

FACT SHEET

#BLACKFRIDAY

THE *NEXT NORMAL* FOR SA RETAIL!



WEBINAR EVENT

Black Friday 2021: A November of Black Fridays

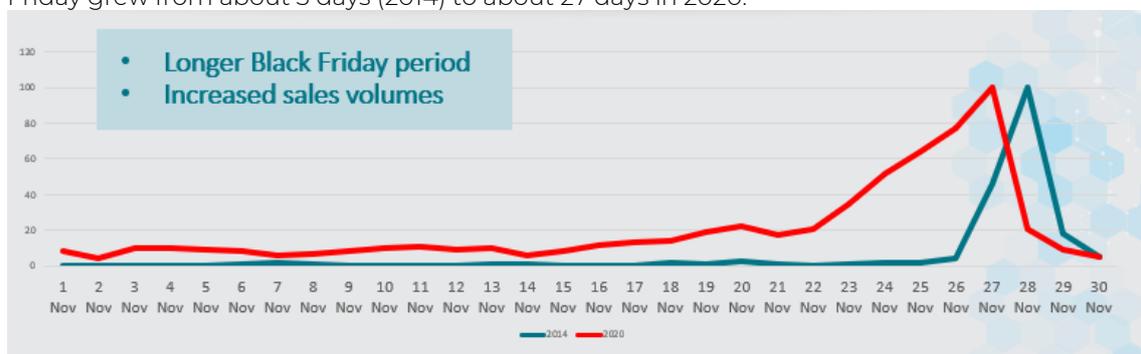
Fact Sheet

Origin of and growth of Black Friday:

- The earliest known use of 'Black Friday' refers to the day after **Thanksgiving in the United States** where it referred to the practice of workers calling in sick on the day after Thanksgiving in order to have a four-day weekend. The day after Thanksgiving has been regarded as the beginning of the United States' Christmas shopping season since 1952.
- **Black Friday was introduced in South Africa in 2014** spanning the period 27 to 29 November (**3 days**) and evolved in 2020 to span the period 3 to 28 November (**26 days**).
- The **length of Black Friday in 2021** will most probably be even longer.

Consumer Interest in Black Friday: 2014 vs 2020:

- Longer Black Friday period & Increased sales volumes.
- Compared to 2014 when Black Friday was instituted in South Africa, consumer interest in Black Friday grew from about 3 days (2014) to about 27 days in 2020.



Why do consumers do Black Friday?

- The **middle and affluent markets** buying luxury goods at discounted prices.
- Buying goods as part of their **Christmas shopping**.
- The volume and middle markets **buying necessities in bulk** while such necessities are available at discounted prices.
- The volume and middle markets **buying hardware and paint** at discounted prices in order to fix up their homes during December.

- Consumers buying goods at discounted prices that they usually won't buy because of Black Friday being a **shopping festival stimulating buying behavior**.

Changes in Black Friday buying behavior between 2019 (pre-Covid-19) and 2020:

- A growing percentage of Black Friday spending was on necessities while the percentage spending on necessities declined/stagnated prior to 2020. This is especially due to large-scale job losses and low income growth during 2020.
- Whereas expenditure on textiles, clothing and footwear showed strong growth before 2020, such growth was negative during 2020. It is also clear from available statistics that compared to 2019 consumers were 'buying down' when buying such goods during 2020.
- The 2020 retail pattern is very volatile compared to the deterministic pattern in 2019, due to lockdowns and a volatile business cycle impacting on this pattern.
- Example: Household, furniture, appliances and equipment category.

Retail sales income 2010 to 2021: Total retail sales

- During the period 2013 and before November retail sales (see red star) were before the festive season at nearly the same level as that of October. Since the inception of Black Friday in 2014 Black Friday ensure that November retail sales linked up with that of the festive season to create a longer bumper period for retail sales at the end of each year.



What can we expect from Black Friday 2021?

- Black Friday 2021 will not be as good as in 2019 but will be **better than 2020** due to the fact that while 2 164 000 people lost their jobs during 2019 to 2020, 733 000 new jobs were created during 2020 to 2021.
- Although total additional retail spending due to Black Friday will grow during 2021, it will not reach the levels achieved during 2019 – still 36.4 percent lower.

Month	Additional November retail value (ZAR)
November 2019	15 428 770 000
November 2020	10 287 640 000
November 2021	11 309 660 000

Retail subsectors which will gain the most from Black Friday sales in 2021:

- **General dealers** – 54.9 percent (R 6 209 003 000).
- Retailers in **textiles, clothing, footwear and leather** – 24.7 percent (R 2 793 486 000).
- Retailers in **hardware, paint and glass** – 8.6 percent (R 972 630 760).
- Retailers in **household furniture, appliances and equipment** – 8 percent (R 904 772 800).
- The abovementioned figures are only the retail impact (R 11 309 million) and will also have a R 8 208 million wholesale impact giving rise to a total retail and wholesale impact of about R 19 517 million.

Dangers for retailers associated with Black Friday campaigns:

- **Product value dilution:** The discounted price become the new normal.
- **Different parts of the omnichannel in competition with each other:** This could be done as a strategy to nudge consumers to a specific channel but its at the cost of other channels.
- **Brand value dilution:** This could be done by selling top brand goods at the same price or lower than that of weaker brands as a strategy to enter lower market segments.
- **Customer alienation due to systems not being in place to deliver on time:** This happens when sales outstrip capacity by a wide margin.

Percentage value of retail sales online and percentage store-based:

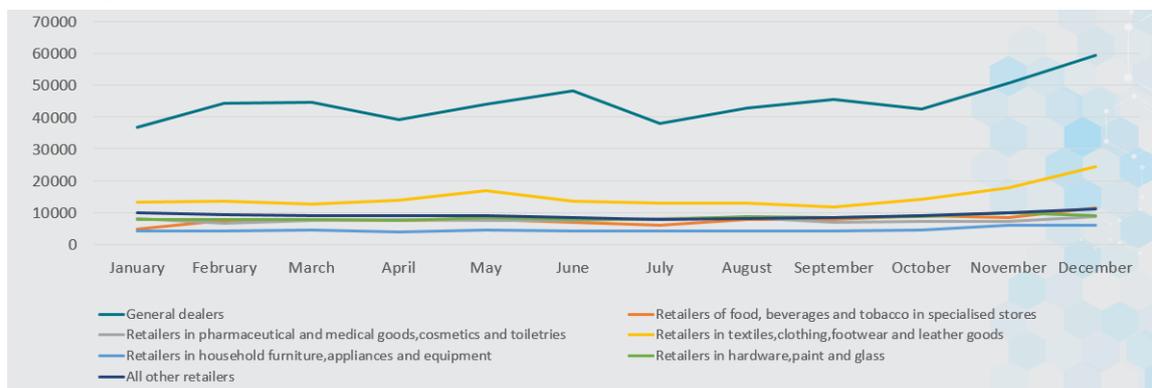
- Strong consumer interest in Black Friday 2021 already **started on 2 November** and will **continue through 26 November to about 5 December**.
- During this period **in-store, hybrid and omni retail channels** will be responsible for about 84 percent of sales and online-only for about 16 percent.

The importance of positive in-store experiences to stimulate retail sales:

- **Excellent in-store experiences** with respect to customer service, value for money (quality goods at good prices), variety, in-store availability of goods, shoppertainment, strong brand and friendly staff are critical for good sales.
- **As lockdown levels soften consumers are moving back to in-store buying.** Even during the harder lockdowns, the biggest ecommerce winners were omni-channel store-based brands.
- Although the percentage retail sales attributed to online-only providers increased substantially to about 16 percent in 2020, **strong growth in retail sales of online-only providers is not expected to increase rapidly.** It is, however, expected that the **sales of omni-channel providers will grow rapidly during the medium-term.**

Consumer retail shopping trends during 2021 (R million):

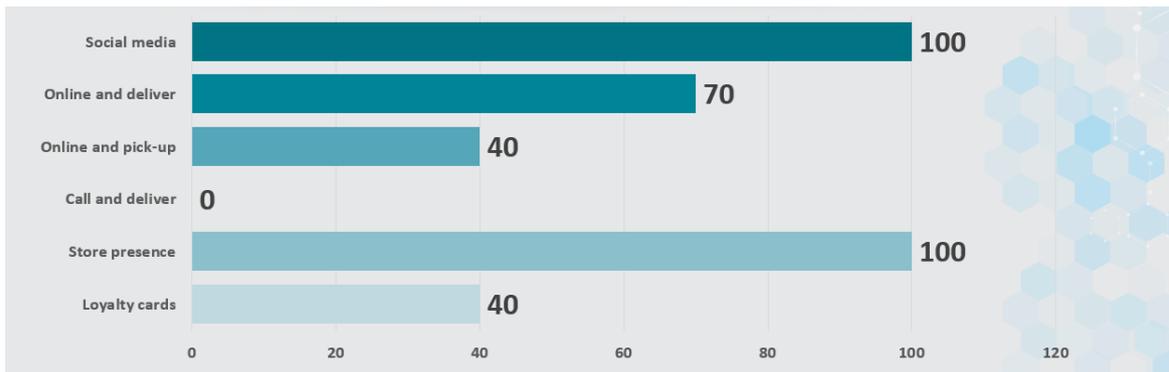
- The expected spike in retail sales during 2021 can be clearly seen from the graph below, and here especially with respect to General Dealers (blue line) and textiles, clothing, footwear and leather retailers (yellow line).



Attributes of top ten retailers in terms of consumer interest and consumer interest growth during 2021 (%):

- Research on the top ten retailers with respect to consumer interest and consumer interest growth has shown that there are certain things that they do that can be emulated by other retailers to optimize sales, and here especially during the Black Friday period. This include having a strong social media presence, having a store presence as well as having an online ordering and delivery channel. It is interesting from the graph below that online ordering and pick-up as well as loyalty cards did not come out tops as predictors of success.

Refer to the graph on the next page >



Why do consumers support the six retailers who fall in the top interest, top growth and top survival categories?

- Strong **customer orientation**, excellent customer service (including support).
- Having **in-store service** provision.
- Good quality products, great prices and **value for money**.
- Efficient **check-out system**.
- Friendly and competent **staff**.
- Positive **shopping experience**.
- **Retailer apps**, excellent website.
- Strong **brand** and strong brand identification.

What is the next normal for South African retailers?

- From store-based, online-only and hybrid to **omni-channel**.
- A stronger focus on value for money and **less on brands**.
- Providing **customized and customizable solutions** to customer needs.
- The availability of **pay-per-use** instead of pay-per-own solutions.
- **AI, big data and augmented and virtual reality** will play an increasingly important role.
- **Hybrid working** will remain – retailers need to adapt even further.
- Creating **value propositions for customers beyond** products being sold.

Source: Commissioned project for Capital Connect, by the Bureau of Market Research