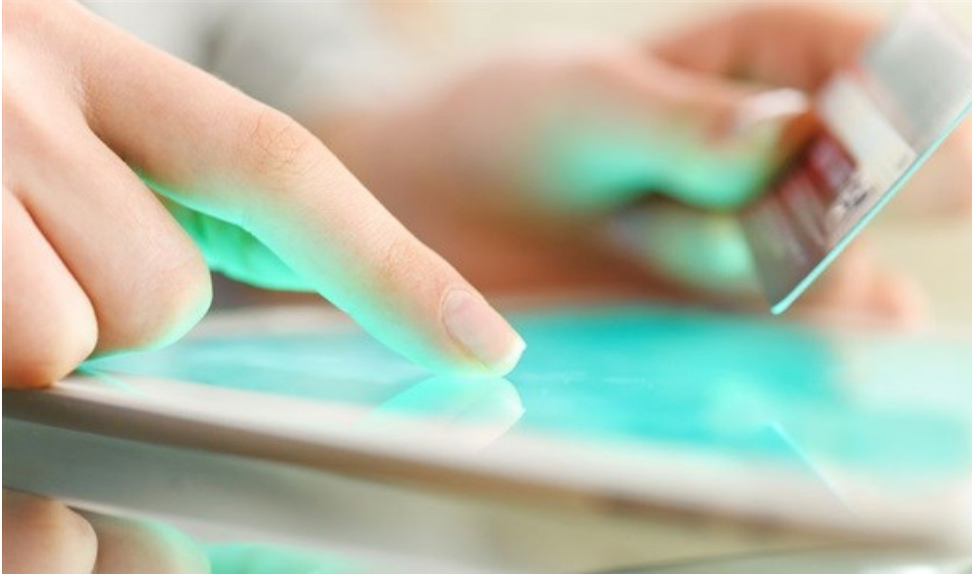


# Moving South Africa to 5% e-commerce

E-commerce experts believe it is possible to take South African e-commerce from 1% of total retail to 5%, if a few key elements are etched into place in a short space of time.



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Local online shopping is currently undergoing a positive shift, enabled by increased choice, courtesy of easier cross-border purchases and a continued rise in smartphone penetration. However, cost of data, product delivery and access to the internet are holding the industry back.

Industry heavyweights have highlighted three areas that can pivot the industry closer to their UK counterparts at around 15% of total retail.

Central to the solution, is the role played by mobile purchases in extending reach and immersion. Despite mobile-first market strategies by many leading e-commerce providers in South Africa and a well-documented preference for mobile in Africa, the numbers, while growing, are way off the pace. In West Africa, only 8% of sales actually take place on a mobile device. This is down to the majority of shoppers having to purchase items while using work connectivity, as opposed to their own data at home and it appears to be the case in the local market too. With some of the highest call and connectivity rates in the world, who can blame them?

## Getting the fundamentals right

According to Google South Africa head, Luke Mckend, technical proficiency is where South African e-commerce will be won or lost. Better websites, platforms and customer journeys will unlock the missing mobile piece.

Mike Cotterell, Pick n Pay's head of online, maintains that getting the fundamentals right first will drive the necessary demand. "It's about quality products in a quality online environment that works every time." A sentiment echoed by Woolworths' head of digital, Liz Hillock, who believes that demand would increase as we do things better whether on mobile or desktop.

Uber, the poster child for mobile disruption, grew to the force it is today because the product solved a significant human pain point; city folk needed more convenient urban transport. Getting the fundamentals of its offer right off the back of this allowed the company to follow the seemingly counter-intuitive model of increasing supply first, to grow demand second. South Africa was the first country in the world outside the US where Uber operated in three different cities. This is a clear indication that old-world necessities still underpin the online world, even here at home.

## **Merging two worlds**

Another area touted to spur growth in the local market is to blur the boundaries of online and offline shopping in an attempt to match the online and in-store experience. This is easier said than done. However, we do already turn to our mobile phones in retail moments when reviewing and comparing. According to Google SA, smartphone searches are to rise by 50% year on year by December 2017. This bodes well for retailers, as it is understood that in-store mobile browsing increases the likelihood of purchase by a multiple of three.

Connecting the physical with the digital world is likely to propel the industry forward, according to experts. From Makro's click-and-collect 'Lockers' at forecourts around the country to PPC Cement's direct-to-public e-commerce offering to preserve margins, efforts are being made to innovate. Some merchants are turning to collaboration.

"We are seeing a consolidation of offerings and partnerships of online and offline merchants," says Karen Nadasen, CEO of online payment gateway, PayU. "Merchants that are online are starting to partner with offline businesses by offering package deals. For example, you can purchase a movie ticket online together with your dinner bill, which would previously be paid separately and offline."

These and other innovations such as UK retailer, ASDA's, drive-thru depots for e-commerce purchases, will help to merge the two worlds. So too will the much anticipated uptake of Internet of Things.

## **Seamless and secure payment**

Another key area is ensuring that payments are seamless and secure. Payments occurring on mobile may be behind the curve for now; however, this presents another significant opportunity for merchants. In truth, it is already safe to purchase online. More people just need to experience it for themselves. This tide already seems to be turning, as chargebacks - a transaction reversal meant to serve as a form of consumer protection from fraudulent activity - are decreasing.

Nadasen concludes, "Overall there have been a 74% decrease in the average chargeback rate and a 72% decrease in the number of chargebacks across our merchants. The main reason for this is the implementation of 3D Secure, coupled with stronger anti-fraud management."

South Africa's e-commerce climb up the rung, from 1% to 5% is inevitable. Get the fundamentals right and let innovation and disruption guide the way.