

# THE BUSINESS UPDATE



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**NOVEMBER 2018**

## Black Friday by the numbers

For retailers, Christmas comes a month earlier. Starting in late November, the holiday shopping season officially kicks into high gear – and it's the beginning of a month-long stretch that can either make or break retailers. Black Friday is the shotgun start for this mad scramble of consumerism.

Black Friday remains the world's biggest love/hate relationship with retail. Starting among some American retailers in the 1950s, it became a massive event thanks to the rise of online shopping in 2005.



Since 2007, online revenue generated by Black Friday has increased by **341.95%**, hitting **US\$2.36bn** in 2017.



With its dedicated sister, Cyber Monday and the general rise of shopping around those dates, the period is hugely important for retailers and bargain hunters.

In 2017, American shoppers spent a record **US\$5 bn** in 24 hours (up **16.9%** on 2016).

In the UK, Black Friday 2017 saw sales up by **11.7% to £1.39bn**.

Despite tabloid headlines, Black Friday sales aren't slowing down. The National Retail Federation reported that more than 174 million (out of a 325 million population) Americans went shopping from Thanksgiving through to Cyber Monday. Those 174 million Americans spent an average of US\$335 per person during that five-day period.



Mobile dominated Black Friday sales, smartphone users made up **64%**. **50.4%** of Black Friday shoppers are female and **45.1%** are male – the rest were not identifiable.

### Retail vs Online

About 58 million people shopped online only, while 51 million shopped exclusively in stores. The remaining 65 million consumers shopped mixed and matched.



Locally, **South Africa** experiences a 2571% surge in the number of transactions on Black Friday each year when compared to a regular day. Even though the average discount across SA online stores reached 61% in 2017, the average South African bargain hunter is only willing to pay R 1 654 in total for his/her Black Friday shopping cart.

## Naspers investment in Swiggy

Naspers may be planning to increase its investment in the Indian online food-delivery business Swiggy, as the start-up opens its third round of funding for the year. As Swiggy's biggest financing round, it could raise as much as US \$600 million. This should see Naspers, Africa's largest company by market value, showing its support. The Chinese internet giant, Tencent, is also planning to invest.

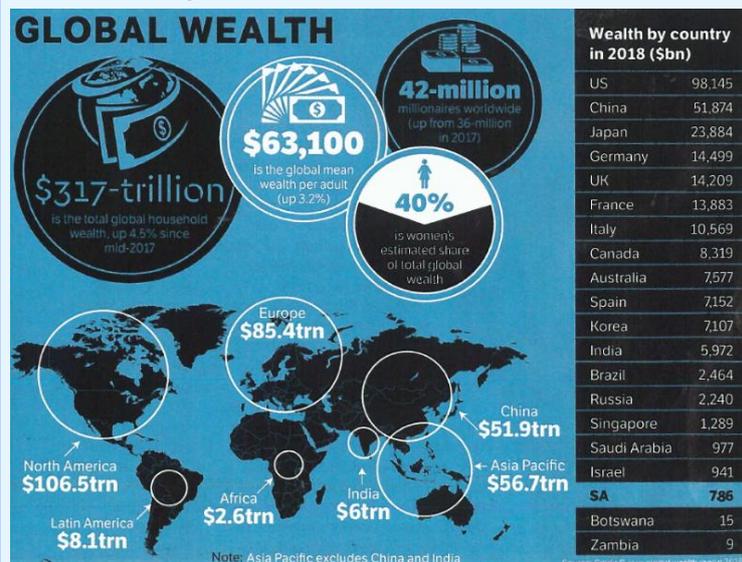


Swiggy's value has risen to more than US \$2 billion after Naspers led two previous funding rounds to become the firm's largest shareholder. Naspers has targeted India for investments as the company seeks to replicate its earlier successes with Tencent.

Food delivery has become a target industry for Naspers, having a stake in Germany's Delivery Hero and iFood in Brazil and possibly another Indian food company called Hungerbox.

## Credit Suisse Wealth report

Global wealth increased by 14 trillion USD last year – with China ranking second after the USA.



## THIS AND THAT

- **Apple** recently announced in their fourth-quarter earnings report that cash on hand was down \$6bn, from \$243.7bn reported last quarter to \$237.1bn. The company sold 46 889 iPhones, 9 699 iPads and 5 299 Macs during the fourth-quarter.
- **Istanbul** has started phase one of their new airport, designed to become the largest airport in the world, costing \$12bn. When completed, it should have an initial capacity of 90 million passengers and up to 2 000 flights per day.
- **PepsiCo** has bought nutritional food company **Health Warrior**, with the aim of attracting consumers who are looking for healthier options. Health Warrior produces protein powder, bars and health muffins.
- **VW** and **Ford** are in 'exploratory talks' to jointly develop self-driving and electric vehicles, hoping to save the companies billions of dollars.
- **Spar** has linked up with **Shell** and will be rolling out 80 forecourt stores by the end of 2020.
- **South Africa** is ranked 7<sup>th</sup> out of 54 African countries in the recent IBRAHIM index for safety and rule of law, sustainable economic opportunity and human development.
- **Chinese** e-commerce giant, Alibaba, smashed the 2017 record for its Singles' Day sales event on Sunday (11/11/2018), surpassing 168-billion yuan in less than 16 hours.

## Tuesday - 20 November 2018

One of the toughest years for financial markets in half a century got visibly worse on Tuesday, leaving investors with virtually nowhere to hide. Stocks buckled, sending the S&P 500 careening toward a correction. Oil dropped to levels last seen a year ago, and credit markets showed signs of weakness. Bitcoin is in a freefall, while traditional havens like Treasuries, gold and the yen stood still. Add it all up and the 2% drop in equities, 6% plunge in oil, the downdraft in corporate bonds and markets ended up producing one of the worst single-session losses since 2015. **Bloomberg went on to say it's been the hardest year to invest since the early 1970's.**

Sources: Private Client Securities, Visual Capitalist, Credit Suisse, Massmart, Financial Mail, Business Day, Sunday Times, STANLIB, Allan Gray, Old Mutual, Sanlam, Coronation, Ashburton, PSG, News 24 and Investec were used in developing the article presented in this newsletter.

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## Starbucks in Milan, Italy

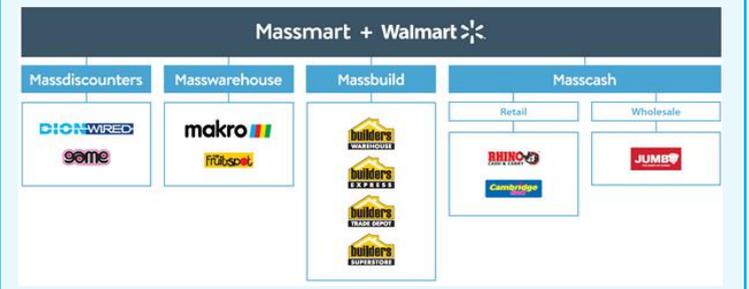
Starbucks unveiled its first ever store in Italy, a Starbucks Reserve Roastery in Milan that is just as much a commercial emblem as it is a historic statement of the company's extravagant return to the city that first inspired its brand. Located in a trendy square near some of Milan's top tourist attractions, the 25,000-square foot building is outfitted in Tuscan marble and gleaming copper, augmented reality (AR)-configured walls, an aperitivo bar and a liquid nitrogen affogato station. Today, Starbucks has over 28,000 locations in 78 countries worldwide, bringing in over \$22 billion in revenue in 2017. According to Kantar Millward Brown, it is the fast food industry's second most valuable brand, with its green-and-white logo worth some \$44.5 billion.



However, in its 47 year history, there is one country from which Starbucks has remained conspicuously absent, for good reason... Italians take their coffee very differently, and don't take kindly to American corporations trying to change their culture. Now, at the height of its power and profitability, it was time for Starbucks to rethink Italy.

## Massmart

Massmart, 51% owned by US giant Walmart, is battling one of the worst retail environments it has seen in SA. Since Walmart acquired its majority stake on June 20 2011, Massmart has lost about 24% of its share price value. Massmart chairman Dlamini said: "We need the economy to grow, we need more jobs to be created, we need more consumer confidence, we need more investor confidence in our country and we need to attract investment."



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