

# Keeping on trend in digital retail

As we approach the third month of 2019, some interesting trends are being predicted and already seen, in the retail and online market segment. Considering that December - usually an important sales month - was a tough one for SA retailers, keeping 'on trend' and giving consumers what they want is critical for growth.



@belchonock via [123RF](#)

According to figures recently released by Stats SA:

- The volume of retail sales for December fell by 1.4% year-on-year, the first negative annual growth rate since February 2017
- Sales in November were boosted by 2.9% year-on-year, thanks to the impact of Black Friday
- Looking back at 2018 the volume of retail trade grew by 2,1% compared with 2017. Down from annual growth of 3,1% in 2017 but up from 1,7% in 2016.



## SA retail sales slump in December

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## Online growth in SA

Although online remains relatively small locally, the [Online Retail in South Africa 2019](#) study, conducted by World Wide Worx, predicted it to reach 1.4% of total retail in South Africa in 2018 and hitting the 2% mark by 2022.

The study forecast online retail passing the R14 billion mark by the end of 2018, as e-commerce started going mainstream. This due to established online retailers enhancing their digital presence and many traditional retailers started to see significant growth in their online offerings.

In order to harness the online retail growth potential we can expect to see some changes in the market during the year ahead. According to Karl Hammerschmidt, entrepreneur and CEO of online fashion retailer RunwaySale, online retailers need to fully embrace mobile commerce (m-commerce); simplify their offering, while continuing to align themselves with changing customer behaviour.

"Mobile and artificial intelligence (AI) will be the two biggest trends in 2019 but there are also other subtle, but important trends and changes that will impact online retailers."



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## Mobile – always connected

More than 60% of RunwaySale's members use their mobile phones to shop during the week, rising to 90% on weekends. Mobile users are proactive and always connected – using their mobiles in the same way they used to use PCs. From communicating and entertainment to consuming news, looking for deals, comparing prices, ordering food, coordinating rides and updating their activities.

Mobiles keep customers updated and online 24/7, why wouldn't retailers want to tap into this and optimise the mobile experience? "A big challenge for the tech teams when it comes to mobile is improving speed and back-end features. Now, more than ever, we have to get things right to ensure everything from stock viewing to delivery and payment works smoothly on mobile devices," says Hammerschmidt.

"The checkout process needs to be user-friendly, handling the scale of people checking out simultaneously must not impact the user experience and everything should be done within one page. No endless scrolling! This will prevent cart abandonment, which is around 29% if things are too complicated."

## Artificial intelligence

Using a form of AI to understand your customer and to enhance the online experience is changing the way e-commerce does business. This intelligent data can drive the sales process and having chatbots assisting customers, no matter what time of day or night they are online, leads to satisfied customers.

"AI is a key strategy for us as we're looking into ways of creating a more personalised customer journey for our shoppers," Hammerschmidt continues.

## Payments options expanded, rewards introduced

People are trusting e-commerce more and are less nervous about using credit cards online. We will also see a rise in new payment gateways, plus rewards and the introduction of a cashback function. All aimed at increasing traffic and sales on the site.

The direct-to-customer (D2C) business model is set to grow as is a subscription-based service. According to a survey conducted by management consulting firm, McKinsey & Company, the subscription e-commerce market in the US has grown by more than 100% a year over the past five years. The survey revealed 15% of online shoppers subscribed to an e-commerce service over the past year, with 46% subscribed to an online streaming-media service including Netflix.

SA is following this trend. RunwaySale's business model is based on an exclusive, free, members-only shopping society that provides access to designer brands at affordable prices. The company says currently more than 1 million members shop regularly online. Subscriptions and D2C models create personalisation and provide solid customer insights.

Mobile apps will become more effective than emails and messages, in this way cross-sales and personalised promotions and connections can be maintained between the online retailer and consumer.

## An online/offline mix

More brick-and-mortar stores are venturing online and some online retailers are now opening stores, think Amazon and YuppieChef. There has been a shift to having a presence both online and a physical space, although these might be smaller concept stores or pop up outlets. The thought is that people will browse and research in store but purchase online based on price and convenience.



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"While the online market in SA is small, at only around 1% of total retail sales, it presents huge opportunities," Hammerschmidt says. "In our particular market segment, fashion, we have a long way to go to reach the UK figures of 28% - where one in every four dresses is bought online. But we want to be at the forefront of e-commerce and continue to build on our 7 years of solid experience. 70% of our strategy items are tech, we continue to look at ways of being innovative, to challenge ourselves to be the best in every aspect to grow.

"In the ideal world, we'd see a blurring of the line between online versus offline. But right now transformation, creativity and strategy to deliver a cohesive customer experience is the way to stand out in this 'prosumer' world."

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