

Businesses should adopt Black Friday thinking permanently

In recent years, the Black Friday sales that have long been a part of the retail landscape in the United States and Canada have steadily gained popularity and traction in many other parts of the world, including South Africa.

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For most consumers in this country, Black Friday sales are little more than an opportunity to enjoy some great savings and deep discounts on a variety of products. It's especially useful given the opportunity it presents for consumers to stock up on affordable festive season gifts for friends and family.

However, the benefits of the Black Friday phenomenon are even more significant, and valuable, for businesses, giving them an opportunity to significantly bolster sales revenues and, in many cases, manage and reduce inventories by moving stock that may otherwise have languished in their storerooms.

These bottom-line benefits of Black Friday make the 2020 instalment of the event particularly relevant for retail businesses in South Africa. Especially given that most are in desperate need of a revenue injection after the protracted slow trading period on the back of Covid-19 and the national lockdown response.

Many retailers are also sitting on significant amounts of stock, much of it acquired before the arrival of Covid-19, or even remaining from the 2019 festive period, and Black Friday presents a unique opportunity to move it to make way for new festive season inventory.

But while Black Friday sales are undoubtedly an effective way for businesses to address their immediate income and inventory challenges, few business owners – especially within the SME category - appear to recognise the potential value that they could unlock if they integrated the Black Friday principles into their longer-term business models and strategies.

The three most significant of these principles, or steps, that definitely bear thinking about by businesses as follows:

1. Achieve a good balance between profit margins and sales turnover at scale

The financial value of Black Friday sales for businesses is the often-significant spike in revenue that results from the discounts and sales offered. When one considers the current challenging financial situation of the majority of average South African consumers, it's apparent that price has become, and will remain, a key, if not the most important, purchase driver for some time to come.

Based on that understanding, it may be time for businesses to reconsider their business models and either adjust them so that they lean more towards turnover- rather than margin-based sustainability. If that's not viable because of already constrained margins, then the thinking may need to be around offering a greater number of sales and discounts throughout the year in order to attract new customer and retain existing ones.

2. Turn once-off sales events into steady and consistent growth

It's understandable that businesses right now may be focused almost entirely on simply bringing in as much cash as they can, as quickly as possible. While Black Friday can certainly help you achieve that it's something of a temporary 'band-aid' fix to a problem that needs a much longer-term solution. The keys to a successful and sustainable business are consistency and stability of revenues, so it's important to see the end of November for what it really is – a once off opportunity for abnormal sales volumes.

At face value, Black Friday is unlikely to result in sustained, long-term higher sales; but you can, and should, be using it as a springboard to such a reality. If that means considering making lower prices a higher volumes the bedrock of your future business success, then you need to be open to that – and for many businesses the move to a much more digital world makes this a more viable business mode than it may have been before 2020.

3. Gather and leverage customer data to build lifetime value

It is very important that business owners understand that the value of discounts and special offers go far beyond a temporary inflow of cash. A Black Friday-style sale has the potential to drive significantly larger numbers of customers to your business, whether physically or online.

Simply by making the effort to engage effectively with those customers, you can build up an incredible value repository of data ranging from personal and contact information to likes, dislikes and shopping preferences. And all this data makes it possible to reconnect with all these customers over and over in the future, building relationships, enhancing their experiences, giving them opportunities to provide feedback, and ultimately driving sustainable cross- and up-selling in a compliant friendly manner.

When you look at a special offer or discount from this angle, the relatively minor sacrifice of profit margin is a very small investment to make in exchange for the potential to optimise the customer's lifetime value to your business.

So, while Black Friday is undoubtedly an exciting prospect for the many businesses that have struggled to keep their doors open through months of lockdown and a barrage of challenges in 2020, it's essential that SA business owners don't view it as only that. With a little strategic thinking it is very possible to transform this temporary end-November sales boost scenario into a long-term reality, and in the process maximise the potential of owning a business that's permanently doing well.

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