

Pandemic 'jet fuel' for online retail

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Significant changes to consumers' shopping behaviour as brands step up



While online shopping in South Africa was already seeing noteworthy gains before Covid-19 hit, the past 10 months has seen it go through the roof. The rate of adoption by consumers and adaptation by brands is encouraging and new shopping behaviours are being firmly entrenched. So says Amanda Reekie, ovatoyou founding director.

“You just have to look at a key shopping period such as Black Friday to get an idea of the trend: while cash or card-based sales were down in stores in November, they skyrocketed online by as much as 60%.”

Trading updates for Q4 performance by retailers shows a similar spike: The Foschini Group (TFG) recently reported that 14,4% of its total local turnover came from online, and across all its territories – RSA, UK and Australia – online sales grew from 8% in 2019 to 12% in 2020. Woolworths reports the same trend, releasing its trading updates for the Black Friday and festive season period: the retailer recorded 159% growth in online sales for food in the 26 weeks to December, and 118% growth in clothing.

Fashion records biggest gains

Reekie concurs, citing recent research ovatoyou undertook in December 2020: A noteworthy 43% were doing a hybrid of online and offline shopping and had bought fashion or shoes online since the beginning of the lockdown vs only 17% who had only shopped in-store. This is particularly noteworthy as historically it was thought that clothing and shoes were not categories that were a natural fit with online.

“This category in particular has seen massive spikes in online sales. Consumers are discovering that shopping online, from the comfort and safety of their own homes, is easy and convenient, especially when essentially under house arrest. And many more brands now offer this service through enhanced e-commerce platforms.”

Julia Ahlfeldt, a certified customer experience professional, comments that this can in part be because of increased consumer engagement through social media and other digital channels that allow brands to share more information about products and educate their customers. “If you’re a consumer who knows what you’re looking for, shopping online can be more relaxing versus going to a physical store. The barriers to entry are also lower now thanks to the ease of returns, deliveries and click-and-collects.”

Grocery shopping made more convenient

Grocery brands are reporting a similar uptick: According to ovatoyou, 31% of consumers are now choosing to buy online or are omni-channel shoppers, shopping both online and in-store. This versus 46% who shop only in-store.

“Grocery retailers are stepping up to the plate and Woolworths, Checkers and Pick n Pay have all improved their digital platforms. While late to the party, Woolworths’s new Dash concept is a case in point.” Its trial launched in December 2020, and is the first to offer ‘store-to-door’ cold chain same-day delivery service. “This follows five years of little to no innovation of previous e-commerce facilities at Woolworths. But it appears they are listening to their customers and have responded with solutions that are more robust, with a convenient, efficient digital app solution that also allows consumers to book a timeslot for delivery,” comments Reekie.

Impact on the property market

Of course, all of this change affects retail and mall space, with brands needing to modify the use of their stores, downsize and/or increase warehousing capacity. “Demand for retail space and warehousing, not to mention parking, will definitely change and this will have a knock-on effect on the property sector as tenants move to smaller shops, leaving large stores unoccupied – something that can be seen in many malls around the country,” comments Ahlfeldt.

Other sectors that are seeing noteworthy retail gains are personal care and toiletries (33% online and omni-channel vs. 46% offline only), and interestingly books (32% vs. 12%).

“The above leaves large property owners having to re-think their spaces and we might well see the increase in omni-channel spaces such as We Are Egg who offer a ‘phygital’, true omni-channel experience and will give smaller online businesses the opportunity to have a real-world presence,” says Reekie.

SME opportunity?

There are of course winners and losers in the digitisation race: Those that were ahead of the Covid-19 curve, and had already innovated to respond to changing consumer shopping behaviours, will have gained the most during the pandemic. But so too can SMEs. “Small businesses are far more agile than large corporates and can make changes really quickly. Of course the disadvantage is that they may not have the capital behind them to invest in major tech systems but there are digital solutions out there for them to drive increased customer acquisition online,” comments Ahlfeldt.

Interesting, the ovatoyou survey also revealed that 19% of South Africans now say they favour smaller, local providers for shopping vs traditional retailers. This presents many opportunities for SMEs.

“The importance of social media in decision-making is also a great equaliser for large retailers as a smaller provider can present their offering side by side on Instagram or Facebook and with good content get amazing traction,” says Reekie.

Catching up to mature markets

Covid-19 is, certainly for the immediate future, here to stay and it’s in brands’ best interests to take a more digitally-enabled shopping approach. “As people continue to work from home, and avoid public spaces to reduce infection, e-tail popularity will continue to rise,” says Reekie. “In 2019, it accounted for 1,4% of the total retail pie but has far increased to 2%, and research by xclimb.”

Ahlfeldt concludes by saying: "Covid-19 has really forced South African retailers to up their game and perform at levels that are consistent with what we would see in more mature markets. The US, UK, Europe, China and Japan, for instance, have used e-commerce for longer and have smoothed out a number of bumps. This has forced local retailers to adapt."

About ovatoyou

Ovatoyou conducted research among 2,000 online South Africans and the report was published during December 2020. Demographically, 79% were women. At least 38% of the sample were earning a household income of less than R10,000 per month, 22% were earning R10,000 to R29,999 per month, 9% were earning R30,000 to R69,999 per month, 24% were earning R70,000+ per month and 7% would rather not say.

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