

Experiences are the new black

By [Danette Breitenbach](#)

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It is no longer chic to be chic and wealth is not displayed anymore. Consumers are no longer buying goods; instead they are spending on experiences. This dramatic change - from goods to experiences - in worldwide spending is permanent.



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The change is a direct result of the recession. “The world’s spending trends have changed dramatically, and business needs to understand this so that it can change your business to raise its ROI. This is especially pertinent in South Africa, says Sarah Quinlan, senior vice president and group head, Market Insights, Mastercard.

Quinlan was highlighting key findings of the inaugural South African Mastercard SpendingPulse Report at a launch function in Sandton.

The Report provides a macroeconomic analysis of retail performance and spending, while providing an early overview of the market indices to help retailers, investors, card issuers, banks and government agencies in their decision-making processes.



Consumer spending leads economic recovery

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According to the Report, spending on chic luxury goods has declined, with no positive spending on luxury goods taking place globally over the past two and a half years. “This change in spending behaviour is not translating into what is happening in South Africa, where there is still an emphasis on minerals, when the country should be building hotels,” she says.

Importance of tourism

Tourism should be a big focus. “When tourism increases, businesses increase. We are seeing this around the world.

Studies have shown that tourists will spend a full day shopping in the country they are visiting.”

Tourism is important for South Africa, but it is competing against Asia, Australia, and other countries in Africa for visitors. She adds that South Africa also needs to consider what markets are more important. “For example, South Africa values the Chinese market, yet a tourist from the United States spends 10.4 x more in a country than a Chinese tourist.”

With mining’s decline set to continue and China morphing into the next level of development, it is imperative, that the diversification of the South African economy continues. Already it is positive to see services increasing as part of the economy.

Retail sales volumes

According to the Report total retail sales volume rose +2.35% year over year (YOY) in July. This is in actual sales and so is contributing to the South African economy. This contrasts with consumer confidence. Price inflation remains high. While consumers spent 8.1% more, they took home fewer goods. The consumer is looking for value for their money and will pay for that value. However, this does not apply to commodities, where price is king.

Pharmaceuticals, toiletries and cosmetics volume is up two percent YOY. The sector saw an upswing from April, after underperforming. For this sector price inflation has accelerated.

The Report shows that consumers are really looking at price. It is consumer spending that has kick-started growth in the economy in Q2 of 2017. “Household spending also drove the improvement in Q2. The consumer is pulling the sleigh and driving the economy.”

ABOUT DANETTE BREITENBACH

Danette Breitenbach is a marketing & media editor at Bizcommunity.com. Previously she freelanced in the marketing and media sector, including for Bizcommunity. She was editor and publisher of AdVantage, the publication that served the marketing, media and advertising industry in southern Africa. She has worked extensively in print media, mainly B2B. She has a Masters in Financial Journalism from Wits.

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