

#CGFSummit hears results of latest Nielsen retail study

The perception that emerging markets are no longer a source of future growth for retailers is a dangerous retail myth that needs to be dispelled, global consumer insights company Nielsen told the world's top consumer goods companies' CEOs at The Consumer Goods Forum Global Summit at the Cape Town International Convention Centre (CTICC) earlier this week.



Steve Matthesen.

Picture: Nielsen.com

“Emerging markets are large and growing, and their consumer purchasing power is growing faster than in developed markets. Your CFOs might not like this advice, but now is a good time for global retailers to invest in emerging markets like South Africa, where the weak rand is favourable for investment,” said Steve Matthesen, global president of retail of Nielsen.

Citing Nielsen research, including results from the company’s latest global retail study, which was released globally this week, Matthesen said the reality was that global retail growth was slowing, but that emerging markets on average were growing twice as fast as developed markets in the retail space.

According to WorldBank World Development Indicator data in 2014, consumer purchasing power was growing by 7% in sub-Saharan Africa compared to 3% in North America. Regardless of spending power, consumers around the world are looking for more than just a good bargain. Nielsen’s new retail study finds the current global trend for consumers across both emerging and established markets is for consumers to factor in food freshness and quality, convenience and stock availability before looking at price.

Population attributes

Matthesen said the positive prospects for retail growth in emerging markets were driven by a number of population attributes, including that they are younger, more urban, and relatively wealthier. Currently, 24% of consumers in emerging markets are millennials, two-thirds will live in urban areas by 2020, and 3.2 billion will be middle class by 2050. The populations in the emerging markets, including India, China and Africa, were also growing faster than in more developed economies in Latin America, The Caribbean, North America, and Europe.

Young people in these markets often moved directly to mobile, many never having owned a desktop computer, therefore retailers would be wise to consider developing mobile shopping platforms, he said.

Matthesen cautioned global retailers against rushing into emerging markets with only a short- to medium-term plan. “A consistent long-term perspective is required and you can’t wait for economies are good before you enter - you need to get involved upfront and think ahead about how you will target complexities in these economies. For instance, you can’t simply go in and market the lowest priced goods to all consumers. In countries such as India or South Africa, with vast income inequality, you have to think equally about catering to low-income and high-income consumers.”

Another myth

Matthesen said another myth that prevailed was that consumers preferred bigger stores, but, globally, there was a trend towards smaller and more convenient stores and online shopping for certain products that are well suited to e-commerce, such as baby goods.

Matthesen said that conventional wisdom dictated that consumers wanted large stores to find everything in one trip, and that it was more efficient for retailers and yielded advantages in economics. “But, the reality is that lots of people are just buying for dinner that night, moving towards fresh food away from preservatives, which implies more frequent shopping at smaller stores. Especially in emerging economies, not everyone has a car or food storage and fridge space.” Globally, he said, shoppers now make 2.5 trips per week for fresh produce. Even in the US, large stores are being outpaced by smaller stores and the size of stores is dropping.

The 60th annual Consumer Goods Forum Global Summit is taking place in Cape Town this week and ends today, 17 June. Scores of CEOs of both global and local fast-moving consumer goods (FMCG) companies are joining the Global Summit – the first of its kind on the African continent – to debate issues such as sustainability, food safety and security and global environmental practices.

Read more at www.theconsumergoodsforum.com and www.tcgfsummit.com.

For more, visit: <https://www.bizcommunity.com>