

SMEs remain hopeful amidst Black Friday and festive season spending

With a slow improvement of consumer confidence and spending, the South African small to medium business (SME) sector remains hopeful that the recent Black Friday and festive season trading will give them the desperately needed boost to financially recover from the national lockdown that wreaked havoc on the market.



Trevor Gosling, co-founder and CEO of Lulalend

According to Trevor Gosling, co-founder and CEO of Lulalend, part of SME readiness for the peak season trading is a business' ability to adapt to the changing buying behaviours of consumers.

“ Throughout the value chain, industries have had to reinvent or evolve in order to stay up to date with the demands of its customer base. ”

One of the most notable shifts has been the phenomenal growth in e-commerce. With an aversion for shopping centres or public spaces, data from Salesforce's Global Shopping Index saw a 71% increase in online spending in Q2.

Gosling points out that Lulalend has also seen this shift within their customer base, noting that the company has seen a 20% increase in loans going to e-commerce retailers in 2020 compared to 2019.

Apart from having to adapt to these changes, Gosling predicts that this year's trading period will be a boon for consumers.

“Businesses are needing to make up for the losses from this year, which means that you can expect to see a number of sales and promotions extending far beyond just Black Friday and Cyber Monday. Instead, some businesses may end up running month-long promotions to drive customer sales.”

Cash flow is king

However, Gosling says that the drop in trading over the year has left many businesses with significantly lower cash reserves.

“Not only has the reduction in cash flow led to restructuring or spending cuts to many of these businesses, it has also meant that the reduced liquidity hinders their ability to service existing debt and plan for growth ahead of the busy trading period.”

A healthy cash flow is critical at this time of year for SMEs to make upfront investments in inventory, materials and equipment, as well as increase spend on marketing and staffing to cater for the possible influx of demand.

“From manufacturers through to the end retailers that they supply, SMEs will need access to sufficient capital to ensure they can take full advantage of the increased trading opportunities during the coming months.”

He explains that, with the easing of the lockdown regulations, Lulalend has seen a 41% increase in "growth related" funding requests from consumer goods (supply chain) manufacturing customers and a 30% increase from retail businesses.

“Despite the recent credit rating downgrade announcements, this shows us that SMEs are feeling confident enough to secure finance ahead of peak season trading.” concludes Gosling.

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