Omni-channel shopping coming to SA

By Lee Gill

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As online retailing increase, South African retailers can choose to adopt omni-channel offerings in an early market, capitalising on international experience or adopt a 'wait and see' attitude.

New retail coming

The growth of retail ecommerce continues unabated with global sales exceeding $1 trillion in 2012. The scale and the pace of change have been disruptive, allowing some early adopters to grow market share in lieu of those lagging in the adoption of on an online model.

The retail market in South Africa has remained largely unaffected by this but soon this new retail paradigm will emerge and when it does, it will bite quicker and deeper than that of the pace experienced in more mature markets.

Against this backdrop, how are South African retailers responding? Ironically, it could be argued that they are in a fortuitous place, able to observe carefully the transition that has taken place in more mature markets; learning from what has worked, avoiding costly mistakes and shaping this into a strategic roadmap that can create a true omni-channel business.

The journey from being a pure 'bricks & mortar' retailer presents a number of new challenges. Today's customers are more empowered than ever before, as they have access to the biggest store in the world - the Internet, they're spoilt for choice. They also have immediate access to rich product information, the latest customer reviews and the cheapest prices available. They are demanding more, which put simply means buy anywhere, anytime, fulfil anywhere, anytime. This in turn is putting considerable strain on traditional retail supply chains.

Research indicates early stage market acceptance

At the company's recent South African Innovation Forum, UCS presented some independent research, which revealed some of the factors behind why South Africa is at the early stages when it comes to online retail.

- South Africa is still a largely unbanked population;
- markets are relatively small with big geographies in between;
- people still don't trust the Internet;
- it is largely still a cash only economy;
- while it has critical mass, growth will come from an emerging middle class;

- There is low Internet penetration comparative to the size of the economy.

To this end, supporting research also shows that only four out of ten people still live on less than R1500 a month and people access the Internet largely through their phones.

New spenders coming on board

Locally, the growth is in areas such as ticketing for events and travel, intangible products such as music, video and book downloads and general merchandise such as DVDs and music. Conversely, areas where uptake is currently low include art, food, alcohol, vehicles and property.

That said the South African maturity curve shows that online retail is growing and we should be prepared for a shift in its favour by 2014. These "new spenders" are the new savvy consumer. Figures show that 85% of people under the age of 25 have access to the Internet as well as online payment facilities. These consumers also make use of a number of Internet services and are reported to spend an average of R500 every two months on books, music, DVDs and gifts.

There are however still a vast number of local consumers who use the Internet as a storefront to look at the products they wish to buy, but still purchase in store. This is supported by figures that show that only 25% of consumers make it to checkout after viewing products online. Traditional 'bricks & mortar' retailers are also suffering, as the percentage of people spending in store is less than 50% of the 'new spenders' group.

Local retailers still have time to adapt, but the time is fast contracting and those who do not embark on the online journey are under threat by pure play online retailers and online first movers, often referred as the Amazon Effect. In the US, Walmart, which has 121 million customers, saw some 46% of overall holiday shoppers spend their money at Amazon during the holiday periods. Closer to home the number of South African holiday shoppers reaching for their keyboard and spending at one of the popular local online retailers recently, reached a staggering 65% due to factors such as a three-day delivery promise.

Omni-channel retailing

Careful observation of the mature markets will reveal three stages of the evolution of omni-channel retailing. Firstly, the 'on board' phase. By this, we refer to an investment in an e-commerce site. However, the drawback to this first phase was the focus was on sales not the consumer.

This is now progressing to the 'customer' phase that is providing a seamless shopping journey, by knowing the consumer and engaging with him or her at all touch points. However, as important is ensuring that customer service execution is exemplary, as there are unprecedented shopping choices available and, where service fails, social media will broadcast it widely.

Finally, the focus will shift to profitability, addressing the margin erosion ushered in through online fulfilment.

The future winners will be those retailers that have invested in an ultra-responsive supply chain. This starts with creating an optimised network, where fulfilment locations - and that could be anywhere that inventory resides - is configured with capacity, lead times and resource capability that serves the needs of 'all channel' commerce.

End-to-end visibility, from source to fulfilment centre is a pre-requisite, as is having this in real time, as how else can an order promise be made? Collaboration with all stakeholders will become vital, driven by a need to respond to an always-on consumer. It's then about breaking down business silos, having one holistic view of demand, aggregated from the needs of all the channels, then disaggregated and 'assigned' to inventory flowing from multiple sources of supply. It is about creating a synchronised supply chain.

South African retail is in a good place, the omni-channel curve is taking shape and much can be learned from others. The question is, when to execute, is it now as a first mover, where the small scale of demand allows for learning, or later when others have grabbed market share?

ABOUT THE AUTHOR

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