

SA retailers still not fully embracing online opportunity - Accenture

A new study by Accenture suggests that traditional retailers in South Africa are putting most of their efforts into their core brick-and-mortar stores as they find online operations expensive to maintain and often unprofitable. They are also finding it difficult to measure the return on investment of their online offerings. Brick-and-mortar stores generate almost all the retail revenues and profits.



The latest *Accenture Rethinking the eCommerce Opportunity in South Africa - How retailers can pivot to digital customers* report reveals that South African retailers are under pressure to adapt to the new way of doing business as a matter of survival. Web commerce pioneer Amazon has since 2010 quintupled its sales, and by 2019 half of all U.S. households were subscribed to Amazon Prime.

Overall, digital commerce represents nearly \$400 billion in annual sales for the \$3.5 trillion industry. For South African retailers the opportunity to tap into this increased demand is there for the taking if they embrace e-commerce as part of an omnichannel future.

Traditional retailers are finding brick-and-mortar stores to be low risk compared to online operations. What's more, South Africans are still eagerly trekking to department stores and specialty shops at the local malls.

According to a Visa survey, 63% of South Africans said they prefer to make purchases at a mall, and Urban Studies found that 76% of South Africans visit a mall at least once a week. South African retailers are therefore taking a narrow approach to building e-commerce businesses. They are not investing in creating the full range of convenient and engaging online experiences that consumers are coming to expect and that pure-play e-commerce companies provide.



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16 Oct 2019



South Africans are ready

More than two thirds of the 58 million people in South Africa are active online users and heavily reliant on their smartphones. This puts penetration far above the level of India, and almost as high as China.

“Accenture projects that South African consumers will sharply increase their online shopping in the near future,” says John Watling, managing director for Accenture Retail in Africa. According to research by Euromonitor International, online sales in South Africa will grow by 19% which is almost three times as fast as in-store sales in the period 2018 to 2023.

“If local retailers can follow suit by offering experiences such as those of Amazon, eBay, Zappos and others, customers will be more trusting of online shopping and less reluctant to use it,” states Watling.

Department store retailers can really unlock the value trapped in their core business by offering a hybrid model – a robust online customer experience in conjunction to their traditional walk-in and shop format. “When Woolworths launched in-app shopping through its integrated lifestyle app, the company achieved a 34% growth in online sales (almost double the projected market growth of 19%),” explains Watling.



Online sales in physical and digital goods to surpass \$6tn by 2024

17 Sep 2019



Remaining relevant in a digitally savvy society

Already 96% of active internet users access the web and social media from their mobile phones. This trend towards increasing digitally savvy South Africans is projected to continue in the coming years. By 2022, South Africa will have 25.5 million smartphone users and digitally savvy consumers expect the companies they deal with to be relevant in an omnichannel environment.

Retailers have to compete on more than the traditional criteria of convenience, quality and price. They must understand their customers' preferences, anticipate their needs and provide an excellent experience every time. Companies that don't deliver such experiences risk losing customers.

Accenture's 2017 research on the hyper-relevance era found that South African companies lost R663 billion in that year alone in potential revenue owing to customers switching to competitors, and two-thirds of switching was caused by a lack of relevance.



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Pivot to the future to survive

“As our digital world rapidly expands like never before, South African retailers are presented with a mammoth opportunity to learn from the successes and failures of local and global e-commerce pioneers. In the era of hyper-relevance, can they tap into consumer demands, grab the opportunity presented to them and pivot to the future?” asks Jonathan McCabe, Accenture products Africa management consulting lead.

“At Accenture, we believe that by combining the powers of traditional and digital retail, building modern digital infrastructure, and improving customer trust and experience, South African retailers will finally be able to pivot to digital consumers. They will pave the way to the next wave of digital commerce. South African retailers must pivot to the future to thrive, or maybe even just to survive,” states McCabe.

The cost of scaling

In today’s tough economic climate, retailers in South Africa will be concerned about the costs of scaling their digital business, however treating e-commerce as an after-thought can negatively impact even the strongest of brands.

“Accenture’s research details the following recommended steps for retailers wishing to scale their digital process and online business: Integrate e-commerce with legacy business, build modern digital infrastructure, and improve customer trust and experience. It is time for retailers to pivot to the future to remain relevant,” says Watling.

Research methodology: The report combines multiple streams of proprietary research which included a survey of 29,530 end-user consumers in 35 different countries including South Africa. The majority of respondents from South Africa that took part in the survey indicated they earn above R100,000 per annum. In addition, the research draws on several use cases based on Accenture’s experience in working with global retailers and supplemented by case study analysis as well as literature reviews.

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