

How retailers can make the most of SA's burgeoning e-commerce market

By [Joel Bronkowski](#)

10 Jul 2023

Amidst general struggles for South African retailers (figures for March show that retail trade sales were [down 1.6%](#) year-on-year), the country is experiencing an e-commerce boom. While the sector's growth at the height of the pandemic was to be expected, it's notable that growth continued in 2022, once most pandemic restrictions in the country had been dropped. Now worth [more than R50bn](#), online retail saw a 40% increase in shopper numbers in 2022, having achieved similar increases in the previous two years. Some have gone as far as to suggest that local e-commerce will match that of more digitally mature countries [by 2026](#).



Image source: Kindel Media from [Pexels](#)

Despite the sector's recent growth, there's some way to go before that's the case. Online still represents just [5% of retail sales](#) in South Africa. That percentage shrinks even further when you remove dedicated e-commerce players. Most traditional retailers only see between 1-3% of their sales volumes coming from e-commerce. Compare that to a country like the UK, where online shopping now accounts for [more than a quarter](#) of all retail sales.

That means that there is significant scope for growth (and that's without even considering the potential to sell beyond South Africa's borders). But if retailers are to take advantage of that and help ensure that South Africa reaches its e-commerce potential, they can't simply set up an online store and hope for the best. They need to provide the best possible experience for customers at every step of the buying journey, including payment.

Understanding the advantages of online retail

Before digging into how online retailers can build those experiences, it's worth taking a look at some of the advantages it offers.

Many retailers, for example, might look to open up in new markets in order to mitigate some of the difficulties associated with operating in an environment like South Africa. E-commerce affords them the ability to do so without having to set up physical stores. That, in turn, means that they can sell products at greater volumes without drastically increasing their overhead costs. Those new markets don't just have to be in South Africa either. By going online, retailers can potentially reach customers globally, expanding their potential customer base.

Online retail allows for more flexibility in inventory management. Retailers can, for example, adopt dropshipping models, where the products are shipped directly from suppliers or their retail stores (click and collect is a great model for this), reducing the need for storing inventory. Physical stores, by contrast, require dedicated space for inventory storage, potentially further increasing costs.

Small wonder then that some of the biggest retailers in the country have worked so hard on their e-commerce programmes. One only need look at [the success](#) of the Shoprite Group's Checkers Sixty60 grocery delivery service (87% growth in 2022 on the back of 250% growth in 2021) and the big [push for same-day delivery](#) from Game and Makro owner Massmart to see how serious they are about online retail. The [imminent arrival](#) of Amazon's marketplace shows that international players see the country's potential too.

A growing number of services are also catering to specific niches, making it easier for them to build their own online presences. For example, Siteminder is a commerce platform for hotels, while Commerce7 boosts sales for wineries.

There are two factors at play here. The first speaks to the fact that different niches or verticals have very specific needs and services are spinning up for all kinds of businesses to help them do e-commerce. Whether you're a winery or barber, simply having an e-commerce site isn't enough anymore.

The second is how important it is for these niche services to understand the local context. While international players like Commerce7, for example, have played an important role helping wineries build increased lifetime value via e-commerce opportunities post-winery visit (boosting a [R5.7bn wine tourism business](#)), local solutions are also addressing local needs. Oktiv, for example, is making it easier to connect people that want fitness experiences with local gyms and The Local Edit is bringing together interesting brands in one community to win them business abroad, making it easier to find South African brands.

Building great experiences

What all of these platforms understand is the value of building great experiences at every step of the online retail journey. Remember, it takes a lot more effort to stand out online than it does with a physical location (your first customers in a new location may enter the store solely out of a sense of curiosity).

And that work doesn't stop once a potential shopper's entered your site either. On average, around [70% of online shoppers](#) abandon their carts before making a purchase. While many are the digital equivalent of "real-world" shoppers who are just browsing, friction has a significant role to play too.

That's especially true when it comes to payments. While stats for South Africa are hard to come by, research has shown that [88% of UK consumers](#) will abandon purchases if faced with payment friction. That is, admittedly, a more mature market that offers customers a greater degree of choice but it's far better to get the payment process right from the start. In South

Africa, that should include giving consumers a broad choice of payment options, including instant EFTs, debit and credit cards, direct deposits, and debits.

Beyond that, it may also mean exploring less traditional e-commerce options, including those available on instant messaging platforms such as WhatsApp. Remember, you want to be where your customers are. And in a country with mobile penetration rates [in excess of 187%](#) that's seldom likely to be on a PC.

Embracing opportunity

There is, at the end of the day, little doubt that South African retailers of all sizes should be exploring their e-commerce options. The potential opportunities for growth, even in a struggling economy, are simply too big to ignore. But, if they're to make the most of those opportunities, they must ensure that they provide the best possible experiences for their customers at every step of the buying journey.

ABOUT THE AUTHOR

Joel Bronkowski, South Africa Country Lead at Paystack

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