

Black Friday is where margins go to die

Black Friday deals are a threat to the already squeezed margins experienced in South African retail at present, says Nashil Chotoki, retail asset manager at Redefine Properties.



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Sandwiched between a subdued economy and a jaded populace, retailers are still hoping South Africans will come out in their numbers to support the annual sales jamboree that has become somewhat of a tradition amongst bargain hunters.

While 2018 recorded an increase in footfalls compared to the preceding years, consumers have been cautious with the spend despite an increase in the number of retailers participating each year.

Week-long bonanza

For consumers, the initial hype that accompanied Black Friday when it arrived on these shores a few years back might be waning. What started as a day-long discount bonanza now seemingly lasts the weekend and, in some cases, the entire week.

This year Dis-Chem will offer its deals all through the weekend while Makro has opted to stretch it over 5 days. Not to be left behind, grocer Pick n Pay is offering online Black Friday deals discounting select products by as much as 50% over a full week. Omnichannel retailers like Makro are also attempting to draw shoppers to their website offering everything from

whiskey to washing machines in an effort to increase their share-of-wallet.



South African retailers reveal deals for Black Friday 2019

Lauren Hartzenberg 22 Nov 2019



“Retail and consumer analysts are out making predictions of another successful Black Friday, though we believe in this economic environment consumers are very likely to plan their shopping and cherry-pick the deals that make financial sense. We don’t expect to see spin-off spend to grow this year,” says Chotoki.

Online not devoid of challenges

Increasingly, shoppers wanting to avoid the dehumanising experiences from previous years are moving their spend online. Retailers like Superbalist, which saw record traffic last year generating over R40-million in revenue on the day, is expected to go live just after midnight on Friday, 29 November, this time, running for 5 days.

Online transactions have shown healthy growth clocking some 55% more transactions from 260,552 in 2017 to over 400,000 last year.

Shopping online on Black Friday is not without its challenges though for those choosing convenience over crowds. Websites often freeze or crash on the day from the deluge of traffic. E-commerce giants are likely to be under the microscope especially on the day to deliver peak performance.

Not to be upended, traditional retailers are taking the fight to them making better use of their physical spaces, experimenting with technology, and dreaming up new experiences. Their efforts are netting niche clientele like South African Mint, which is now embracing the pop-up concept on Black Friday for the second year in a row.



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Race to the bottom of the margin barrel

If the trip down the aisle is fruitful for consumers, it can get frightful for the retailers who participate. If you flip the Black Friday story, for many retailers, it is a race to the bottom of the margin barrel.

In a tough trading environment, retailers are likely to feel the pinch of offering deep discounts at a premium time. Thanks to the initial brouhaha, Black Friday’s influence over retailers is apparent from the like-for-like sales many offer in a bid to keep up with the competitors.

“It’s like a runaway train, if you did Black Friday last year, it’s difficult to stop even if you want to. While big box and major retailers can afford the trade-off between footfalls and margins, for many other specialised and smaller retailers, Black Friday is where margins go to die,” adds Chotoki.

“Black Friday is a beast and it is what the consumers have come to expect. Not all retailers are built equal and not everyone’s balance sheets can absorb slim margins. The industry will need to be strategic in weaning off shoppers from the discount drug if we need to restore the festivities associated with Christmas, for both the malls and the masses.”

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