

How retailers can capitalise on SA's e-commerce boom

Online shopping in South Africa is rising rapidly, with data released [by World Wide Worx](#) and Mastercard indicating that the South African online retail market reached R55bn in 2022, a 35% year-on-year increase. And predictions suggest that e-commerce will continue to grow by 25% in 2023 which could see online retail exceed 5% of total retail in South Africa for the first time.



Source: [Pexels](#)

For retailers to ensure that they benefit from this steep upward trajectory, they need to adopt a future-facing strategy, says Cheryl Ingram, the managing director and co-founder of The Digital Media Collective (TDMC). Over the past five years TDMC has launched over 200 e-commerce stores for retailers wanting to build profitable online retail channels.

“Back in 2013 e-commerce was a relatively uncharted space in South Africa with MRP leading the field in terms of traditional brick and mortar retailers entering the online shopping space,” says Ingram. “The online grocery space was non-existent and most of the top retailers were still grappling with the idea that South African consumers would one day actively choose to shop online versus instore. A lot has changed in 10 years!”



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These changes here in South Africa and globally are being driven both by retailers who are moving towards more multi-channel strategies and are continually reinventing the way we can shop online, and by the expectations of customers as they seek out more convenience on all levels, from checkout processes and payment methods to hassle-free and cost-effective delivery.

The result? An impressive spike in e-commerce activity. Brandmapp's latest data shows that over 65% of the 33,000 respondents had shopped from one of SA's largest online retailers in the last year – a 25% jump from just two years ago.

Here, Ingram shares her key industry insights on how retailers can benefit from the boom in 2023 and beyond.

1. Spend to win

If brands are serious about building and growing their e-commerce business, they need to commit a substantial budget to paid media.

“There is a misconception that online requires a much smaller level of investment, when really what you put in will absolutely determine what you get out. A robust paid media strategy that includes all digital channels is not negotiable. Anyone who expects success from e-commerce without any significant investment in paid media might just as well build their next retail store in a field that has no road access,” says Ingram.

2. Be agile

According to Statista's latest *E-commerce Country Report* the top five online stores in South Africa accounted for 68% of the net sales of the top 100 online stores in 2021. But, as Ingram emphasises, e-commerce is a great equaliser, and she is continually surprised by relatively unknown online brands who cross her path who are driving seven-figure revenues monthly.

“This is the opportunity that e-commerce presents – it levels the playing field and gives anyone with the right product the opportunity to build a business that can outperform the big retailers because they have the right product and the agility to open the tap and let it run.”

She says slow turnaround times paired with lengthy decision-making processes often mean larger retailers miss opportunities. “Adopting a more agile approach is key to growth.”

Another challenge for larger retailers is the wide choice now offered to consumers online and their ability to quickly do price comparisons, undermining customer brand loyalty, a cornerstone of traditional large retailers.

3. Meet your customers where they are

For today's time-pressed consumer convenience is key – they want to be able to shop quickly and easily wherever they are at any time of the day.

“For anyone in the online space, the key consideration should be the consumer and how far you are prepared to go to be wherever your consumer shops. Omnichannel retailing means a seamless shopping experience anywhere, anytime – and that should be the goal of every future facing retailer,” notes Ingram.

She adds that she expects to see a pullback on TV spend with higher investment in social media channels especially YouTube and TikTok.

Other changes that will make online shopping quicker and easier for South African consumers include one-click checkout (like Amazon Prime offers), subscriptions services particularly across monthly staples, and onsite checkouts.

“Onsite checkout means that customers never have to leave the social media channel they are on in order to transact, plus we expect to see a greater use of live shopping by the bigger brands,” says Ingram. “The role of WhatsApp in e-commerce is also likely to change considerably over the next couple of years, especially where the mass market consumer is concerned.”



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4. Get personal

As we go into 2023, the retailers that are going to win the day will be those who have taken time to segment their customer base, who understand the value of personalisation, and who are delivering the right content to the right consumer.

“A single one-stop shop message served to all is no longer sufficient and consumers are looking for brands to better understand their needs and not clutter their inboxes with irrelevant and untimely messaging. The message from consumers to retailers is loud and clear: ‘Engage me with what I’m likely to be interested in – don’t spam me with a spray and pray message,’” Ingram notes.

5. Don’t buy into the myths

Ingram says many retailers make the mistake of buying into common myths around consumer behaviour in South Africa. The first is that e-commerce is only for the top end of the shopper base. “Analysis of the shopper profile of many of our bigger retailers shows that this certainly is not true,” she says.

Similarly, there is the misconception that South Africans have a deep mistrust of shopping online and that cash is king. “2022 Black Friday stats disprove this. Online is very much a part of every South African’s shopping journey with revenues and traffic higher than ever before. Similarly, we have seen a marked spike in cashless shopping.”

6. Watch for marketplace developments

Ingram explained that marketplaces have helped to build credibility for e-commerce in South Africa and she is looking forward to the changes the newly formed [Bob Group](#) will bring to the market with the merger of Bidorbuy and UAfrica.com.

“When they roll out their new marketplace offering they should be a serious competitor to Takealot for the simple reason that their model will be more like Makro, where the retailer ships to customers. In going this route, they eliminate the costs associated with 3rd party distribution and warehousing which will certainly appeal to the retailers,” says Ingram.

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