic outlook of the country right now

Negative outlook
Positive outlook



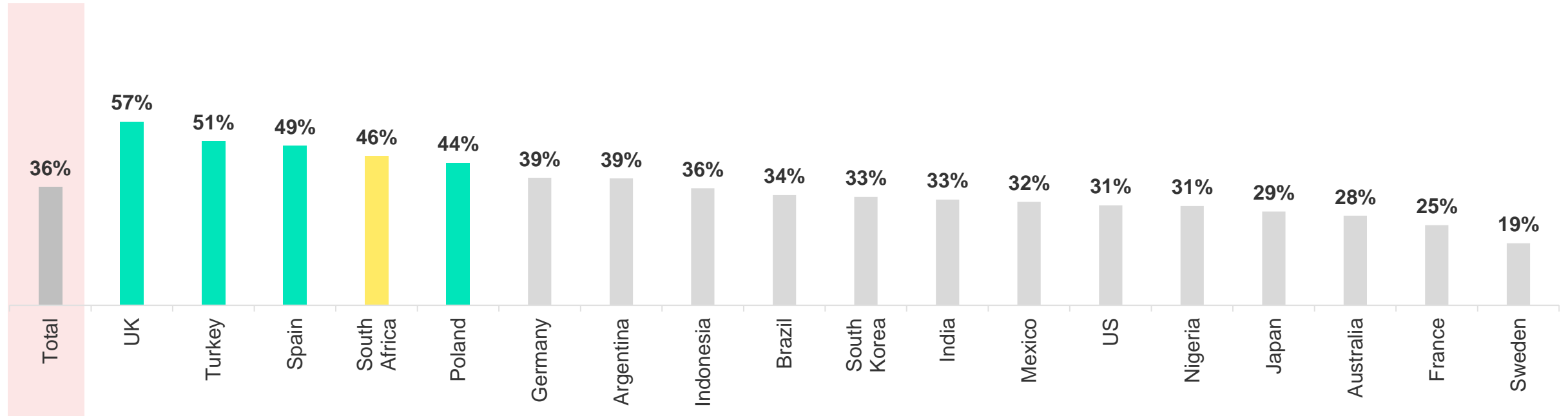
Globally, the highest concern is war, followed by education, the economy and health

Most concerned about right now



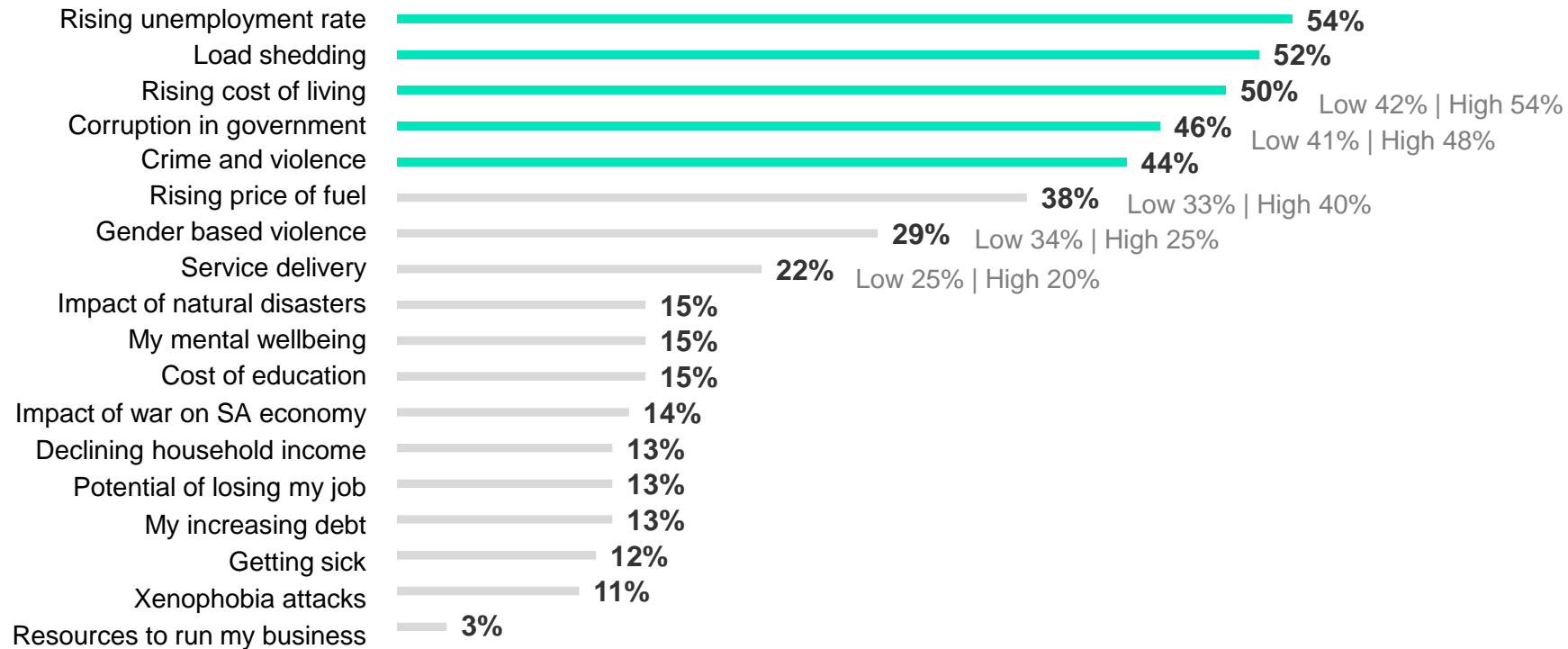
Economic concerns are highest in the UK, Turkey, Spain, South Africa and Poland

Most concerned about right now, mentions of economy



In South Africa, economic concerns translate as unemployment, electricity and the cost of living. Corruption and crime are also top of mind, with war far less so than globally

What South Africans are most concerned about right now



Low: Low-income homes; households with a combined income of R5k or less

High: Higher-income homes; households with a combined income of R5k or more



“

Our greatest challenge is to create jobs for the unemployed of today, while preparing workers for the jobs of tomorrow.* ”

Africa's most industrialised nation has one of the highest unemployment rates in the world. As of the third quarter of 2021, the latest data available, SA has a 34.9 percent unemployment rate.**

“COVID-19 has exacerbated the divide between those who are employed and those who are unemployed. Last year, our unemployment rate reached its highest recorded level.”

President Ramaphosa, State of the Nation Address, Feb 2022

South Africa's concern with the cost of living is shared across the globe, with Turkey experiencing the highest levels of price inflation across categories and South Africa feeling the highest inflation on petrol

Noticed higher prices across categories

Poland, UK, Turkey and Spain feel the most increase on household bills

Turkey, Argentina, Nigeria and Mexico feel the most increase on personal care products

Turkey, Poland and Argentina feel the most increase on OOH bars, restaurants and entertainment

Turkey, Argentina and Nigeria feel the most increase on clothing items

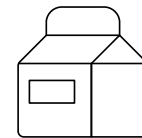




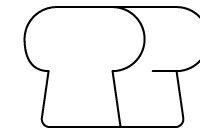
In South Africa, here are 5 items cheaper than a litre of petrol at our latest price increase in June 2022



R23,94
+ 24% increase
since Jan 2022



A litre of long-life
full-cream milk
R14,99



A loaf of bread
— between
R10,99 R19,00



2 litre
Coca-Cola
R23.89

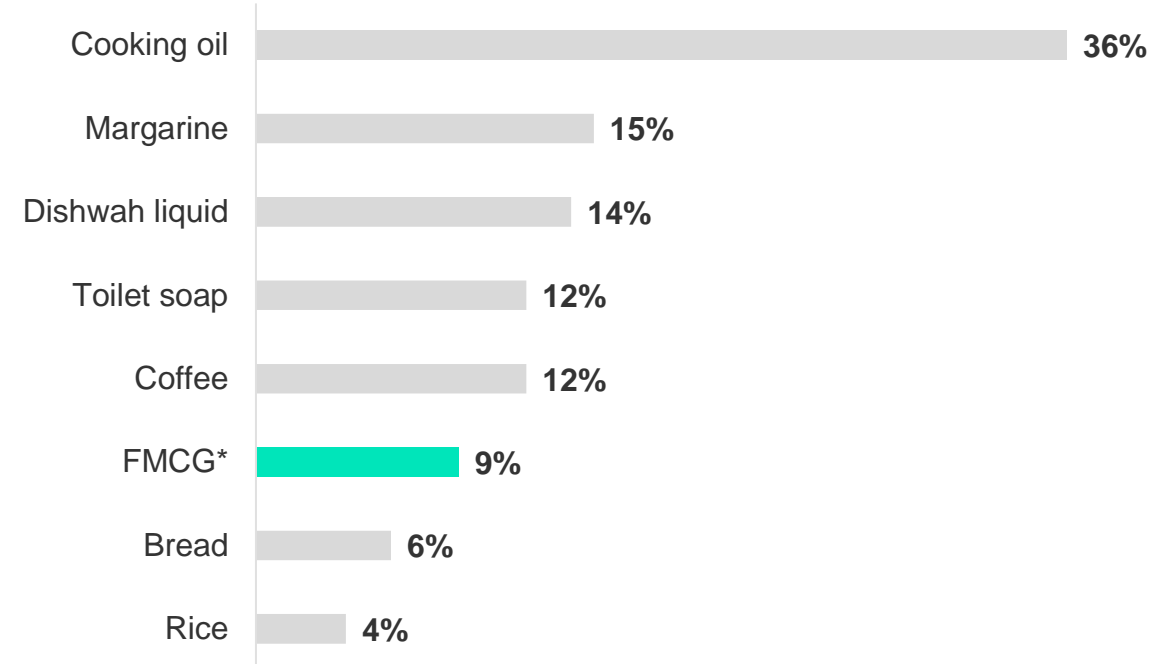


Carling Black Label or
Savanna cider (330ml)
R13,99 – 17,99



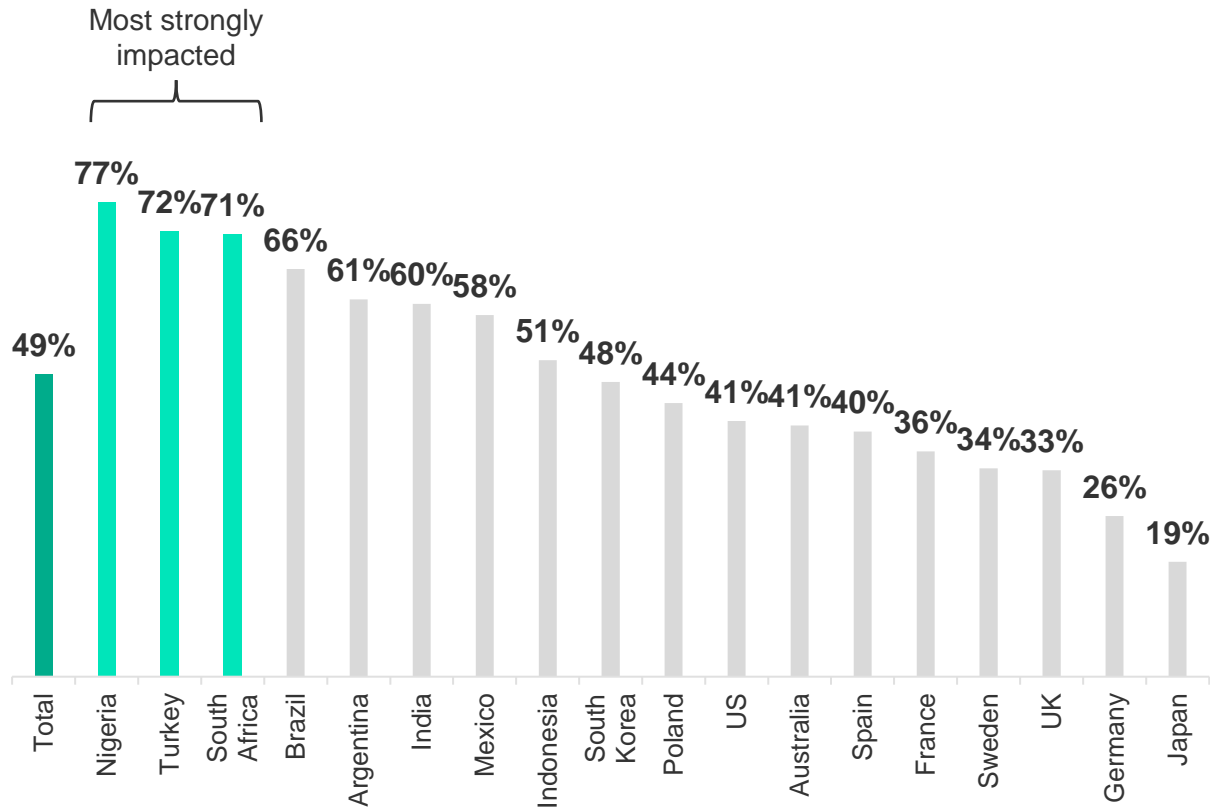
And South Africans are not wrong to note this inflation; considering the 9% increase across FMCG goods over the past year

South African price inflation April 21 – Mar 22 Kantar Worldpanel



This increasing cost of living impacts people's life plans, most notably for Nigerians, Turks and South Africans

% of people impacted on any of your big life plans



Life plans impacted – South Africa



Moving house plans
25%



Plans to have a baby/
start a family
18%



Retirement plans
26%



Marriage plans
14%



Moving job
17%



Moving country or 'semigrating'
to another part of the country
16%

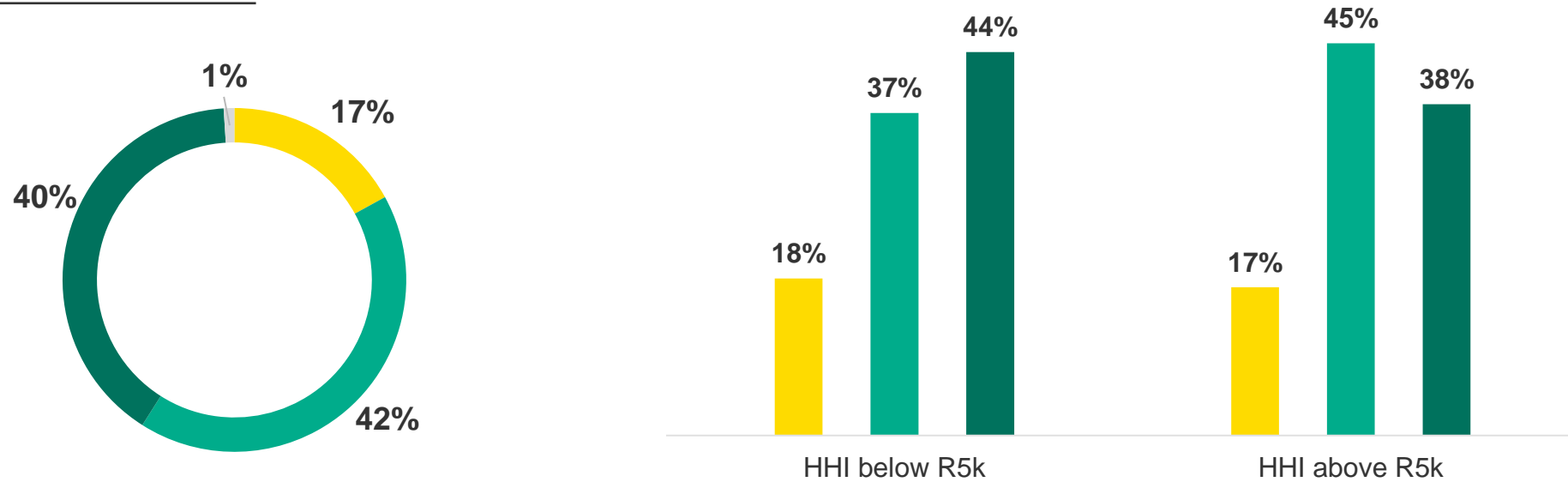
I'm struggling

#OpenToOpportunities
#LookingForWork
#NoJob
#FamilyToFeed



In South Africa, 4 in 10 households are earning less, with lower-income homes the hardest hit

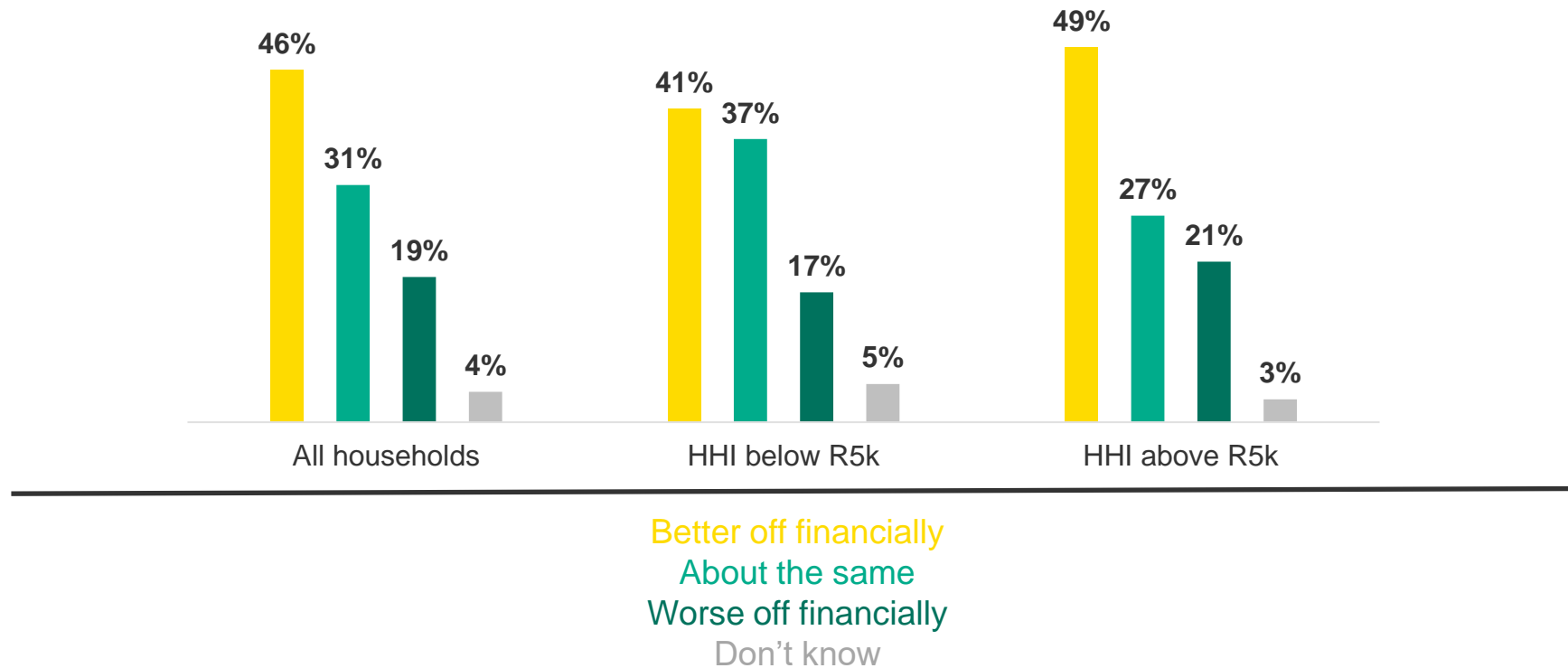
Change in household income



HHI increased since pandemic
HHI stayed the same
HHI decreased since pandemic
Don't know

Despite this, optimism around a favourable future financial position is high, particularly amongst higher-income homes where almost half believe they will be better off financially in a year's time

Future financial position



The first challenge to achieving this favourable financial outlook is that the number of dependents in household across South Africa have increased

25%

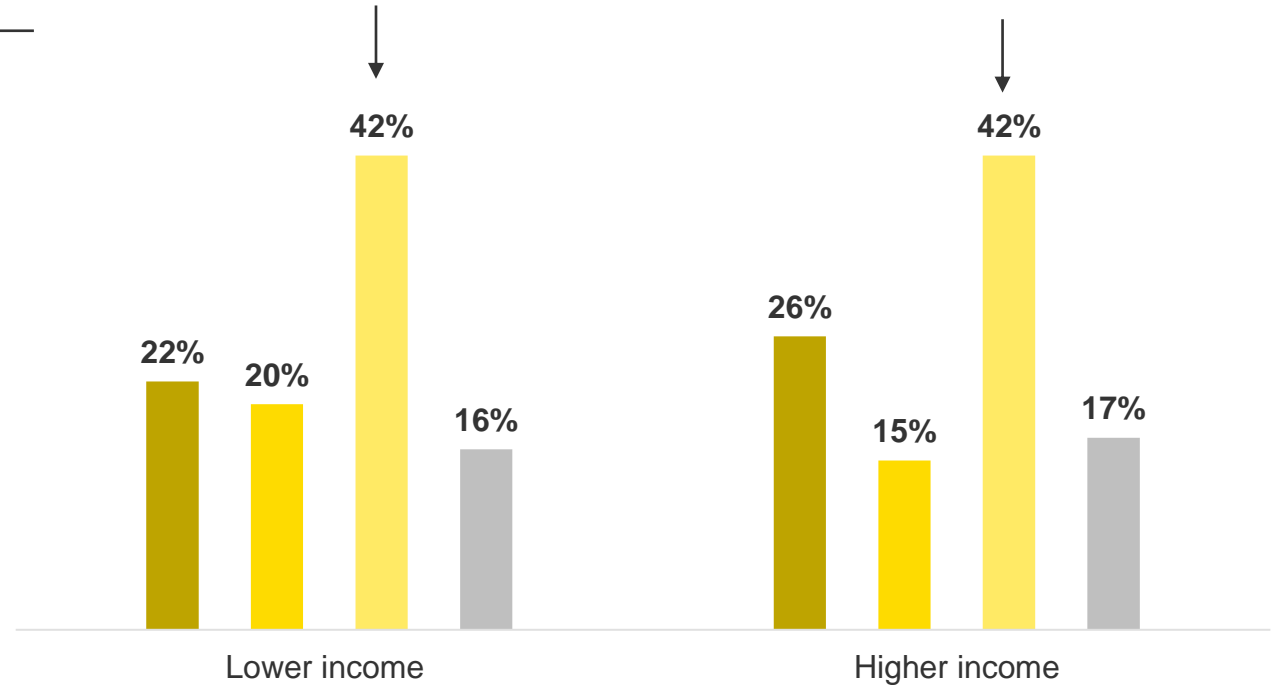
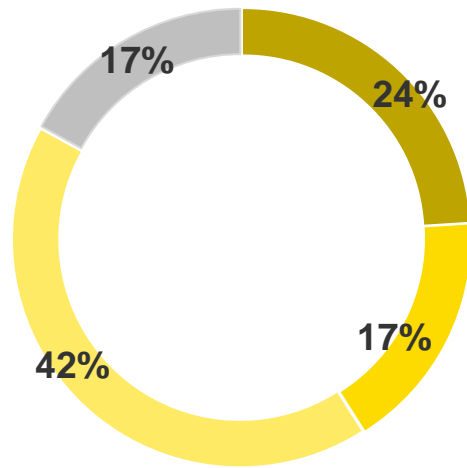
Of lower-income homes have more dependents now than at the start of the pandemic

21%

Of higher-income homes have more dependents now than at the start of the pandemic

The second challenge is that South Africans across the board are saving less

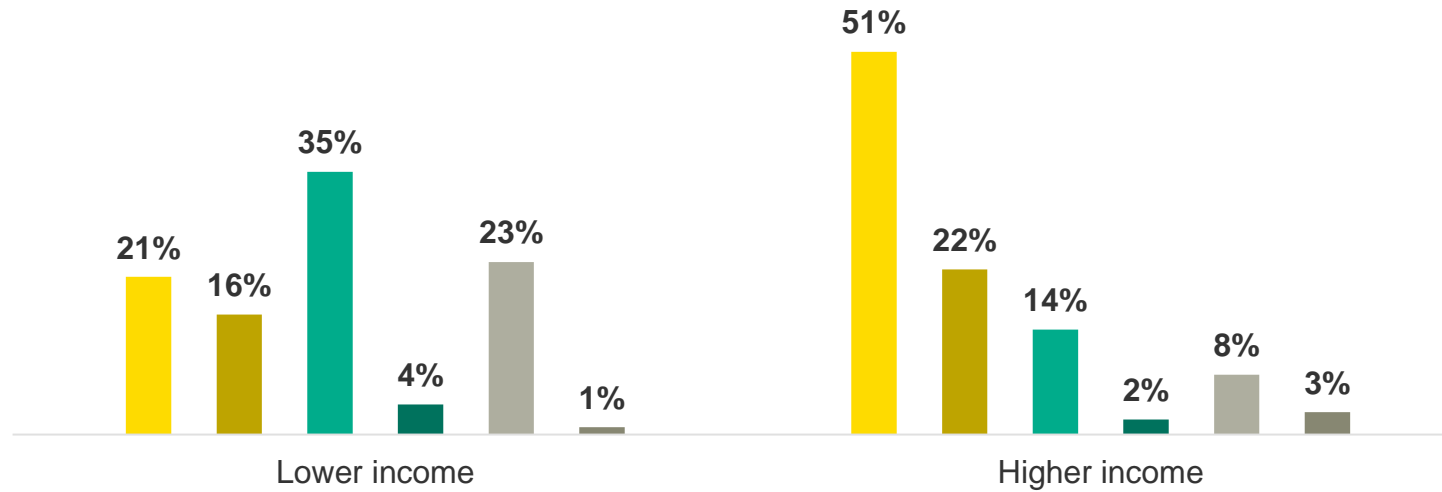
Saving behaviour when compared with prior to pandemic



Save more
Save about the same
Save less
Do not save

And the third is unemployment, where 35% lower income households are actively looking for work

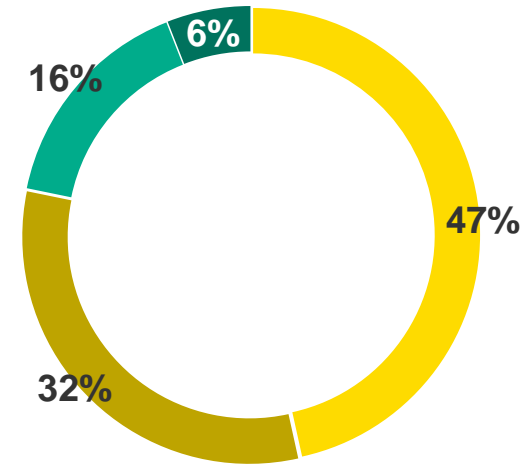
Current employment status



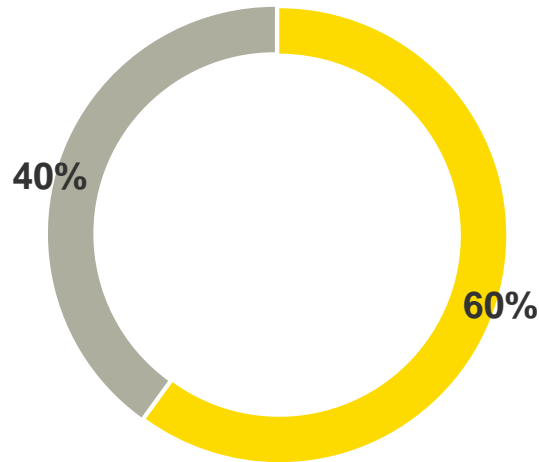
Working full time (>30 hours + per week)
Working part time (less than <30 hours per week)
Not working – looking for work
Not working – not looking for work
Student
Retired

Amongst those who are working, we have become more flexible with where we work. Pre-pandemic two in three working South Africans were office-bound. This has reduced to one in three

Office working flexibility



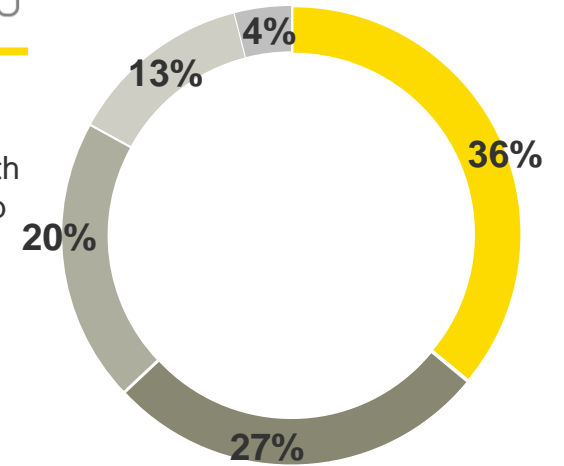
I used to work in an office most of the time
 I worked flexibly – in office and from home
 N/A – my job is not office-based
 Other



I used to work in an office most of the time
 I worked flexibly – in office and from home



63% of companies assisted with WFH set up



In office 5 days of the week
 Work flexibly: 3-4 days in office
 Work flexibly: 1-2 days in office
 Work flexibly: Entirely remote
 NA/Other

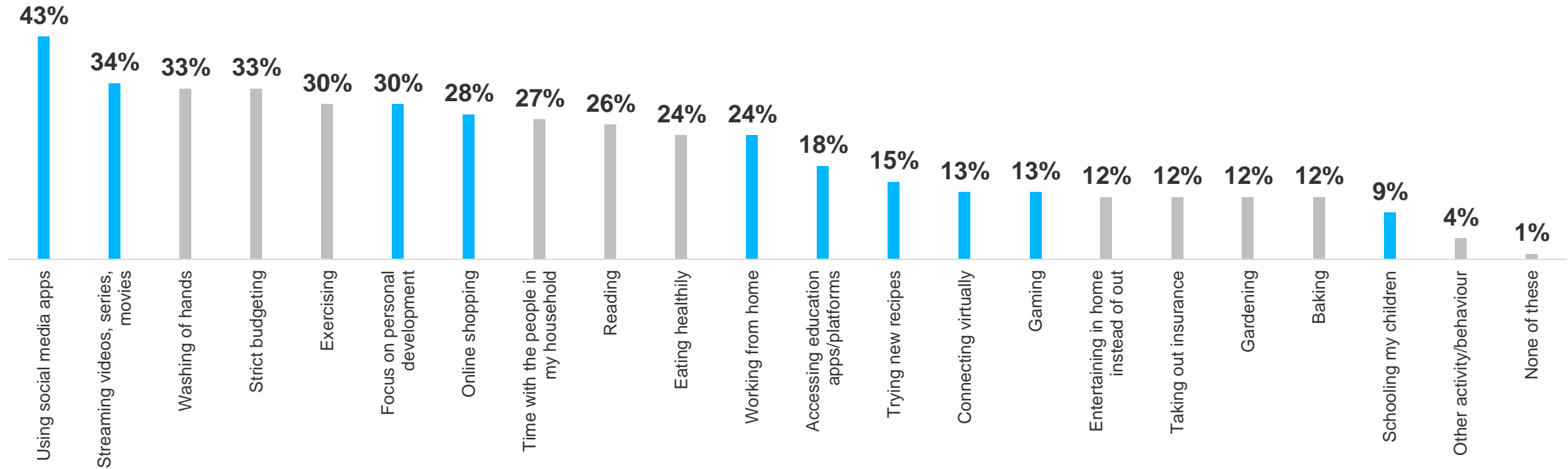
I'm social

#FollowMe
#HomeWorkOut
#CouchTo5km
#HealthyRecipes
#GlamMeUp
#Mindfulness
#JustBreathe
#WorkLifeBalance
#SouthAfricanFood
#ExploreSouthAfrica
#Bingeworthy
#HowToApplyEyeliner

South Africans have increased their time online, particularly their use of social media and online video/ streaming, we are also following strict household budgets and exercising more

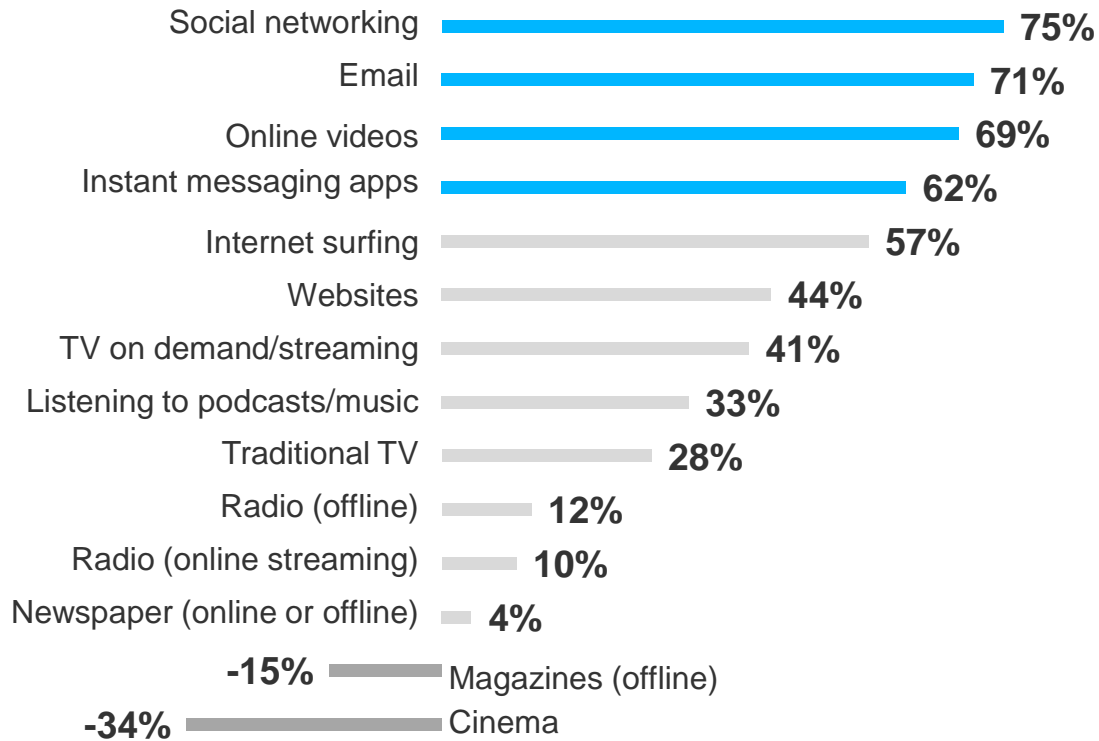
Activities South Africans are doing more since the pandemic

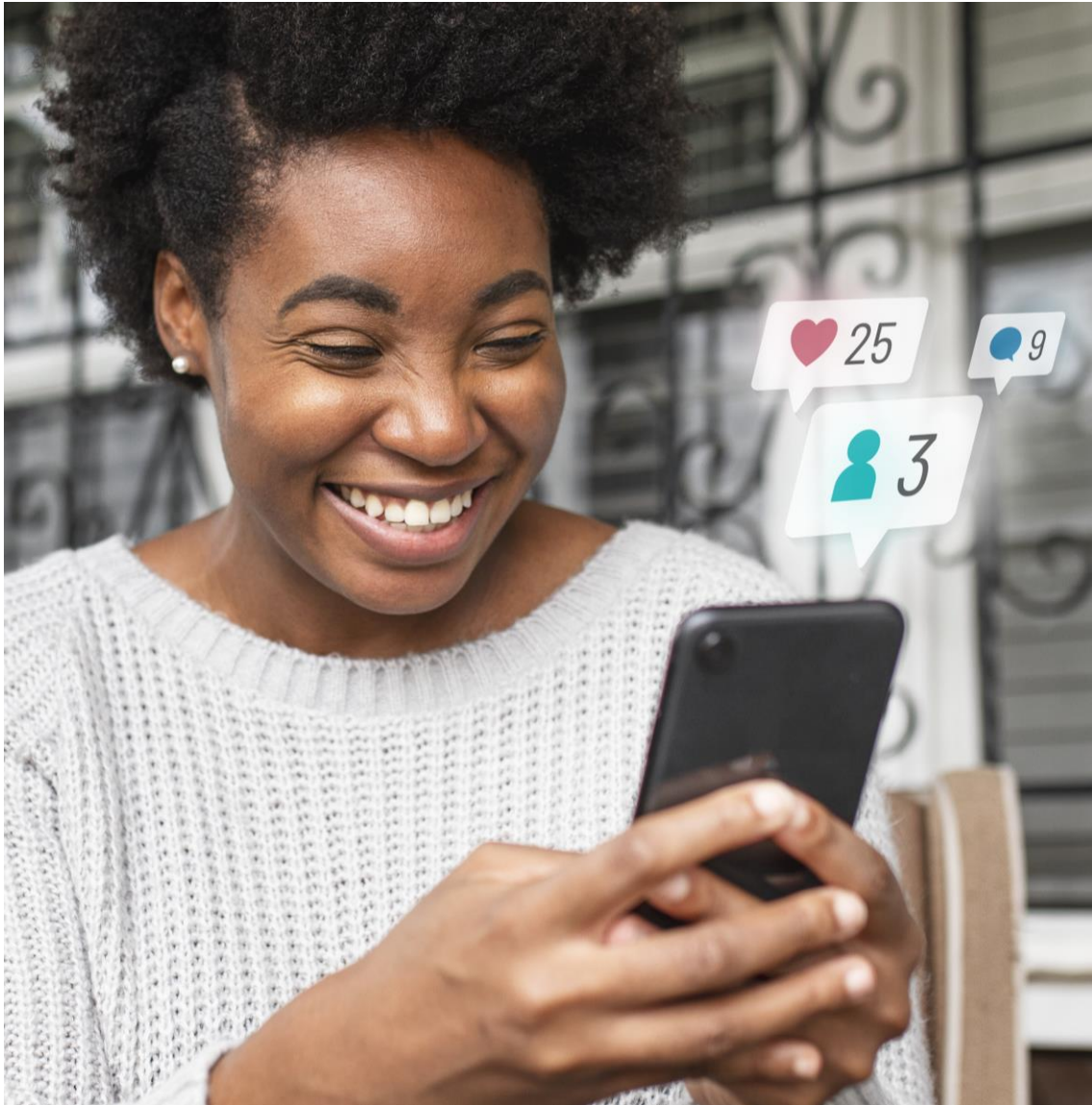
Online activities



Looking to media channels, there is a high net increase in social networking, email, online video and use of instant messaging apps

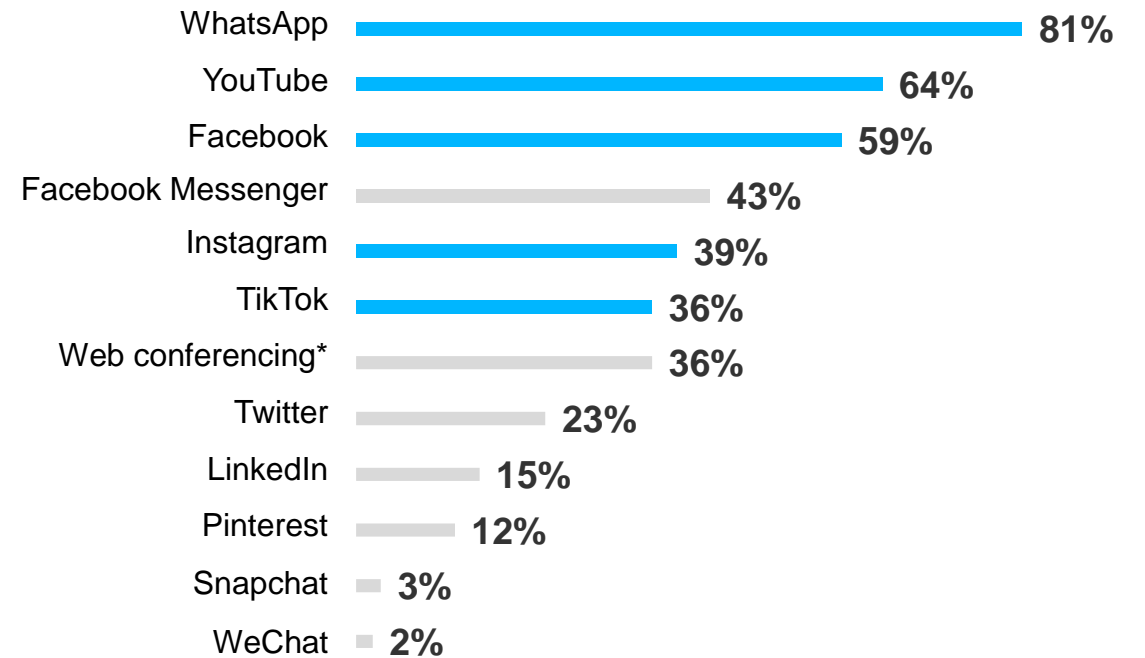
Use of media channels: Net increase/decrease vs prior to pandemic





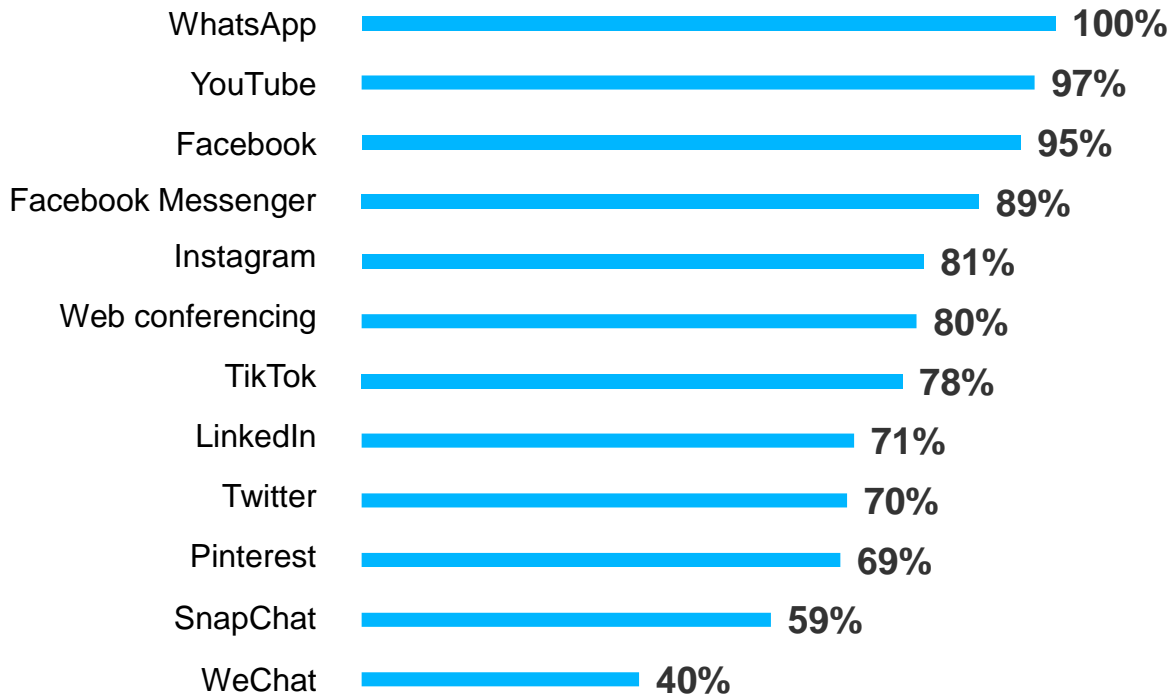
WhatsApp, YouTube and Facebook are the top three growth platforms of the past two years. One in three are using Instagram and TikTok more than before

**Use of social media channels:
Net increase/decrease versus prior to pandemic**

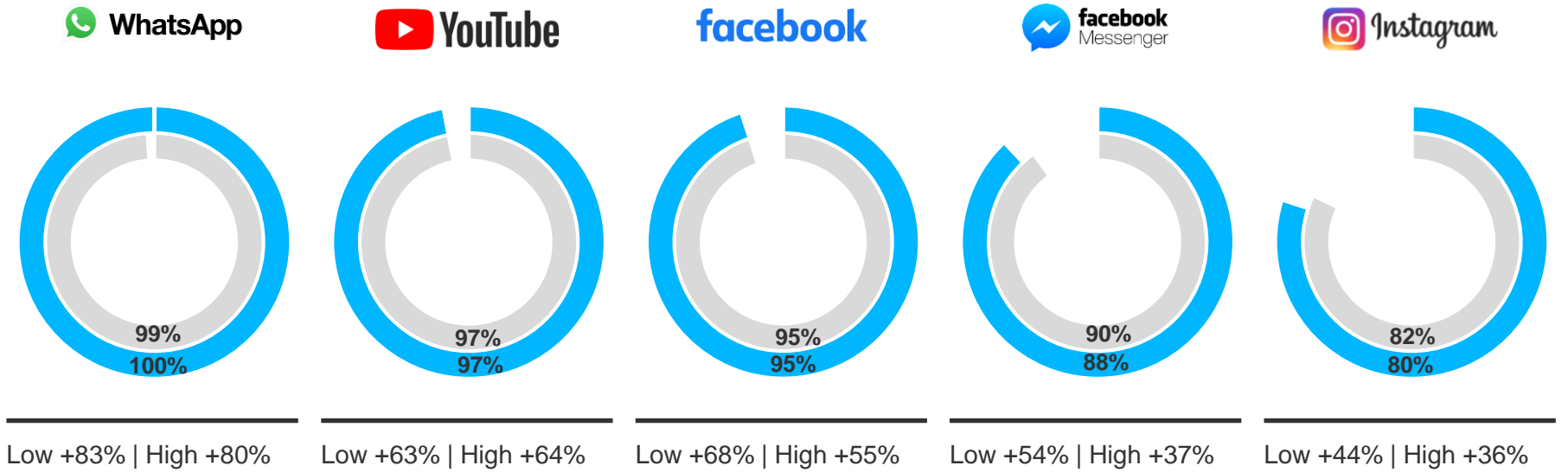


All connected South Africans use social media platforms and all use WhatsApp. Only one in five do not use TikTok and Instagram

Penetration of social media platforms

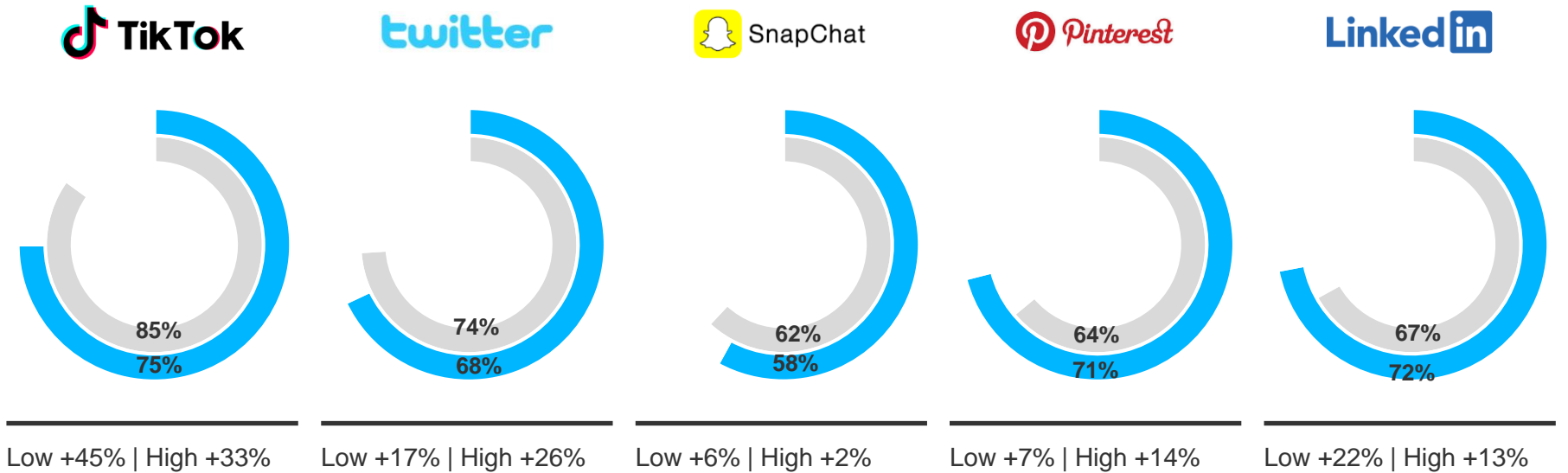


Use of all social media platforms is growing amongst lower-income homes ahead of higher-income homes, except for Twitter and Pinterest



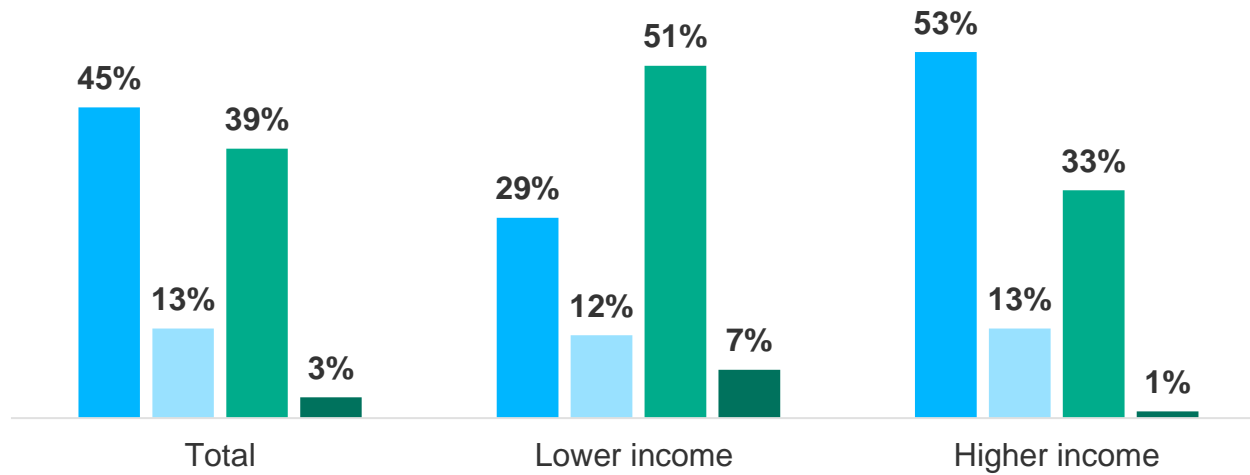
Social media platform usage and nett increase by income group

Lower income
Higher income



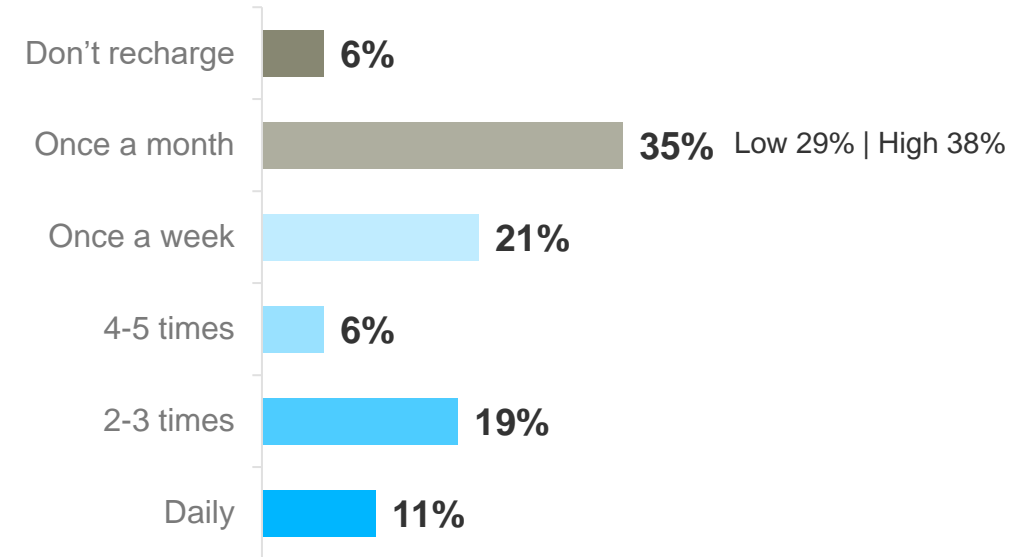
South Africans primarily access the internet uncapped from home or via mobile data, depending on income group

Which of these describes how you use the internet most of the time?



I access the internet from home and it is unlimited/uncapped
 I access the internet from home but it is capped
 I access the internet using prepaid mobile data on a device
 I access the internet via free Wi-Fi zones

How frequently do you recharge data on your mobile?



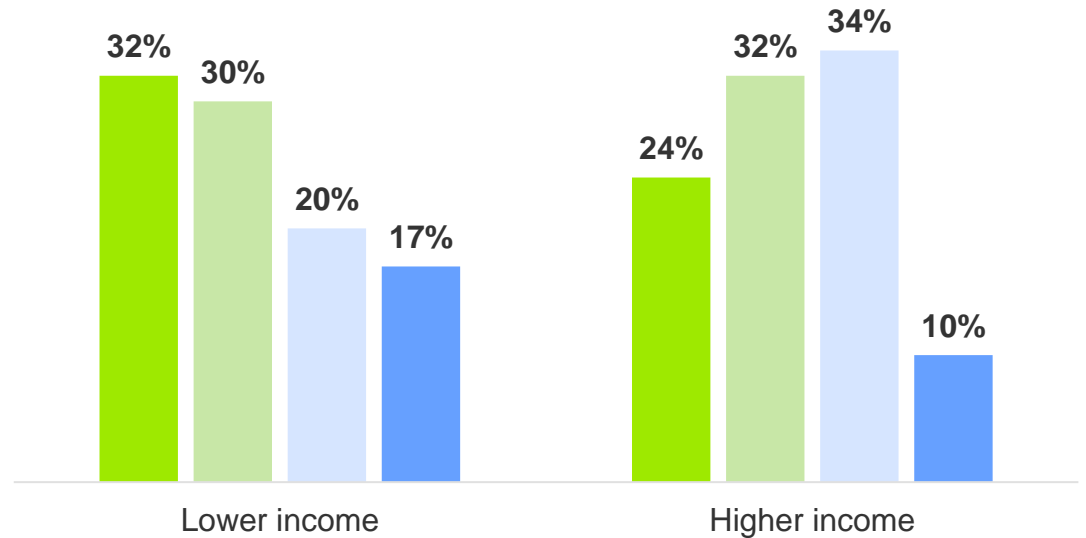
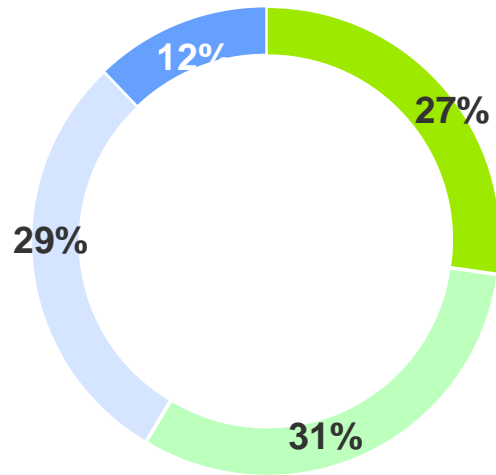
I'm trying

#MeatFreeMondays
#LessMeat
#BeFree
#Healthy
#SugarFree
#DownWithDiabetes
#Sweat
#StrongIsTheNewSkinny
#ZeroAlcohol
#AlcoholFree
#ReducedSugar
#LessSalt
#ReducedSalt



South Africans are keen to make healthier food choices

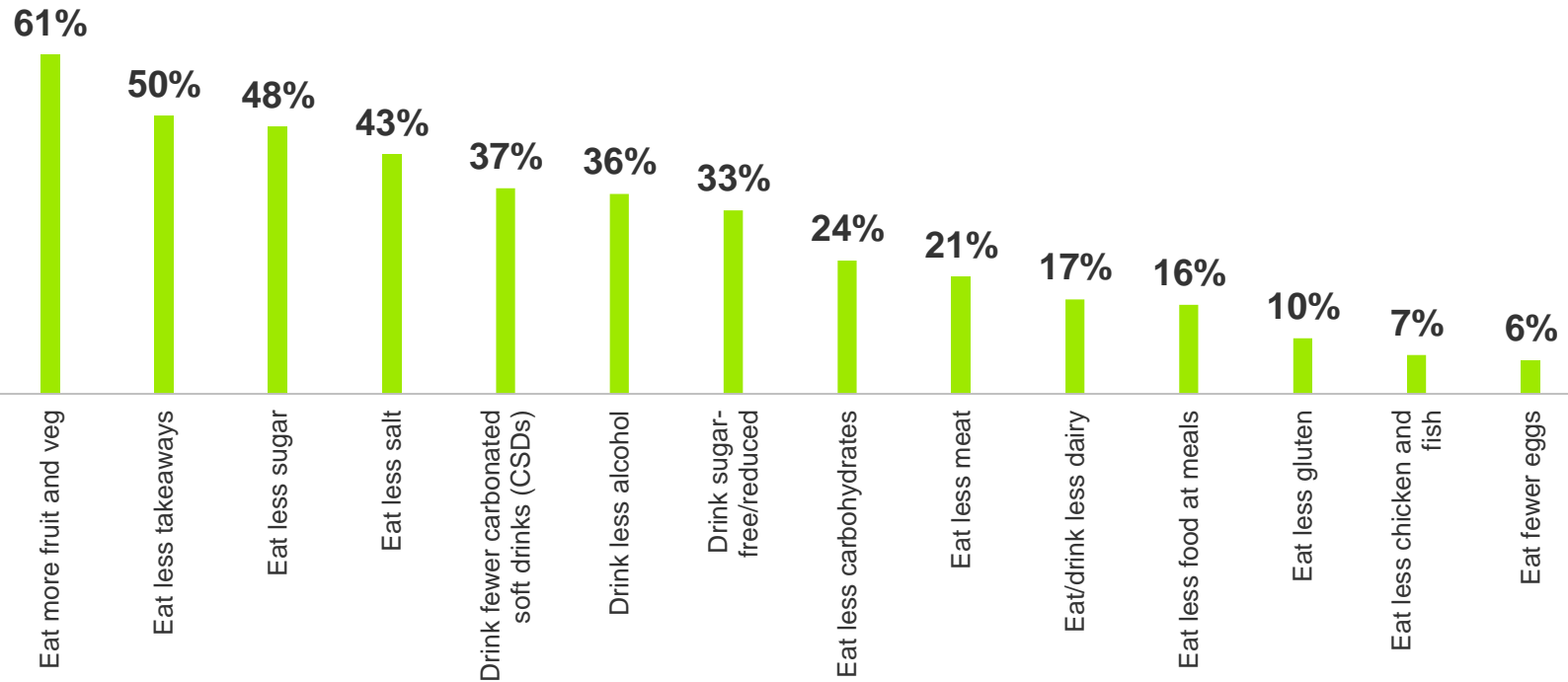
Pre-COVID eating comparison



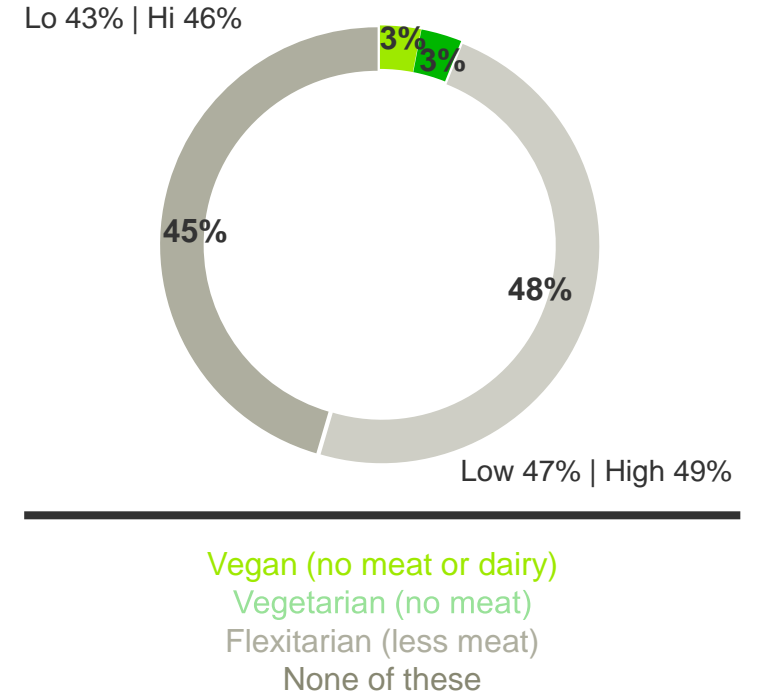
Eat the same way I always have and will continue to do so
Eat the same way and want to make healthier choices
I now make healthier food choices than I used to
Eating habits are less healthy than they used to be

South Africans want to eat more fruit and vegetables, less takeaways, less sugar and less salt. Almost half are keen to cut down on meat intake

Amongst those who do/want to eat healthier, healthier eating plans



Dietary type



Over a third want to cut down on their alcohol consumption and over a third have done so. This trend is driven by higher-income homes

Alcohol reduction as a means to achieving healthy diet

36%

The percentage of health-focused South Africans who want to cut down on their alcohol intake

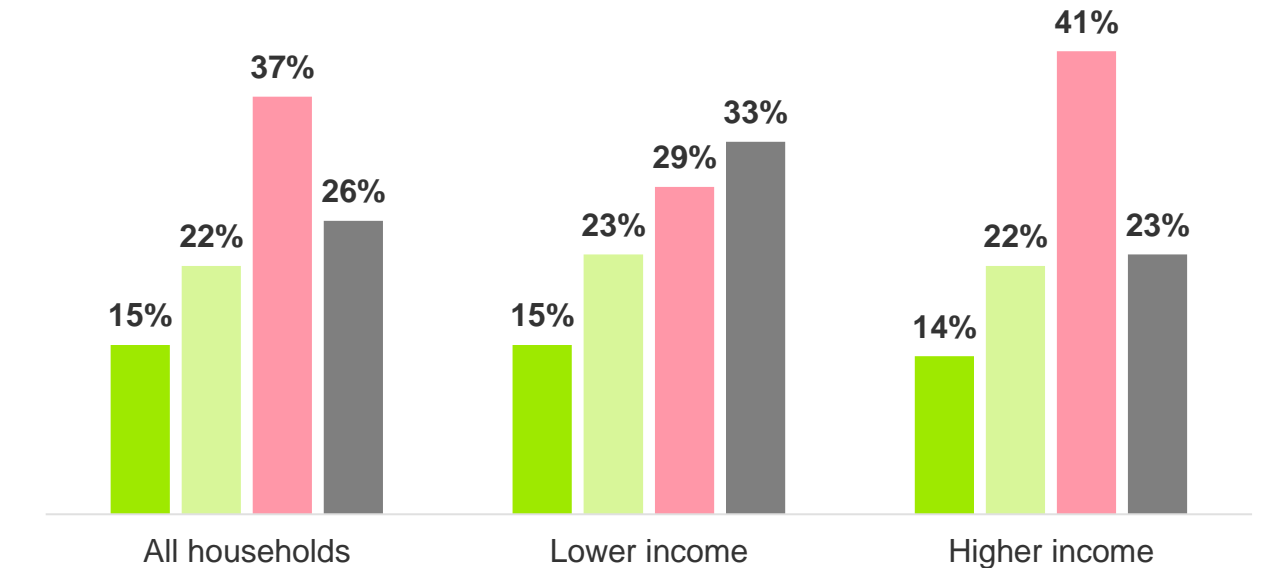
30%

Lower income

40%

Higher income

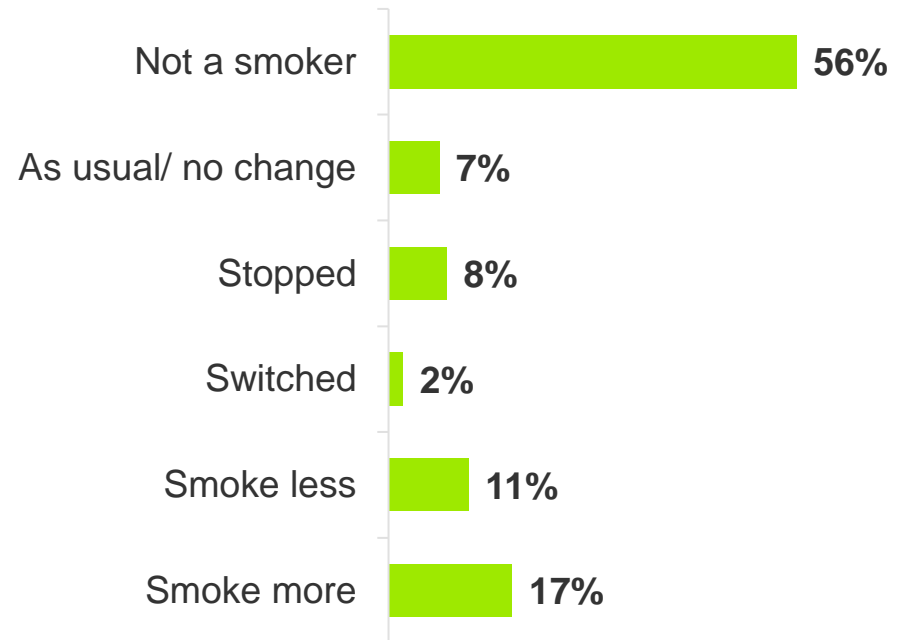
Alcohol behaviour over time



Drink more alcohol than I used to
 Drink about the same amount of alcohol as I used to
 Drink less alcohol than I used to
 Don't drink alcohol

Smokers are either smoking more or less than they used to, very few are continuing as they did prior to the pandemic

Smoking change over time



I'm shopping (online)

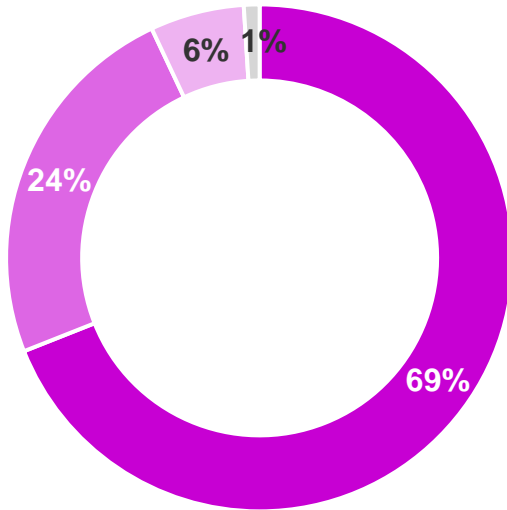
#SouthAfricanFashion
#SouthAfricanStyle
#MadeInSouthAfrica
#LBD
#CheekyStyle
#HomeDelivery
#OneHourDelivery
#BuyOneGetOneFree
#SexyBoots
#LoyaltyPoints
#AddToCart
#NoRegrets



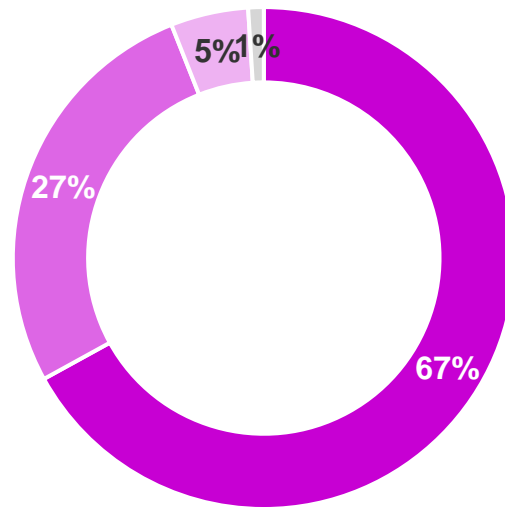
Two in three South Africans pay closer attention to prices and products on sale than they used to. Most shop around for the best prices

Chasing lower prices and specials

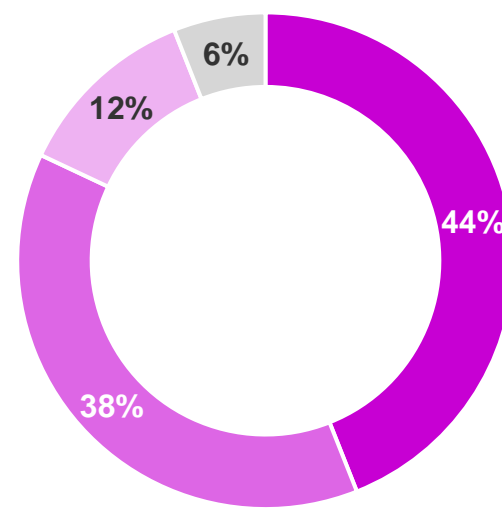
More than I used to | About the same | Less than I used to | Don't do this



Pay attention to prices

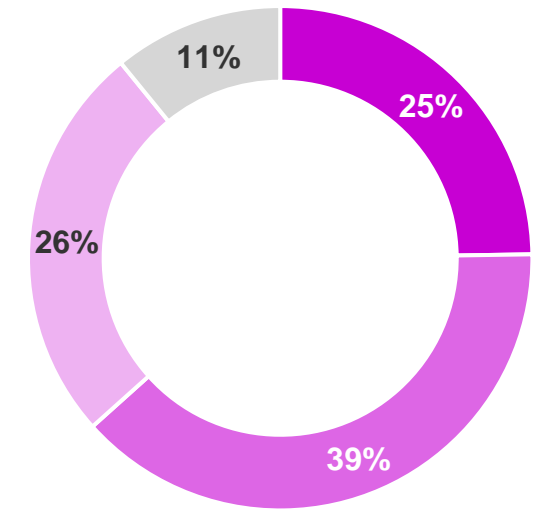


Pay attention to products on sale



Go out of my way to find the best prices, even if inconvenient

But its not only pricing

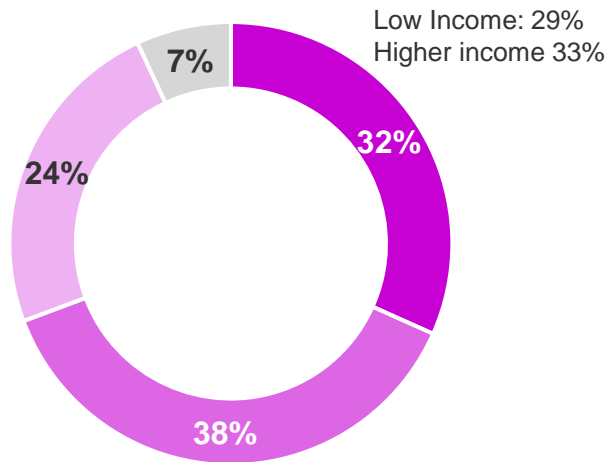


Shop at the most convenient store even if it's a little more expensive

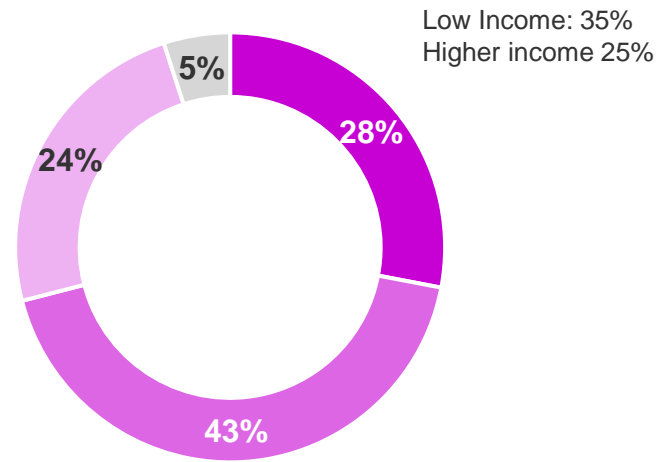
The response to brand purchase is two-fold; lower income South Africans stick to the brands they know and love, higher-income try out new brands

Brand loyalty

More than I used to | About the same | Less than I used to | Don't do this



Try out new brands



Stick with brands I know and love even if they are a little more expensive



There is a high price attached to taking a risk, with some premium consumers willing to pay for risk reduction

Concerns about risk have grown dramatically during the pandemic

From 2015 to 2019, 52-54% of consumers are “happy to take some risks for the chance to enjoy greater rewards”

In April 2020, with the outbreak of COVID-19, it plummeted to 37 percent and has remained well below half ever since.

Why?

Because people evaluate the prospect of gains differently than the prospect of losses.

Bad events affect people more profoundly than good events.

So people will opt for the certainty of smaller gains over the uncertainty of potentially larger gains

...if taking that chance for a larger gain means even a small chance of getting much less or nothing at all.

Hence, the brand imperative to take the risk out by focusing on losses.

Defaulting to discounting under the assumption that trading down is all that matters leaves value-building opportunities on the table.

There is some premium of cost or loyalty that consumers are willing to pay for risk reduction.

We also see a shift to second-hand purchases and the circular economy, driven by platforms such as Gumtree and Facebook Marketplace

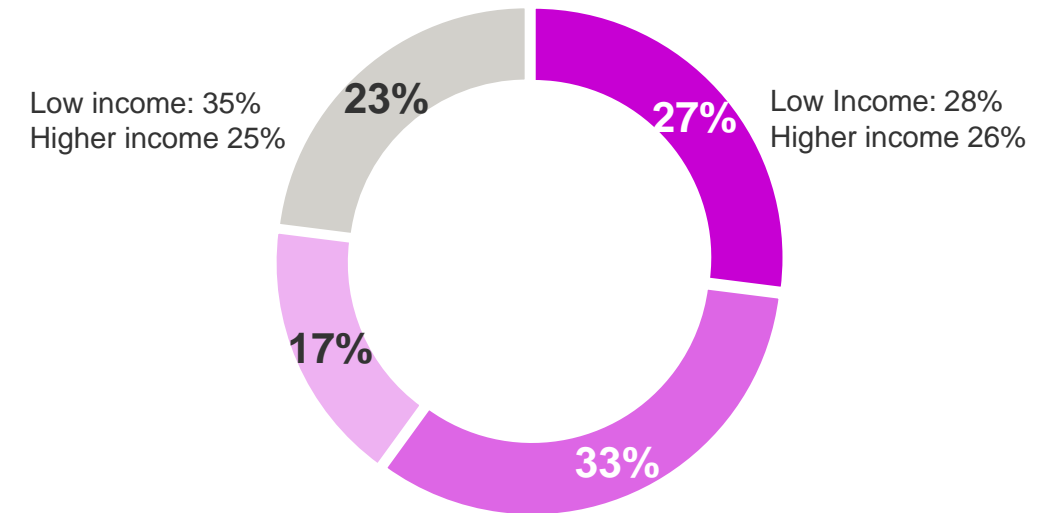
Globally, the top categories for this part of the 'circular economy' are digital devices, women's fashion and home appliances*.

In South Africa, 78% said they buy second-hand products either online or offline.

This is higher amongst younger shoppers, with 82% participation amongst 18-24 year olds vs 67% of age 45+ year olds.

Second-hand shopping (either online or offline)

More than I used to | About the same | Less than I used to | Don't do this



Buy second-hand products (in shops or online)

And the way we pay is changing; non-cash is the norm amongst connected South Africans

92%

Of connected South Africans shop by credit card, debit card or mobile app instead of with cash

+32%

Nett increase in use of payment by credit card, debit card or mobile app instead of with cash

86%

Lower income

+21%

Nett increase, lower income

95%

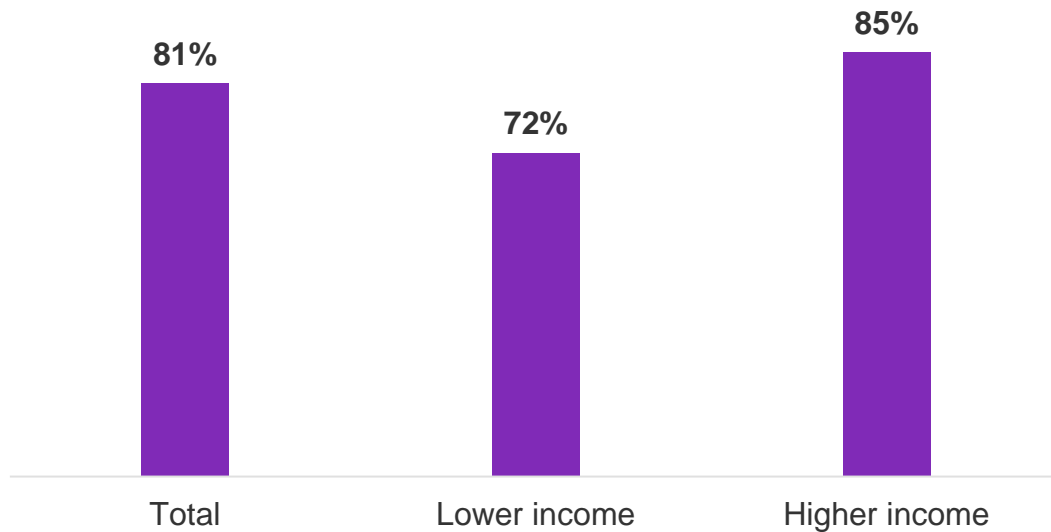
Higher income

+38%

Nett increase, higher income

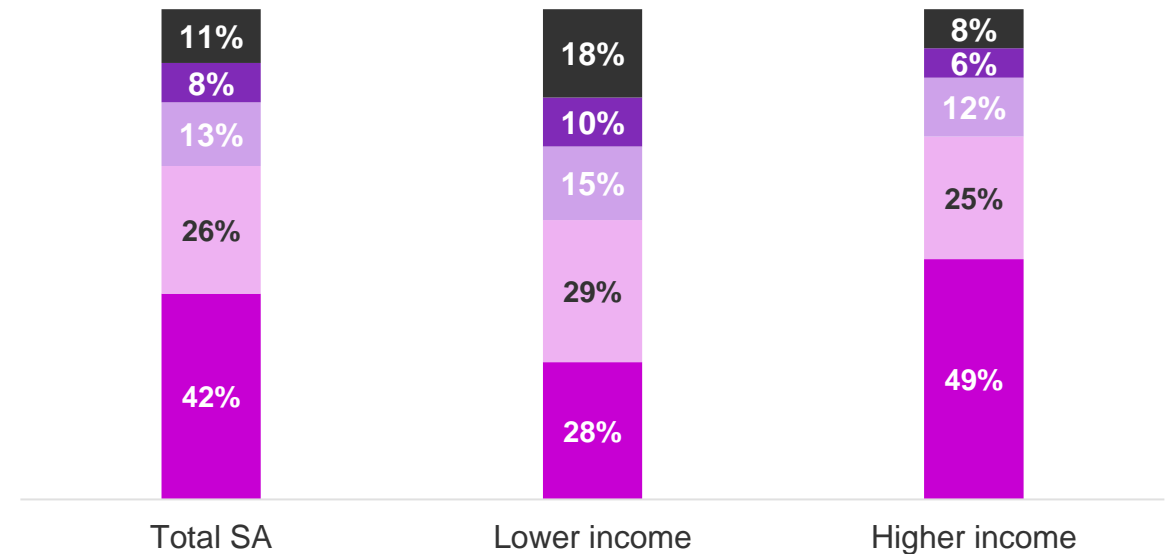
This facilitates online shopping, which has shown high growth over the course of the pandemic across income groups

Percentage of people who shop online



Change in online shopping behaviour vs pre-pandemic

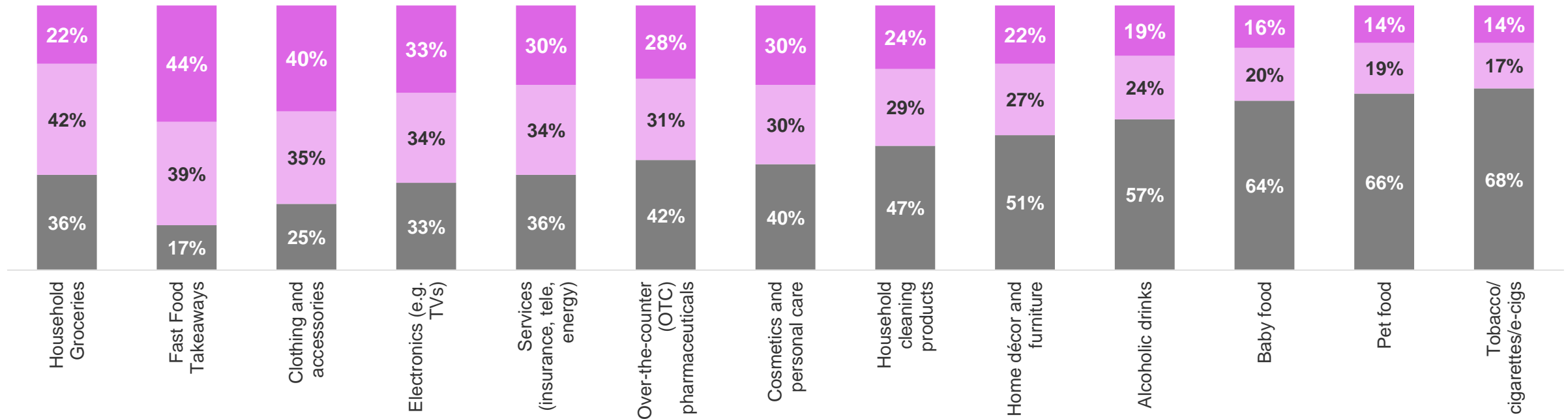
More | About the same | Less | Plan to in the future | Don't shop online



The pandemic drove South Africans online for their household groceries and fast-food takeaways

Change in online shopping behaviour vs pre-pandemic

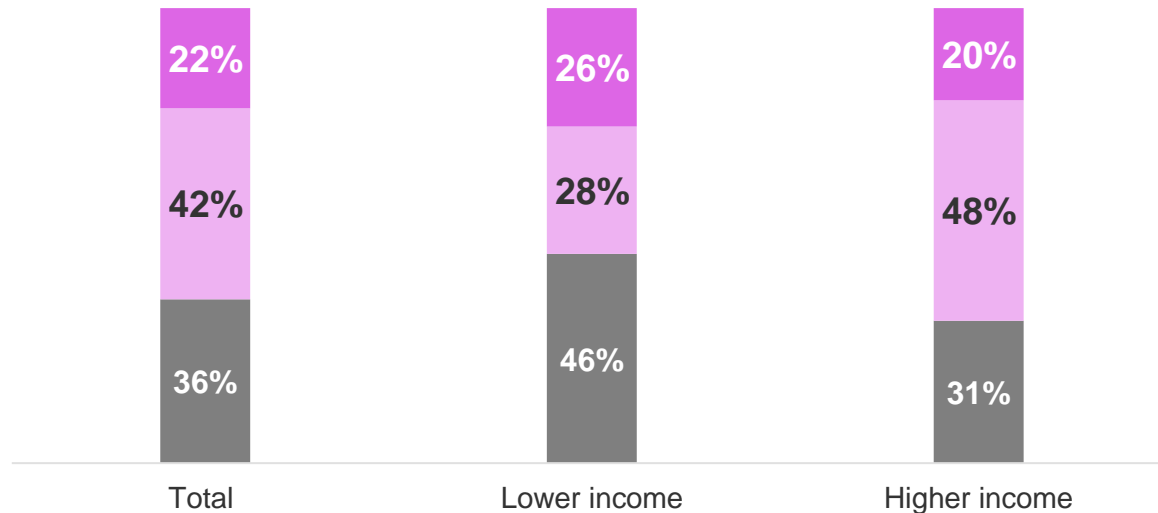
I purchased this online prior to the pandemic
 I started purchasing this online during the pandemic
 I don't purchase this product online



Almost half of all higher-income homes and a third of lower-income homes started purchasing groceries online during the pandemic, most of which is fulfilled using Rapid Grocery Delivery (RGD) apps

Purchase household groceries online, South Africa

I purchased this online prior to the pandemic
I started purchasing this online during the pandemic
I don't purchase this product online



Globally, 60% of ecommerce shoppers now use RGD services.

The trend typically sees shoppers start RGD with one or two categories. Once 'barriers' are down, other categories are quick to follow.

High purchase categories on RGD

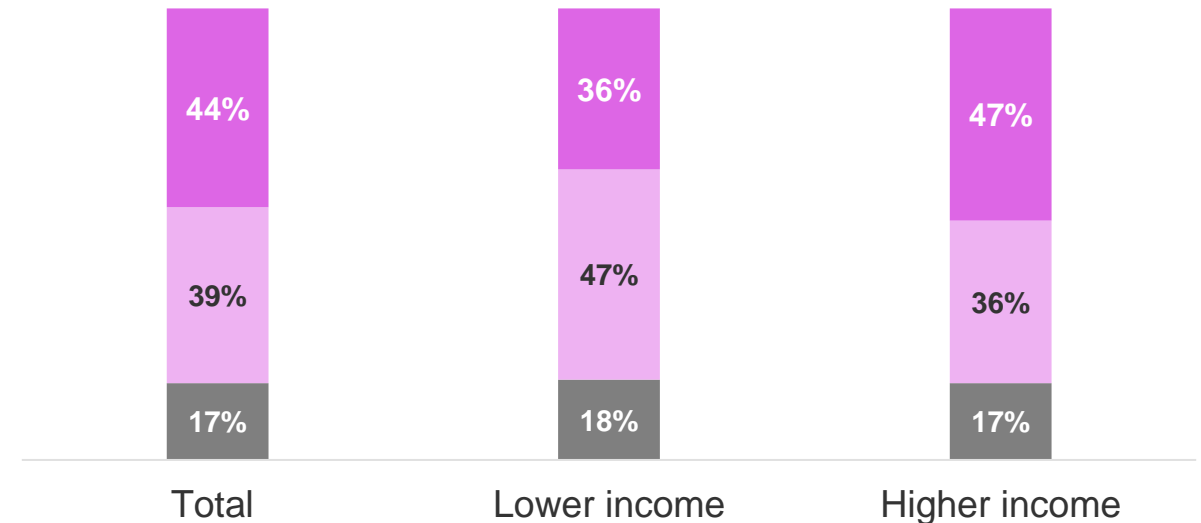
- Groceries (excluding snacks and drinks)
- Snacks
- Soft drinks
- Alcoholic drinks
- Personal care
- Baby milk and diapers
- Health and wellbeing



Takeout for home delivery was accelerated by the pandemic, particularly amongst lower-income homes

Purchase fast-food takeaways online

- I purchased this online prior to the pandemic
- I started purchasing this online during the pandemic
- I don't purchase this product online



This accelerated move to online shopping has been a game changer for South African retailers and its worth considering why shoppers choose online

The pandemic literally drove people online and, as capability and the user experience improved, shoppers stayed on.

Assuming we solve for the tensions such as access to data and delivery infrastructure, what should retailers be considering to drive choice of platform?

How to win shoppers

Price and promotion are what drive shoppers to particular platforms.

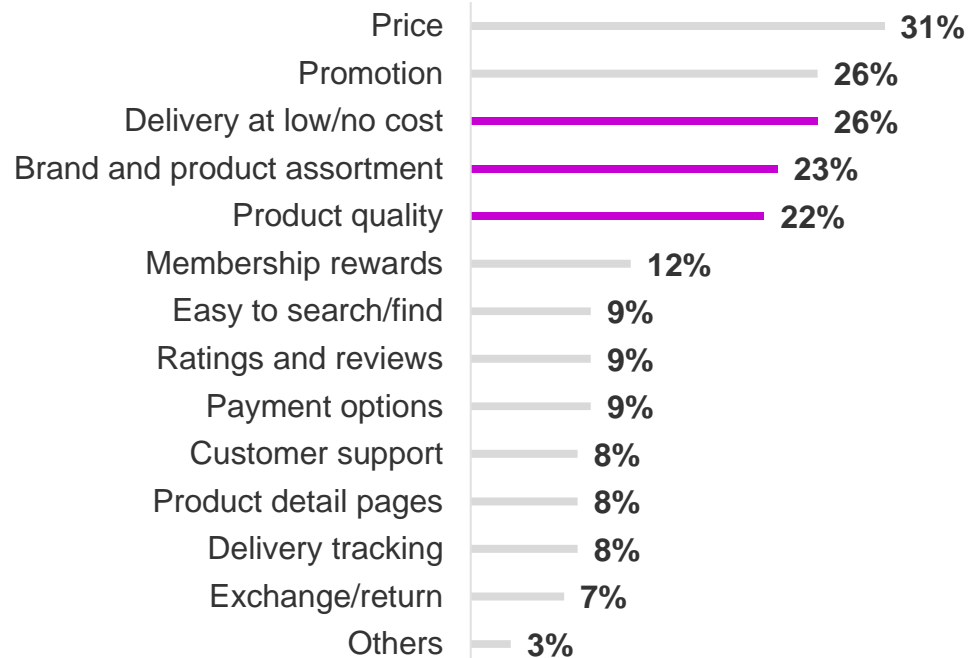
But there are other equally important motivators for continued choice.

It's now cheaper to have groceries delivered in South Africa than going to the shops: Checkers

Staff Writer 4 April 2022



What global shoppers like about their preferred online retailer(s)



I care

- #ProfitWithPurpose
- #LocalsLekker
- #SupportLocal
- #CreateEmployment
- #CreateJobs
- #BePartOfTheSolution
- #UNSDGs
- #Sustainability
- #NoMorePlastic
- #Reuse
- #Upsell
- #Recycle
- #EducationForAll
- #FeesMustFall
- #YouCantTeachAHungryChild

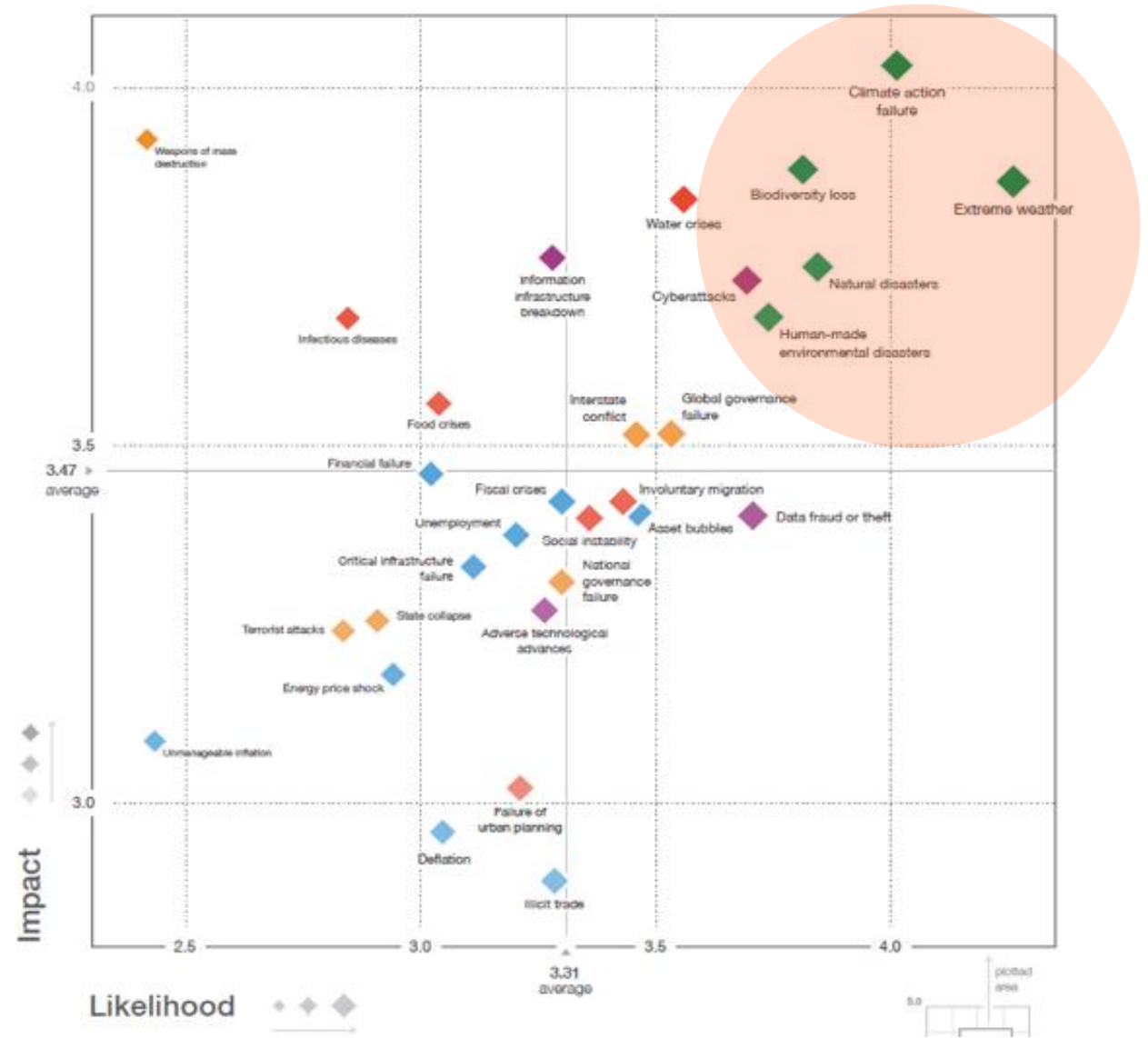


For the first time in history, sustainability issues pose the greatest risk to the world

In 2020, the World Economic Forum (WEF) cited that these issues add up to a planetary emergency.



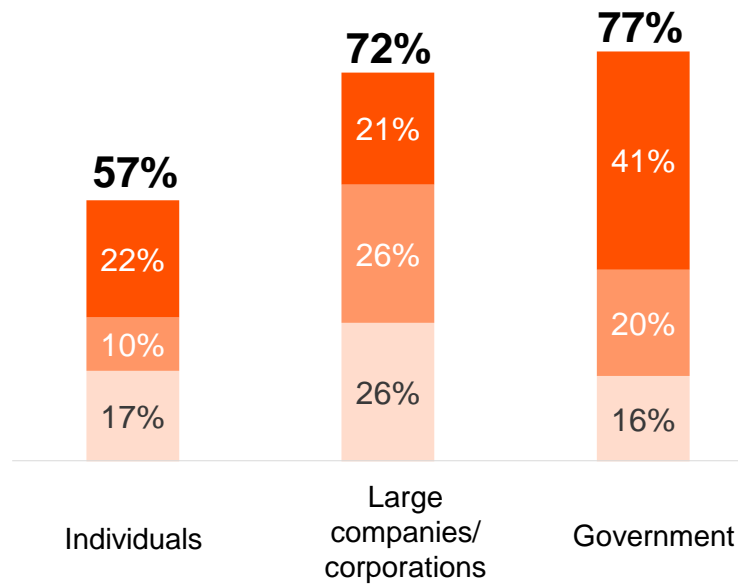
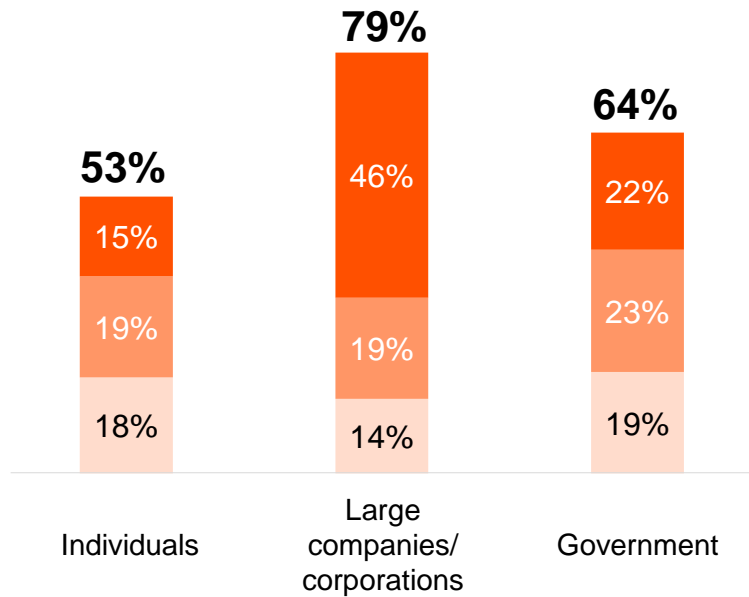
The near-term impacts of maintaining the status quo amount to loss of life, social and geopolitical tensions and severe economic distress.



Globally, people blame business and government for the problems, expecting them to take responsibility

Who do you believe has had the most negative impact on environmental problems in the world?

Who do you believe has the greatest responsibility for addressing environmental problems in the world?



This is an opportunity
for brands to drive
uptake and loyalty.

The challenge is that it
feels like a trade-off:
sustainability vs price
and effort

34%

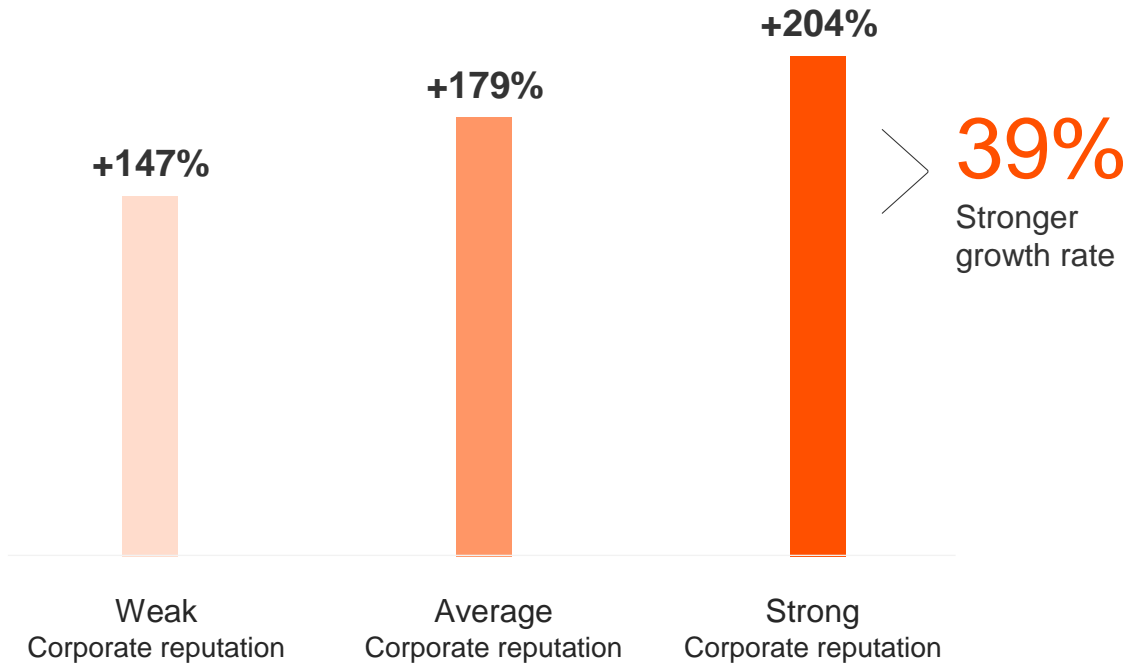
I am prepared to invest my time
and money to support companies
that try to 'do good'

62%

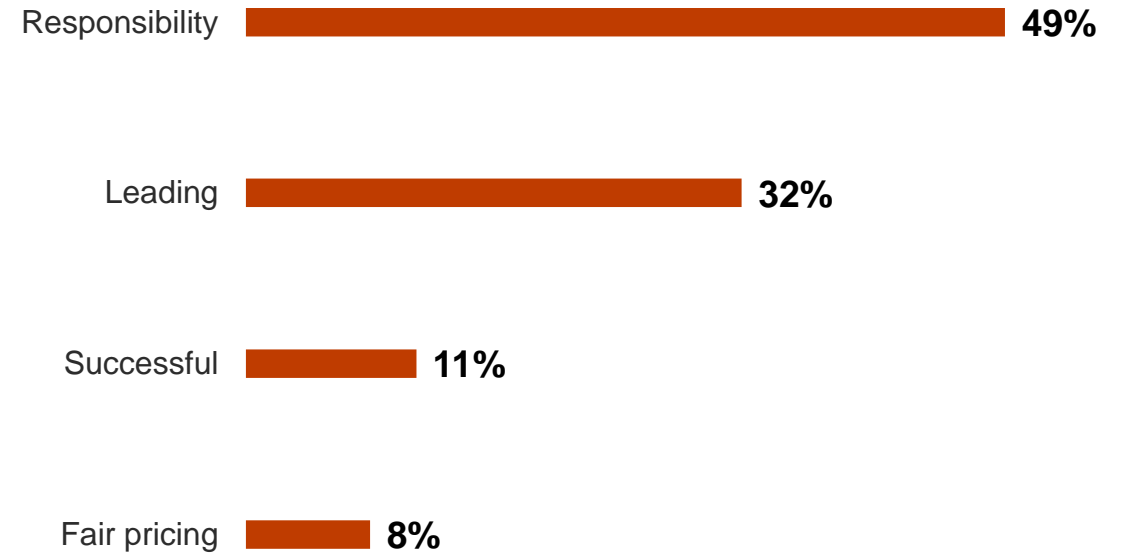
It is difficult to be more environmentally
friendly because the products that are
better for the environment are harder to
find or more expensive

So we need to consider how we support and carve this journey for South Africans, particularly because brands with strong corporate reputation grow faster

Brands with strong corporate reputation grow in brand value at a faster rate



Contribution to overall corporate reputation

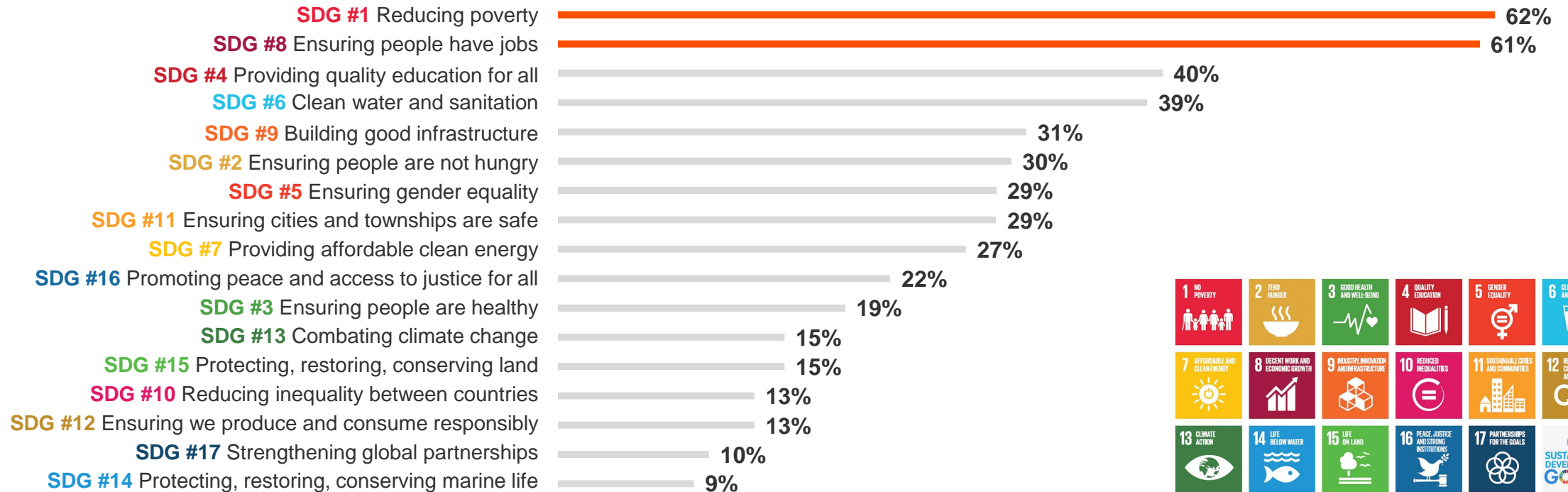


The United Nations (UN) has identified 17 key sustainable development goals (SDGs) or objectives



We asked South Africans which of the UN's SDGs are key for our country. Unsurprisingly, poverty, employment and education are of primary concern

Priority SDGs for South Africans



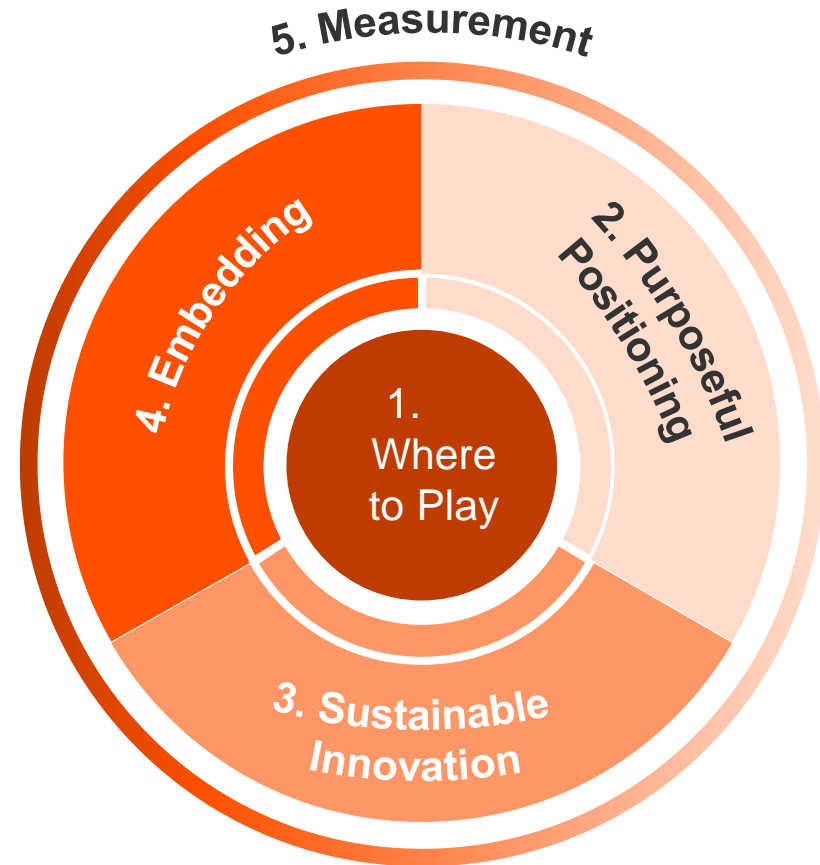


The challenge is to focus on consumers and where you have a 'right to play' when building your strategic sustainability programme, rather than being internally/operationally focused

We propose a 5-step approach, focusing first on where you have a 'right' (in the eyes of the consumer) to engage

Solutions

- 1** Identify the social and environmental issues relevant to your category, where you have the right to play and win
- 2** Define the role you can uniquely play based on the anchor of your brand purpose, aligned to the SDGs
- 3** Understand how to drive meaningful change and profitable growth for your portfolio through innovation
- 4** Embed internal belief and capability within the organisation, driving ongoing commitment and change
- 5** Measurement of an ongoing committed action and feedback loop is required



I'm here

#UnderstandMyNeeds
#MakeLifeEasier
#Convenient
#RightPrice
#WorthPayingFor
#MeetMyNeeds
#GoodQuality
#Promotions



Difference

/'dɪf(ə)r(ə)ns/

the intended brand image that you, as a marketer, hope to achieve in the mind of the consumer through positioning

Brand differentiation offers an opportunity for brands to go beyond the physical provision of a product, to find brand benefits, experience-based, even emotionally based differences that break through consumers' expectations of parity.

It's then that a product becomes a brand "more than a product" and begins to satisfy needs over and above purely functional needs.

If it does that, then it's worth more money

Defend with difference

esp. as inflation rises

Provides a reason to choose the product at the time of purchase.

Helps 'explain' the price

Provides an easy justification for choice after purchase

Which results in higher satisfaction

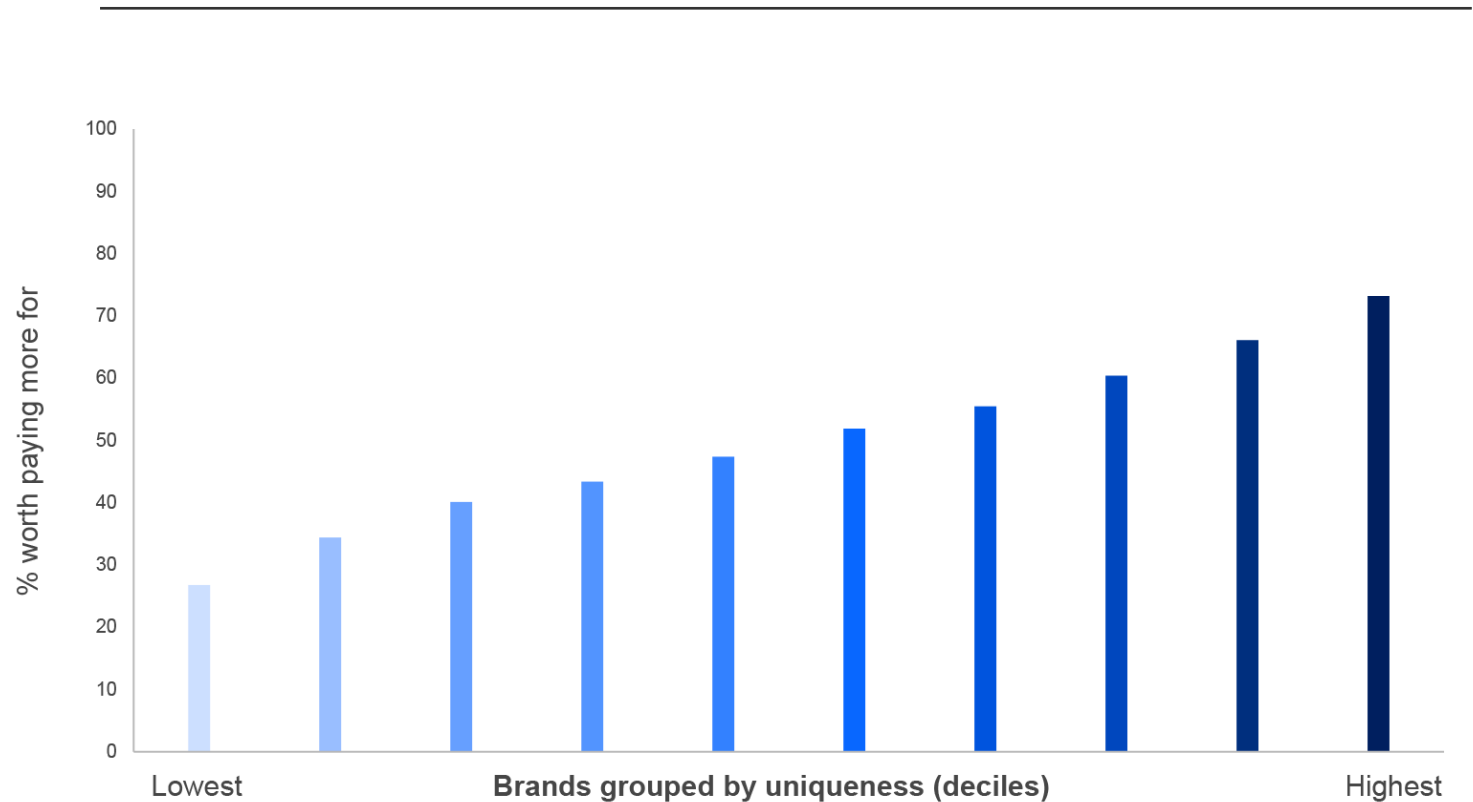
And you are hard to replicate (ref DOBs)

Achieving a differentiated brand position can lower customer price sensitivity

Here's proof...

We analyzed 40,000 brands in our Kantar BrandZ database and found a very strong relationship between increasing relative uniqueness and a consumer's willingness to pay more for a brand.

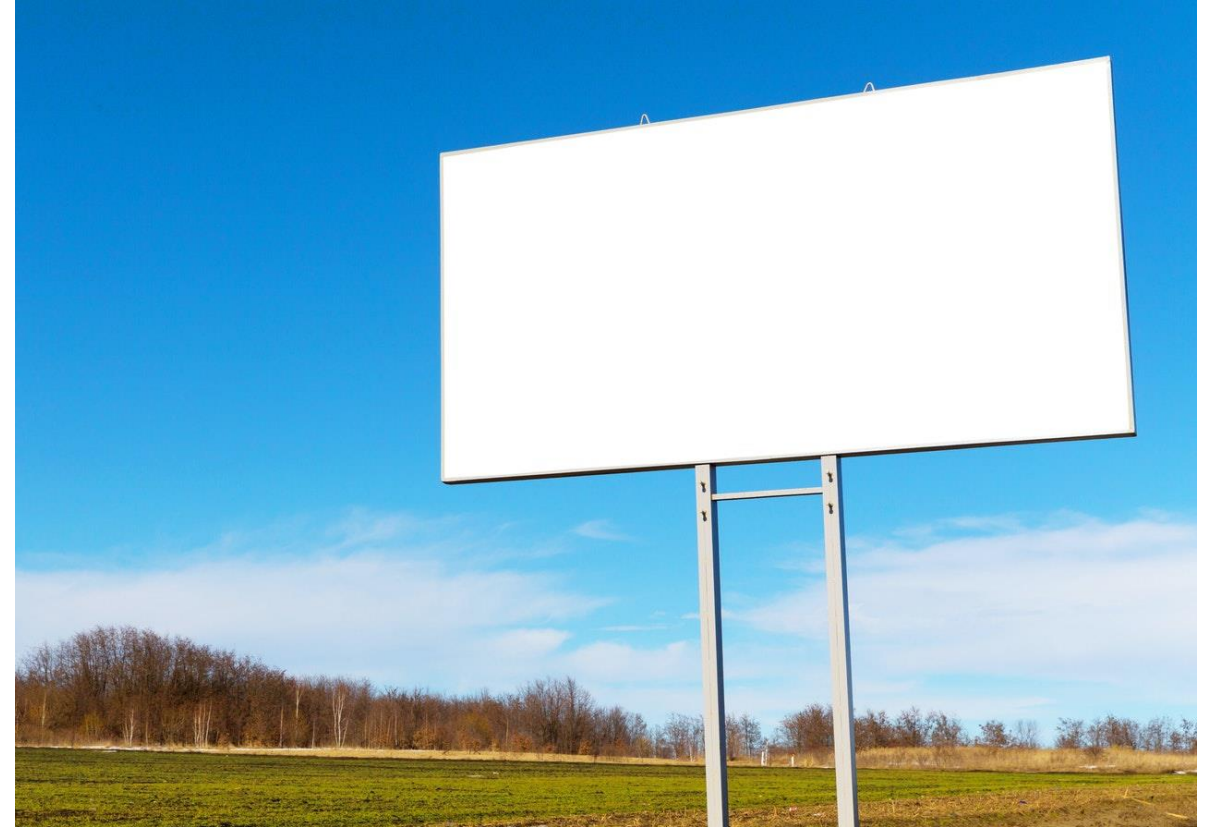
Difference is worth paying (more) for



Differentiation can be achieved in a multitude of ways and is rooted in consumer needs and the value equation

Once we understand the consumer tension and the benefits that drive value, we can start to consider the right route that will drive our differentiation.

And this will primarily be achieved through innovation. But innovation must be **meaningful** to consumers in order to drive brand growth.



Drive differentiation with the right innovation that resonates

Product differentiation: pack



VS



Feeds the family

Feeds the family

Sustainability differentiation

R1 of your purchase goes towards **wildlife conservation**

VS

R1 of your purchase goes to **water conservation**

“With added vitamin B” VS “Gives you energy”

Functional differentiation: health vs sustenance



VS



Promotional differentiation

Functional differentiation



VS



One product, multi-surfaces

Just a drop to keep dishes clean



I'm ready

#WhatsNext
#Inflation
#ReduceRisk
#Innovation
#Sustainability
#WorthPayingFor



Three agenda items for South African brands in 2022

01.

Your (e)Commerce strategy: Price PLUS

Being online is most definitely a priority for all retailers given adoption and momentum across income groups.

And across both instore and online, price and promotion will continue to drive retailer and brand choice, as they always have.

To be competitive and successful, while avoiding price wars, retailers should **build a strong eCommerce platform and pay attention to the values shoppers seek on top of competitive prices**, particularly what this might look like in South Africa given our access and delivery infrastructure challenges.

Consider other ways to drive non-price value by understanding priorities and trade offs.

02.

Your Brand Building strategy:

(1) Reduce risk

Defaulting to discounting under the assumption that trading down is all that matters leaves value-building opportunities on the table. There is some premium of cost or loyalty that consumers are willing to pay for risk reduction.

Keep reminding consumers of the benefit of your brand to reiterate the cost of risk.

(2) Justify price with difference, use innovation

Use **meaningful innovation** to drive perceptions of difference and justify the price.

03.

Your Sustainability strategy: Start with the consumer

Streaming internal business processes to be more environmentally friendly is largely expected, meaning that there **isn't any compounded 'goodwill equity' to be gleaned in this way.**

In order to drive brand desire and perceptions of difference, the sustainability strategy needs to solve for **consumer expectations within the context of where the brand has a 'right to play'.**

And keep in mind that **sustainability alone won't drive choice or equity**, your functional product needs to be on point before you elevate it.

Questions?



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