

Mzansi Consumer Behavior trends

Recent Kantar Research findings on the behaviour of the South African consumer highlights how economic pressures and digital trends are significantly reshaping South African consumer spending habits. This is leading to more calculated consumption choices and a greater reliance on digital platforms for value and convenience. In this article, we take a look at the key insights from the report and consider their implications for portfolio construction.



**Jana
van Rooyen**

When evaluating retail companies, it's important to understand customer behaviour and monitor trends to ensure the businesses in which we invest still have positive potential earnings growth. In previous reports, we've explored consumer behaviour by analysing indicators such as Retail Sales data, the Consumer Confidence Index, and the BankservAfrica Economic Transaction Index, among others.

Another way of keeping track is following Kantar's research findings on consumer behaviour. Kantar Group Ltd is a global market research firm that specialises in a wide range of research disciplines across ninety countries. These include brand guidance and strategy, social media monitoring, advertising effectiveness, consumer and shopper behaviour, design strategy, and public opinion analysis. They can extract meaningful data on how people think and act from 100 million respondents and 2 billion data profiles.

Recently Kantar gave an update on their findings of the behaviour of the South African consumer. Their presentation highlights significant shifts in South African consumer habits and economic conditions. Below, we explore the key takeaways from the report, supported by charts that summarise the survey responses. We will then finally reflect on the implications these trends may have for our investment philosophy.

Sources of income

Before we delve into the shopping behaviours in SA, Kantar first established where most of the sources of income came from. Salaries, grants (e.g. SASSA, disability, child support, UIF, etc) and piece work (e.g. tips, casual work) remained the main sources of household income. Gambling or online betting was one of the higher sources of income, increasing from 11% in the previous year to 15%. It should not come

SPEED READ

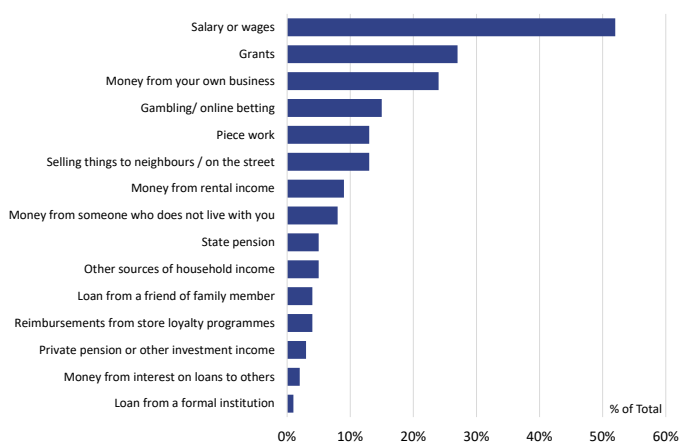
- **Kantar is a global market research firm specialising in a wide range of research disciplines, including consumer and shopper behaviour. Recently Kantar gave an update on their findings of the behaviour of the South African consumer.**
- **South African consumers are navigating a challenging economic landscape by becoming more discerning and strategic in their spending, often delaying purchases for sales, reducing discretionary spending, and prioritising trusted brands.**
- **Simultaneously, they are increasingly adopting digital channels for convenience and value, particularly for food and grocery delivery, while also seeking out digital solutions that address local challenges like data costs.**
- **Given this information our Supported Consumer theme remains a compelling lens through which to identify resilient investment opportunities.**

to a surprise if you think of all the advertising that you see, especially in airports. The media budget for gambling and online betting is 5.3% of all media spend. To put into context, it is only superseded by insurance companies at 9% and super- and hyperstores' advertising spend.

On the flipside of this coin, Famous Brands has voiced their worries about the growing impact of online gambling on consumer spending. They warned that the surge in betting is eroding disposable income and reducing restaurant visits. In 2023, South Africans gambled R1.1 trillion - up 40% from 2022 - with online betting now accounting for over 60% of gross gaming revenue. A News24 investigation revealed that schoolchildren as young as 14 are already hooked on sports

betting via smartphones. Some teens admitted to betting up to R150,000 but losing far more than they won. The gambling sector, contributing 1% to GDP and supporting 32,000 jobs, has shifted dramatically toward digital platforms due to accessibility, aggressive marketing, and flexible payment systems. Business Day and other sources have highlighted the ethical and regulatory risks of this boom, especially as problem gambling has surged five-fold since 2017. Many gamblers now use essential or borrowed funds, raising alarms about financial ruin and social harm. While traditional operators like Tsogo Gaming are expanding online, their digital revenues remain modest. As betting continues to outpace casino growth, Famous Brands is adapting by expanding its retail offerings, while experts call for urgent regulation and public awareness to address the growing crisis.

SA CONSUMER: SOURCES OF INCOME



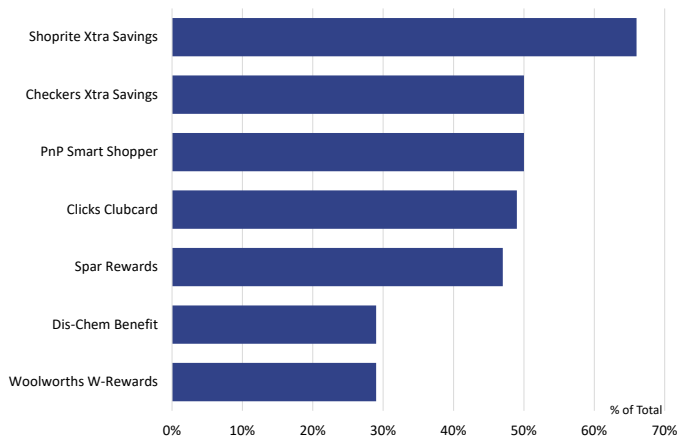
The sources of household income remain salaries, grants and piece work, with grants decreasing from 32% to 27% of total income this year. With gambling/online betting and piece work increasing from last year, it appears that South Africans are finding alternative sources of income.

One surprising source of household income is reimbursements from store loyalty programmes, which contributed 4% to monthly income, according to the chart above. These programmes have become powerful tools for retailers - not only to encourage repeat business but also to gather valuable customer data. By analysing shopping habits, retailers can optimize product selection and stock levels, reducing waste and improving efficiency. Discount-based loyalty schemes, like Shoprite and Checkers Xtra Savings, are the most widely used, while cashback rewards are also popular among grocery shoppers. In contrast, Kantar found that rewards programmes from banks and telecom providers see far lower engagement, largely due to their complexity and failure to meet the core needs of South African consumers.

Economic Pressures and Prioritisation of Spending

South African households are experiencing higher strain compared to last year. This is compounded by FMCG (Fast-Moving Consumer Goods) inflation at 8%, which is

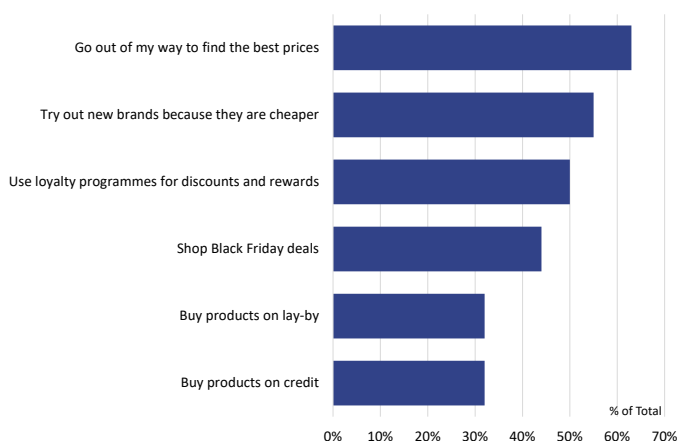
RANKING REWARD PROGRAMMES



Of the grocery brands' reward programmes applications, Shoprite Xtra Savings is used the most. Most shoppers are going for value where they can get more discounts.

significantly higher than the Consumer Price Index (CPI) of 3.2%. This high inflation erodes purchasing power, making consumers more cautious about spending. Consumers have found creative and savvy solutions to stretch their budget, going out of their way to find the best prices as the chart below shows. There was a notable trend of holding out until sales events like Black Friday. As mentioned previously, more consumers are looking for discounts by using their loyalty programmes.

PURCHASE BEHAVIOURS



The chart above is the result of asking consumers about how their purchasing behaviours have changed recently to save money. Consumers have become extremely price conscious. They are actively finding ways to stretch the budget by looking for the best prices or trying cheaper brands.

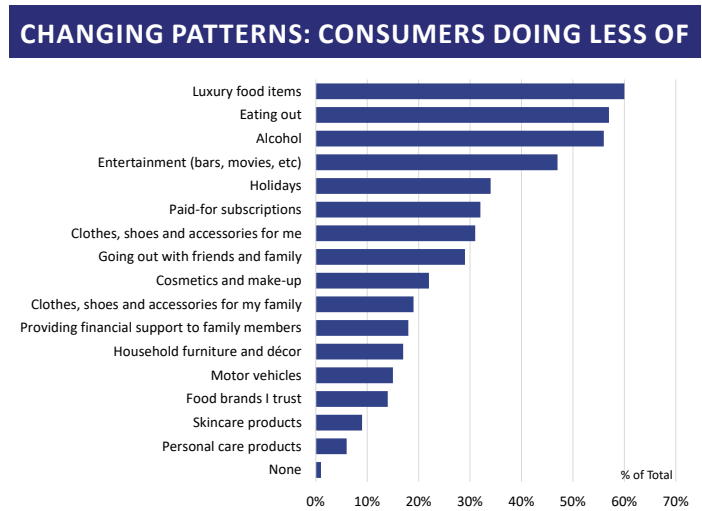
That said, there are some consumers who would rather spend more on brands that they believe are "meaningfully different". Although they may trade down in most areas, there are certain brands that they will prioritise, even if its more expensive, as they trust these brands. For example, Sunlight is a product that

has stood the test of time as a trusted brand and consumers will rather buy this than a cheaper alternative.

Nonetheless, budgets have been reallocated as consumers tighten their spending, with liquor sales taking a significant hit - cider down by 23% and wine also declining. This drop isn't driven by a move toward non-alcoholic alternatives, but rather by a shift in spending priorities. To cut costs, many consumers are choosing to dine at home instead of sitting down at restaurants, increasingly opting for more affordable takeaway or delivery options.

Concerns over expired products in local spaza shops have led consumers to move more towards formal retailers, suggesting a preference for perceived reliability and quality despite being price conscious.

crucial buffer when the formal economy contracts. While digital adoption is on the rise - with more consumers placing online orders and using digital payment platforms - cash remains a dominant payment method. In townships, 58% of people still primarily use cash, while 51% make use of EFT or online banking, highlighting the need for businesses to cater to both traditional and digital payment preferences.



Consumers are buying fewer luxuries, eating out less frequently, and doing less out-of-home entertainment. 56% of consumers commented that they have reduced their alcohol consumption to stretch their pennies (vs 50% last year).

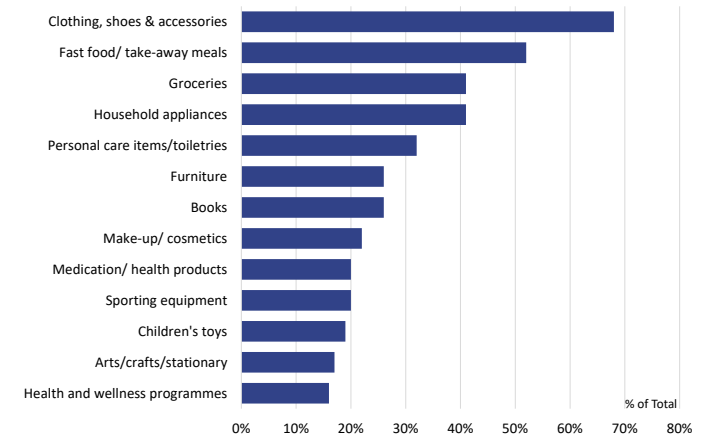
Digital Trends and Evolving Shopping Channels

Although online shopping in South Africa is not as popular as in developed countries, internet access has increased and with it, online engagement. South Africa is characterised by dual-channel shopping, a combination of online and in-store.

Ordering food in is picking up significantly. In the Kantar Restaurant Dive global report for 2025, they found that three-quarters of adults would consider a daily special or combo promotion for takeaway rather than a full-service restaurant. Online grocery shopping is gaining traction, with consumers carefully crunching the numbers to determine whether subscription-based services like Sixty60 are worth the monthly fee - and committing when the savings add up.

One area we continue to monitor closely is the township economy, given the significant untapped value it holds. The informal sector in these communities has shown remarkable resilience during economic downturns, often acting as a

ONLINE SHOPPING HABITS



In their survey, Kantar established that clothing and takeaways were the top categories purchased online. This was driven by rush hours and discounted delivery options.

While major retailers have yet to crack the code on direct grocery delivery in townships, Takealot has made impressive strides through its innovative Township Development Plan. This model empowers a local shopper to sign up as a community hub, allowing friends and neighbours to place orders through them - earning the hub a commission and using their home as the delivery point. This approach is expanding rapidly, showcasing how digital platforms are creatively adapting to serve underserved markets and bridging the last-mile delivery gap. Another platform that is helping companies to penetrate the township market is The Moya App. To address the digital barrier of data challenges faced by many SA consumers, The Moya App has bridged this problem by being zero-rated, enabling more widespread digital access and utility for consumers.

In conclusion, our Supported Consumer theme remains a compelling lens through which to identify resilient investment opportunities. Companies like Shoprite, Mr Price, Clicks, and Pepkor have strategically aligned their in-store and online offerings to meet evolving consumer demand for value, discounts, and rewards. Famous Brands, too, is well positioned to benefit from shifting preferences, as more consumers opt for affordable takeaway options over sit-down dining. These businesses demonstrate strong adaptability and a clear understanding of the cost-conscious South African consumer - key traits for long-term growth in a challenging economic environment.



Our next seminar will be held in September in Johannesburg and the Midlands. The topic will be communicated in due course.”



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Topic: **To be announced**

Natal Midlands

Date: 11th of September, 2025

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

Johannesburg

Date: 9th of September, 2025

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

Cape Town

Date: N/A

Venue: SSISA Conference Centre, Boundary Road, Newlands, Morne du Plessis Boardroom, 4th floor

Time: 7.30am

Venue: ABRU Motor Studio, Lourensford Wine Estate, Somerset West

Time: 5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.

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