

Black Friday discounting and promotions: the pros and cons of participating as a small business

 By [Viresh Harduth](#)

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South Africa's larger retailers and manufacturers have already printed their promotional catalogues, booked their ads and got their stock in for Black Friday and Cyber Monday, one of the biggest shopping weekends of the year. Small businesses may have mixed feelings though as they consider participating in the annual frenzy of discounts, sales and promotions. On the one hand, you might not want to miss out on a time when consumers have their wallets open and are ready to spend. On the other, you'll also be aware there's a lot of noise to compete with, high marketing spend and lofty customer expectations.



Source: [Unsplash](#)

Here are some pros and cons to consider as you think about your promotions strategy for Black Friday.

Pros:

Use Black Friday as an opportunity to get rid of old stock

If you're sitting with goods in your inventory that you can't sell and they're losing value, Black Friday is your chance to move the stock. For instance, it's a perfect moment to discount and sell IT products that will likely devalue when new models are released or perishable products that will soon reach their sell-by dates.

Build new relationships with customers

A Black Friday promo could be a great way to get new customers to try your offering, service or solution. If they're impressed by your service, they'll hopefully be back. As such, discounts could be a worthwhile investment in building profitable customer relationships for the future.

Experiment with different bundling and pricing strategies

Black Friday is a day when anything goes, which makes it an ideal time to test different price levels to gauge the optimal blend of sales and profitability. You could see what happens, for example, if you discount by 10% or build product bundles that mix and match complementary items. For example, a sports goods retailer could bundle football boots with a ball and jersey.

Loss-leaders could be a way to drive average basket size

A few strategic loss-leading products at attractive prices is another excellent way to attract customers to your store or drive traffic to your website on Black Friday. Once customers are there, you can use targeted methods such as cross-selling to get them to purchase items you're offering at higher margins.



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A way to show appreciation for existing customers

Many companies tend to forget about their loyal customers while pursuing new business over the Black Friday festivity. Try saving some of the best deals for customers who already shop with you? This can be a great way to secure their loyalty and prevent them from checking out your competition over the Black Friday weekend.

Cons:

Customers might expect discounted pricing to become the norm

One of the risks of discounting over Black Friday is that customers might always expect to pay the lower price. Be clear in your promotions that these deals are special pricing – not the usual price.

It could dampen sales during the rest of the year

If you participate in Black Friday and your deals are especially good, customers might decide to wait for your annual discounts. This could result in softer sales during other times of the year when your pricing is at regular levels.

You could devalue your brand

Some small businesses meet customer expectations over Black Friday but may have had to compromise on the quality of ingredients, components or customer service to be competitive. If you feel you risk devaluing your brand to match or beat competitor pricing, rather don't participate as it could damage customer satisfaction and sales in the longer term.

Discounts may attract bargain hunters with little loyalty

A primary reason to offer discounts is to get people to try your goods and services, in the hope that they'll become repeat customers. Yet many bargain hunters are only out to get the lowest price – they might not be back when prices return to normal. The risk is selling your goods or services at a loss for no longer-term benefit. But don't let it be a deterrent, as customers can become loyal once you have exceeded their expectations.



Getting caught up in the hype could prove expensive

It may be challenging for a small business with a limited budget to be heard among the more prominent brands over Black Friday. It can also be too risky to either buy stock that you might not sell or to sell too many products at a steep discount. There might be better opportunities and ways to promote your business at a time you can get the full price for your products and services. Consider adding a small spending budget toward a social media campaign as an alternative to advertising your products or services.

With limited resources at a small business's disposal, you want to make your budget for promotions and marketing work and stretch. You are trying to run a tight ship and need to keep your profit margins as high as possible, but strategic discounting promotions during this time could help you secure a loyal customer base who may return time and again.

ABOUT VIRESH HARDUTH

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