

# Stay ahead of the game using PPI to maximise savings this Black Friday

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Even though there is a continuous narrative that South African consumers are facing a tough economic environment, and that discretionary spending is under pressure, annual Black Friday sales are steadily increasing.



*Dr Farai Nyika*

First National Bank's (FNB) statistics show that its cardholders spent nearly 30% more on Black Friday 2022 than in 2021, with a total spend of R3 billion. Additional data from payment facilitator PayFast indicates that the number of transactions processed on Black Friday increased by 20% compared to 2021.

Nedbank reported that Black Friday spending was mainly driven by people in their 20s, 30s and 40s with electronics, grocery, fashion being amongst the most popular categories.

"As we can see, South Africans have become fond of Black Friday and will most certainly participate in it again this year," says Dr Farai Nyika,

an academic in MANCOSA's Department of Economics.

## Interrogate the numbers

While there are visible signs of increased Black Friday sales figures, Dr Nyika cautions that one must look carefully at the publicised data closely.

"Though we have data showing a rise in Black Friday spending over the past four years, does this mean that there is increased participation? Are the higher sales figures because of the number of transactions/products bought, or are the increased sales due to higher prices of goods and services when compared to the previous year's prices? This is a critical departure point when determining if there is increased participation in black Friday sales," says Dr Nyika.

While there will always be a focus on big-ticket items such as technology and electronics, Dr Nyika points out that South Africans look forward to how grocery chains participate in Black Friday.

"There is an established bulk buying culture in South Africa and paying attention to the Producer Price Index (PPI) is a smart way for South Africans to anticipate price changes regarding their savings next week," says Dr Nyika.

## PPI indicator

The PPI is a group of indexes that measure changes in the prices received by producers and changes in the cost of production. Because companies and their suppliers usually negotiate prices for a three to four-month block, PPI can inform us if future prices will be trending upward or downward before this is reflected in shop prices.

Even though the general cost of living is steadily increasing, there are positive signs regarding food inflation, which has decreased from 13% to almost 5% since last year.

"This will be encouraging to consumers who can plan their budget well in advance. Major retailers regularly publish catalogues which include the prices of products. Consumers can download these catalogues and then track the prices from

one period and the next to keep track of any decreases," says Dr Nyika.

### Ambush marketing tactics

Another way that retailers take advantage of the urge to participate in Black Friday sales is to publish information about sales on the day of the event, announcing massive savings.

"South Africans always want to take advantage of every deal and are always open to participating in last-minute sales. An excellent example of this is when a popular airline announced that flights from one domestic destination to another would be sold at R8 on the day of the sale, or the regular sale that a popular hotel chain holds where they sell accommodation at significantly decreased prices. This has proven to be an excellent tactic for consumer engagement," says Dr Nyika.

"Last year, MANCOSA cautioned consumers to be increasingly vigilant when it comes to Black Friday sales and to monitor the price of an item over a whole year as some retailers have been known to sell an item at one price for the majority of the year, increase the price of the product for two months and then decrease the item to its original price for the Black Friday sale advertising a massive saving. Consumers have become aware of this tactic and have become increasingly cautious," says Dr Nyika.

### Visible participation

In 2022, MANCOSA pointed out that South Africans take advantage of Black Friday sales to bulk purchase essential items and other grocery items, which would save them money during the year.

"At a time when discretionary spending is under pressure, this is a tactic that many South Africans use to maximise their budget. We feel that there will be increased participation in this year's Black Friday sales; however, spending on big-ticket items may decrease and make way for increased participation at grocery retailers," concludes Dr Nyika.

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