

Pick n Pay optimistic about festive season

By [Zeenat Moorad](#)

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South African retailer Pick n Pay said that while consumers are still feeling the pinch to a large degree, it finds that at this time of year consumers tend to splash out and treat themselves and their families.

On Wednesday, 8 December 2010, Stats SA said that retail sales rose 6.1% year-on- year in October, confirming that consumer spending is slowly on the rise.

Festive spending

Revived consumer confidence, lower interest rates and festive season spending are likely to keep retail sales strong over November and December, even though stunted job growth still casts a foreboding shadow.

According to the Bureau for Economic Research (BER)/Ernst & Young Festive Season Retail Trends survey, after suffering declining sales volumes during 2008 and 2009, fourth quarter sales volumes are set to show marked improvement as South African retailers expect a more cheerful 2010 Christmas trading period.

"Pick n Pay is optimistic about festive season trade. Traditionally, food items that sell well over this period include chicken, turkey, gammon and braai meat, as well as carbonated drinks and snack foods such as chips, nuts, biscuits and biltong.

"In terms of general merchandise we usually see an increase in children's toys and smaller electronic items," said Tamra Veley, spokesperson for Pick n Pay.

Indulgent items

According to retail analyst, interest rate cuts and wage increases will allow consumers to indulge this Christmas and after a "hard year" consumers would mostly indulge in items like food and liquor.

"Economic activity has improved and consumers are benefiting from interest rates - the spending breaks are slowly being released.

"Wage increases across some sectors and December bonuses offered by a number of companies mean consumers are in a much better position than they were last year and the festive trading period should be better than 2009," he said.

Rate cut and growth rates

The Monetary Policy Committee (MPC) reduced interest rates by a further 0.5 points last month, taking South Africa's interest rates to their lowest level in the last 30 years.

According to Stats SA, the highest annual real growth rate was recorded for retailers in pharmaceutical and medical goods, cosmetics and toiletries at 17.4%, followed by retailers in household furniture, appliances and equipment at 17.1%, and retailers in textiles, clothing, footwear and leather goods at 9.2%.

The 17.1% growth rate by retailers in household furniture, appliances and equipment indicates a move from spending on necessities to discretionary spending.

Discount prices

Shoppers are increasingly becoming more willing to spend money on bigger-ticket items.

Derek Engelbrecht, Retail and Consumer Products Sector leader at Ernst & Young said that consumers can look forward to reasonably priced goods over the festive season as many retailers are expecting to cut prices this Christmas.

Among the biggest price discounts expected are in the durable goods category for items like electronics, household appliances and furniture, according to Engelbrecht.

"Because many of these goods are imported, the lack of retailer pricing power is partly a function of the sustained strength of the rand exchange rate against especially the US dollar," he said.

Preparation and value

Pick n Pay's rival, Shoprite (SHP) says it is prepared for a successful Christmas trading period and has provisioned stores well to serve the needs of its customers.

"Orders for Christmas food items and general merchandise were placed in advance and with our strategy of global sourcing, we've secured good value and prices - with the prices of most seasonal food products remaining relatively on par with last year," a spokesperson from the group told *I-Net Bridge*.

Shoprite said that due to a stronger rand, it was able to buy larger ranges of better quality general merchandise.

As 2010 comes to a close, and shoppers get swept up in the festive spirit and fill their trolleys - retailers, are likely to ring in the New Year with a ho, ho, ho.

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