



Consume This Newsletter

Volume 3 – Nov 2023
Black Friday

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Welcome to the Consume This Newsletter

This publication gives you the latest news in the consumer goods and services sector and is an opportunity for us to share some of our key insights and findings. We consistently highlight consumer priorities, constraints and new patterns that emerge and are likely to stay.

With the Consume This content, we share our views on how retail and related sectors are being shaped by the current and other events in this fast-changing world.

Is it time to reimagine Black Friday in the African context?

American novelist, Herman Melville, once wrote: "It is better to fail in originality than to succeed in imitation." This quote felt apt as we review consumer habits and the annual Black Friday and Cyber Monday trade events.

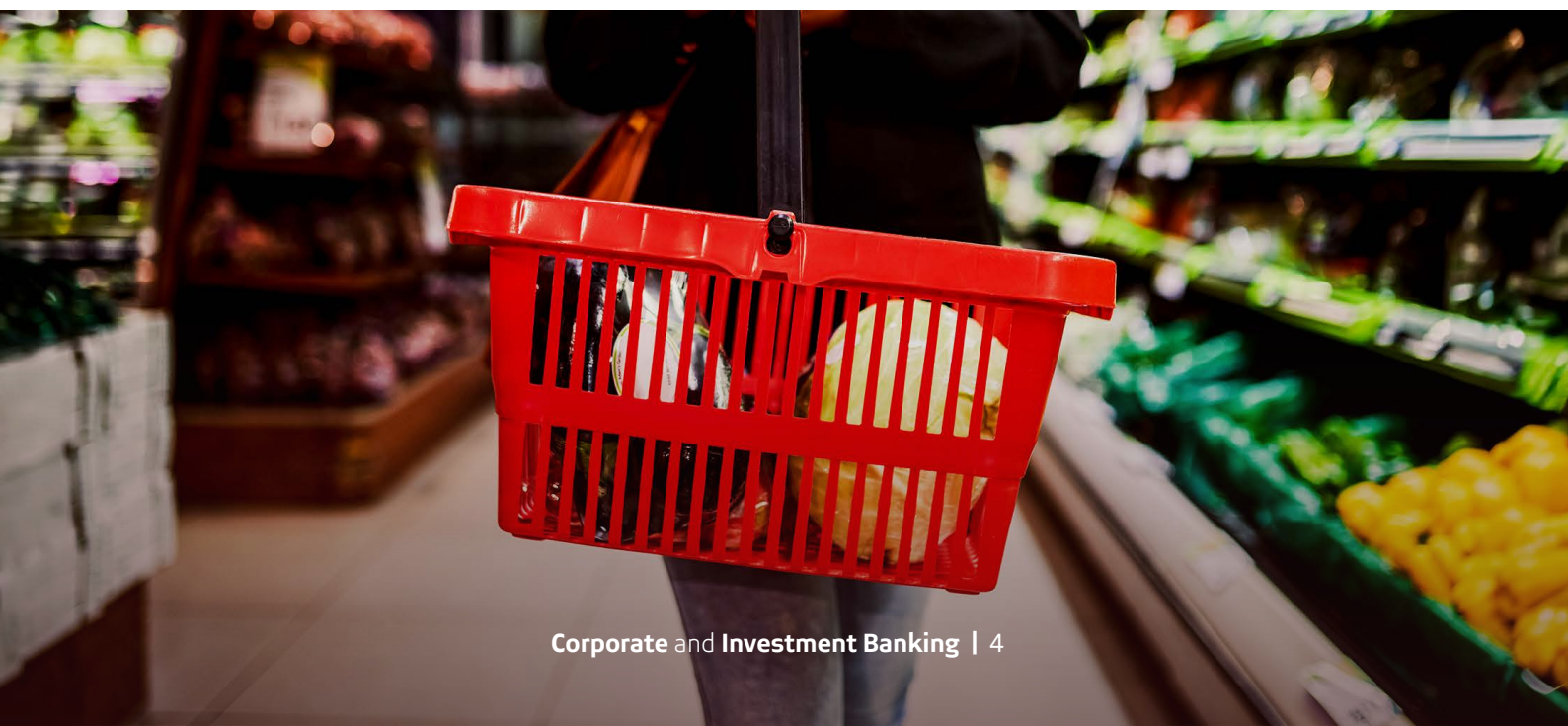
While it is always interesting to evaluate some of the data trends originating from COVID-19 and the work-from-home trend that then moved into a post-COVID-19 economic recovery environment, we are still grappling with the question: Are these two consumer events actually suitable for the African context?

Naturally, it is easy to assume that anything that benefits the consumer should be viewed as a win, however, when we start to unpack this question further, a few real questions arise.

How healthy is the African consumer?

The first and most obvious starting point is the financial health of the average consumer on the African continent. The past 12 to 18 months have been characterised by rising inflation, fuel and electricity, as well as policymakers responding with interest rate increases as a result. This has put immense strain on indebted consumers.

Each quarter, credit bureau TransUnion releases its Consumer Pulse survey¹, which analyses the health of consumer data. For the third quarter of 2023, it noted that the financial status of South African households was not uniform. Approximately one-third (34%) of families reported an increase in their incomes, and almost a quarter of them faced a decline. Nonetheless, the majority (72%) of people remained optimistic about their future incomes, expecting an increase in the coming year. As interest rate increases are being matched with rising costs of living across the spectrum, the last quarter of the year could be tight, as consumers start to show signs of financial stress when looking at credit data.





In light of increasing financial pressure, consumers are changing the way that they shop for fast-moving consumer goods, with 34% buying whichever brand is on promotion and 46% focusing on essentials, according to data from market researchers NIQ. The data also shows that about 40% of South African consumers are shopping at discount stores more often ([Source: Brandequity](#)).

In a bid to entice consumers and retain their market share, retailers are, therefore, under enormous pressure to keep offering discounts throughout the year rather than focus on specific trade events. This means that in South Africa, discounting has become the norm rather than the exception.

While we want to see the middle-class developing, is it, therefore, about enticing them with discounts while they are under financial pressure, or is it about changing the retail experience in a more sustainable manner?

Are retailers innovative enough?

The second point is innovation by the retailer. In many ways, South African and African eCommerce and retail operators have attempted to imitate their US and European counterparts, however, there has been a persistent view that many of their offerings have been underwhelming in terms of discounts and specials.

While the ubiquitous scooter driver with fast-food deliveries is becoming a regular sight on South African roads, consumer participation in Africa is further stunted due to last-mile delivery challenges, with many retailers still focused on in-store activations and metros. This is where innovators such as Jumia have managed to carve out big portions of the African market – including Kenya – where they have utilised a 40 000-strong [arsenal](#) of consultants to educate consumers about opportunities related to the platform.

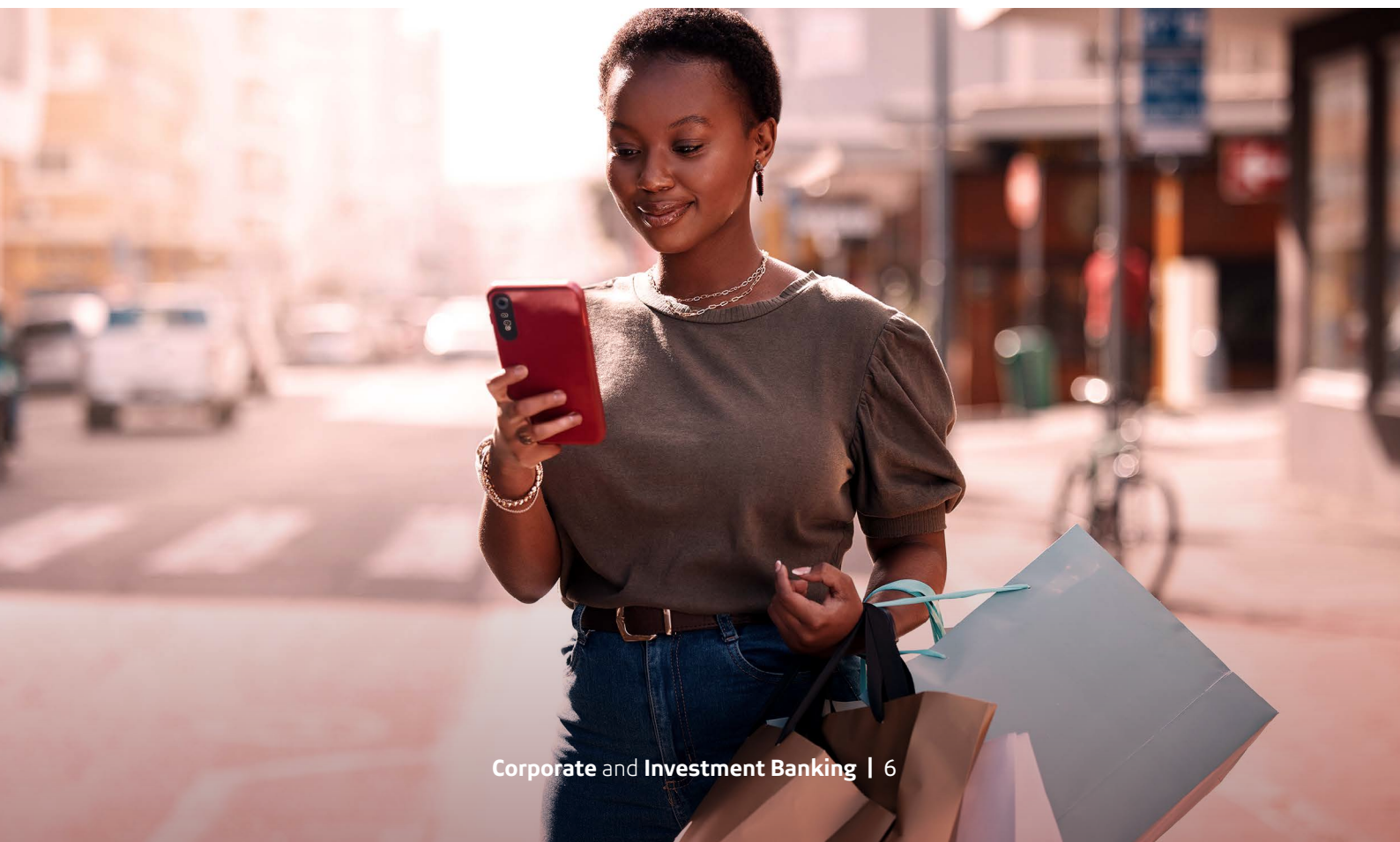
What are retailers doing to help struggling consumers?

Retailers are now offering different payment options to alleviate pressure for the consumer. The third trend that we are following with interest is buy-now-pay-later (BNPL), which has gained traction across the continent. In South Africa, eCommerce giant Homechoice has pivoted into a full-blown financial services business with its PayJustNow businesses, securing over 900 000 customers in less than two years. In Kenya, Safaricom has expanded its financial services offering by incorporating BNPL, while Jumia4 is piloting an offering in Egypt to grow its market share.

Will already struggling consumers really pay more for socially conscious products?

Lastly, the concept of social and ethical selling, where consumers are prepared to pay up for products believed to be produced in a more ethical or socially conscious environment, is growing in interest. With US giant Amazon moving into South Africa, there is a perceived threat to existing players in the market, as many of the local smaller retailers will have the opportunity to access a global marketplace for their products – particularly if they can highlight the story behind the products that they have developed and how their production and purchase benefit local entrepreneurs.

Going back to the original question that we posed at the beginning of this article: Is Black Friday suitable for the African context? To answer this question, we must look at this trade event before and after COVID-19.





Black Friday before COVID-19

Black Friday was largely an in-store event, which exhibited similar characteristics to Black Fridays in the USA and Asia, i.e., people standing in long queues to purchase goods that were significantly discounted. Before COVID-19, South African retailers, in particular, were able to offer significant discounting as a means to clear stock ahead of the December festive season trading period. Before COVID-19, Black Friday in South Africa was also very similar to Black Friday in the USA, Asia and Europe, in that it was considered one of the busiest shopping days in South Africa, with sales showing impressive growth.

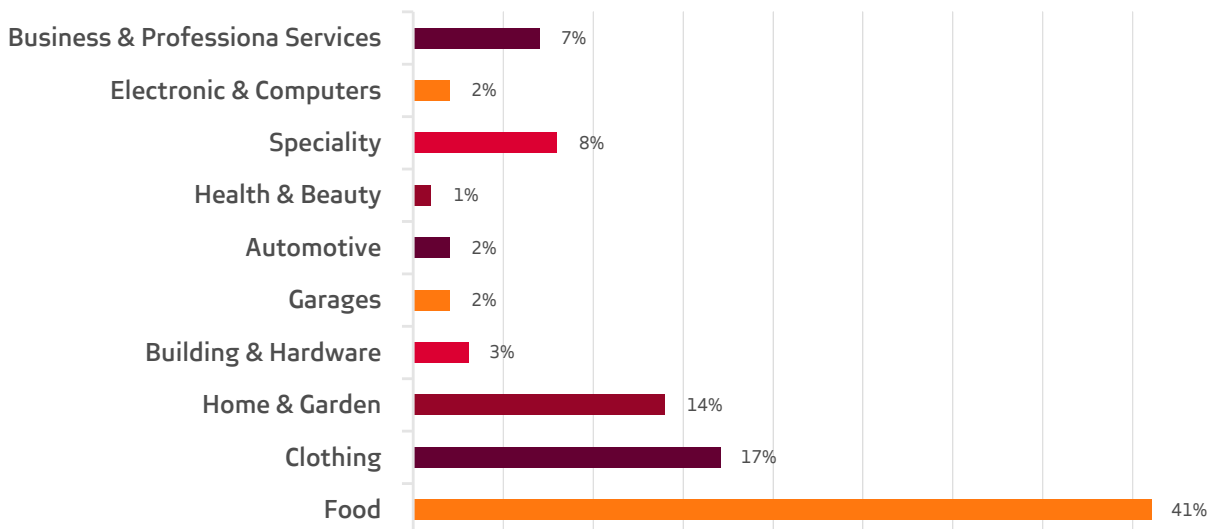
Black Friday after COVID-19

Social distancing and lockdown restrictions meant that South African retailers had to change their approach to Black Friday, turning the event from a one-day, in-store shopping experience to a month-long campaign, which is now largely online. In fact, Black Friday in South Africa has evolved into Black November, diluting the original concept and potential value for consumers. Furthermore, with data showing a consumer who is ailing and at risk, consumer spending behaviour has changed significantly. Retailers have responded to this by continuously offering discounts throughout the year. This has resulted in much shallower discounts being offered by retailers during Black Friday and Cyber Monday after COVID-19 relative to the era before COVID-19, despite consumers calling for the same big and significant discounts that were observed before COVID-19 and in the USA, Asia and Europe for the same event. Similar or more impressive discounts are not always commercially viable for South African retailers, especially given the significant change in the consumer and economic landscape. With this backdrop, South African retailers are at a pivotal point, having to ask themselves whether Black Friday still makes sense to promote. Is it perhaps time for retailers to start reimagining Black Friday in the African context and lead by a differentiation of strategy, or simply opt out of this event?

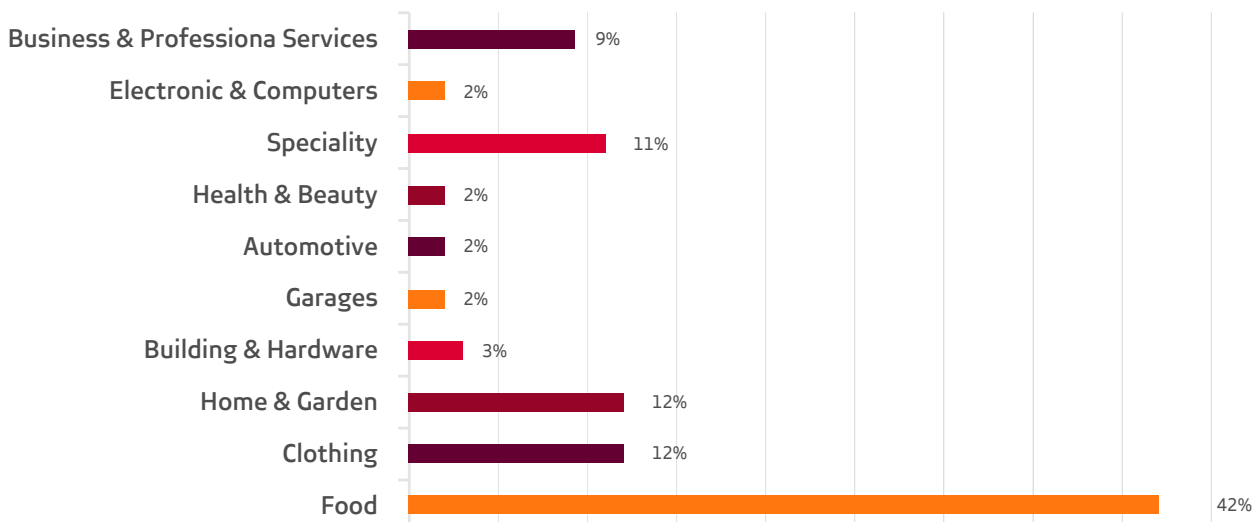
Black Friday merchant spend analysis¹: 2021 vs 2022

When comparing Black Friday 2021 and Black Friday 2022, total spend increased by 20.3%. The Black Friday 2022 total number of transactions was 7 885 089, an increase from 6 565 074 transactions from Black Friday 2021. Given the current economic environment, we could see a subdued spending growth at this year's Black Friday. Food and clothing continued to lead in both years, however, clothing regressed in 2022 – a sign that soaring prices for necessities such as food are affecting how consumers are making decisions. Health and Beauty did not feature in 2022's top 10, while other categories either had minor increases or decreases.

2021 Top 10 spend

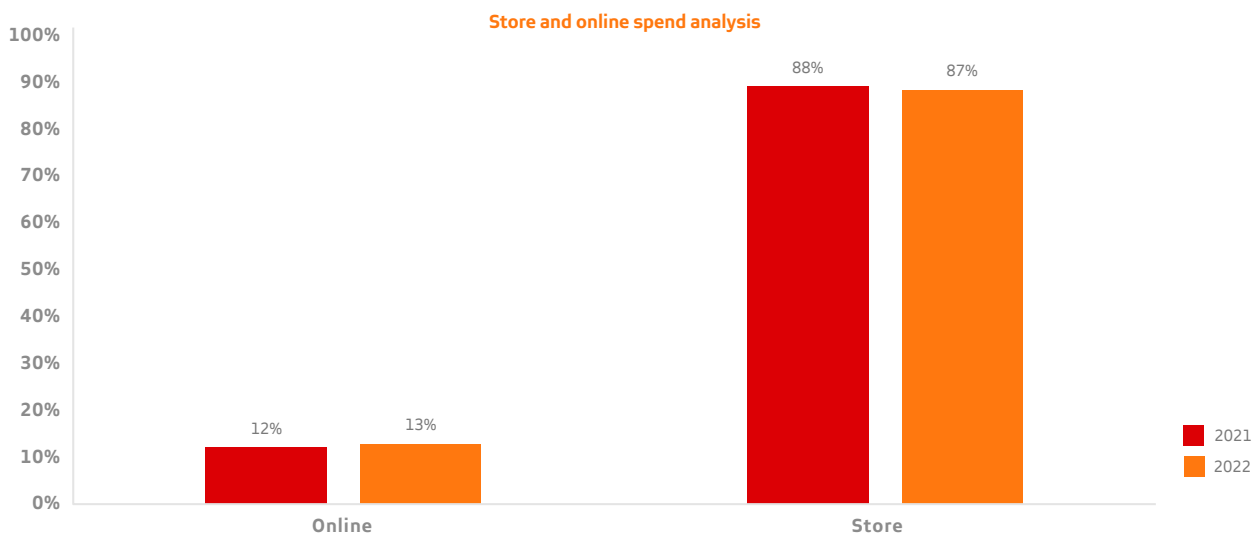


2022 Top 10 spend



Black Friday store and online spend analysis²: 2021 vs 2022

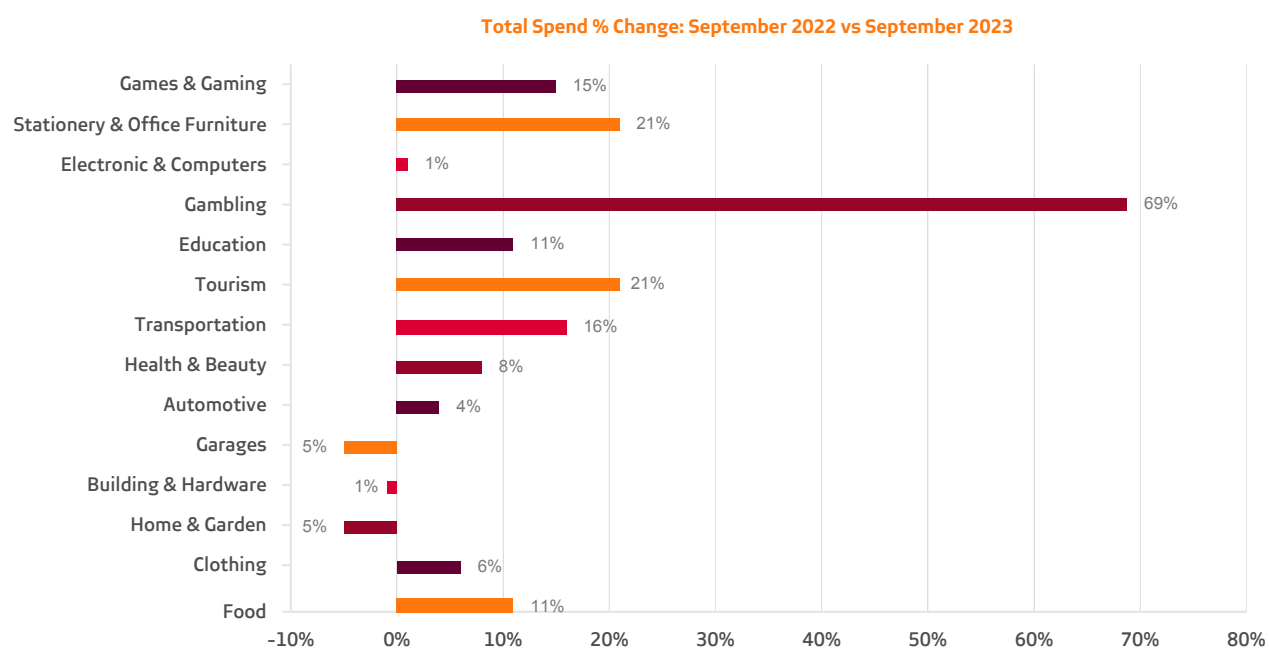
Black Friday is mainly an in-store retail event, however, we are seeing an increase in total spend on online purchases. This minor shift was impacted by the pandemic and now consumers have become accustomed to the convenience of online shopping. We expect online purchases to increase further this year.





September merchant spend analysis³

When comparing September 2022 and September 2023, gambling had the largest variation, as consumers are finding other avenues to generate additional income to supplement their slow-growing disposable income and the tightening credit market. Spending on Home and Garden had the largest decline, as consumers are choosing between channelling disposable income to necessities.



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