

# What to consider before jumping on the Black Friday bandwagon

Black Friday, once only a North American marketing frenzy, has become a critical entry in the calendars of South African retail business owners.



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Research published by Stats SA says that historically, the most important month of the year for retail trade is December, when many consumers are on holiday and go Christmas shopping. But December 2018 was a tough month for retail in South Africa with the volume of sales falling by 1,4% year-on-year.

The poor performance of retailers in December followed a fruitful November, when Black Friday boosted sales to 2,9% year-on-year.

Dov Girnun, CEO of Merchant Capital, a fintech funder that provides working capital to retail SME's across the country, says Black Friday presents a moment in time in the sales cycle, and business owners still need to consider whether the concept will make sense for their business's growth.

"Small business growth is a delicate balance between doing what works and taking advantage of the right opportunities. Retail business owners should carefully weigh up the pros and cons before being swept away by the Black Friday wave,"

says Girnun.

Girnun outlines the following pro's and con's that retailers should consider before jumping on the Black Friday bandwagon.

## Shopper enthusiasm

**Pro:** Savvy customers look forward to a good bargain. They actually plan their year-end spending around this one retail event. They believe that they will enjoy savings and great deals which will often prompt larger spending and additional 'treats' for themselves.

**Con:** There was a time when festive season shopping mainly occurred in December. Black Friday has changed this. What was normally a very good festive season trade, can now mean rapidly reduced December turnover. Retailers need to work this new spending habit into their projections and stock flow.



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## Significant noise

**Pro:** If you can deliver agile marketing messaging and have a tactical social and email marketing campaign behind you, you may well be able to fight the clutter and up your sales in a meaningful way.

Girnun adds: "In our experience, small businesses use the funds we lend them for anything that will be additive to the growth of their business: to hire more employees, buy new equipment, refurbish their store, buy more stock, and even for marketing – they don't necessarily have to be elaborate plans, but each funding step is crucial to the next."

**Con:** As a small business you are up against the big guys – large retailers with huge marketing campaigns behind them. Certain larger retailers will even offer loss-leaders to draw in customers.



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## Shed old stock for small business growth

**Pro:** Small business growth is often the difference between sitting with old stock or shedding your load. Black Friday is a great way to encourage take-up of old redundant inventory. Making way for the new.

**Con:** On this day, over any other, customers are price-sensitive. They expect a good deal otherwise will gladly shop elsewhere. Heavy discounts might be the only way to win that sale over your competitor. But this is often a discount that isn't worth the sale.

## Scaling up for traffic

**Pro:** Black Friday is a marketing vehicle to assist in scaling up your customer traffic. It is a unique opportunity to attract new customers and satisfy existing ones. Just make sure that your store has the capability to restock quickly and check customers out efficiently!

**Con:** Sub-par in-store or online service can have a negative knock-on effect on your brand. So make sure you employ more staff and security on the day and upgrade your online systems so that they can carry an abnormal load should it arise.

Realising retailers' eleventh-hour cash needs and taking the rapid evolution of technology into account, Girnun says that funders like Merchant Capital have the capability of assessing and approving a loan in just 24 to 48 hours, offering retailers an opportunity to scale up if need be at lower risk.



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## What are your competitors doing?

**Pro:** If your competitors are in the space, this may mean it's good for your vertical. Simply being there may be a good way to claim your stake in some way.

**Con:** If you aren't in the game, you can almost guarantee it will be a bad sales day. But FOMO alone (Fear Of Missing Out), is a dangerous hill to climb. So think clearly and make decisions that are right for your business!

"The jury is out as to whether Black Friday makes sense for all small businesses. But what is very clear is that retailers need to think long and hard about capacity, strategy, bottom-line, and long-term impact before committing to partake in Black Friday," concludes Girnun.

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