

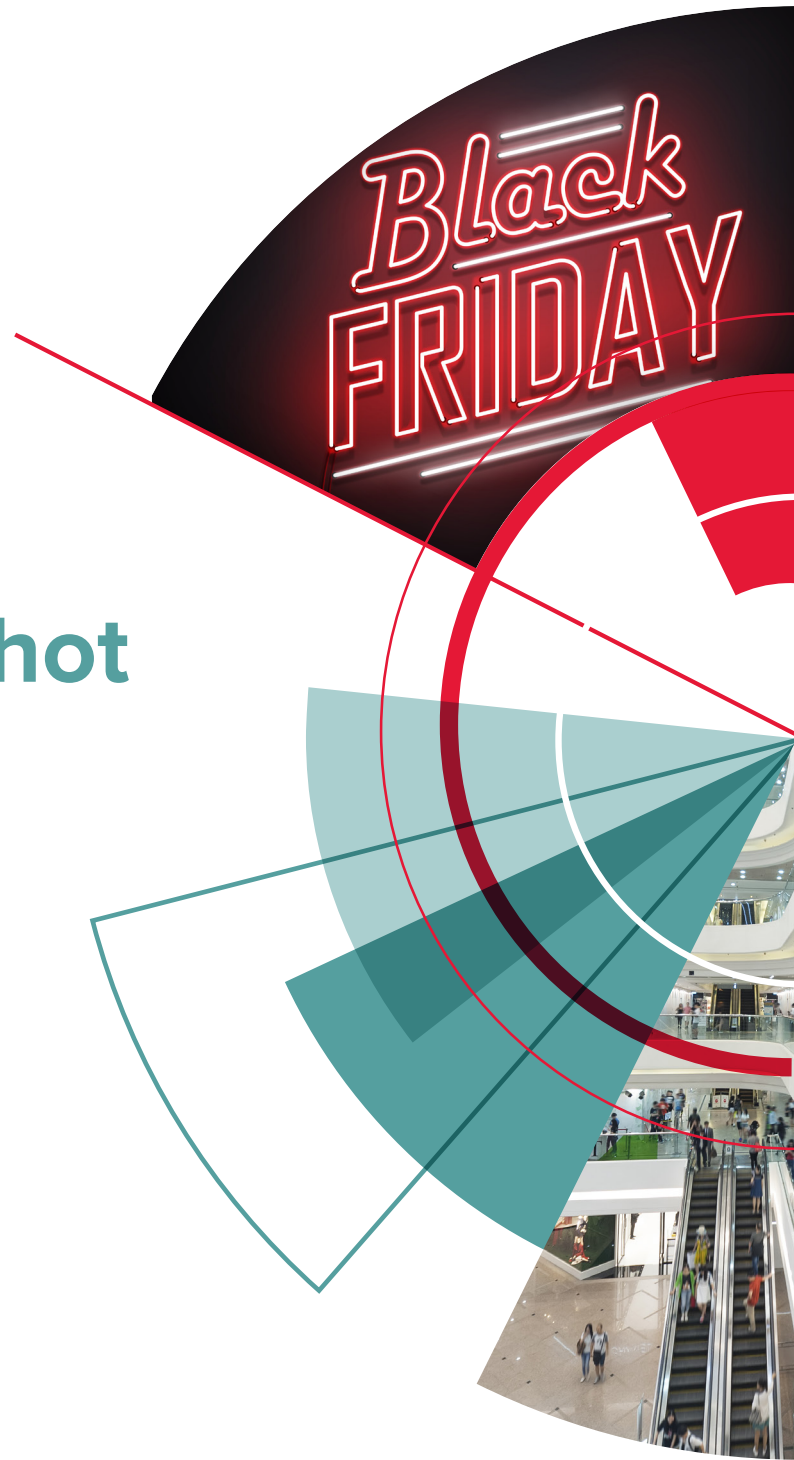
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SA Retail Snapshot

Q4: 2018



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Is Black Friday Affecting December Retail Trade?

Black Friday, a one-day shopping phenomenon that was once only prevalent in the United States of America (US), has gone global and is now also a growing trend in South Africa (SA). In SA, the growth of Black Friday in recent years, is now also raising many questions in the retail market, such as:

- Is Black Friday affecting the shopping behaviours of South African consumers?
- Have South African retailers welcomed this American phenomenon, and if so, how?
- Will Black Friday be a huge success in 2019 and result in lower December trade for retailers?

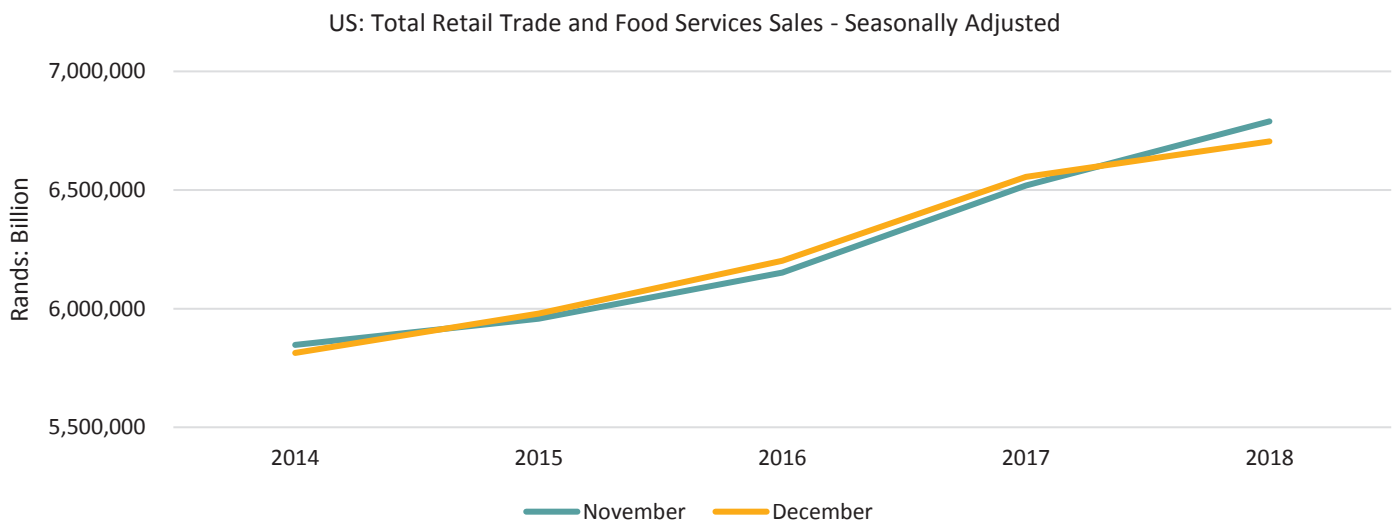
In order to try to answer these questions an understanding of Black Friday is necessary. Not just where it started, but how it has grown and how the South African market compares.

Where Black Friday Began: The United States of America

Black Friday, which is said to have begun as early as the 19th century in the US, takes place towards the end of November on the Friday after Thanksgiving and is known as the unofficial start of the festive season trade. Evolving over time, Black Friday today is not what it used to be in the 19th and 20th centuries. Yes, it is still chaotic, converting your average shopper into a bulk-buying bargain-hunting insomniac, but today's consumers are just as likely to shop online as they are to visit brick-and-mortar stores.

Retail Trade Sales Overview: The US

In the US, when analysing retail trade sales data over a five-year period for the months of November and December, November records a higher year-on-year (y-o-y) growth rate in comparison to December, potentially a result of Black Friday.



Source: United States Census Bureau



As reported by the US Census Bureau, America's y-o-y sales for December 2016 increased by 3.7%, while in November 2016 sales increased by 3.3%. Since then, November sales have surpassed December trade overall. In 2017, a y-o-y increase of 6.0% in sales was recorded in November while December figures increased by 5.7%. In 2018 y-o-y sales figures increased by 4.1% in November and 2.3% in December. Over a five-year period (2014-2018), November sales have increased by 16.1%, while December sales have increased by 15.3%. Black Friday and Cyber Monday (the first Monday after Black Friday, which promotes online sales) are thought to be the main contributing factors that have resulted in this paradigm shift. According to *Black-Friday.Global*, interest in Black Friday deals in the US rose by 43.0% between 2013 and 2018, whereas the average global interest increased by 117.0%.

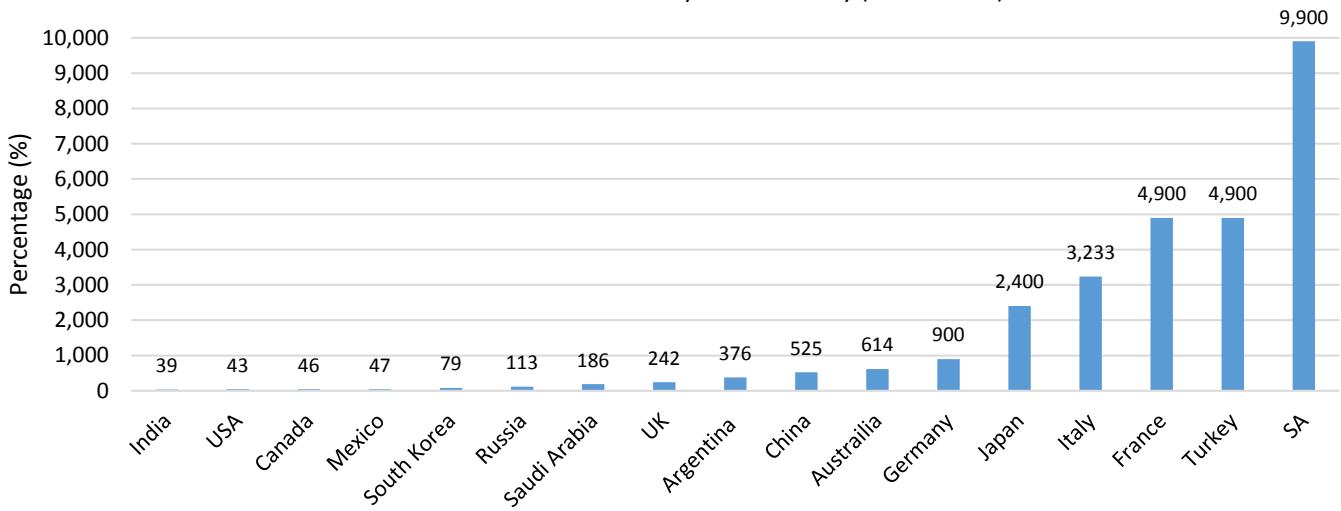
Although Black Friday continues to grow in the US, changes are taking place. In a tough economic environment, retailers are starting to extend the one-day shopping tradition in order to capitalise on consumer spend. This is seeing a continued widening of the gap between November and December retail sales. Listed below are some of the larger retailers that not only offered noticeable discounts (over 80% in some instances), but offered free delivery, traded earlier and took into account consumers' shopping behaviours (online and in-store):

- **Walmart** - the US multinational retail group consisting of hypermarkets, discount stores and grocery stores - is the world's largest company by revenue according to Fortune 500 and employs the largest number of people at approximately 2.3 million individuals. The group, which also owns Massmart Holdings Ltd (Makro, Game and Builders) in SA, offered products at Black Friday prices on Wednesday 21 November 2018, exclusively online and started their Black Friday specials in-store at 6pm on Thursday the 22nd.
- **Amazon** - based in Seattle in the US, is one of the largest online retail company in the world. The company ran "7-Days of Black Friday Specials" starting on the 16th of November 2018, discounting certain products on different days.
- **Gap** - one of Gap Inc. apparel brands, is an American unisex, casual clothing and accessories retailer that is represented worldwide. The company offered 50% off everything (no exclusions) nationwide on Black Friday.
- **The Home Depot** - the largest home improvement retailer in the US - operates many big-box formats across the US, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, Canada, and the Federal District of Mexico. The company, which has over 90 distribution centers in the US servicing over 2,000 stores, had Christmas trees and décor on sale on Black Friday and provided free delivery for online purchases.
- **Sears** - the US chain of department stores - had the largest domestic revenue of any retailer in the US until 1989, when Walmart surpassed it. After several years of declining sales, its parent company filed for bankruptcy late 2018, downsizing and only leaving about 400 stores operational. On Black Friday the retailer reminded shoppers of their No credit required "Rent-to-own" program – Lease It.
- **Old Navy** - owned by US multinational corporation Gap Inc. - is a unisex clothing and accessories retailer known for its signature denim jeans wall of styles that never change. The retailer included a CSI (Corporate Social Investments) element in its Black Friday specials, by matching donations to customer purchases, allowing the public to essentially purchase with purpose.
- **Sam's Club** - a chain of membership-only retail warehouse clubs made up of physical stores as well as a large online presence - started its Cyber Monday sale on Sunday, 25 November, at 00H01.
- **Dick's Sporting Goods** - is one of the largest retailer of sporting goods in the US. The company, which has over 850 stores and is listed on the Fortune 500 list, ran "Cyber Week" (Sunday, 25 to Friday 30 November) specials, not only online but in-store too.

In light of the aforementioned and the notable widening gap when comparing November and December sales over a five-year period (2014 to 2018) in the US, Black Friday and Cyber Monday appear to be a large contributing factor effecting December trade.

However, is this the case for the South African market? As mentioned earlier, *Black-Friday.Global* reported that the average interest in Black Friday deals globally grew by 117.0%, and when focusing on SA specifically, interest has grown exponentially by some 9,900.0% over the past 5 years. The resultant question is whether this huge interest in deals has had an impact on November sales?

Growth of Interest in Black Friday Deals Globally (2013 - 2018)



Source: Black-Friday.Global

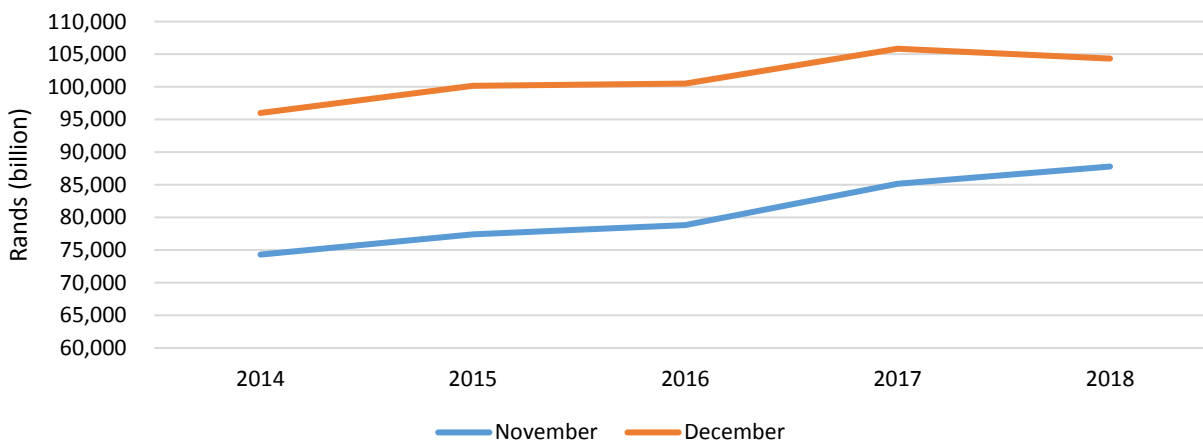
Black Friday Enters South Africa

Unlike in the US, Black Friday is a relatively new concept in SA with its formal debut in the retail market in 2016, of which only a few retailers participated while others observed. Since then, in 2017 and even more so in 2018, an increased number of retailers have participated and benefitted from this retail trend, while there were still a small number of cautious bystanders. With the likes of small independent retailers and larger nationals reaping the rewards that Black Friday has to offer, November retail trade sales have been increasing. However, will they ever surpass December retail trade which comprises the festive season splurge?

Retail Trade Sales Overview: SA

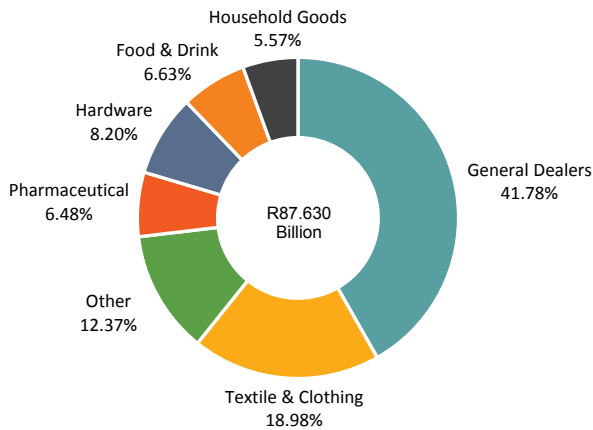
According to Stats SA, November retail trade sales (constant 2015 prices) overall increased by 18.2% over a five-year period (2014 – 2018) while December for the corresponding period only increased by 8.7%.

SA Average Retail Trade Sales



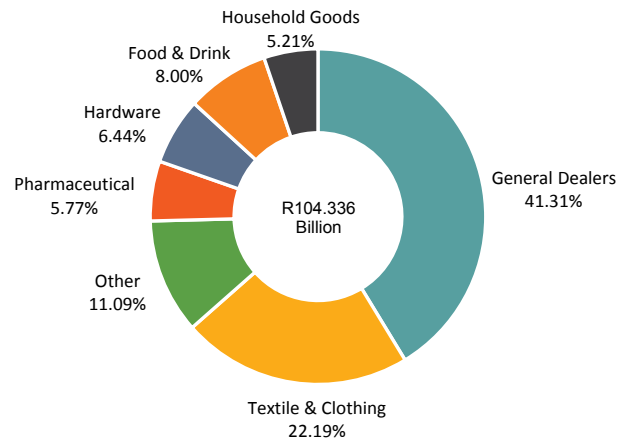
Source: Stats SA

November 2018 retail sales at constant prices (2015 prices) amounted to R87.630 billion, an increase of 2.9% y-o-y and 2.8% month-on-month (m-o-m). General Dealers contributed 41.8% of total sales while the largest percentage change in November 2018 was evident for Household Goods, which grew by 15.8%.



Source: Stats SA

December 2018 retail sales at constant prices (2015 prices) amounted to R104.336 billion, a decrease of 1.4% y-o-y and 4.8% m-o-m. The main contributor to total sales was General Dealers at 41.3%, with the largest decline in growth having been recorded for Pharmaceutical at -3.1%. Household Goods (0.3%) and Other retailers (1.6%) were the only two categories which displayed positive growth.



When looking at y-o-y November sales, 2017 figures increased by 8.06%, while in 2018 sales only grew by 2.8%. When comparing the two years, the increase for 2018 was not nearly as large as the previous year. This minimal increase could be as a result of factors such as:

- Payday, the 25th (being the most common day of each month for payday in SA) November, falling after Black Friday in 2018;
- Larger retailers joining the Black Friday trend in 2017 thus spiking 2017 sales, but having a minimal effect on 2018 sales; and
- The fact that consumers continue to remain under increased financial pressure with the rising cost of living having a negative impact on disposable income.

Zoning in on y-o-y December sales, according to Stats SA, in 2017 figures recorded an increase of 5.3%, while in 2018 sales declined by 1.4%. This may be attributed to the Black Friday phenomenon, or the fact that as a result of difficult economic conditions, numerous companies did not award staff increases or bonuses thus disposable income was muted over this period.

A wide spectrum of retailers took advantage of Black Friday in 2018 in SA, some of which included, but were not limited to:

- **Woolworths** - the South African fashion, home, beauty and premium food retailer did not participate in Black Friday in 2017. However, in 2018 Woolworths opened its doors at midnight in some of the country's bigger shopping centres.
- **Game** - one of Africa's largest discount retailers, owned by Massmart Holdings, specialises in the sales of general merchandise and non-perishable groceries. Game opened 90 of their stores countrywide at midnight with an increased security presence. In addition, the retailer implemented a ticket system that limited the amount of customers in store at any given time, in order to avoid the stampedes that took place on Black Friday in 2017.
- **Makro** - the bulk food, electronics, homeware, camping and outdoor equipment retailer which has over 22 stores in SA - launched an online drive-thru service at its Riversands store on Black Friday. This was a first in South Africa and enabled customers to collect their online purchases and avoid the crowds. The retailer also introduced a mobile pay point system for a smaller number of items and partnered with Uber offering a R50 discount for trips to and from Makro stores.
- **One Day Only** - an e-commerce fulfilment warehouse that offers daily deals at discounted prices - even had products for 100% off on Black Friday and Cyber Monday. These deals would pop up throughout the day, with limited stock available and on a first-come-first-served basis. There were no-hidden-costs or gimmicks; they were essentially giving away items for free.
- **Takealot** - one of the largest e-commerce retailers on the African continent - offered a wide range of discounts and sent out an email to its customers ahead of Black Friday in order to prepare them with tips for their Blue Dot Sale. Tips included downloading the Takealot app, making sure account details were up to date, creating an action plan and more.
- A few retailers however did not offer a discount on merchandise, but rather offered incentivised shopping by giving the customer cash off their total spend when purchasing over a certain amount of money.



Broll Trading Densities: November and December 2018

Having examined data from Stats SA and the change in national Retail Trade Sales for November and December, Broll Property Intel undertook an investigation comparing the November and December performance for various centre types and retail categories. This was done in an order to look into the impact of Black Friday and Cyber Monday sales in 2018 within the Broll Managed Portfolio.

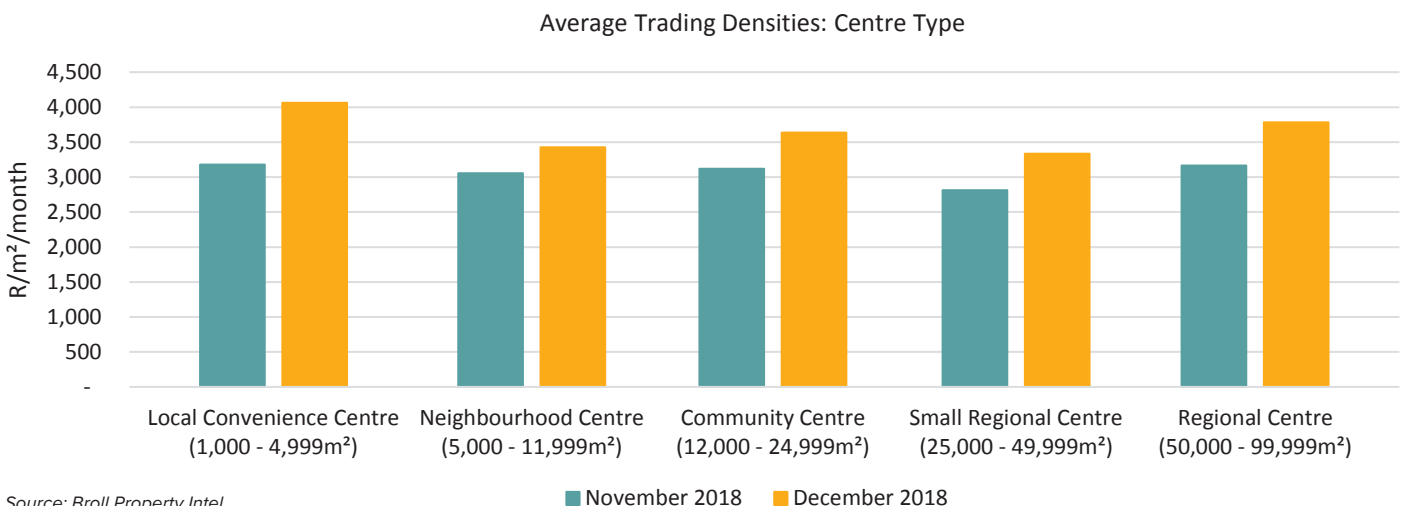


Source: Broll Property Intel

Overall, trading densities increased by 4.9% and 6.8% y-o-y for November in 2017 and 2018 respectively. When focusing on y-o-y December figures, trading densities increased by 11.6% in 2017 and 9.5% in 2018. Although the marked difference between November and December figures is still present, November's increase is occurring at a steady rate while December, although continuing to increase, is growing at a lesser rate.

Trading Densities per Centre Type

In 2018 Local Convenience Centres performed the best in November and December followed by Regional Centres. The reason for this could be that larger food and grocery stores, which participate vigorously in both Black Friday and the festive season trade, tend to be the anchor tenants in Local Convenience Centres. The fact that Regional Centres are close behind in second place, is not a surprise as these centres are a one-stop shopping destination. In addition, when looking at all centre types and retail categories, General Dealers in Local Convenience Centres were the top performers, followed by Hardware stores in Regional Centres and Pharmaceutical in Community, Regional as well as Neighbourhood Centres.



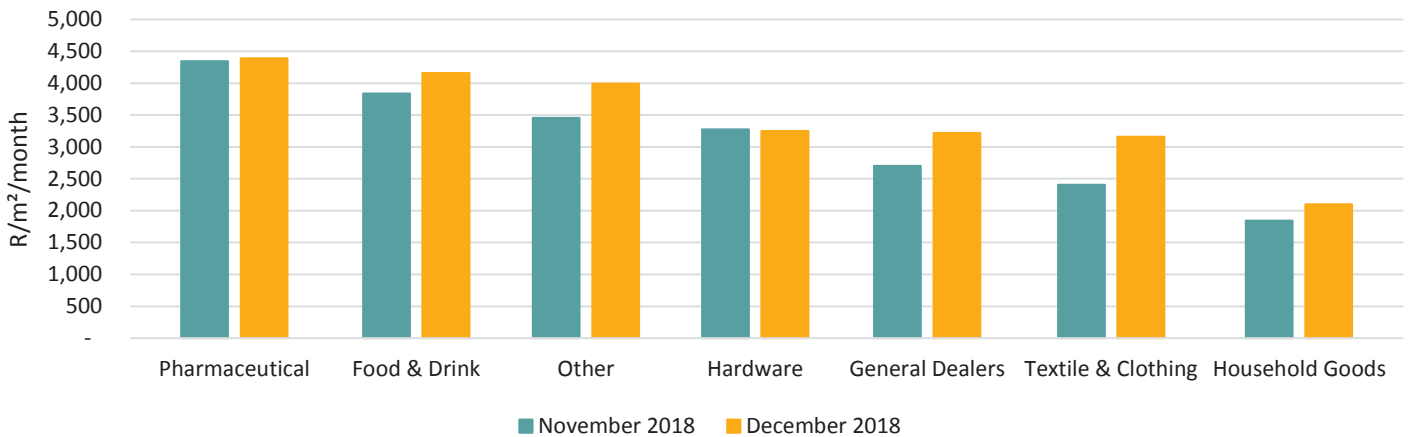
Source: Broll Property Intel



Trading Densities per Tenant Category

Focusing on trading densities per retail category as at December 2018, all categories save for Hardware exceeded their November trading densities.

Average Trading Densities: Categories

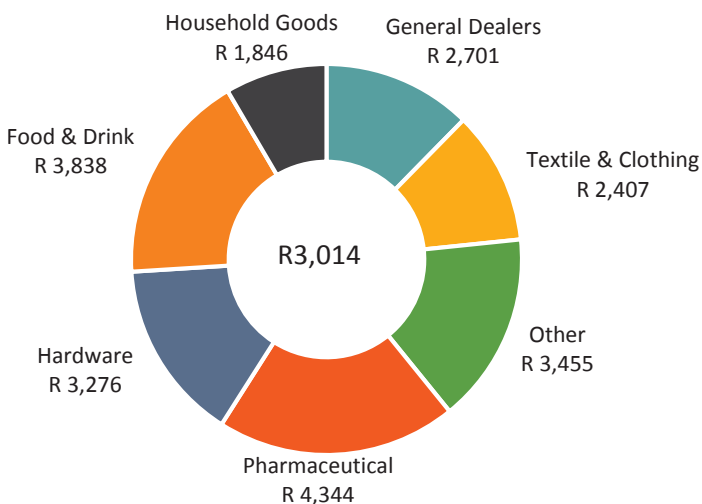


Source: Broll Property Intel

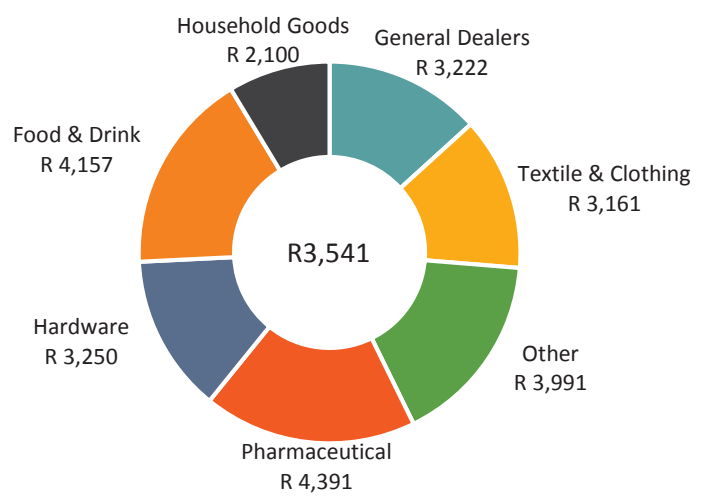
In November 2018 the average trading density amounted to R3,014/m², which is a y-o-y increase of 6.8%. The highest trading densities were evident for Pharmaceutical (R4,344/m²) followed by Food and Drink (R3,838/m²).

In December 2018 the average trading density amounted to R3,541/m², a y-o-y increase of 9.5%. Pharmaceutical recorded the highest trading density at R4,391/m², while Household Goods achieved the lowest (R2,100/m²).

Average Trading Densities (R/m²/month): November 2018



Average Trading Densities (R/m²/month): December 2018



Source: Broll Property Intel



Concluding Remarks

Broll managed centres show December trade remains higher than November, emphasising that festive season trade is still the traditional shopping season in the South African retail market. National Retail Trade Sales data provided by Stats SA does however indicate that December trade has started to experience a decline in growth. Could this decline be due to Black Friday or purely the result of consumers finding themselves under increased financial pressure, forcing cautionary spend over the festive season? Or, is it a combination of both? With a wide range of factors at play, it is difficult to pin point the main contributing factor to lower sales figures.

What is certain is the fact that Black Friday and Cyber Monday are growing in popularity within SA and are becoming entrenched in the local retail market. Additionally, if one looks globally, Black Friday and Cyber Monday are not the only shopping trends making waves in the retail market. When looking at China, nothing can be compared to what Alibaba does in its “Single’s Day” campaign. On the 11th of November 2018, Alibaba’s annual Single’s Day (now rebranded as Double 11) generated more than \$30.8 billion in online sales within 24 hours. In less than 90 seconds, sales hit \$1bn, while after an hour sales exceeded \$10bn (5mins and 21 secs faster than 2017).

Black Friday and Cyber Monday sales combined in the US in 2017 totalled \$10.6 billion - that’s \$14.7 billion less than 2017 Single’s Day (\$25.3 billion) sales in China! This Live-stream event has over 180,000 global retail brands participating, international celebrities endorsing products and all sales are done online. With its recurring record breaking sales, what makes Single’s Day different? Have Alibaba created a new trend, by reverting to the old tradition of Black Friday - making one-day sales literally 24 hours only but all online?

Consequently, as we move towards a more digital and technology-driven world, will 2019’s Black Friday be more focussed on online platforms, resulting in the majority of sales being a digital experience? Also, with payday taking place before Black Friday, could we see a greater increase in sales? Or, will the world start looking towards other trends such as Single’s Day? Only time will tell.

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