

South African retailers have arrived at an e-commerce crossroads

By [Zak Haeri](#), issued by [GfK](#) – An NIQ Company

24 Apr 2024

South Africa's e-commerce landscape has arrived at an important juncture. The explosive growth observed during the pandemic years has slowed down somewhat and consumer spending power has faltered amid low economic growth and a global cost of living crisis. At the same time, competition is heating up.



Zak Haeri - managing director for NIQ and GfK in South Africa

Asian retailers such as Shein and Temu are upending segments of the e-commerce market, rapidly grabbing market share and increasing pricing pressure on traditional retailers. Amazon's much anticipated entrance into the South African market is expected to further turn up the heat - potentially creating a new benchmark for customer experience.

Yet if we look at the experiences of other emerging markets, the disruption may only just be beginning. Barriers to entry for new players in the e-commerce channel are relatively low, creating space for more competition. It would be unsurprising, for example, for brands in segments like tech, durables and clothing to go direct to consumer with e-commerce.

This is akin to developments in the Middle East, where e-commerce strategies have introduced 55 new brands to the market. Amid all these developments, opportunities beckon. With the current economic climate and shrinking consumer wallets, the landscape is ripe for innovation and competition.

Consumers are becoming increasingly proactive and creative in their strategies to reduce costs — creating opportunities for innovative brands and retailers to expand their market share. Those that can offer convenience, competitive pricing, a wider range of products, and a personalised experience are likely to lead the charge in this rapidly evolving market.

Here are some of the key developments and trends to watch:

1. Omnichannel journeys on the rise

Our [global research](#) shows that 79% of consumer tech retail executives expect omnichannel strategies to continue to dominate. The same applies in South Africa, where a coherent omnichannel strategy is becoming a critical success factor for retailers.

It's not enough to offer customers choices such as online shopping and home delivery, and buy online and pick-up in-store. Brands need to accommodate complex customer journeys where consumers may switch through different channels during discovery, research and purchase.

We find that many people do their research online and then buy in-store, or alternatively research in-store and then buy online — depending on price and value. Our research shows that 35% of South African shoppers agree that they use their phone in-store to help make purchasing decisions. Supporting customer choice can help retailers to maximise opportunities to acquire and retain customers.

Retailers with a real-world footprint can get an advantage by making it easy for customers to switch between

touchpoints. It's now key to consider how to leverage formats like pop-up stores as well as platforms like Mr D and Uber Eats, and marketplaces such as Takealot and Amazon to expand reach.

2. Saving strategies at the forefront

In the current economic climate, price sensitivity is one of the key factors shaping how consumers shop. Behaviours such as bulk buying when products are on sale and reducing trips to the shops to save petrol money are becoming more common. Consumers are on the lookout for promotions and discounts both online and offline.

Around 60% of South African consumers say they shop around different stores and online platforms to get the best balance of prices, deals and options, while nearly a third use digital technologies such as mobile apps to find better deals. Around 31% are shopping online to get better deals and save transport money. Cross-platform presence and thoughtful promotions are key to winning market share in this environment.

3. Long-term advantage with loyalty cards

With competition heating up and consumers becoming more price-conscious, retailers are looking to loyalty cards and reward programmes to improve customer retention and increase basket sizes. Some 59% of South African consumers shop with loyalty points to help manage spend.

For retailers, loyalty programme data is a goldmine of customer insight. Not only can it help them understand overall spending trends, but it can help them improve conversions and retention through personalisation. Artificial intelligence and machine learning are unlocking even more powerful insights for personalised marketing.

Personalised promotion strategies are more accessible thanks to online leaflets and digital loyalty schemes. They resonate well with households that are struggling to make ends meet or with buyers that need to support larger families. We're also seeing many innovations in loyalty — for example, towards the end of last year, Shoprite launched a [monthly subscription](#) based loyalty programme offering unlimited free Checkers Sixty60 deliveries.

4. Finding new revenue streams

Retailers and consumer brands know that amid tough economic conditions, innovation must also include the generation of new revenue streams. This might take the form of targeting new markets — as we see with Shoprite's [OK Urban](#) brand, an innovative cashless concept store that includes an artisanal bakery and coffee shop, or Makro's exclusive B2B [online store for businesses](#) of all sizes.

Globally, retailers have their eye on retail media networks (RMNs), a digital equivalent to in-store ads. These allow them to sell advertising space on their websites and apps to brands. For brands, RMNs offer a new means to reach important target groups already browsing a retailer's website or app. We are already seeing this locally as well with retail media platform Zitcha recently [announcing](#) that it is partnering with Leroy Merlin to launch a full digital retail media network across South Africa.

Another trend sees stores rent out physical space to brands. This space could be used for smart displays, kiosks, and enhanced retail experiences. As these examples show, retailers are thinking about innovative ways to maximise the value of their omnichannel presence at a time when competition is growing and consumer spend is under pressure.

5. Logistics excellence is essential

Retailers will have a strong focus on operational excellence in the coming two to three years. Innovative approaches will be critical here in meeting the high expectations of consumers, particularly amid tough economic conditions. One of the vital elements is how quickly consumers can get hold of the products they want.

Our Consumer Intelligence shows that people worldwide are now, in general, more concerned about delivery times and product availability than before the pandemic. South African consumers will increasingly expect to receive the products when they want, with same or next-day delivery, or a specified time slot.

We're already seeing retailers like Takealot trial [one-hour delivery](#) for tech and other goods — an expectation that is already set for last-mile delivery of groceries. Maintaining a high and consistent level of service delivery is challenging in an environment of load shedding and vast distances — but it is a basic ticket to play.

Conclusion: Consumers in the driving seat

South African retailers are at an e-commerce crossroads, where the demands placed upon them are varied and significant. Their customers expect more engaging and personalised experiences, faster delivery, and lower prices in a tough and unforgiving competitive and macroeconomic landscape.

Consumers are in the driving seat, with more choice at their fingertips than ever. For retailers, establishing a competitive edge begins with a clear understanding of the changes. They can then invest confidently and correctly in data, logistics, technology and partnership strategies that help them meet their customers' needs.

Sources:

- *Consumer Outlook 2024: The latest NIQ Thought Leadership report capturing the mindset and sentiment of consumers around the world.* NIQ's Global Consumer 2024 survey was conducted between December 2023 and January 2024, polling nearly 16,000 online consumers in 23 countries throughout Asia-Pacific, Europe, Latin America, the Middle East/Africa, and North America.
- *GfK Market Intelligence and Sales Tracking.*

ABOUT THE AUTHOR

Zak Haeri is the MD for NIQ and GfK - an NIQ Company - in South Africa.

- **South African retailers have arrived at an e-commerce crossroads** 24 Apr 2024
- **A convergence of retail and e-commerce ideas at a must-attend event** 25 Mar 2024
- **South Africans prioritise value for money in festive season spending** 19 Dec 2023
- **Black Friday 2023: Retailers and manufacturers will need to be agile to navigate a volatile landscape** 19 Oct 2023
- **Omnichannel strategies: One size does not fit all in South African retail** 19 Sep 2023



An NIQ
Company

GfK – An NIQ Company

Reliably delivering #GrowthfromKnowledge to our clients. Empower bold actions for sustainable growth.

[Profile](#) | [News](#) | [Contact](#) | [Twitter](#) | [RSS Feed](#)

For more, visit: <https://www.bizcommunity.com>