

A year in review: Covid-19 and the consumer sector

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After living with Covid-19 in our midst for over a year, it is probably safe to say that, at the outset, a number of us naively believed that the hard lockdown would do the trick, and normalcy would return fairly swiftly. At the time, so pressing was the uncertainty around whether our healthcare systems would be able to cope, that economic focus fell by the wayside.



Credit: Laura James via Pexels

We may have got it wrong; at least, so it appears from the numbers, and numbers do not lie. What started as an onslaught on the ill-prepared medical fraternity transformed itself into an exposé of ailing economies, leaving South Africans more anxious than ever.

While global anxiety is at its lowest since April 2020, South African consumers remain the third most anxious in the world (following India and Chile), with the knock-on effects of the pandemic playing a major role: financial stress, and concerns relating to job security.

Unlike most other countries, our anxiety levels are not decreasing with the passage of time. The slow pace of our vaccination rollout has returned a net-negative assessment, as we are unsure if and when we can expect to receive our vaccinations.

For the consumer sector, this has, in turn, affected behaviour patterns, and we are more reluctant to spend, and actively

avoiding or delaying large purchases. Generally, our spending has shifted from discretionary items to essential items, particularly groceries and household goods. Understandably, spending in the travel and automotive sectors reduced significantly as we now prefer to keep ourselves busy within the confines of our homes.

What does this mean for the business world, and retailers and lenders in particular? Is this a call to adjust models according to current spending patterns? Is it best to focus attention upon the low-income market? Only the astute businessperson will know, but statistics indicate that a large proportion of consumers globally are spending beyond their means, and are worried about their ability to meet upcoming routine expenses.



SA consumers increasingly anxious about finance and health

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Behavioural shifts

Mitch Slape, CEO of Massmart Holdings Limited, indicated in a Deloitte webinar held on 14 April 2021 that varying behaviour patterns have been observed across customer segments categorised according to the Living Standards Measure (LSM). High LSM households have generally not borne the brunt of income reduction and are in fact more cash-flush because they have reduced spending on travel, eating out and workwear.

The trend of "nesting" has also been observed, driving spending on DIY, home office and home exercise equipment, and home entertainment (notably, Makro sold more televisions in 2020 than in any prior year). On the other hand, low LSM households have felt increased price pressure, and are dependent on pay- and government aid cycles.

Although more South Africans feel safe to shop in-store than consumers of any other country, we are opting for convenience, as seen by the reduced number of shopping trips, larger baskets, and continued stockpiling of essentials.

Most of us are willing to pay a premium for that privilege in order to save time, lower anxiety levels and reduce mask-wearing time. This has manifested in double-digit growth in e-commerce channels, including using "click and collect" options. Online marketing will accordingly prove to be a key stimulus for local consumers.



Massmart's CEO on Covid-driven consumer trends that'll stick

Lauren Hartzenberg 19 Apr 2021



Rise in innovation and collaboration

On the positive side, with Covid-19 has come immense innovation, and as a consequence an increase in the development of intellectual property and the rapid adoption of technology. The consumer sector has observed both existing technology being embraced (such as the adoption of "off the shelf" mobile applications for online orders) and the development of bespoke technology (for example, online ordering and order tracking).

There has also been increased collaboration among retailers, technology companies and logistics businesses, using this technology not only in their own businesses, but also to generate new revenue streams by commercialising the technology under license.

Looking forward, which trends will stay, and which will go? The expectation is that the struggling aviation, and travel and leisure, sectors will bounce back, though it seems they could currently be doing more to promote this by demonstrably making consumers feel safe.



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Increased e-commerce spending, on home exercise equipment and health supplements, and on DIY, home décor and home entertainment, is expected to remain, as is the current mix of working from the office and working from home, which the majority of companies have employed very successfully.

"In the rush to return to normal, consider which parts of normal are worth rushing back to." – David Hollis

This article is based on the [State of the Consumer Tracker](#) published by Deloitte on 14 April 2021, and updated on 28 April 2021, as well as observations noted in practice at Webber Wentzel.

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