Faculty of Economic and Management Sciences

Fakulteit Ekonomiese en Bestuurswetenskappe

# "Consumer behaviour trends in South Africa – Opportunities for German exporters and investors"

Bremen – June 2005

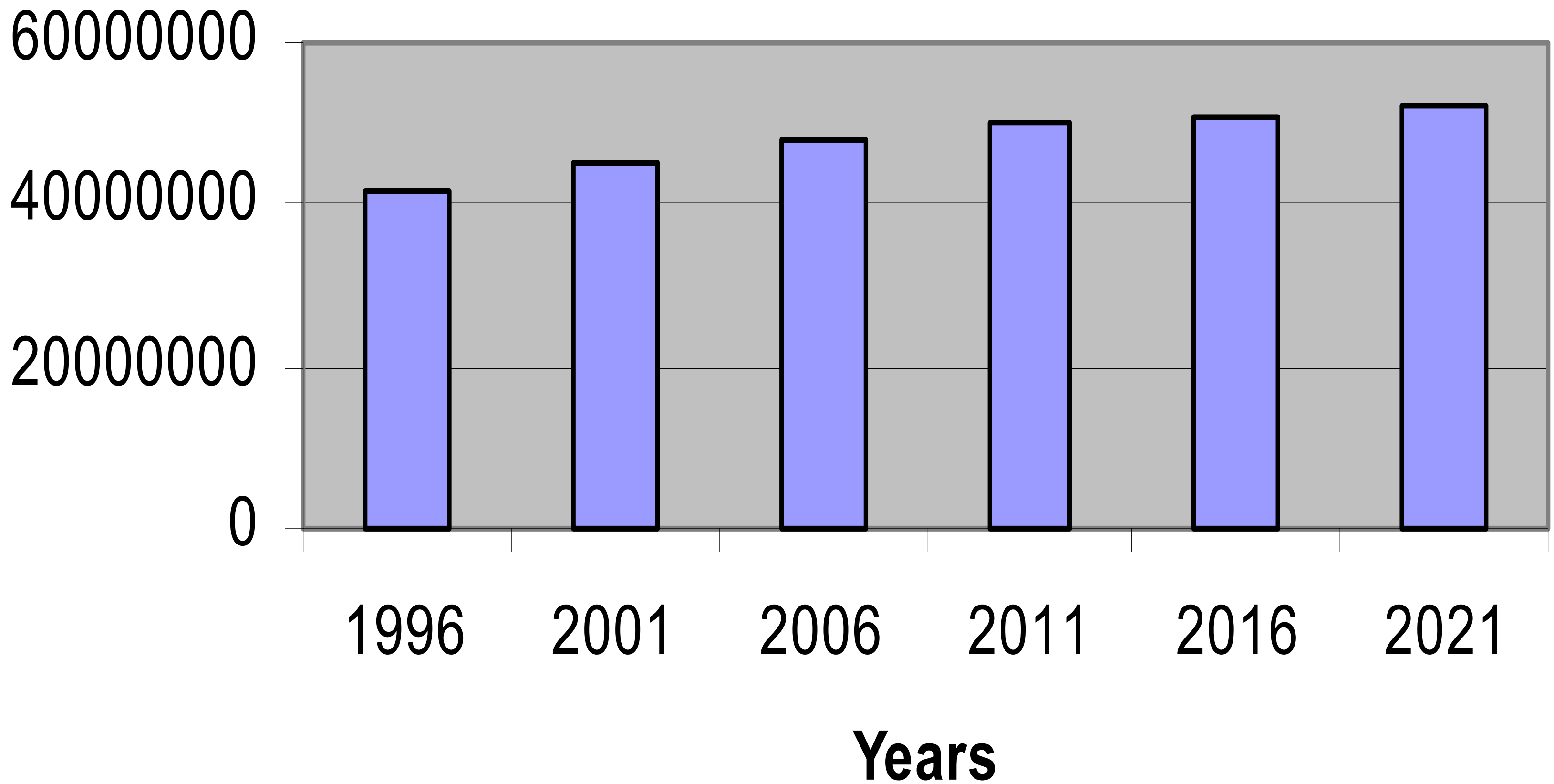
Presented by Prof. W.J.C. van der Merwe

# Introduction

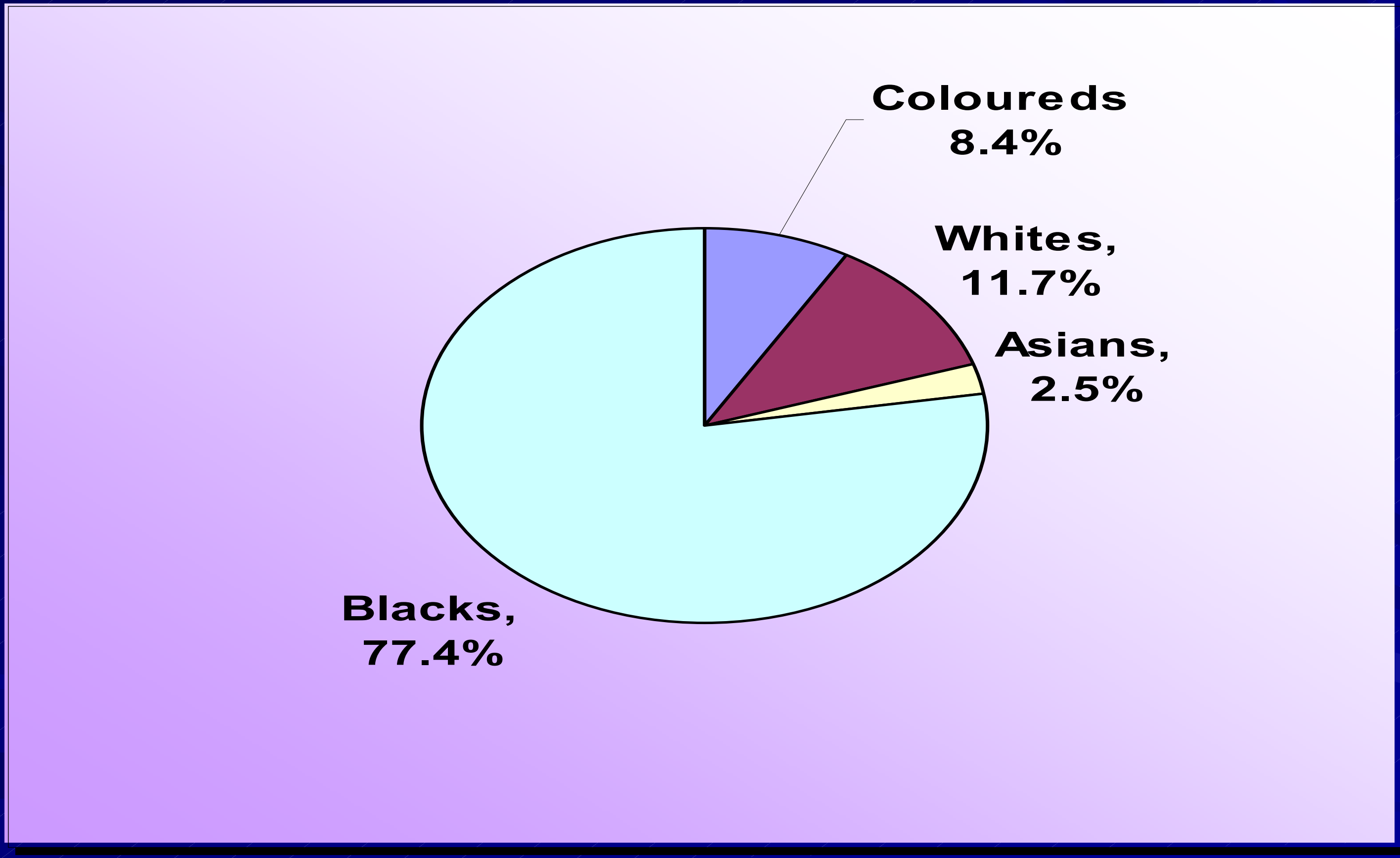
- Attitudes, financial situation and size of the SA market
- Consumer trends in South Africa
- Predicted consumer trends in South Africa

# Attitudes, financial situation and size of the SA market

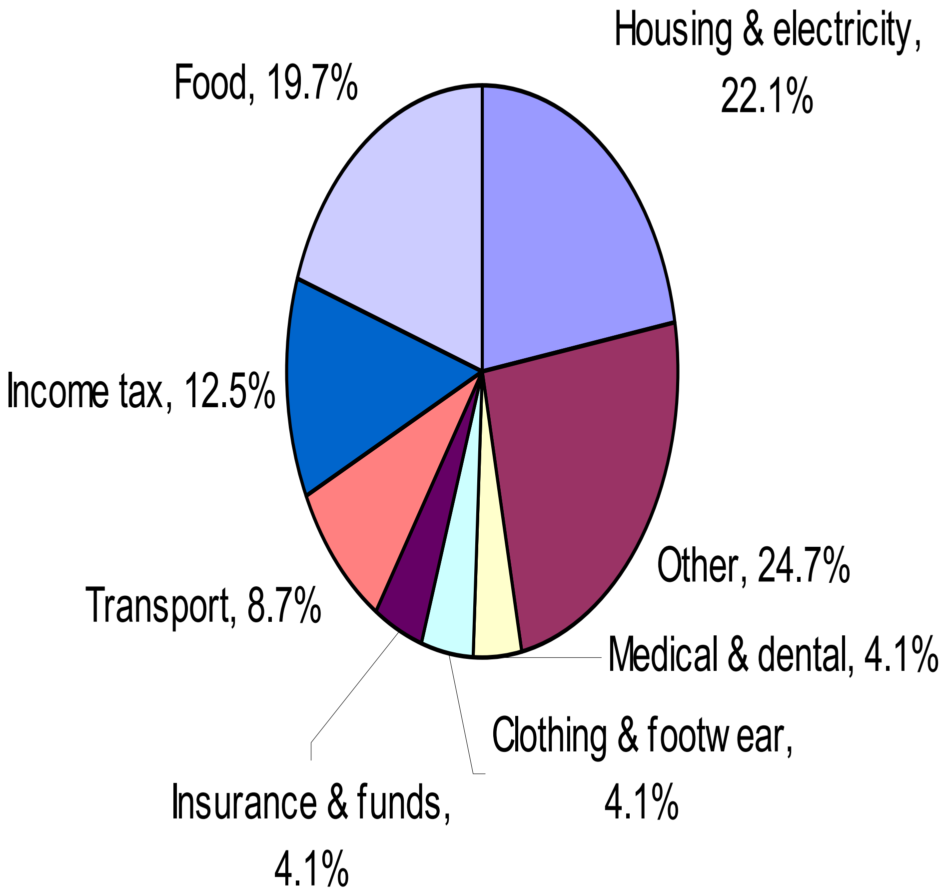
# Population projections, 1996 - 2021



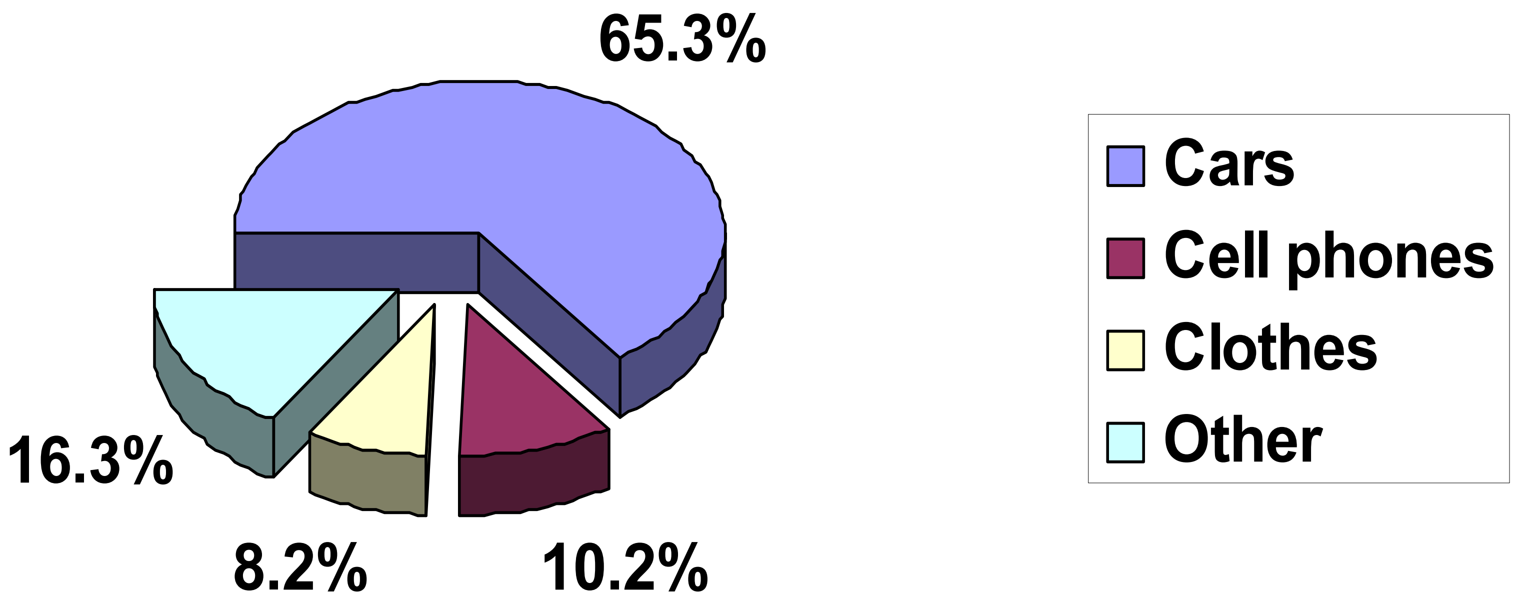
# POPULATION OF SOUTH AFRICA



# Household expenditure in South Africa



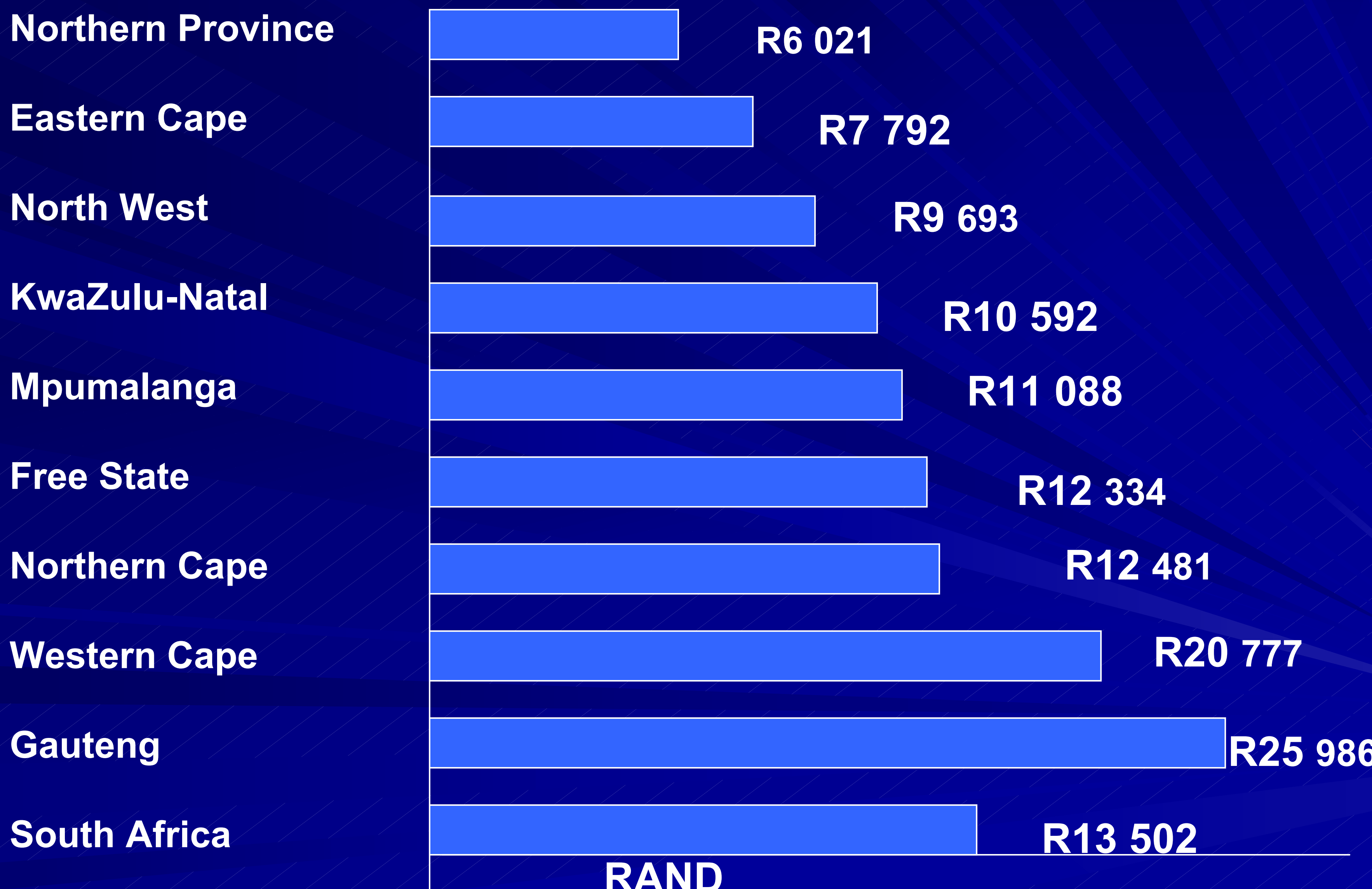
# PRODUCTS WITH MOST STATUS OVERALL

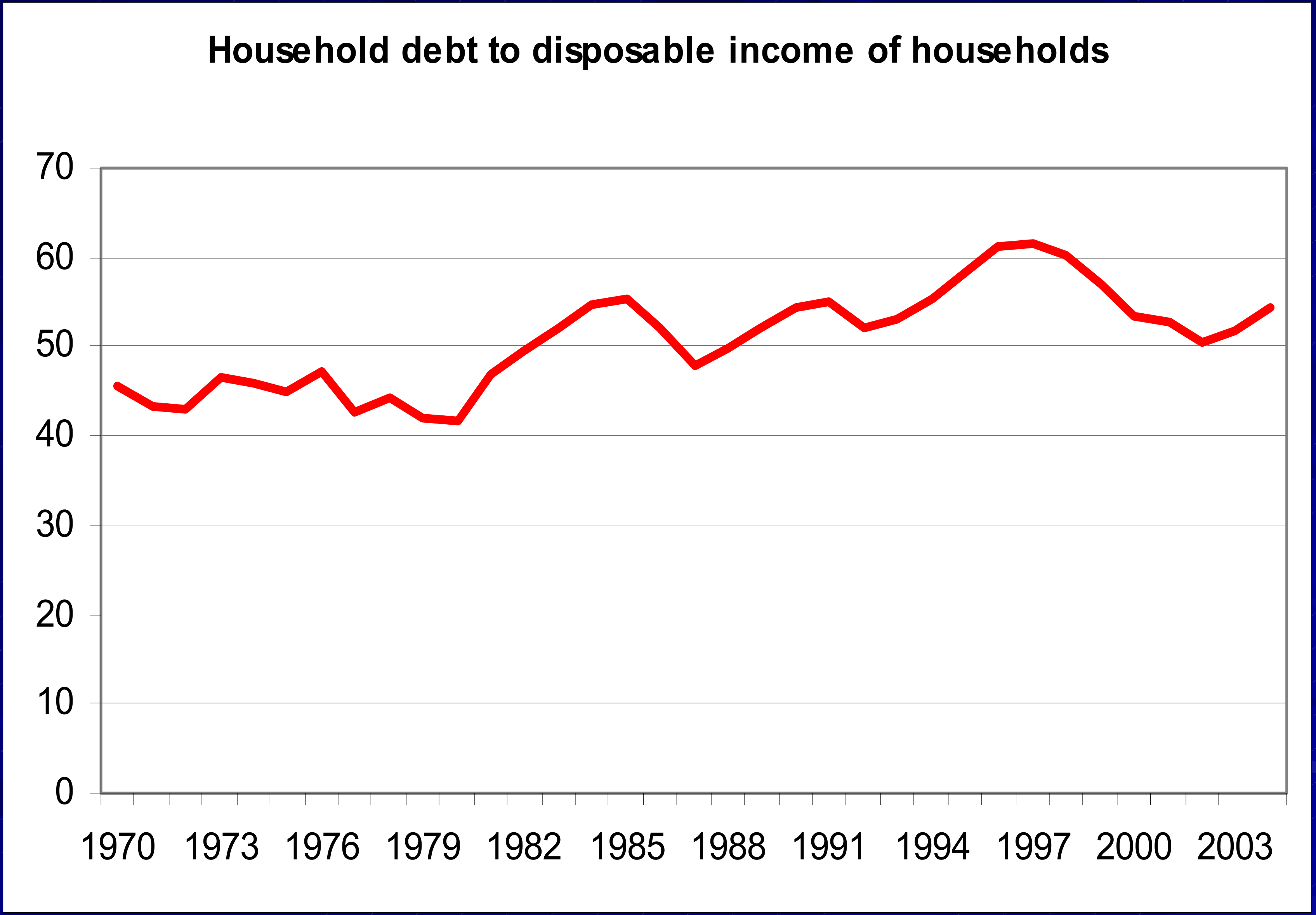


# PERCENTAGE OF RSA GROSS DOMESTIC PRODUCT BY INDUSTRY

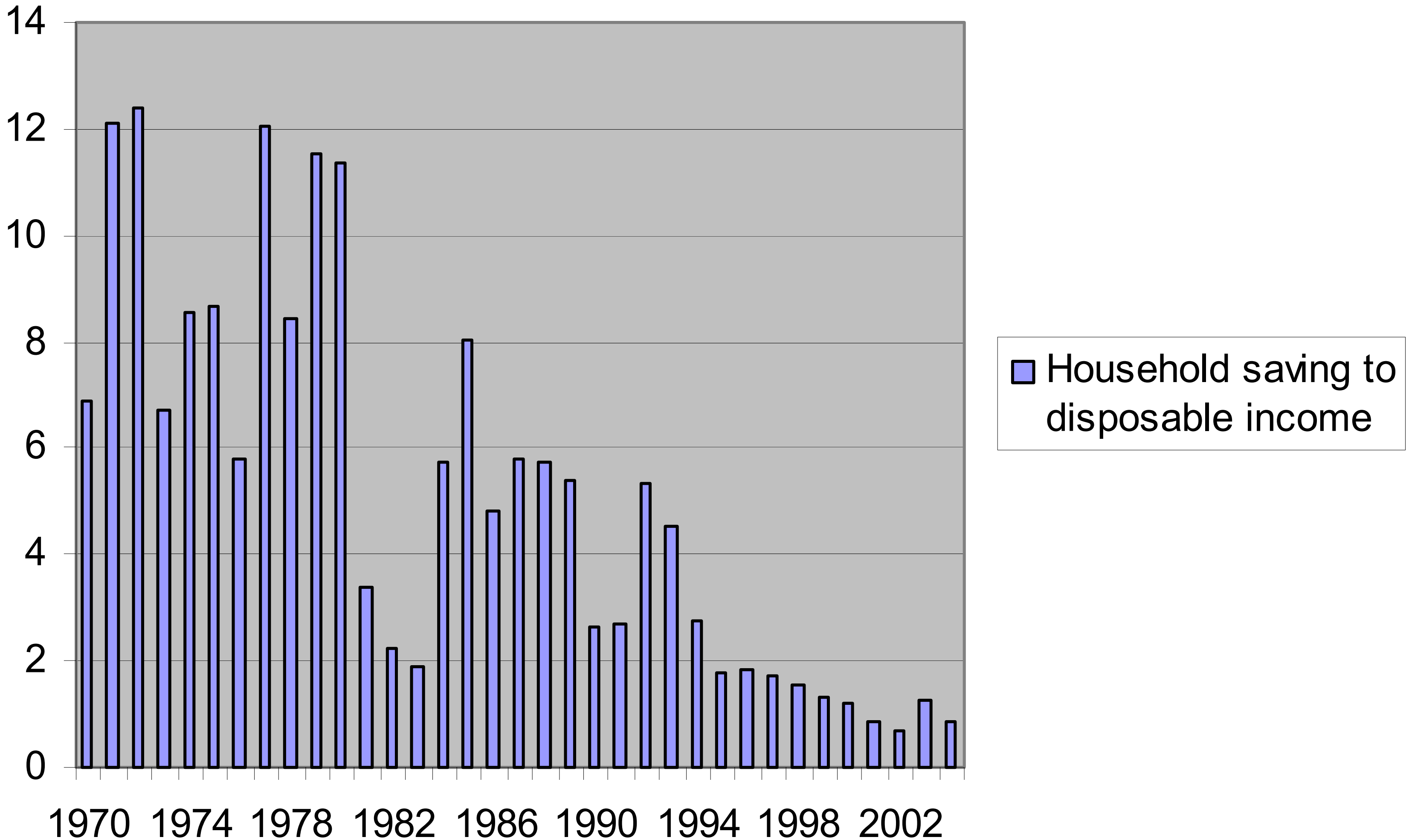
| | |
|---|---|
| SERVICES | 65 |
| INDUSTRY | 24 |
| MINING AND AGRICULTURE | 11 |
| | 100 |

# PERSONAL DISPOSABLE INCOME PER CAPITA BY PROVINCE




Household debt to disposable income of households
70
60
50
40
30
20
10
0
1970
1973
1976
1979
1982
1985
1988
1991
1994
1997
2000
2003

# Household saving to disposable income ratio



# SA Imports

## SA Imports 2003 (unaudited)

| Description | R million | % change from 2002 |
|---|---|---|
| Non-electrical machinery | 45,269 | -2 |
| Mining | 34,394 | -7 |
| Other chemical products | 16,314 | -13 |
| Radio, television & communication apparatus | 14,622 | -26 |
| Other transport equipment | 14,076 | 31 |
| Industrial chemicals | 12,706 | -17 |
| Professional equipment etc | 8,389 | -16 |
| Processed food | 8,375 | -2 |
| Electrical machinery | 8,228 | -1 |
| Agriculture | 5,081 | -17 |
| Metal products, excl machinery | 4,675 | -12 |
| Non-ferrous metal products | 4,534 | -10 |
| Textiles | 3,961 | -13 |
| Paper & paper products | 3,600 | -8 |
| Basic iron & steel products | 3,379 | -5 |
| Other manufacturing | 3,325 | -13 |
| Petroleum & petroleum products | 3,158 | -26 |
| Plastic products | 2,916 | -20 |
| Rubber products | 2,859 | -1 |
| Clothing, excl footwear | 2,835 | 10 |
| Non-metallic mineral products nec | 2,615 | -19 |
| Printing & publishing | 2,251 | -28 |
| Footwear | 2,041 | 2 |
| Wood & wood products | 1,590 | -9 |
| Beverages | 1,282 | 3 |
| Furniture | 1,179 | -11 |
| Glass & glass products | 1,000 | 11 |
| Leather & leather products | 906 | -10 |
| TOTAL | 258,124 | |

## Top 2003 imports per country (top 20 countries)

| Country | R million | % change from 2002 |
|---|---|---|
| Germany | 38,387 | -11 |
| United States | 25,025 | -23 |
| United Kingdom | 22,475 | -11 |
| Japan | 18,233 | -5 |
| China | 16,580 | 15 |
| France | 15,448 | 35 |
| Saudi Arabia | 15,047 | 10 |
| Iran, Islamic Republic of | 9,286 | -4 |
| Italy | 8,409 | -16 |
| Australia | 6,101 | -22 |
| Brazil | 5,340 | 8 |
| Taiwan, Province of China | 4,637 | -16 |
| Netherlands | 4,395 | -13 |
| Korea, Republic of (South) | 4,180 | -8 |
| Spain | 3,830 | 7 |
| Belgium | 3,749 | -4 |
| Switzerland | 3,476 | -27 |
| Sweden | 3,355 | -6 |
| Thailand | 3,172 | 6 |
| India | 3,125 | 5 |

# SA Exports

## SA Exports 2003 (unaudited)

| Description | R million | % change from 2002 |
|---|---|---|
| Mining | 84,158 | -12 |
| Basic iron & steel products | 29,602 | 17 |
| Motor vehicles, parts & accessories | 25,320 | -5 |
| Non-electrical machinery | 17,115 | -12 |
| Agriculture | 11,882 | -4 |
| Industrial chemicals | 11,779 | -21 |
| Petroleum & petroleum products | 9,484 | -6 |
| Processed food | 9,300 | -21 |
| Non-ferrous metal products | 9,268 | -21 |
| Paper & paper products | 6,468 | -15 |
| Other chemical products | 6,387 | -39 |
| Other manufacturing | 5,394 | -13 |
| Beverages | 4,858 | 0 |
| Furniture | 4,047 | -14 |
| Metal products, excl machinery | 3,799 | -12 |
| Wood & wood products | 3,217 | -10 |
| Electrical machinery | 2,920 | -17 |
| Radio, television & communication apparatus | 2,485 | -12 |
| Textiles | 2,483 | -14 |
| Clothing, excl footwear | 2,391 | -30 |
| Rubber products | 1,835 | -10 |
| Professional equipment | 1,605 | 3 |
| Other transport equipment | 1,602 | -44 |
| Non-metallic mineral products nec | 1,428 | -15 |
| Plastic products | 1,401 | -13 |
| Leather & leather products | 731 | -34 |
| Glass & glass products | 608 | -4 |
| Printing & publishing | 486 | -16 |
| Footwear | 148 | -13 |
| TOTAL | 262,201 | |

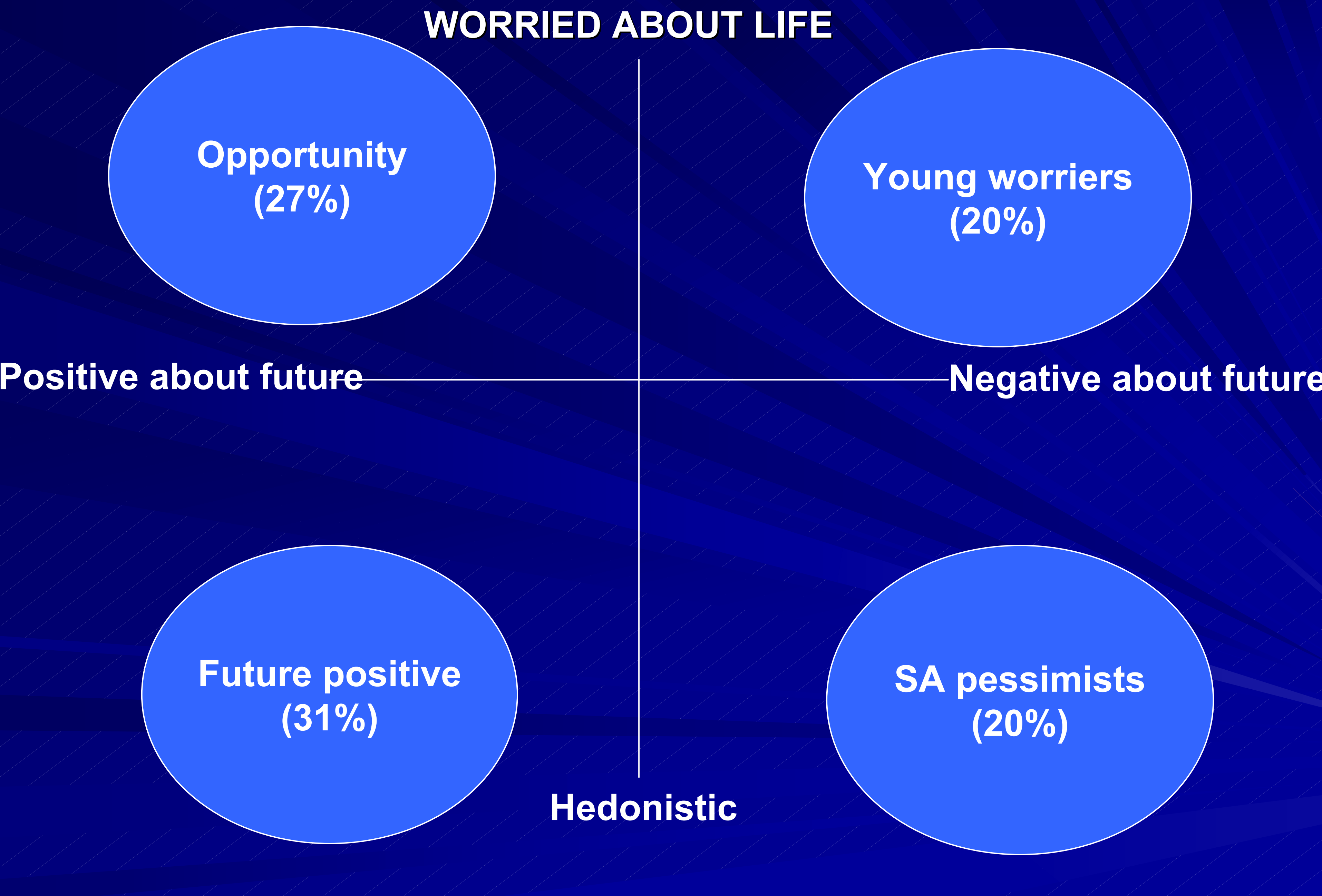
## Top 2003 exports per country (top 20 countries)

| Country | R million | % change from 2002 |
|---|---|---|
| United States | 24,828 | -6 |
| United Kingdom | 23,194 | -29 |
| Japan | 20,660 | 32 |
| Germany | 16,714 | -16 |
| Netherlands | 11,404 | -9 |
| Belgium | 7,362 | -19 |
| Italy | 6,948 | -11 |
| China | 6,653 | 36 |
| Zimbabwe | 6,550 | -24 |
| Spain | 6,156 | -9 |
| Australia | 5,723 | 7 |
| Mozambique | 5,676 | -11 |
| France | 5,161 | -22 |
| Taiwan, Province of China | 5,024 | -4 |
| Switzerland | 4,539 | 80 |
| Zambia | 4,047 | -28 |
| Korea, Republic of (South) | 4,043 | -20 |
| Israel | 3,824 | -30 |
| Angola | 3,393 | -2 |
| Hong Kong | 3,157 | -5 |

# MINDERS IN SOUTH AFRICA

| | |
|---|---|
| OLD SOUTH AFRICA | (18%) |
| NEW SOUTH AFRICA | (28%) |
| EMERGING – EMPOWEREDS | (13%) |
| STILL DISADVANTAGED | (40%) |

# The new South Africa – attitudes towards the future



# Consumer trends in South Africa

# SUMMARISING TRENDSCAPES INTO THE SIX KEY MACRO TRENDS

| | |
|---|---|
| Getting "the look" | Includes trends such as "soap world", "catching up" and "I want it all; I want it now" |
| Make it mine (and save me time) (Customisation and time consciousness) | Includes trends such as "edgewalker" and "simplification" |
| Keeping in (Belonging/grouping) | Includes trends such as "belonging" and "mini-sizing" |
| It's my right (Entitlement) | Includes trends such as "black pride" and "consumer power" |
| Fortressing | Includes trends such as "community fortress" and "family fortress" |
| Surviving the rat race | Includes trends such as "fast lane" and "staying up" |

# BODY BEAUTIFUL TREND

| **LSM 6 – 8** | **Global trend** | **Started in 1980** | **Fast growing in SA** |
|---|---|---|---|
| *Fear of obesity – image is everything* | | | |

| | |
|---|---|
| Lifestyle | ➢Fairly successful<br>➢Seemingly affluent<br>➢Materialistic<br>➢Very image conscious<br>➢Diet conscious and body aware |
| Positives | ➢Pride in success<br>➢Health focused<br>➢Enjoyment of admiration /attention |
| Negatives | ➢Credit-based, little capital – lifestyle funded by salary<br>➢Stressful – fear of losing everything |
| Target | ➢Young emerging market – middle to upper class youth |
| Products | ➢Products that appeal to their need for the “body beautiful” – gym memberships, energy drinks, health foods, high-potency supplements, lifestyle magazines, etc. |

# WHAT ARE THE ORIGINS OF THE “BODY BEAUTIFUL” TREND, HOW WILL IT CHANGE AND WHO IS AFFECTED BY IT?

| Trendsource | Trendline | Trendstrike |
|---|---|---|
| ○ Global trend started in the eighties<br><br>○ Increased obsession with health and beauty | ○ Started in the eighties, gained momentum during the early nineties but really “took off” in late nineties in South Africa<br><br>○ Expected to continue growing strongly | ○ Growing stonger in young emerging market (LSM 6 – 8)<br><br>○ Prevalent among affluent and higher socio-economic groups |

# THE "STAYING UP" TREND"

| LSM 6 - 8 | South African trend | New trend | Fast growing |
|---|---|---|---|

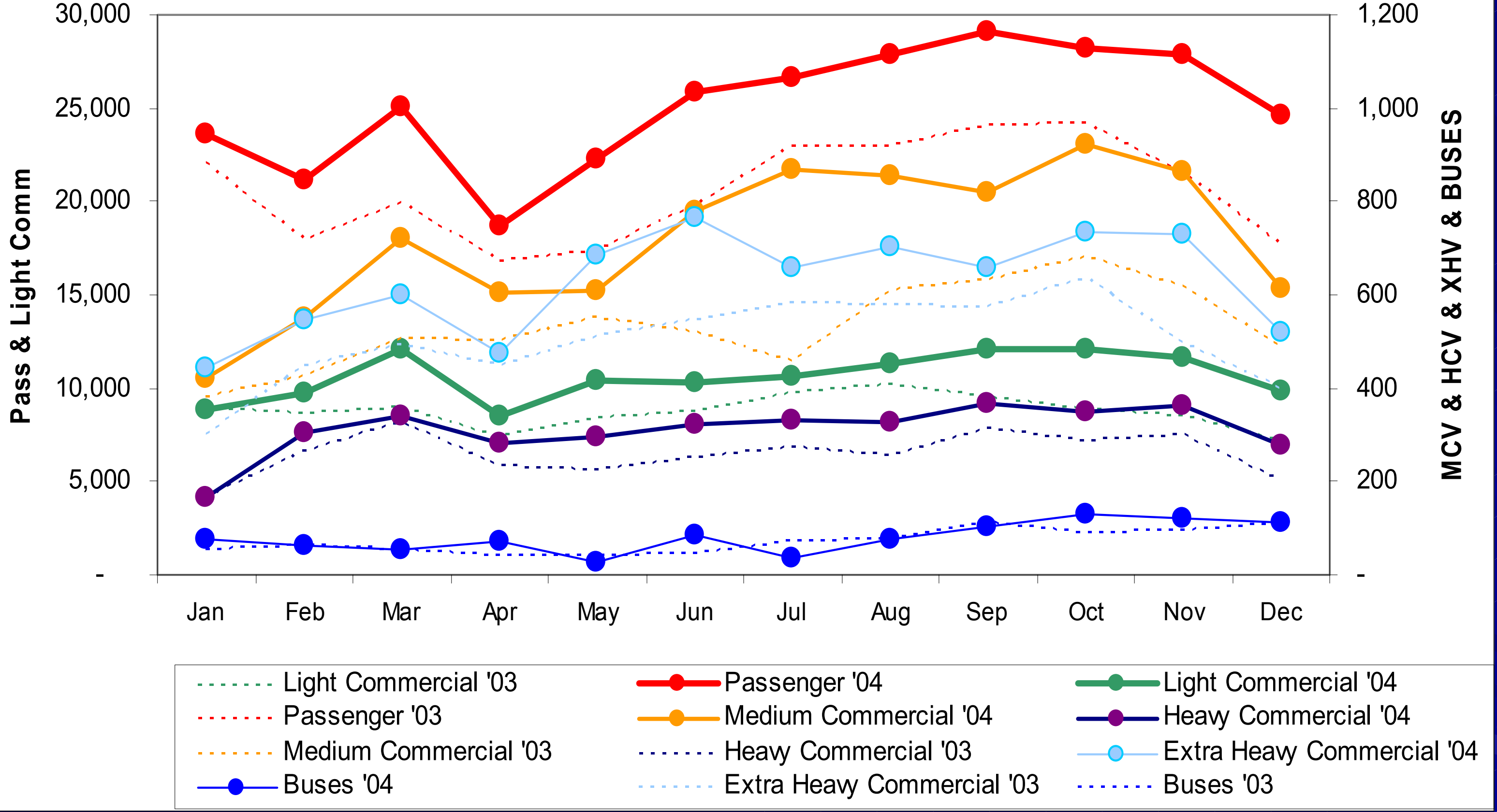
*Fear of slipping back – the abyss beckons*

| | |
|---|---|
| Lifestyle | ▪ Successful<br>▪ Stylish<br>▪ Seemingly affluent<br>▪ Materialistic<br>▪ Image conscious |
| Positives | ▪ Pride in success<br>▪ Enjoyment of admiration/attention |
| Negatives | ▪ Credit-based, little capital – lifestyle funded by salary<br>▪ Stressful – fear of losing everything |
| Target | ▪ New upper class |
| Products | ▪ Upmarket goods – cars, furniture, houses, schools, clothing, travel, restaurants |

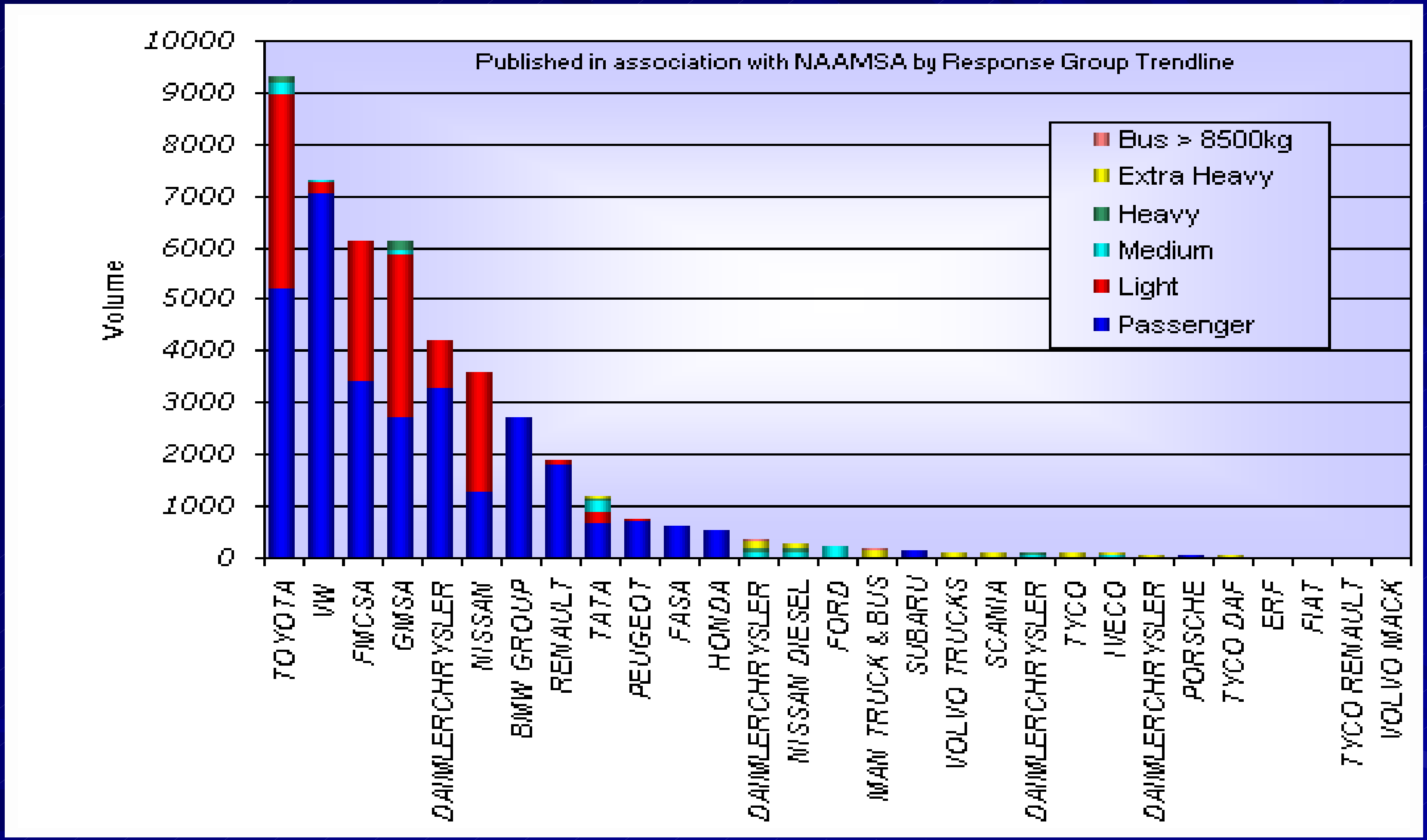
# WHAT ARE THE ORIGINS OF THE “STAYING UP” TREND, HOW WILL IT CHANGE AND WHO IS AFFECTED BY IT?

| Trendcource | Trendline | Trendstrike |
|---|---|---|
| ❖ The New South Africa<br><br>❖ The redistribution of jobs to the previously disadvantaged<br><br>❖ Economic climate | ❖ Started in the eighties, gained moment during the early nineties, and really “took off” after 1994<br><br>❖ Expected to grow strongly | ❖ Mainly the new elite (LSM 7 & 8<br><br>❖ New arrivals in LSM 6 |

# Total Market : 2004 Volumes vs 2003 Volumes

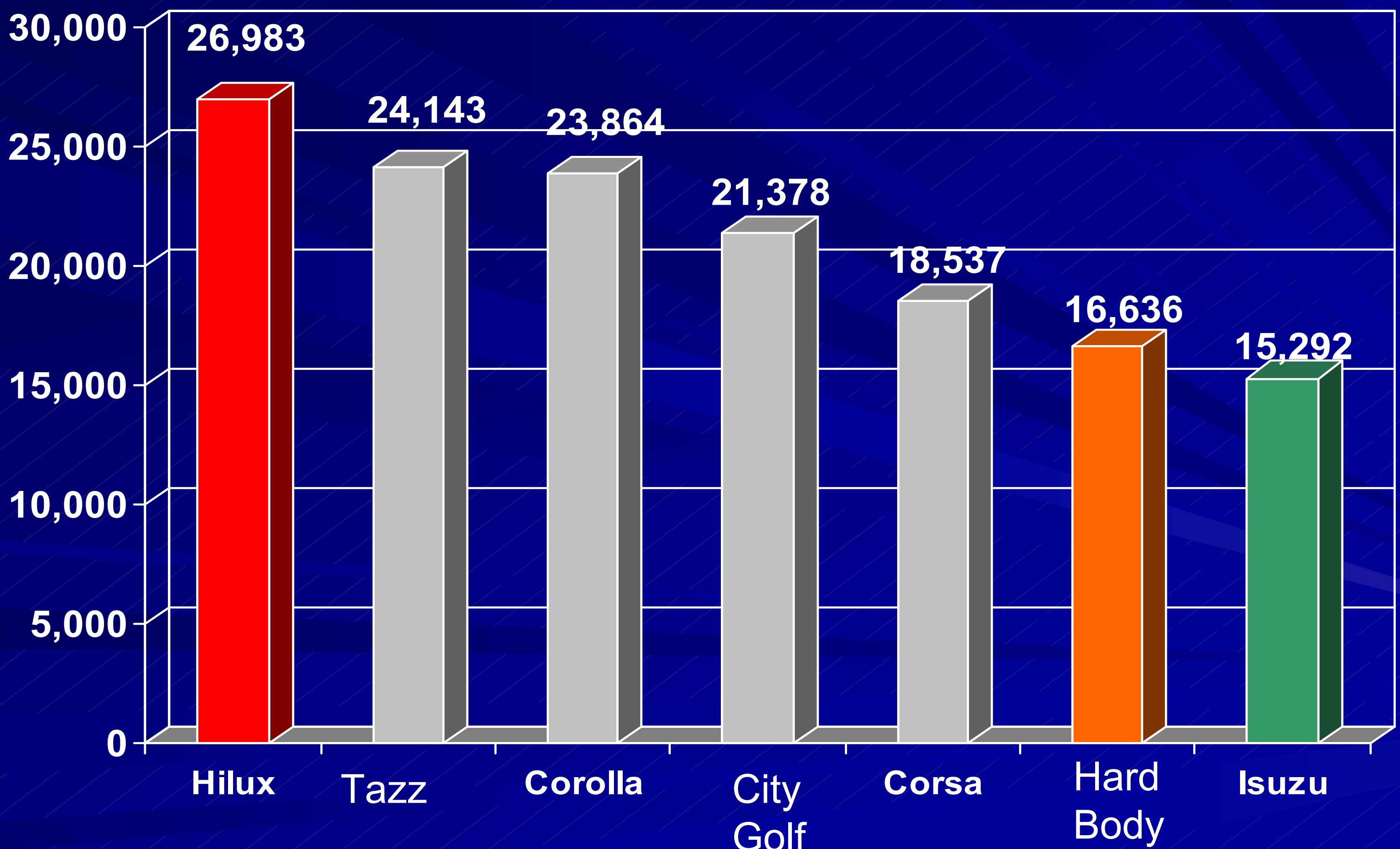


# TOTAL MARKET- May 2005



# Top 7 sellers in SA

# Period: Jan ‘04 - Dec ‘04



# SALES – MAY 2005

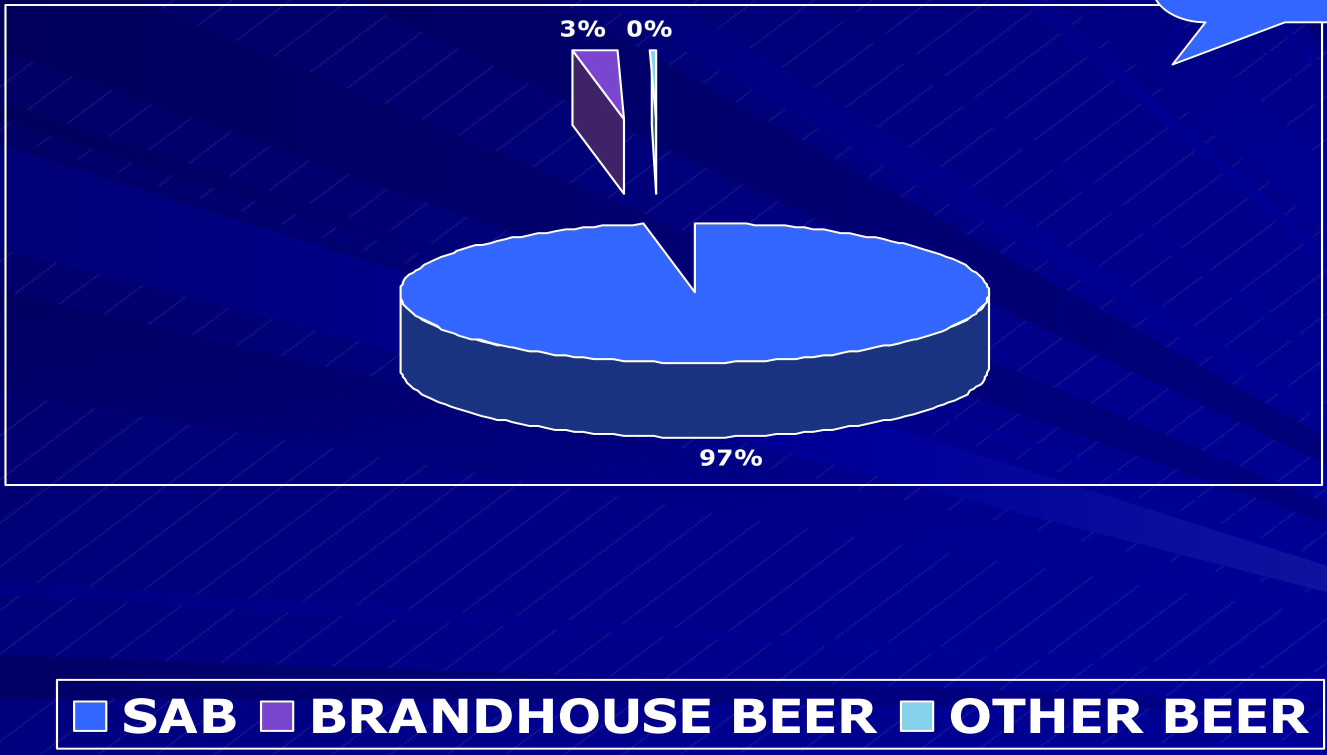
| MANUFACTURER | VOLUME |
|---|---|
| TOYOTA | 9306 |
| VW | 7278 |
| FMCSA | 6110 |
| GMSA | 6107 |
| DAIMLERCHRYSLER | 4202 |
| NISSAN | 3578 |
| BMW GROUP | 2709 |
| RENAULT | 1866 |
| TATA | 1172 |
| PEUGEOT | 757 |
| FASA | 630 |

# Sales- May 2005

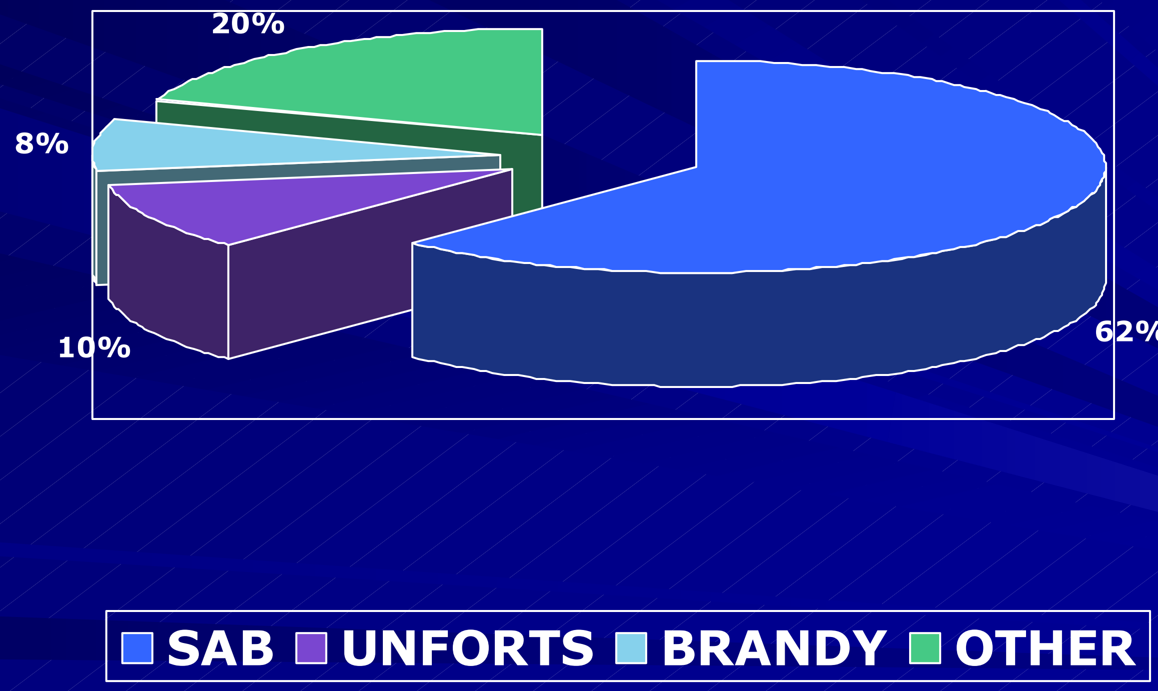
| | |
|---|---|
| DAIMLERCHRYSLER (MB) | 343 |
| NISSAN DIESEL | 266 |
| FORD | 223 |
| MAN TRUCK & BUS | 154 |
| SUBARU | 121 |
| VOLVO TRUCKS | 104 |
| SCANIA | 93 |
| DAIMLERCHRYSLER (FUSO) | 74 |
| TYCO INTERNATIONAL | 71 |
| IVECO | 69 |
| DAIMLERCHRYSLER (FL) | 45 |
| PORSCHE | 28 |
| TYCO DAF | 28 |
| ERF | 5 |
| FIAT | 2 |
| TYCO RENAULT | 1 |
| **TOTAL** | **45867** |

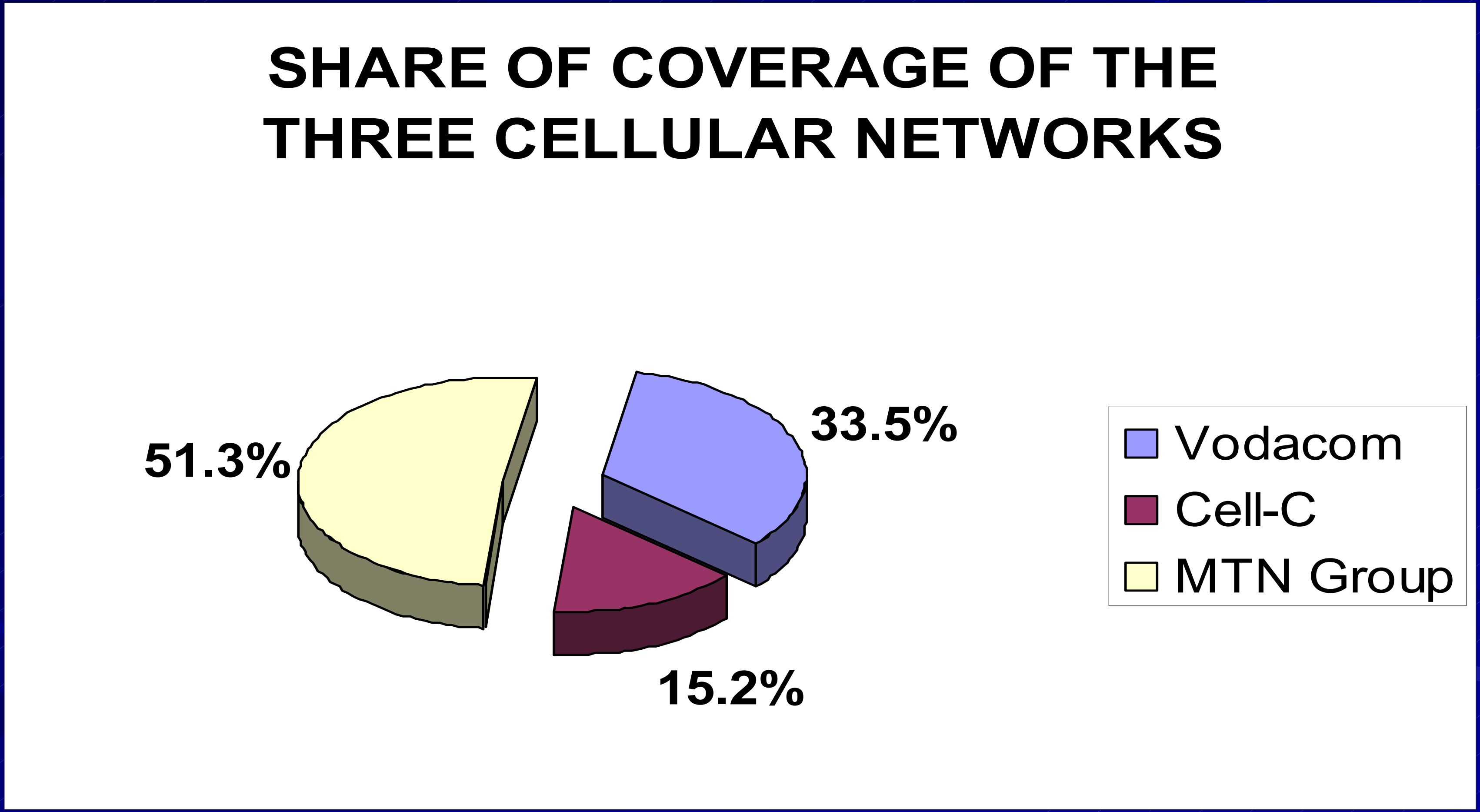
# SAB VOLUME SHARE OF TOTAL BEER

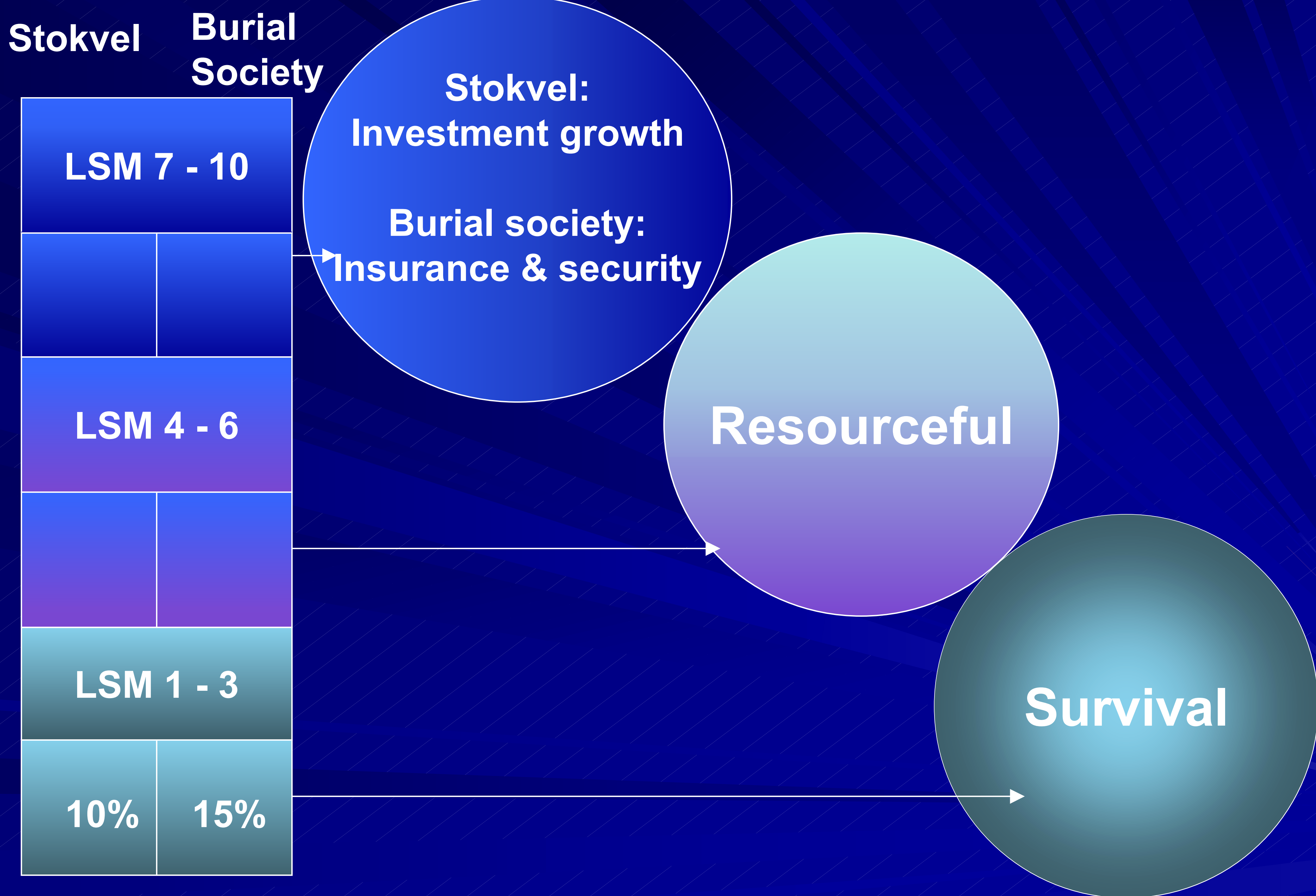
SAB 97.1
B/HOUSE 2.6
OTHER 0.3



# SAB VOLUME SHARE OF ABSOLUTE ALCOHOL

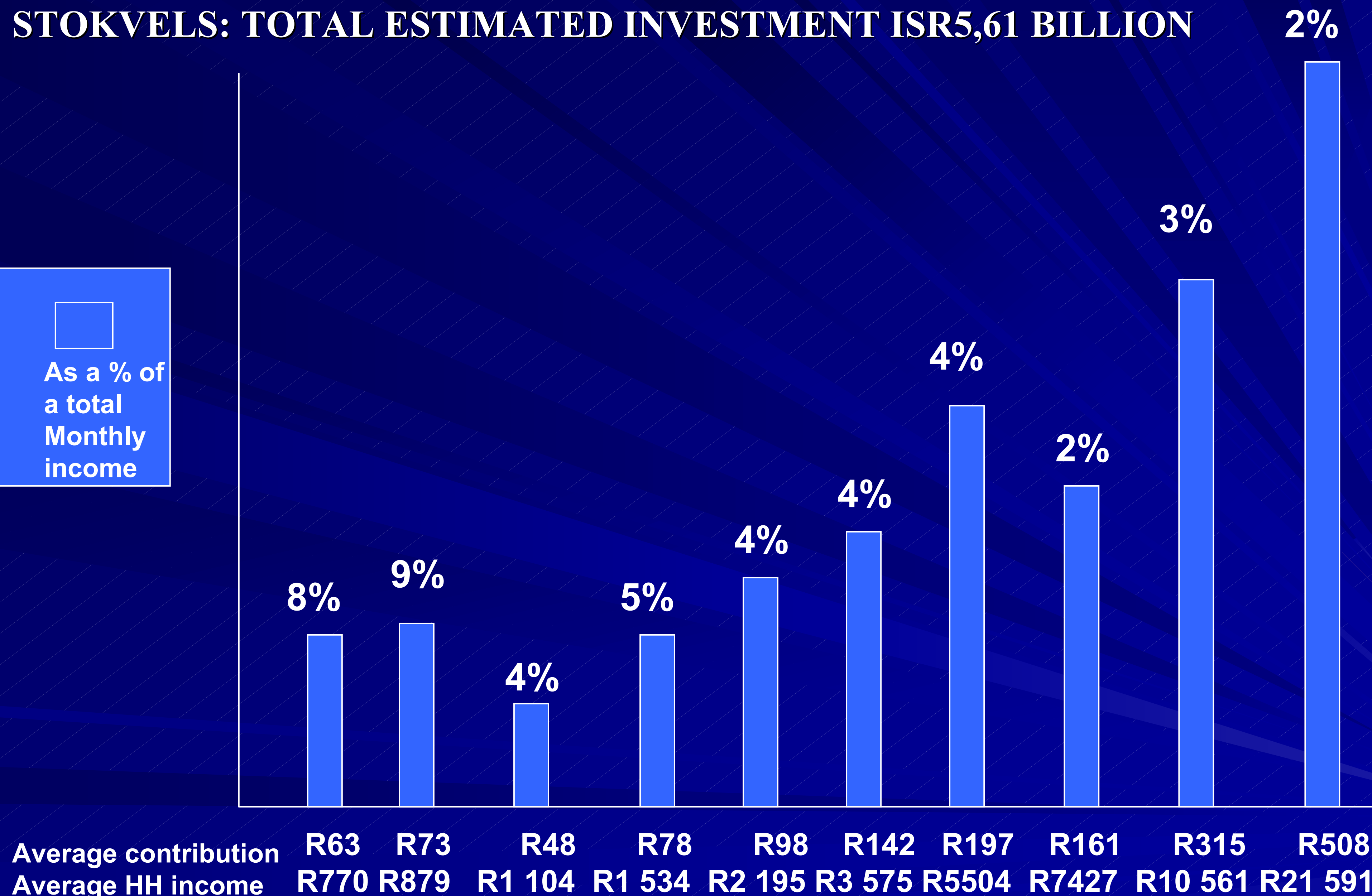



SHARE OF COVERAGE OF THE THREE CELLULAR NETWORKS
51.3%
33.5%
15.2%
Vodacom
Cell-C
MTN Group




Informal saving schemes: Different roles for different people

# STOKVELS: TOTAL ESTIMATED INVESTMENT ISR5,61 BILLION




Stokvel contributions as a percentage of monthly household income

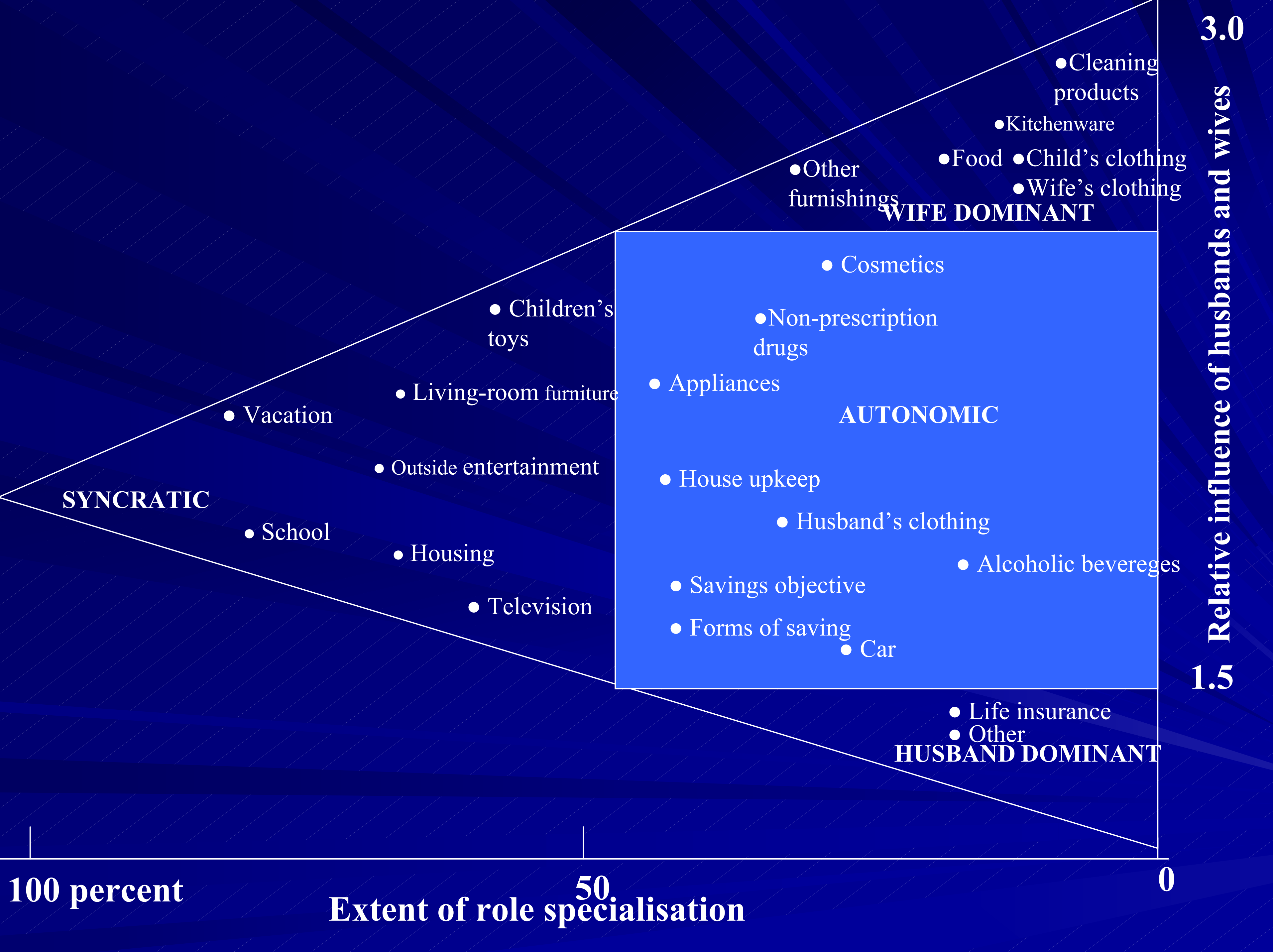
# ACCESS TO THE INTERNET AND PC

- 27 % OF WEB USERS ARE BETWEEN 18 AND 24

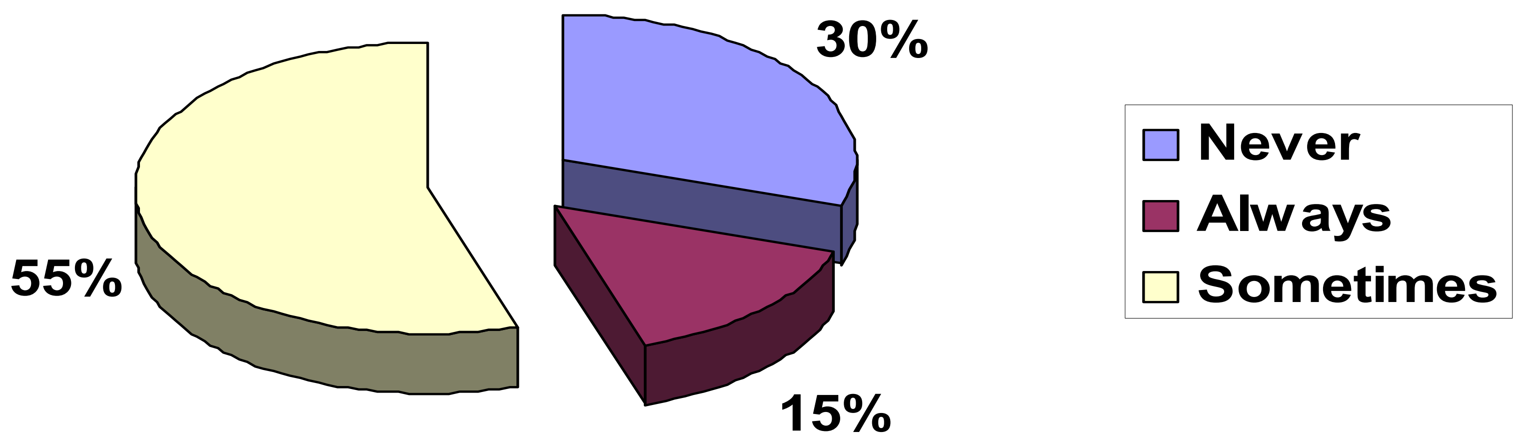
- THE NUMBER OF STUDENTS USING THE WEB HAS INCREASED DRAMATICALLY FROM 6% - 15% IN ONE YEAR

## *Predicted growth rate of the Complementary Market*

| | |
|---|---|
| EEC | 8 |
| Middle East | 6 |
| Africa | 6 |
| **Global growth** | **7%** |
| SA Product Segmentation | % |
| Vitamins & Mineral | 53.8 |
| Herbal | 14.9 |
| Homeopathic | 4.8 |
| Slimming | 9.5 |
| Sports nutrition | 4.3 |
| Aromatherapy | 0.7 |
| Other | 12 |
| Market share estimated 2002 | R 1.738 billion |
| Market share estimated 2005 | R 3 billion |
| **Herbal product market** | **Most rapid growth rate** |


3.0
●Cleaning products
●Kitchenware
●Food
●Child's clothing
●Wife's clothing
●Other furnishings
WIFE DOMINANT
● Cosmetics
● Children's toys
●Non-prescription drugs
● Living-room furniture
● Appliances
● Vacation
AUTONOMIC
● Outside entertainment
● House upkeep
SYNCRATIC
● Husband's clothing
● School
● Housing
● Alcoholic bevereges
● Savings objective
● Television
● Forms of saving
● Car
1.5
● Life insurance
● Other
HUSBAND DOMINANT
Relative influence of husbands and wives
100 percent
50
0
Extent of role specialisation

# PURCHASING OF FROZEN MEAT



# IMAGE OF MEAT PRODUCTS

| | Expensive | Value for money | Inexpensive |
|---|---|---|---|
| SA Beef | 34 | 27 | 12 |
| SA Lamb | 46 | 10 | 4 |
| SA Mutton | 48 | 13 | 5 |
| NF Pork | 10 | 8 | 6 |
| Chicken | 9 | 62 | 50 |
| Fish | 9 | 32 | 32 |
| Veg/soya | 2 | 10 | 12 |
| Processed | 10 | 6 | 9 |

# IMAGE OF MEAT PRODUCTS

| | You like best | Pref. by children | Pref. by men | Pref. by teenagers |
|---|---|---|---|---|
| SA Beef | 31 | 10 | 64 | 17 |
| SA Lamb | 15 | 7 | 23 | 9 |
| SA Mutton | 17 | 6 | 31 | 11 |
| NF Pork | 5 | 2 | 6 | 3 |
| Chicken | 53 | 60 | 22 | 54 |
| Fish | 15 | 17 | 7 | 15 |
| Veg/Soya | 3 | 3 | 2 | 3 |
| Processed | 3 | 24 | 2 | 21 |

# Predicted consumer trends in South Africa

# E-commerce

- Second hand cars
- Shopping (young generation)
- Customer is a click away

# Branding

- Marketing strategy of the moment

# Market segmentation

- Market segmentation changed:

**Phase 1**

- \- Geographical
- \- Demographics
- \- Psychographics

**Phase 2**

- Consumer behavior

# Other trends

- Growth in personal health products
- Personal savings are going to decline
- Working wives/mothers
- Pre-packed meals
- Bread instead of maize/porridge
- More or less similar buying behavior of  gender groups
- Metro man (new market segment)
- Businesses will use size/power to dominate the market. JV’s will increase to keep competitors and to get access in distribution systems.

# Other trends - continue

- Consumers are looking for more product/service information
- Consumerism is here to stay
- **Consumers are:**

  -Looking for value for money

  -Zone of tolerance will decline

  -Loyalty will decline due to an increase in competition
- Consumers want to “associate” with specialists. They are willing to pay but they want value for money.

# Other trends - continue

- Foreign competitors will increase JV's (ABSA)
- Translation of Ads. Is still a problem in SA.
- To enter the Sub-Sahara-market SA is a good option due to good infrastructure.
- Trade marks will stay very important for the next 5 years.
- Wellness – the trend of the moment

# Other trends - continue

- Customers will pay more attention to trust and confidence than to awareness in their buying decision.
- SA consumer convenience oriented (one-stop-shopping centers)

# THANK YOU