

E-commerce starts to connect with South African consumers

By [Gareth Paterson](#)

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With the rise of e-commerce in South Africa taking some bold steps during the last few weeks with the [merger of Superbalist and Spree](#) under a single, more streamlined umbrella it seems that mobile e-commerce may finally be on a path to reaching its full potential. This against the backdrop of 55% of South Africans (BRC/PRC Establishment Survey) reporting they have mobile access and online shopping penetration having increased year on year across all categories, including consumables.



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This means there is still a lot of scope for South Africa's e-commerce sector to reach even greater heights, with offline versus online penetration much higher in certain categories in South Africa such as travel, event tickets and fashion. Evidence of the prevalence of online purchases within these sectors is clear when considering Nielsen's Connected Commerce study findings from Q2'17, which found that 51% of South Africans have purchased travel options i.e. hotels, flights, car rental, travel deals, cruise, travel packages online.

This was followed by 47% who have purchased event tickets and 45% who have bought books, music and stationery, closely followed by the 43% who have purchased fashion online. Interestingly, the data reflects a positive uptake of those who have bought into restaurant deliveries and meal-kit delivery services at a healthy 29%, driven by the entry of players such as Uber Eats, Order In and UCook.

Although food is growing well, there are still challenges being faced with only 17% of South Africans saying they have purchased food and groceries online, which is therefore still heavily weighted to in-store purchasing behaviour. Online sales currently account for approximately 1% of modern trade Fast Moving Consumer Goods (FMCG) sales which equates to R350 billion annually (as per Nielsen Retail Measurement Services).



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The reality is that low FMCG margins means there is little room for error whereas 'pure players' in the online space, for example, Takealot and fashion outlets like Spree, Superbalist and Zando have higher margins which allow them more leeway in terms of flexible and 'always on' delivery schedules, whereas the pressures are higher for FMCG players in the online space.

Although online food is growing, there are still barriers that are unique to this market when compared to categories such as fashion and travel. According to Nielsen's Shopper Trends 2018 survey some of these barriers include the fact that 47% of South Africans 'enjoy the in-store experience', 32% want access to in-store prices/deals, 28% have concerns over online grocery product quality and 27% do not like the extra charges, with the same number citing concerns over secure payment methods.

One of the biggest barriers to entry is the inherent consumer need to see and touch fresh food in order to ensure freshness of products. In this case, retailers, therefore, need to think creatively and adopt a broader approach by focusing on enhancing their website experience to create brand awareness and leverage off the fact that online grocery shopping is not only about cost, but also around delivery, quality, and convenience.

Many local consumers are also now adopting click and collect within store, as well as utilising the option of storage lockers with 50% of South Africans saying they already use or are definitely willing and 50% saying somewhat or not willing to utilise the above collection services. This is, therefore, one of the key benefits of online food shopping that also taps into consumers need for convenience that could and will be used to boost online grocery purchases.

Digital touchpoints pave the way

The latest Nielsen Global eCommerce Survey revealed that multiple digital touchpoints within the purchasing cycle provide more information, value and interaction, which then leads to action. In the pre-purchase phase, 44% of South Africans search for deals and promotions, 42% look up product information and 35% compare prices. In the mid-purchase phase, 47% are willing to login to Wi-Fi to get more information regarding the product or brand. Finally, in the post-purchase phase, 24% use social media to review products after use, engage with brands, or even find deals when wanting to repurchase the product.

For Fashion and Electronics, although the physical store is still important in influencing purchase decisions, the 'shop website' is high up on the list of influencing factors. For Fashion, 47% said that a shop website helps them make a decision to purchase, 43% are influenced by a visit to the physical shop and 35% are influenced by social media and word of mouth from someone they know. In terms of consumer electronics, 42% said they are influenced by the shop website, 39% by a brand website or word of mouth from someone they know, while 37% said a visit to a physical shop influences them to purchase.

Traditional media remains a factor in driving purchases in this sector with 37% saying advertisements on television or radio also had an influence on their decision. For personal care and grocery, one can see that a visit to the store is still very important (43%), but shop websites are also important at 23%, once again showing the need for food retailers to make sure

they are capitalising on the use of their websites to drive purchasing behaviour.



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A 'mall mad' culture

So what are the factors holding back the growth of South Africa's already dynamic digital shopping space? One of the biggest reasons is that South Africa is home to a mall mad culture evidenced by the fact that 1,950 of the 2,082 shopping centres in Africa are in South Africa (Flux Trends Report) and characterised by consumers who still want to interact at a store level.

This means retailers need to continue to focus on merging online and offline in such a way as to create the best experience for shoppers throughout the entire path to purchase. The aim is to create a flawless omnichannel experience, where online may be used to entice with offers that help consumers engage with brands online and gain information, source recipes and/or conduct price comparisons, which ultimately result in offline purchases in-store, owing to enhanced customer experience and satisfaction. This can, of course, work both ways in which consumers start the journey in store, but ultimately make the final purchase online.

Another barrier to online purchases remains payment and security of personal information. According to the Nielsen Connected Commerce study, only 19% respondents strongly agree that when they buy items online their personal information on the retailer website is both safe and secure, while 37% somewhat agree with this.

Overall South African online e-commerce penetration has increased year on year and is now on par with global levels in many categories, with those consumers who have adopted online shopping now shopping online as frequently as offline. E-commerce will, therefore, continue to gain ground into the future as digital touchpoints are incorporated, and barriers are overcome (delivery, fulfilment and payment security). That said, bricks and mortar will not disappear but channel relevance will change, and many stores will continue to fulfil a vital role in the shoppers' repertoire and missions.

Global e-commerce trends

1. Mobile payments methods

Mobile is fast becoming the preferred means of paying for items both online, and in store. With the advancement of mobile payment technology, an increasing number of consumers will complete transactions on mobile. Apps that allow for easy order and payment, advancements in app checkout processes, processes like Amazon Go, as well as platforms like PayPal will all assist in expanding the number of people using mobile devices to order and/or pay for goods. Security features such as facial recognition and fingerprint scanning will also assist in providing security to payment methods used.

Payment will be possible by simply scanning the generated barcode after registering a payment card. Discount programmes like 'Cartwheel', 'Weekly Ad' coupons and a 5% discount on RED cards are also now available with a single scan which are much faster than traditional payment methods like chip or PIN card.



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2. Dynamic delivery methods

The logistics of delivery in South Africa has its challenges, with a wide variety of issues affecting delivery of items purchased online. With innovative ideas, e-commerce is set to see further growth, making receiving the items easier and leading to more consumers being willing to purchase.

Click and collect is already expanding within the SA market, where consumers can purchase items, and pick the goods up either at the store or locker facilities provided by the retailer. We will see this expand into 2018. In-store collection points are also rapidly developing with some stores in the US now featuring towers in which you can scan your order code, and either collect or return your merchandise.

Amazon has also opened instant pickup points near college campuses in the US. Items purchased through mobile applications are picked by Amazon staff on site at the pickup points, which are then loaded into lockers. Amazon shoppers can pick up their chosen items a mere two minutes after their order. This service is live at five college campuses. Members of 'Prime' and 'Prime Student' can enjoy this service and purchase hundreds of goods from food to phone chargers.

3. Big data, analytics, and the influence of artificial intelligence (AI)

AI will create the ultimate personalised experience for shoppers in the near future. Analysis of consumers personal behaviour opens up the door for personalisation, with the ability to predict what people want to buy or will need to buy in the future. Being able to remind someone when they need to buy coffee or laundry detergent, all the way through to being able to predict what the person might want, based on other categories they may have recently purchased, will streamline the purchase process and drive online purchasing within the market.

4. Blurring of online vs offline experience

Stores will have a place in South Africa for years to come, and online will assist in engaging with clients in-store to help drive engagement with brands. Augmented reality will also assist both in-store and at home with consumers being able to 'virtually interact' with the items, such as trying on virtual clothing or placing virtual furniture within their home (for example Ikea Place). Technology will assist in engaging with consumers on another level, and those who find the right balance will see the growth.

5. Voice shopping - Mention your daily necessities and your order is complete

Voice is starting to change the way people search and shop for items. It is difficult to optimise your website when all you have is a 1:1 voice interaction, and brands need to understand how this disruption will affect the market. At present customers can communicate by voice via 'Google Home' and receive delivery via 'Google Express' and receive delivery-time reminders via Amazon 'Alexa'.

Visit our [Mobile Commerce special section](#) for further insights throughout the month of July.

ABOUT THE AUTHOR

Gareth Paterson is Associate Director, Retailer Vertical for [\[https://www.bizcommunity.com/PressOffice.aspx?cn=nielsen\]](https://www.bizcommunity.com/PressOffice.aspx?cn=nielsen) in South Africa. In this role, he leads the Retailer Vertical team and manages Nielsen's relationships with retailer clients. He provides strategic direction to retailers helping them drive growth for their business. Gareth has vast experience across the retail sector, managing multiple accounts including Massmart, Clicks, Dis-chem, among others, and has gained in-depth understanding of the FMCG market and consumer behaviour as part of his roles within Nielsen.

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