

Black Friday fuels growth in SA's FMCG sector

In just two years, Black Friday has become a mega shopping phenomenon in South Africa and the occasion is more heyday than hype for the country's fast moving consumer goods (FMCG) retail sector, according to findings from Nielsen's Advanced Analytics division.



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Nielsen's retail scanning data shows that in November 2017, FMCG sales increased by 7.2% over the average sales of the preceding three months (August to October 2017), equating to R1.36-billion of additional spend in that month.

Compared to the previous year, November 2017 sales increased 8.8%* ahead of 2016, which amounted to R1.6-billion more spend in 2017. Incremental sales in November 2017, versus the average of the preceding three months, were also 55% higher (R480-million more) than incremental sales for the 2016 period.

Nielsen South Africa Buy MD Kerith Botha comments; "Rapid adoption of the Black Friday phenomenon by consumers, manufacturers and retailers, boosted November sales without adversely impacting December sales.

"Overall, seasonal sales (November + December 2017) did not suffer, with little forward buying or cannibalisation of December seasonal sales. On the other hand, as more FMCG retailers and manufacturers participated in 2017 Black Friday event, November growth escalated, paving the way for extended future, seasonal periods."



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Rising interest in promotions

When analysing the effect of Black Friday, it's important to appreciate the consumer context; including the fact that deal

and value triggered behaviour has intensified in recent years, as South African consumers have faced rising fuel, utility and food prices competing for their increasingly constrained spend. Shoppers have also become more discerning and look for promotions from their regularly-used brands and are less willing to switch brands for a seemingly good deal.

As a result, 33%** of South Africans now say they buy on promotion if they already like a brand versus 20% five years ago. Thirty-one percent don't change stores but actively search for promotions in store and 16% change stores based on the best promotions on offer.

One strategy doesn't fit all

Black Friday is definitely successful at driving overall FMCG sales, but success at a brand level depends on the category purpose, competitors, individual items, depth of discount and associated in-store strategies. It's also important to appreciate that certain categories are immune to discounts and will not entice additional usage and consumption at a lower price.

In addition, restricted shelf life, small cupboards, limited refrigeration/freezer space and essential versus discretionary trade-offs, are also impacted by consumer circumstances, which influence the willingness and ability to spend and consume, regardless of just price.

Botha comments; "For example, in 2017, we saw that pantry 'stock up' categories, particularly those with a longer shelf life, such as coffee, ready-to-eat cereals, squashes and cordials, benefit from Black Friday promotions. Whereas, 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. Interestingly, consumers switched to the discounted bread brands, cannibalising sales from the non or less discounted brands."



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What's interesting to note, is that several leading brands that did not participate in Black Friday promotions actually lost share in 2017. Botha comments; "It's important to understand the category and brand dynamics that one operates within, to make Black Friday successful for your brands. Many promotions don't actually break even, so it's vital for retailers and manufacturers to assess how 'deep' they should be going with their discounts and on which particular categories, brands and products.

"This will allow them to attain the optimal balance which generates maximum sales, while still achieving feasible profit margins. Black Friday activities, if executed well, have the ability to incrementally ramp up the necessary growth and returns."

**Source: Nielsen Retail Measurement Services, Total Hypermarkets and Supermarkets*

***Source: Nielsen Shopper Trends, 2018 and 2013*

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