The Black Friday mega shopping phenomenon debuted in South Africa in November 2016 to much anticipated consumer excitement. Black Friday is the holiday promotion day after Thanksgiving, originating in the USA. It’s seen as the start of the festive shopping season and retailers traditionally offer shoppers incredible sales and promotions. Although it started in the USA, Black Friday is fast becoming a headline feature on South Africans’ promotional calendars.

The ‘big deal’ day dawned with many South African online and brick and mortar retailers offering bigger and better promotions than ever seen before. Initial participation was strongest in the appliances, technology, fashion and toy sectors, but Fast Moving Consumer Goods (FMCG) manufacturers and retailers were quick to join the promotional frenzy as the event extended into its second year.

In just two years, Black Friday has already expanded beyond the single Friday promotional offerings, to Cyber Monday, early-bird countdowns, pre and post deals and entire weeks now dedicated to a variety of promotions, flash sales and markdowns. Consumers have responded by storming websites and stores in search of greater value for their ever-squeezed, equivalent spending ability.

**SOUTH AFRICANS ARE A NATION OF PRICE SENSITIVE, PROMOTION SEEKERS**

Deal and value triggered behavior has intensified in recent years, as consumers have faced rising fuel, utility and food prices competing for their increasingly constrained spend. It’s no surprise then that Black Friday was poised to make its mark, with luxury, discretionary as well as everyday essentials having become highly sought after. Shoppers have also become more discerning, looking for promotions from their regularly-used brands, and less willing to switch brands for a seemingly good deal.

- **69%**
  - Know the prices of grocery items they buy, and notice changes

- **33%**
  - Buy on promotion if they already like the brand, vs. 20% five years ago

- **31%**
  - Don’t change stores but actively search for promotions in store

- **16%**
  - Change stores based on the best promotions on offer

Source: Nielsen Shopper Trends, 2018 and 2013
Black Friday
Leading with Learning

Over time, trade spend and promotions have come under more scrutiny as manufacturers and retailers seek to make every promotional rand work harder to deliver the much needed return on investment. Black Friday activities, if executed well, have the ability to incrementally ramp up the necessary growth and returns.

As retailers and manufacturers gear up for this year's Olympian promotional event, there are a number of key insights from previous years that can be used to inform strategies and planning. Much of the speculation is that Black Friday activities cannibalise festive season shopping, impact post-season spending, or only benefit specific brands and not overall categories. And within the FMCG industry, conjecture is that Black Friday is less relevant for regular, lower value, day to day consumer goods items. By analysing the total FMCG basket, category and brand retail performance there are a number of valuable insights that manufacturers and retailers can use to inform their preparation for 2018.

FMCG Basket Performance

November 2017 sales increased 7.2% over the average sales of the preceding months (August to October 2017), equating to R1.36 billion additional spend in November.

Compared to the previous year, November 2017 sales increased 8.8% ahead of 2016. This amounted to R1.6 billion more spend in the latest Black Friday season.

Incremental sales in November 2017, versus the average of the preceding three months, were 55% higher (R480 million more) than incremental sales for the 2016 period.

Overall seasonal sales (November + December) did not suffer, with little forward buying or cannibalisation of December seasonal sales.

Source: Nielsen Retail Measurement Services, Total Hypermarkets and Supermarkets
December seasonal buying bursts are the norm in South Africa, when many consumers take their annual holidays, socialise, entertain with family and friends, and expand their repertoire of categories/brands/products, increase consumption of non discretionary items and include treats and luxuries during the festive season. There is little doubt that as more FMCG retailers and manufacturers participated in 2017 Black Friday events, November growth has escalated, paving the way for extended future, seasonal periods.

20% HIGHER, AVERAGE MONTHLY ‘IN-VS-OUT-OF-SEASON’ SALES IN 2017 IN COMPARISON TO 2016

If overall seasonal sales have not been diluted, what about post season, January, sales? Historically, January sales do drop off from the year-end highs, but the depth of the decline has not deteriorated, pre versus post arrival of Black Friday. Back-to-school and other New Year specials are unlikely to be adversely impacted by Black Friday, however it is worth diversifying the category and introducing brand and product specials, based on the promotional event.

A WINNING WEEK

Digging deeper into the specific Black Friday phenomenon, overall FMCG retail sales, in the week commencing 26 November 2017, outstripped previous weeks driving foot and finger (click) traffic and sales.

At the overall basket level, success seems evident, but with intense competition at retail, category, brand and item level, not all are best for promoting, not all attract new consumers, not all entice consumers to increase consumption, and not all benefit both retailers and manufacturers.

Source: Nielsen Retail Measurement Services, Weekly Scanning Defined Universe, Shoprite Group, Pick ’n Pay Group, Jetmart, Fruit & Veg City, Clicks, Game, Woolworths, OK
BLACK FRIDAY SUCCESS IS NOT EQUAL FOR ALL

‘STAPLE’ GOODS SWITCHING BOOSTS PROMOTED BRANDS

PANTRY ‘STOCK-UP’ ITEMS BENEFITTED CATEGORY SALES

LACK OF ‘LEADING’ BRAND PROMOTION LED TO SHARE LOSS
BLACK FRIDAY WEEKLY GROWTH IS 10% HIGHER THAN PREVIOUS MONTH-END WEEKS. 27 CATEGORIES GREW AT LEAST THREE TIMES FASTER.

20 CATEGORIES SOLD AT LEAST R10 MILLION MORE THAN IN PREVIOUS MONTH-END WEEKS, AUG – OCT 2017

Source: Nielsen Retail Measurement Services, Weekly Scanning Defined Universe, Shoprite Group, Pick ‘n Pay Group, Jetmart, Fruit & Veg City, Clicks, Game, Woolworths, OK

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COFFEE

Pantry ‘stock up’ categories, particularly those with a longer shelf life, such as Coffee, Ready to Eat Cereals, Squashes and Cordials, benefitted from Black Friday promotions. Coffee category sales were 54% higher in Black Friday week than previous month-end weeks, despite being a strong winter-seasonal category. Black Friday sales were 160% higher than the preceding November mid-month weeks. The 26% depth of discount on the leading SKU was significant, enticing stocking up and boosting out of season sales.

Leading brands, in categories such as Spreads and Canned Foods that did not promote during Black Friday, experienced lower sales than previous month-end weeks, potentially missing a key opportunity to generate incremental sales.

BREAD

Promotions on staples, and categories such as Bread, with a limited shelf life, benefitted the on-sale brand, but did not grow total category sales. Consumers switched to the discounted bread brand, cannibalising sales from the non or low discounted brands. The promoted bread brand gained four share points in the 2017 Black Friday week.

Discounts on essential staple items may hold less attraction for consumers, who are likely to rather opt to add discretionary items that are often out of reach, unless they offer a worthwhile incentive.

SNACKS

Potato Chips, a typical festive season category, had limited Black Friday success, compared to the 2016 category sales lifts of 16%, accompanied by price discounts of 11%. The category’s lackluster 2017 performance was a result of price increases, and lack of participation by the top ten SKUs, which all experienced declines in month-end weekly sales, versus previous month-ends and year ago sales.

Chocolate Slab, another festive season category, also had little Black Friday pricing activity, however, still achieved good sales uplifts as a result of consumers trading into larger sized slabs from countlines, and opting for more premium chocolate brands.
KEY TAKEAWAY

Black Friday is not about bricks versus clicks or one channel versus another. Instead, shopping and pre-buying discovery will be an online – and offline – affair, where the path to purchase starts online and finishes offline in the store. Manufacturers and retailers need to think holistically across physical and virtual channels, ensuring that omni channel touchpoints are in place to amplify Black Friday awareness, enable product/store/deal search and price/promotion comparisons, to facilitate a positive overall experience.

KEY TAKEAWAY

Prepare for demand and supply, monitor and manage early demand signals – adding to wish lists or pinned items - monitoring consumer ‘searches’. Big ticket seasonal categories are logical purchases in-season – but consider whether these sales would happen regardless of additional Black Friday deals. Pre build the ‘before store’ influences, such as advertising, to pave the way to incremental demand. Start social conversations to see what consumers are hoping for and willing to spend on.

KEY TAKEAWAY

Determine the ideal depth of discount by understanding category, retailer, brand and item promotional elasticity thresholds. Plan an integrated, overall in-season promotional plan, from November through to January to optimise combined sales, not only Black Friday sales. Weigh up your brand role and position within the category, as well as related and adjacent categories for trading up and premiumisation opportunities.

KEY TAKEAWAY

Not all categories or items are logical for big promotion or incremental uplifts. Restricted shelf life, small cupboards, limited refrigeration/freezer space and essential vs discretionary trade offs, are all impacted by consumer circumstances, that influence the willingness and ability to spend and consume, regardless of just price.
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