

5 myths about SA's spaza market debunked

The informal trade can fundamentally alter the fortunes of brands in South Africa, and yet market research remains limited to anecdotal evidence and assumptions which couldn't be further from the actual truth happening on the ground, according to informal trade and distribution data company, 5M2T (5 Minutes 2 Town).



"We've sat around many boardroom tables listening to brand owners, sales managers and even executive level management suggest what they believe or know their informal market penetration to be; what brands they compete with and which areas they are strongest in," says Stuart Smith, operations director at 5M2T. "Once we deploy on the ground, we discover huge gaps and some incredibly rich insights."

5M2T's app-based in-market audit platform provides commercial brands with data on informal trade outlets such as their purchase frequencies, stock replenishment cycles, buying habits and the most brand-loyal product categories.



5M2T data solution offers a deep-dive into SA's informal trade

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Using this data, 5M2T sets straight five common myths or misunderstandings about the spaza market.

1. Spaza store owners do not do their own restocking

Ninety percent of stock replenishing is done by runners, buying groups, bulk breakers, etc. Runners' lists are prescriptive and buying groups and bulk-breakers buy only what they know they can on sell and earn their commissions on. So what's the point of running wholesale promotions as an avenue to reach spazas?

2. Spaza stores are often not the cheapest place to buy your product

In fact, a product can cost more at a spaza than it does at your favourite high-end retailer in Hyde Park. This is because that product has changed hands up to five times before reaching a spaza shelf... each iteration adding on an additional margin. Everyone on the route-to-market is profiteering and brands have absolutely no control or idea of the level that is happening on the ground.

3. Spaza store owners are just looking for the cheapest option

In fact, spaza owners are highly reliant on consumer demand. Price isn't everything and brand loyalty is critically important. If the customers don't want it, the spaza will not stock it. Dumping stock into wholesale will not land up on a shelf unless there is a consumer demand and regular purchase of it. The informal channel is not immune to the basic principles of supply and demand.

4. What works in Soweto, will not work in Soshanguve

The truth is there is no 'one size fits all' approach. Even within huge categories like carbonated soft drinks, the purchasing, consumption and brand-loyalty behaviors differ hugely from one area to another and are amplified even greater when you look regionally. You cannot assume that what works in Soweto, will work in Diepsloot or Mamelodi. The patterns are incredibly diverse.

5. The spaza market is too unpredictable to execute a long-term distribution strategy

On the contrary, political upheaval and acts-of-God aside, the spaza network is highly reliable and stable and many outlets have been open for decades and a part of the very fibre of the communities they service, even offering informal credit opportunities to regular customers.

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