



ONLINE RETAIL IN SOUTH AFRICA 2024

A study conducted by World Wide Worx, in partnership with Mastercard, Peach Payments and Ask Afrika.

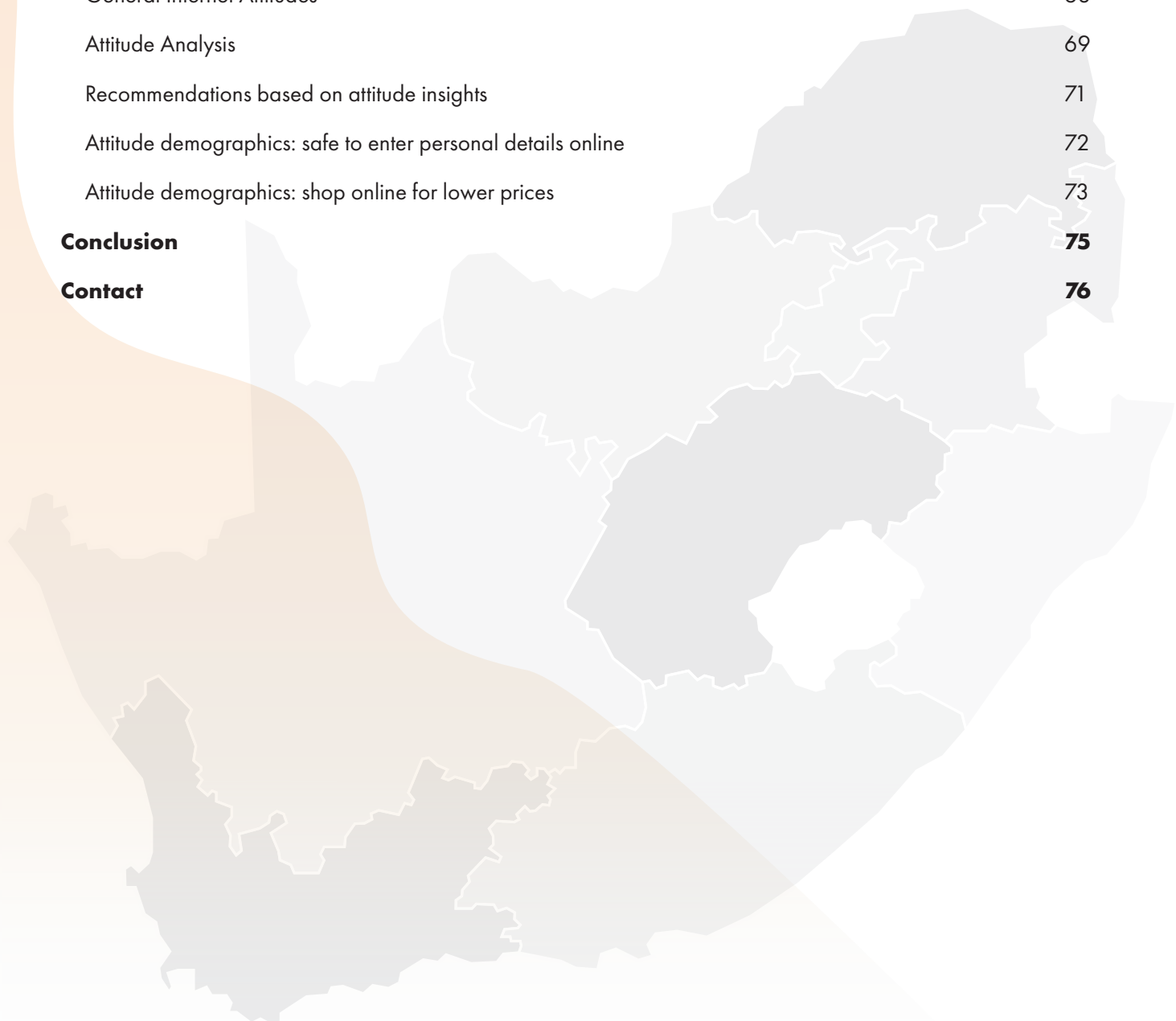


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Gabriel Swanepoel, Mastercard country manager Southern Africa

In recent years, we have witnessed a remarkable transformation in consumer behaviour, with a notable shift towards the use of digital channels for shopping and how they choose to transact. This transition, driven by advancements in technology and changing consumer preferences, has redefined the way businesses engage with their customers and conduct commerce, giving them the competitive edge.

Online retail has emerged as a highlight of this new era, playing a pivotal role in influencing the trajectory of retail and payments. The convenience, accessibility, and seamless experience offered by online platforms have revolutionized the way consumers shop, enabling them to browse and purchase products from the comfort of their homes or on-the-go, with just a few clicks or taps.

Furthermore, ongoing global events have accelerated the adoption of online retail, emphasising its importance as a reliable, and convenient solution in times of uncertainty. As consumers seek safe and seamless shopping experiences, digital channels have become indispensable for businesses aiming to meet the evolving demands of consumers while prioritizing safety.

The trend towards digitalisation has also contributed to setting the tone for the emergence of cashless retailing, a concept that is gaining widespread acceptance globally and resonates strongly with the local consumer. In many urban areas around the world, including our own communities, retailers are increasingly introducing and implementing cashless payment methods and options. This shift is not only influenced by the desire for more efficient and secure transactions, but also by the changing consumer expectation that shopping experiences should be as frictionless as possible.

Local businesses, are also embracing this trend, recognizing the benefits of cashless transactions, such as faster checkout times, reduced handling of cash, and improved customer service. This adoption also reflects a broader societal move towards digital financial solutions, supported by local financial institutions and payment service providers who are keen on promoting digital payments as part of their strategy to enhance financial inclusion and accessibility.

The Online Retail in South Africa 2023 report has revealed critical insights into the rapidly evolving landscape of digital commerce in the country. The study shows a significant increase in online shopping, with the percentage of adult South Africans shopping online increasing from 27% in 2020 to 38% in 2022. This growth reiterates the accelerated shift towards digital platforms, highlighting the resilience and adaptability of the South African market.

The research drew on the annual Target Group Index survey, which provides a comprehensive demographic breakdown of online shopping behaviours, preferences, and trends in South Africa. The findings showed a 40% increase in the total number of online shoppers, indicating that digital commerce is becoming more mainstream across various segments of the population.

Furthermore, the study revealed a persistent gender divide in online shopping, with men slightly outweighing women in online purchases. Alongside demographic insights into age, education, and income levels, these findings offer invaluable guidance for retailers seeking to tailor their offerings to meet specific consumer needs. Moreover, emphasizing the significance of these insights in driving e-commerce innovation, it's crucial to outline the specific gaps they address and how stakeholders can leverage them. Retailers, payment service providers, and e-commerce innovators form the target audience for this study, empowering them to refine strategies, improve offerings, and bridge existing market gaps effectively.

The data from the report also highlights the critical role of education and income in online shopping behaviour, with a clear correlation between higher levels of education and income and a greater propensity to shop online. This underscores the importance of targeted strategies to engage different segments of the population, ensuring that digital commerce is accessible and appealing to a broad spectrum of society.

At Mastercard, studies like this one play a pivotal role in enhancing our understanding of the market, enabling us to develop data-driven e-commerce innovations. We envision the data and insights derived from this study as a catalyst for e-retailers and innovators, serving as a foundational resource to identify existing gaps within the market and devise targeted solutions to address them.

From a Mastercard perspective we recognise the transformative power of digital commerce and remain committed to enabling businesses of all sizes to thrive in this digital-first environment. Through our innovative payment solutions and robust infrastructure, we equip merchants with the necessary resources and tools required for them to enhance their online presence, streamline payment processes, and deliver exceptional experiences to their customers, driving growth and success in the digital realm. The empowerment of small businesses through digital commerce holds significant promise for South Africa's economy, enabling these enterprises to tap into broader markets, improve their operational efficiency, and contribute to economic growth and job creation.

The report's insights into the growth of online retail present promising opportunities for small businesses. By harnessing the data and insights provided, these enterprises can customize their online offerings and marketing strategies to better cater to underserved communities. This may involve gaining a deeper understanding of the online purchasing behaviours prevalent in these communities or exploring targeted online advertising solutions. Ultimately, empowering small businesses to thrive in the digital sphere can directly contribute to increased economic activity within these communities, leading to job creation and bolstering their overall social and economic development. This highlights the intrinsic link between the online retail study and our local communities. Businesses that embrace online commerce not only seek profitability but also have the potential to make a tangible difference in the lives of the individuals they serve.

By embracing digital transformation and harnessing the power of technology, businesses can unlock new avenues for growth, drive operational efficiencies, and stay ahead in today's competitive marketplace.

In conclusion, as we stand at the forefront of digital transformation, it is paramount that we capitalize on the insights gleaned from the evolving landscape of digital commerce. By embracing technological advancements and fostering innovation, we can pave the way for a future where businesses of all sizes thrive in the digital-first environment. Let us seize the opportunities presented by online retail to drive economic growth, empower underserved communities, and create meaningful impacts in the lives of individuals. Together, let us embark on this journey of innovation and transformation, shaping a future where seamless, inclusive, and impactful experiences define the retail and payments landscape for generations to come.



Executive Summary

SA online retail passes 6% of total retail

A landmark study by World Wide Worx, in partnership with Mastercard, Peach Payments, and Ask Afrika, reveals significant growth in South Africa's online retail sector, which surged to R71-billion in 2023. This remarkable growth represents a 29% increase from 2022, positioning the sector to break the R100 billion mark by 2026.

"The strategic shift towards competitive e-commerce offerings and enhanced customer engagement, including sophisticated AI-driven tools, has fundamentally transformed the retail landscape in South Africa," says Arthur Goldstuck, CEO of World Wide Worx.

Gabriel Swanepoel, country manager of Mastercard South Africa, said: "Our collaboration has streamlined payment processes, making online shopping easier and more secure, thereby increasing consumer confidence and contributing to this growth."

Rahul Jain, CEO of Peach Payments, stressed the importance of payment solutions in this expansion: "The findings underscore how Peach Payments enabled the proliferation of new payment methods such as Buy Now Pay Later that meet the evolving demands of the consumer.

"In turn, this allows consumers to spend more online with greater confidence. By partnering with merchants, payment infrastructure makes their operations more efficient as they continue to capitalise on this growth."

Andrea Rademeyer, executive chair and founder of Ask Afrika, said that the demographic data supplied by the company's Target Group Index (TGI) survey underscored a significant shift in consumer behaviour: "As South Africans move more of their spending online, they also become more confident in the medium, and increase their individual levels of spending. Most significantly, they are becoming more aware of the increased convenience and choice available online."

The 2023 rise comes after 35% growth the previous year took the total to R55-billion in 2022.

Whereas the boom in sales two years ago could be attributable to what was termed the "pandemic dividend", brought about by a massive demand for home deliveries beginning in 2020, the ongoing rise was driven by competitive e-commerce strategies from most major physical retailers, existing e-shoppers moving more of their traditional shopping to the online space, and credit card payment processing becoming more streamlined.

The study also points out the success of Shoprite Checkers' Sixty60 service, which saw a 63.1% increase in the latter half of 2023, while Pick n Pay grew online sales by 76% and Woolworths reported a 47% online sales increases. By contrast, the country's largest online retailer, Takealot, grew sales by only 6%.

The overall growth coincides with a slight decline in total retail sales – only the second this century - emphasising the growing significance of online platforms in the retail sector.

An industry survey conducted among South African retailers by World Wide Worx, as part of the study, showed that customer service was paramount to online retail success, with 73,9% of respondents emphasising its importance. Stock availability and a wide range of quality products were also crucial, while competitive pricing and personalisation of offers were less critical. This is expected to change with the advent of artificial intelligence in personalising offers.

The most significant operational challenges for the industry were payment failures (18,2%) and managing customer queries and complaints (16,8%).

However, the major issue for cart abandonment by consumers was reported to be declined credit cards (52,2%). Concerns over the security of credit card information and complicated checkout processes were also significant factors leading to abandoned carts.

The TGI Survey, conducted among 16,000 South African consumers, found that 20% of consumers had found the online medium gave them more choice and variety. However, only 18.6% regarded it as safe and secure to shop online.

Goldstuck said the overall findings provided a powerful indication of continued future growth: “This comprehensive report not only reflects the current state of online retail but also forecasts continued robust growth in the sector, partially driven by the arrival of Amazon.com in the local market,” he said.

The report

The Online Retail in SA 2024 report comprises four distinct sections:

Industry analysis:

The Online Retail landscape in 2023

Industry research:

Payment gateways in South Africa

Industry research:

Online retail success factors in South Africa

Consumer research:

Consumer demographics in online retail in South Africa

1. The Online Retail landscape in 2023



Arthur Goldstuck, CEO World Wide Worx

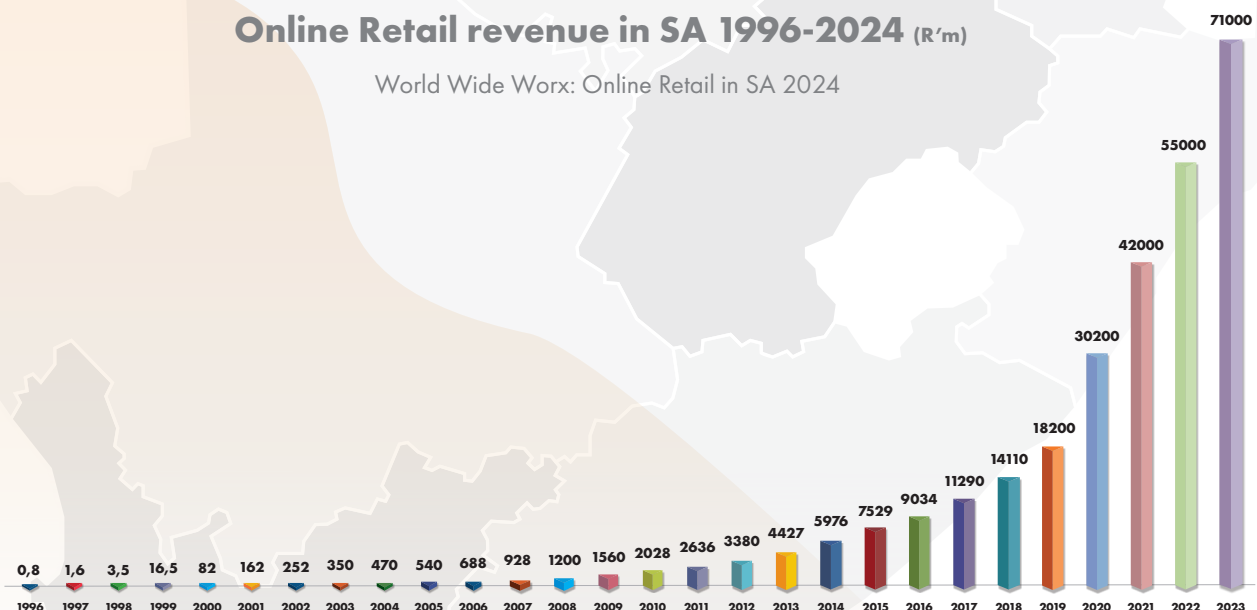
Online retail in South Africa reached R71-billion in 2023, shooting past 5% of total retail, according to new research findings released today. It is poised to pass the R100-billion mark by 2026, approaching the 10% mark of total retail.

The total growth for online retail in South Africa in 2023 came to 29%, bringing the total of online retail in South Africa to R71-billion. This comes after 35% growth the previous year took the total to R55-billion in 2022.

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Online Retail revenue in SA 1996-2024 (R'm)

World Wide Worx: Online Retail in SA 2024



Once again, Shoprite Checkers was the star of the online retail stage. While its overall sales grew by 13.9% in the second half of 2023 to R121.1-billion, it reported that its Sixty60 app-based service had “surged” by 63.1% in the same period. A clue to its success lurked in a small item reported in its interim results for the end of 2023: 454-million personalised offers had been sent directly to customers.

Key statistics that help to understand the contribution of this single player to the e-commerce landscape include 4.5-million downloads, making it one of the most widely-used apps in South Africa, delivery fulfilled from 505 stores – marginally ahead of Pick n Pay as the largest e-commerce footprint in the country – and a 10-fold increase in sales since the first half of 2021. Equally significantly, Sixty60 created 9,903 new jobs from 2020 to the end of 2023, providing a clear clue to the success of its 60-minute delivery promise.

The future of online retail in South Africa is also predicated on strategies for sustainable competitive advantage outlined by CEO Pieter Engelbrecht: “advanced analytics capabilities brought in-house to enable precision retailing, and “investment into AI-led pricing and promotion engines”.

The stratospheric growth of Sixty60 was matched by that of other online grocery providers. Pick n Pay reported that online sales in the half-year ended 27 August 2023 leaped by 76.3% year on year, compared to a previous strong jump of 72% in the 2023 financial year. The retail group’s total sales grew by only 5.4% in the same period.

The company attributed online growth to a doubling in its on-demand platforms, comprising both the asap! app and Pick n Pay groceries on Takealot’s Mr D app.

The key to its growth was contained in one sentence in its interim report: “Online execution continues to be ramped up, with 25 000 products now available on asap! and 500 stores (including supermarkets and liquor stores) now on the platform.”

The company also said a “world class AI search engine continually improves customer experience”.

Woolworths reported online sales increased by 47% for the year ending on 23 December 2023, saying it was driven primarily by increased penetration of the on-demand Woolies Dash offering.

For the full year, Woolworths reported profit on food sales of R1.595-billion, representing 13% growth over the previous year. Total food sales came to R22.9-billion, up 8.4% over the previous year. Online sales made up 5.1% of SA sales, which indicates R1.1679-billion online turnover.

While the online growth rates of Shoprite, Pick n Pay and Woolworths were spectacular, it must be borne in mind that they came off the back of massive investments in online systems. At Woolworths, expenses were up 11.1%, driven by a combination of loadshedding and online costs.

This raises three key issues:

- What proportion of total retail is made up by these large players, and therefore what impact does their growth have on the total?
- Were smaller online retailers able to invest at a similar level, and thus grow their online sales at a similar rate?
- Did poorer performance of other major online retailers dampen overall growth?

The third question must be addressed through examining South Africa's dominant online retail service, Takealot, which has previously been estimated to make up as much as a quarter of online sales in South Africa.

The Naspers interim results for the half-year ending September 2023 is probably the best guide to the performance of its Takealot subsidiary. It reported that the Takealot Group saw gross merchandise value (GMV) and revenue grow in Rand value by 15% and 9% respectively, compared to the same period in 2022.

In dollar terms, however, as a result of the weakening of the rand against the dollar between reporting periods, GMV increased by only about 1.57%, from \$700 million to \$711 million. Given an exchange rate of R18.92 to the dollar on 30 September 2023, this made for R13.452-billion turnover in 2023, compared to R12.649-billion (at an exchange rate of R18,07 to the dollar) a year before. This represents turnover growth, in rand terms, of a mere 6%.

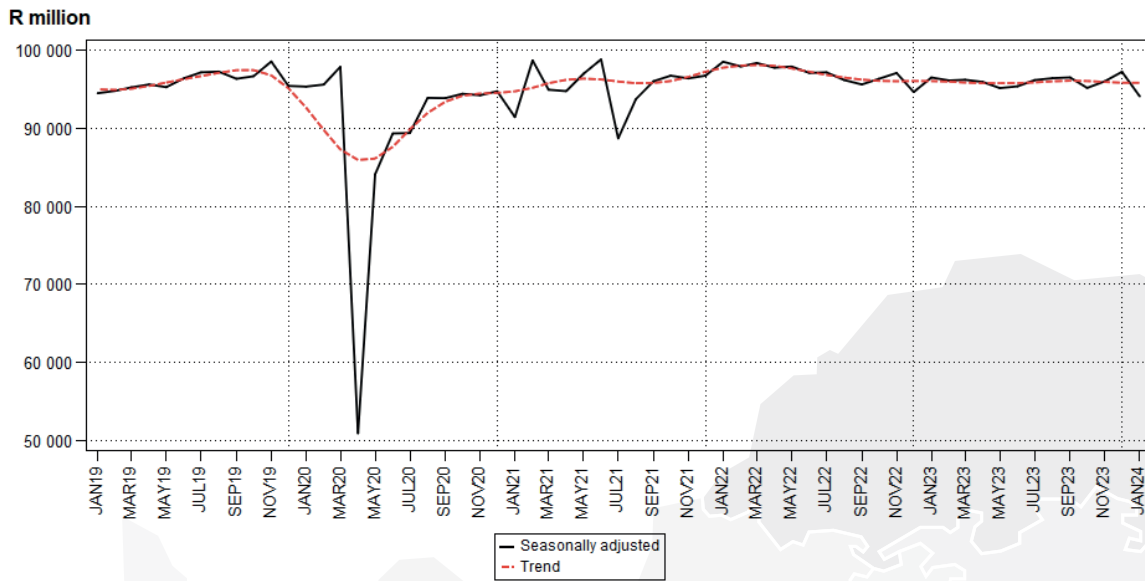
Bearing in mind that the 2022 turnover figure made up 22% of total online sales in South Africa, and the 2023 figure is likely to be closer to the 20% mark, one can then assume that the high growth rate of the three major grocery retailers do not represent an average for the industry. It is likely that, in total, they make up a similar Rand value as the Takealot turnover figure. That suggest the online retail industry average growth rate lies between the 6% mark at Takealot and the 63% mark at Sixty60.

Based on discussions with a range of online retailers in South Africa, who agreed to provide numbers based on them only being used in aggregates, we have established an average growth rate of 29%. This aligns closely with the above assumption.

The World Wide Worx findings are compiled from accumulated figures and projections from listed companies, interviews with unlisted online retailers, and data on card transactions.

Online retail vs total retail

The relentless rise of ecommerce is occurring at the same time as total retail continues to stagnate. Stats SA, in its Statistical Release for Retail Trade Sales for January 2024, reported that total retail for 2023 had reached R1,153-trillion, down marginally from R1,164-trillion in 2022. This represented a 1% decline and marked only the second time this century that total retail had declined. The first was during the pandemic year of 2020. The quarterly graph of retail sales for the past 5 years looks like this, indicating a tight band of total retail runover that only varied significantly during the pandemic:



Online retail sales, however, benefit from a continued shift in shopping behaviour.

A key question the study addresses is what percentage online retail makes up of total retail in South Africa.

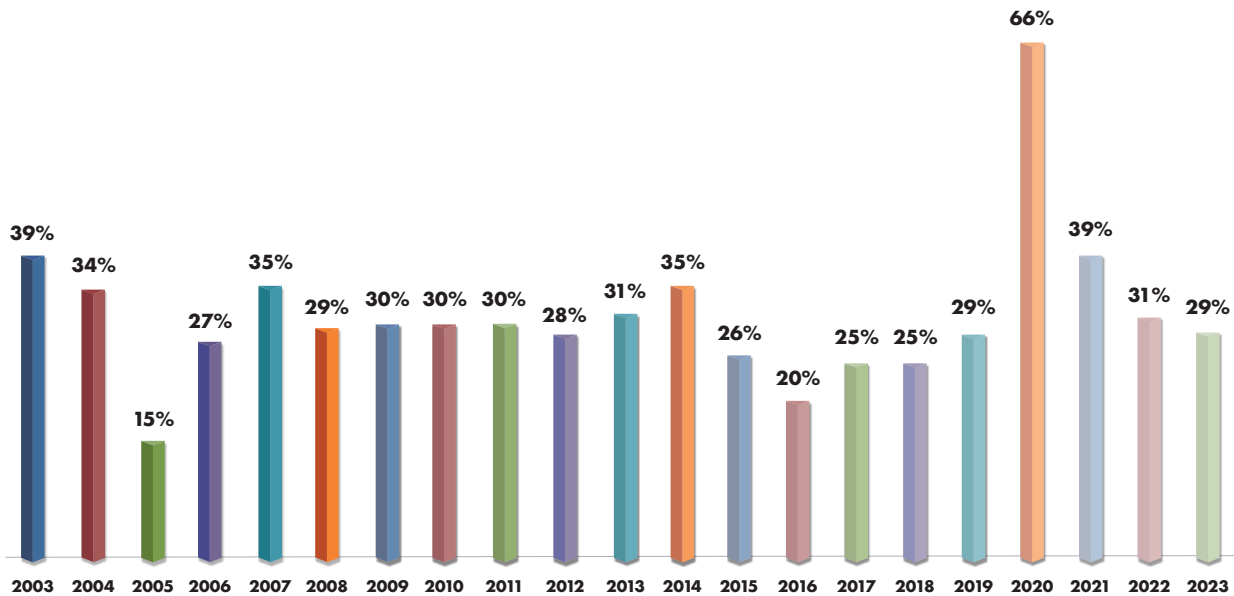
For 2021, the online total of R42,3-billion made up 4% of the R1,166-trillion total, marking healthy growth from the 2.8% recorded in 2020. In 2022, with total retail reaching R1,16-trillion, online retail made up 4.7% of the total.

As forecast in the previous edition of this report, online retail has thus comfortably passed the 5% mark of contribution to total retail, reaching 6.15% of the total.

Based on the continued healthy growth of overall online retail, partly driven by the entry of Amazon.com into the South African market in 2024, we expect that growth will continue at a fairly high rate for the next two years.

The following graph indicates the annual growth rate for online retail in South Africa for the past two decades. It shows that the rate of growth has fallen below 20% only once in this time, when the sector was still in its infancy.

Online Retail year-on-year growth, 2003-2013



As a result, it is not unlikely that the growth will reach or exceed at least 20% during both 2024 and 2025.

This means that we can confidently forecast that online retail will reach 10% of total retail by the end of 2025 or, at the very latest, 2026.

The arrival of Amazon.co.za

The arrival of Amazon.co.za in South Africa on 7 May 2024 was probably the most momentous event in the local e-commerce industry since the launch of Checkers Sixty60 in 2020.

From the initial announcement, it was clear that logistics would be the big differentiator for the newcomer. It declared that a selection of local and international brands across 20 different product categories would be available for both same-day and next-day delivery, along with more than 3,000 pickup points, and an easy return system.

South African grocery deliveries are already world class, with a number of retailers providing 60-minute order fulfilment. However, the broader online retail environment has only slowly caught up to this efficiency, with the biggest providers typically offering delivery the next day or later.

For products fulfilled by Amazon, customers will enjoy free delivery on their first order, followed by free delivery for subsequent orders above R500. Customers will also receive status updates via WhatsApp to track their orders. Amazon.co.za offers “hassle-free returns” within 30 days, with options including home pickup and self-drop. Customer support will be provided via phone, email, and live chat, again setting it apart from major non-grocery retailers like Takealot.

The company said more than 60% of the items sold in its stores globally are from independent sellers, mostly small- and medium-sized businesses, with the implication that the same would apply in South Africa.

“As part of its commitment to connect customers with businesses throughout the country, Amazon.co.za offers independent sellers an opportunity to rapidly launch, grow, and scale, while leveraging the innovative capabilities, valuable tools, and educational content provided by Amazon,” the company said in a statement.

“South African businesses of all sizes can sell their products to customers across the country through Amazon. The company offers independent sellers access to easy onboarding tools, payment processing solutions, and promotional features to help them get discovered by customers, as well as reports and analytics to improve sales.”

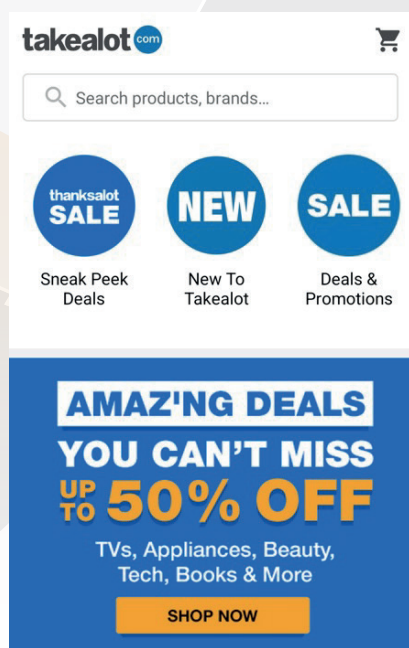
Robert Koen, managing director of Amazon for Sub-Saharan Africa, said that Amazon.co.za was being launched with thousands of independent sellers in South Africa.

Koen said: “Building a strong relationship with South African brands and businesses – small or large – is incredibly important to us. We want Amazon.co.za to be the place where they can reach millions of customers,” added Koen. “Today is only the start of Amazon.co.za. We will continue to improve and enhance our shopping experience to serve customers and sellers across South Africa.”

While many users on the first day noted a limited range of items available in some categories, it appeared to be a way for Amazon to gauge where the greatest demand lay for additional products and categories.

However, Amazon’s entry is likely to have an immediate impact on the South African online retail landscape, as it brings several thousand small retailers into the online space that were not there before, or didn’t have access to a significant online audience.

It has also instantly spurred Takealot into action, with special offers appearing on that site within hours of Amazon.co.za going live, including a pun on Amazon brand (see below):



In short, it has enhanced retailer access, and it has increased competitive behaviour. Over the coming 7-and-a-half-months, we can expect it to add a few billion rand to the total online retail pie in South Africa. It will also have been shown to transform the logistics industry in South Africa, as courier and warehousing services ramp up to meet the additional demand created, as our exclusive interview with Koen (below), conducted within hours of the launch, suggests.

Amazon.co.za is also likely to have a more sustainable impact on the online retail landscape than the likes of low-cost international ecommerce sites like Shein and Temu. For a time after its launch in South Africa in 2020, China-based Shein was a dominant brand in discussions of online retail in this country. In 2023, it was the most downloaded shopping app on the Google Play Store in South Africa.

After the National Clothing Retail Federation of South Africa and the Southern African Clothing and Textile Workers Union filed formal complaints with government, the In March 2024, the Department of Trade, Industry and Competition (DTI) announced that it was investigating Shein for potentially avoiding import taxes. In the United States, a rising tide of sentiment against Shein included increased customs screening of low-value parcels that had previously escaped scrutiny due to falling below import duty thresholds. This has been seen as a means for Shein to scape import duties.

The sentiment included widespread belief that Shein was using forced labour to keep its costs low. This prompted Shein executive chair Donald Tang to tell employees it was stepping up efforts to keep products of forced labour off its site. He said Shein also planned to increase its compliance team by 50%, and boost spending on supply chain vetting services by 50%.

This forceful approach appeared to be a response both to governance concerns and to widespread abandonment of the brand by customers who had become uncomfortable with its rumoured practices.

These scenarios have set the scene for the entry of the newest global low-cost e-commerce brand into South Africa, namely Temu. It was launched in 2022 by PDD Holdings, which owns Chinese online commerce platform Pinduoduo. It offers a wider range of products than Shein, at a far lower cost, again prompting concerns about forced labour or child labour.

However, a US government report was able to point only to an “extremely high risk of forced labor contamination within Temu’s supply chains”. In the absence of actual evidence of such practices so far, it has made major inroads into online retail in 49 countries at the time of writing, including the United States and South Africa.

It entered the South African market on 17 January 2024, and within three months had become the most downloaded app in South African app stores, on the back of massive advertising on Google and Facebook.

Low-cost Chinese suppliers like Wish and Gearbest have declined in popularity after also making a massive initial impact. As their prices normalised from subsidy-driven bargains, and poor product quality was found out over time, they became part of the background noise of e-commerce. Will the same happen to Shein and Temu?

Their strategies are likely to have been honed by such case studies. However, their presence in the local market is not supported by the kind of supplier-based ecosystem pioneered here by Takealot – based on the Amazon.com model – and now likely to be driven by Amazon.co.za.

There is no chance of Amazon, too, disappearing into the background noise of e-commerce.



Q&A with Robert Koen, managing director of Amazon for Sub-Saharan Africa

Interview with Arthur Goldstuck on Amazon.co.za launch day, 7 May 2024.

AG: Firstly, congratulations on the launch of amazon.co.za. It's been a long time coming.

RK: Very, very exciting. I'm so excited for South African customers. And especially also the small businesses. It's an exciting day. So we're glad to have the store out.

AG: The first thing that I noticed about the announcement was the amount of pickup points you're going to have, and also the options of a same day delivery and next day delivery. So this looks like logistics is going to be the big differentiator. Is that correct? And how are you making that logistical achievement possible?

RK: It's part of the puzzle. Having a great selection of products, having great prices, but then also that customer experience. So we will be offering same-day and next-day, and then also providing the option for our customers with these 3,000 pickup points. It really provides a lot of convenience for any South African shopper, whether it's home delivery, or whether it's going to those pickup points, it's up to them to choose. But I think what is going to be unique, is what you see in Amazon in most countries where we operate, is that delivery promise. Before you even add something to your basket and start the checkout process, you can see when that item would be delivered. And that's clearly very important for South African customers. You want to know when it's going to be delivered, and you know what that promise is. That's going to be a unique feature for the country.

AG: What is your logistics infrastructure that makes this possible?

RK: Part of the network is we've got two fulfilment centres, one in Johannesburg, one in Cape Town. We are using third parties, very, very experienced third parties for the delivery. They've got a lot of experience of doing this for many years in South Africa and know the unique conditions within South Africa. We've been working with them very, very closely to make sure we can deliver on this.

AG: Are you able to name your logistics partners?

RK: Yes. One is DPD Laser, and the other is the Courier Guy. So those are the two delivery partners.

AG: Interestingly, the Courier Guy has been one of those entities that has transformed logistics in South Africa, and they just had a massive investment. Was that part of the motivation for using them?

RK: We started the relationship before they were acquired. So before any investment. But we worked hard to assess the capabilities of different partners. And as you mentioned, there is some good innovation, and they do have a great reputation within the country, as do DPD Laser.

AG: Are they having to expand their own infrastructure and employ more people to deal with your demand?

RK: That's probably a question best put to them. But we certainly do expect, and we have been forecasting with them what we expect volume-wise and demand wise, (that they are) preparing for that investment and preparing for that demand. But how those investments are structured, I think that's probably best to ask them.

AG: Are your fulfilment centres going to be used purely for transiting product, or will you also stock inventory in the centres?

RK: Inevitably, we do stock inventory. There are two components to it: the products that we are selling ourselves; but we also make available what we call Fulfilment by Amazon, to our third party sellers. What you will also be aware of is that in most countries, and actually around the globe, more than 60% of the units that we sell in the online store are actually other businesses, and a lot of those are small businesses. We provide to them the ability to send their inventory into the fulfilment centres; we can store that inventory for them. It's actually pretty compelling because if you think of a business, you're great at the product side, and you want to focus on the product, but don't want to be on the call to, as soon as you get an order pick, pack, fulfil the order. So we do that for them. So we do expect an influx of seller inventory, but also own inventory. Inevitably there will be inventory stored in those two centres.

AG: Looking at the site itself, the initial range looks quite small. And in fact, some of the categories don't have any products in them at all. What is the strategy here in terms of scaling up?

RK: First off, I don't think it's necessarily true that it's small selection today. We are offering 20 categories. And we've gone pretty deep in the selection that is in those different categories, including many of the brands that we know South Africans love so much, Apple, Samsung, Lego. But we've also got quite a few of the local brands. I mentioned sellers, but some of those seller brands are unique, selling online for the first time within the store. Then we're bringing some international selection in as part of that offering.

So there is selection that may not be immediately obvious. But, once you start browsing and start looking around or searching, there's quite a bit to discover there. But this is the beginning. It's our first day in operation. You will see new products being added every single day and the team's hard at work. The other relevant point to that is we've had a great response from sellers, thousands of sellers have completed their registration and are going through the process of listing their products. Quite a few of them are waiting for us to launch before they go through listing, so you'll see a lot of those sellers starting to list their products and that selection become available. Keep an eye on the site and you'll see new selection being added every day.

AG: How rapidly will you scale up in terms of the proportional increase in products over the first few weeks or months?

RK: I don't think I could put a specific velocity on it, because we're working with these vendors, working with the sellers. Very often it's dependent on how quickly we can get their inventory in and how quickly we can activate certain other product families. But we will be adding. Again, watch the space, you'll see quite a bit of additions over the coming days, weeks, months.

AG: Do you have some kind of number of what is your target for taking a share of the online retail market in South Africa?

RK: We really don't look at it as a share game. We are much more focused. Our primary objective is to be the most loved and trusted store in South Africa. That is the benchmark. Part of that, I've always said, we know when we've been successful, when you've got maybe someone who's not used to shopping online, who's living in a very rural area, who wants to buy something for a family member, who knows that Amazon is a trustworthy place, where your payment is safe, you've got easy returns if you're not happy with the product. When we can start having them buy on the store, that's when we'll know that we're really starting to resonate within the country as the most loved and trusted store.

AG: It's an ambitious target, which is probably the mission statement of many organisations. How do you become the most loved store? What is your strategy specifically for that? Different from what others are doing?

RK: What we've learned is there are three really key pillars that are important to our customers. The first being product selection. It is super important that we have a broad selection of products, products that are not necessarily available anywhere else. But having that selection, great brands, even unusual things that may not be that easy to get hold of across the country, is the first pillar.

The second is offering great value for money, good prices. We want customers to know that every time they come to the store, they're going to find good value prices, they don't have to go shopping around and do price comparisons, they will find great prices on Amazon all the time.

The third piece is just that customer experience: same-day or next-day delivery, easy, convenient pickup points, easy returns. The piece that we're quite excited about is offering customer support in South Africa, with real live agents, real people who are there ready to answer the phone. I'm not sure if you've noticed yet but there's a button that you click on and it says "Call me". It's not like, "call me in a day or seven days or whatever". We will call you almost immediately. There is an agent. The other cool part of this is that the agents are South African, sitting in South Africa, ready to answer the calls. Many of them will have other language skills, you're going to be able to speak other languages. That's also pretty unique. So that whole experience. It's back to great selection, great customer experience, and then just great everyday prices. And we know that formula works very well in every country where we operate.

AG: That raises an interesting question around the call centre or support centre set-up that you're using. Is it the same that Amazon has been using from Cape Town all the years for its international support?

RK: Yes, it is the same team. We're super lucky in that sense where we've got some very skilled agents, who know the business very well. And yeah, it's exciting to just expand and be able to tap into that team.

AG: So that must have been a fairly easy retrofit for that particular element of the operation?

RK: Yes, but what we have strived to do throughout is (to understand) the many unique things about South Africa. Fortunately, those agents understand South African culture and it's a very diverse group of people that we've recruited. Just understanding some of those nuances and some of the changes that we've had to make to the site. So there's a lot of preparation that's gone into that as well.

AG: Can you tell me if Amazon is going to add additional categories besides what's already up there? I'm thinking specifically of alcohol, which is a big category item for your biggest competitor?

RK: Yeah, we definitely will be adding additional categories. But there's nothing to announce today around what categories and what the timing is around those. We put a high emphasis on listening to the customer and getting feedback. So we are listening very, very carefully to what they're saying about the store, what they looking for, that they're not finding, and then using that just to prioritise where we place our focus next.

AG: Are you going to take on competitors with price undercutting? For example, you may have noticed that a certain organisation on its app today announced 50% off on "Amaz'ng deals". Would you compete on that level?

RK: We face strong competition in every country where we operate. And so that's to be expected. But I think Amazon's a little bit different in how we approach it. We definitely do not obsess about what our competitors are doing. We're very, very focused on our customers. It's been a successful formula for us in every country, just really obsessing about "how can we improve the experience, what are the things that we can do that would help our customers, and really just working extremely hard every day to earn their trust? We don't want to get distracted by what competitors are up to.

AG: Can you give us an insight into what Amazon has invested in its online retail operations and what it plans to invest in future?

RK: You probably know better than anybody else that Amazon has been here for 20 years already. And you've seen the investments that we've made as Amazon in the country, billions of rands worth of investments and ongoing investments, investments into solar plant up in the Northern Cape, skill centres, etc. It's early days for the stores business. But we've got a strong track record of investment, of hiring locally, I've got a lot of open positions and we're excited about the great talent that we're finding already. But you can't put a finger on that today. It's just too early for that.

2. Online retail industry survey



Keep thinking bigger

Rahul Jain, CEO and co-founder of Peach Payments

When we started Peach Payments 12 years ago, we challenged conventional thinking by developing infrastructure for digital payments that could help build businesses in a world where merely accommodating an online credit card payment was technologically challenging.

We needed to help companies think bigger to ensure their and our growth by helping them to create new customer experiences (think subscriptions and one-click checkouts) and navigate day-to-day challenges.

Since then, South African consumers have learnt to trust online shopping and pay with their cards online. We've made alternative payment methods available and we're seeing rapid take-up for them. The local market also solved the logistics challenge that plagued the ecommerce sector for years - namely how to get goods to customers rapidly, and affordably. The market here has matured to the extent that big players like Shein, Temu and Amazon have come to participate.

This World Wide Worx Online Retail in South Africa 2024 report shows how far the industry has come and highlights critical trends shaping ecommerce in South Africa.

The key findings around payment gateways show:

- 1. A rise in alternative payment methods.** We are now seeing broader adoption of alternative payment methods, in line with changing user behaviour. Enterprises' most used alternative payment methods are vouchers (61.4%) and Buy Now Pay Later (47.4%). Digital wallets are on the rise, with 36.8% of merchants currently using Apple Pay and/or Google Wallet. These findings underscore our decision to continue to add new payment methods to our infrastructure as they become available
- 2. Cart abandonment remains a significant challenge** for enterprise-level online retailers. Leading causes include credit card declines, which account for 52.2% of these incidents. This is why Peach Payments has a dedicated payment performance team that proactively identifies the reasons behind payment declines and works with participants across the industry to improve transaction outcomes and merchants' conversion rates.

3. Trust, security and stability are key factors when choosing a payment gateway. Both trust and security are consistently rated highly across all company sizes, with an average rating of 4,9 or 5,0. Regardless of company size, businesses prioritise payment gateways that offer high levels of trustworthiness and security.

Peach Payments has a dedicated risk team that proactively identifies security issues for this reason. We also streamline compliance, uphold rigorous PCI standards, and enforce advanced security measures like 3D Secure and tokenisation.

The stability of the system and failovers also received high ratings across all company sizes, ranging from 4,6 to 4,9. This finding aligns with our experience that businesses value payment infrastructure that ensures uninterrupted service and has robust failover mechanisms in place. Hence our dedicated payment performance team ensures uptime and reliability, and we've been there every step of the way during peak periods such as Black Friday.

4. Customer service ranks as the most important factor contributing to the success of online retail activities among respondents, at 73.9%. For merchants to be able to deliver this level of customer service, they need dedicated and priority support themselves. This is why Peach Payments has flexible integration options for merchants of all sizes onto our enterprise-grade payment gateway, and also offers year-long support via phone and email. By way of example, during COVID-19, we were one of the few providers with active phone lines - a testament to our unwavering commitment to accessibility and human connection.

Much like our approach to jointly sponsoring this research with Mastercard, we take a consultative approach to ecommerce and are committed to enhancing merchants' online presence and success.

Keep thinking bigger for your continued success,

Peach Payments is a fast-growing African payment solution provider (PSP) that makes online commerce and digital payment acceptance easier and more accessible across Mauritius, Kenya and South Africa. For more information, visit peachpayments.com.



Key findings

Industry research undertaken as part of the Online Retail in South Africa 2024 study highlights the importance of understanding consumer preferences, investing in robust payment processing solutions, prioritising customer service, and embracing digital marketing strategies to succeed in the competitive landscape of online retail. Additionally, tailoring strategies and technologies according to company size can help businesses optimise their operations and capitalise on growth opportunities in the dynamic ecommerce market.

Key findings from the survey include:

Payment gateways

1. Payment Processing Usage and Satisfaction:

- There's a high level of satisfaction with payment gateways; 86,6% of respondents are either Satisfied or Very Satisfied, highlighting the effectiveness and reliability of these services.

2. Payment Methods Utilisation:

- Credit and debit cards are universally accepted (100%), followed by Electronic Funds Transfers (EFT) at 96%. Other methods like payment links and vouchers are less common, and newer options like Buy Now, Pay Later and mobile wallets are gradually being adopted.

3. Factors in Choosing a Payment Gateway:

- Security (91%) and trust (90,6%) are the top factors considered when selecting a payment gateway. System stability, pricing, user experience, and ease of integration are also important but to a slightly lesser degree.

4. Challenges in Business Operations:

- The most significant operational challenges are payment failures (18,2%) and managing customer queries and complaints (16,8%). Refund management also present notable challenges.

5. Cart Abandonment Issues:

- A major issue for cart abandonment is declined credit cards (52,2%). Concerns over the security of credit card information, and complicated checkout processes are also significant factors leading to abandoned carts.

Success factors

6. Importance of Sales Events:

- Sales events like Christmas and Black Friday are deemed Very Important by most respondents, indicating their critical impact on business performance. Lesser events like Back-to-School and Valentine's Day are also significant but to a lesser extent.

7. Online Retail Success Factors:

- Customer service is paramount to online retail success, with 73,9% emphasising its importance. Stock availability and a wide range of quality products are also crucial, while competitive pricing and personalisation of offers are less critical.

8. Importance of marketing activities to the success of online retail activities:

- Digital marketing strategies are vital, with 94,5% favouring email, social media, and paid digital media. Search engine marketing and influencer marketing are also important but less so compared to direct digital marketing efforts.

9. Technological Adoption:

- In-store payments remain popular, used by 69,2% of companies. Other strategies like delivery to less urbanised areas and physical collection points are also commonly employed. Advanced technologies like AI and virtual reality have not yet seen widespread adoption.

10. Financial Performance and Expectations:

- Most sites are profitable, with a significant portion being very profitable. Revenue from e-commerce is substantial, especially for those fully operating online. Expectations for growth in 2024 are overwhelmingly optimistic, with many anticipating more than 100% growth.

11. Industry Growth Outlook:

- The outlook for the online retail industry over the next five years is predominantly optimistic, with a Very Optimistic perspective held by 63,2% of respondents, reflecting confidence in the ongoing growth and expansion of the sector.

Methodology

technology decision-makers from over 200 retailers across South Africa. The primary objective of these interviews was to gain insights into the landscape of online retail in the region and to understand the factors that influence online retailers when selecting a payment gateway.

Sampling Procedure: The sample for this study consisted of retailers ranging from small enterprises to larger corporations. The respondents were selected based on their status as technology decision-makers within their respective organisations.

Data Collection: The interviews were conducted using online surveys conducted via phone calls (the interviewers captured the telephonic responses in an online platform). This method allowed for efficient data collection while ensuring flexibility for respondents to participate at their convenience. The structured survey format facilitated the collection of standardised data across all interviews, enhancing the comparability of responses.

Respondents: All respondents included in this study represented merchants that used payment processing gateways. These individuals were identified based on their roles and responsibilities within their organisations, specifically focusing on their involvement in decision-making processes related to online retail and payment gateway selection. Throughout this report, they are referred to simply as “respondents”.

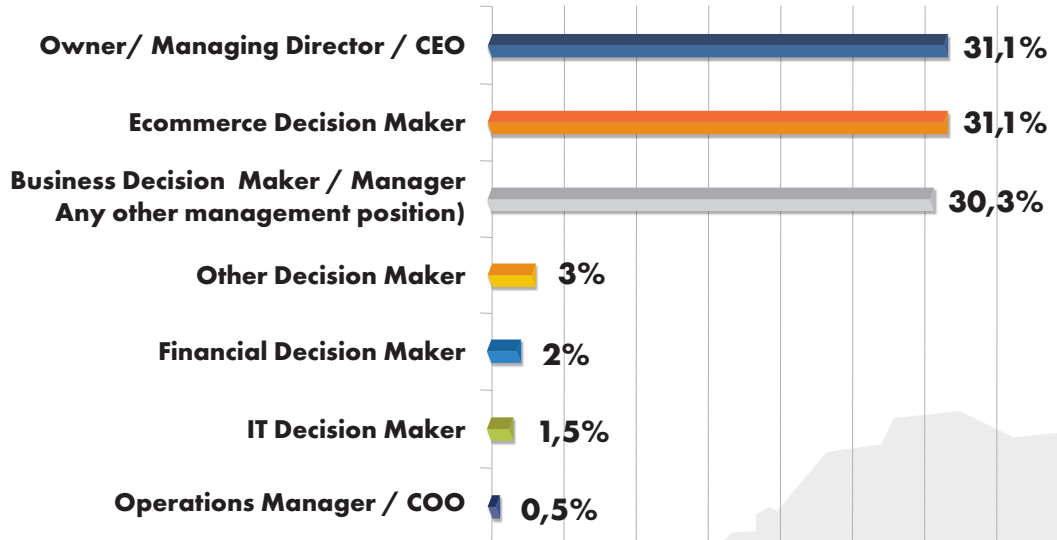
Ethical Considerations: All participants were assured of confidentiality and anonymity, and their responses were used solely for research purposes. Informed consent was obtained from all respondents prior to their participation in the study, and they were provided with the option to withdraw from the survey at any point.

Overall, this methodology aimed to gather comprehensive insights into the factors influencing online retailers' selection of payment gateways in South Africa, and factors in their success. The resultant findings are expected to provide valuable information for businesses, policymakers, and other stakeholders in the ecommerce ecosystem.

Respondents

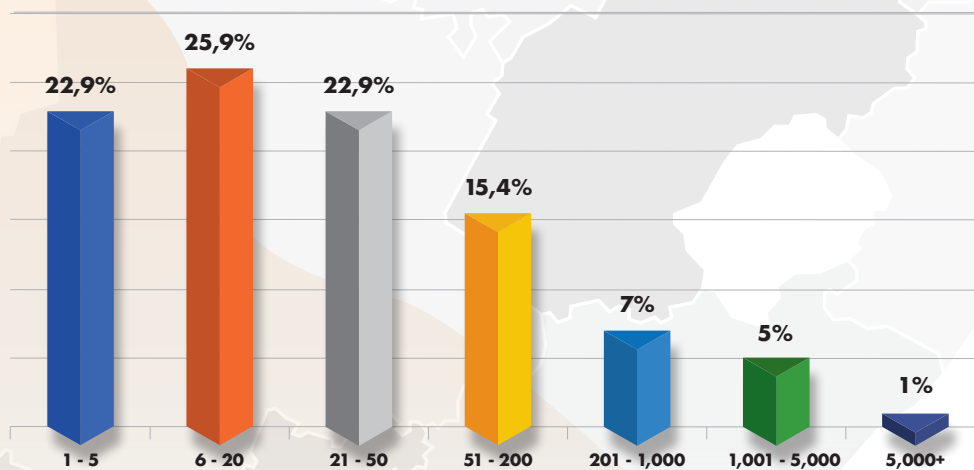
Position in company

Position in company



Company Size

Company Size

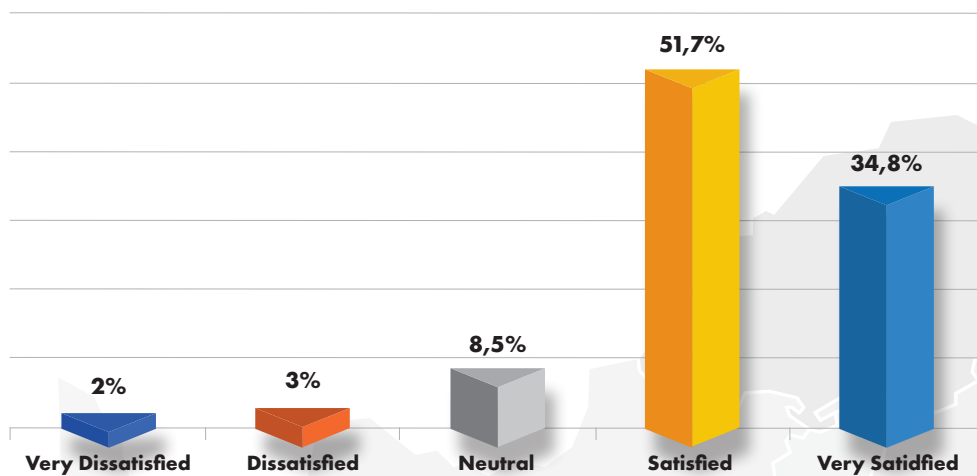


2a. Payment gateways in South Africa

Current payment processing gateway/ satisfaction

A vast majority of respondents express positive satisfaction with their current payment processing gateways, with 86,6% indicating they are either Satisfied (51,7%), or Very Satisfied (34,8%). This high level of contentment underscores the effectiveness and reliability of the payment gateways in meeting user needs.

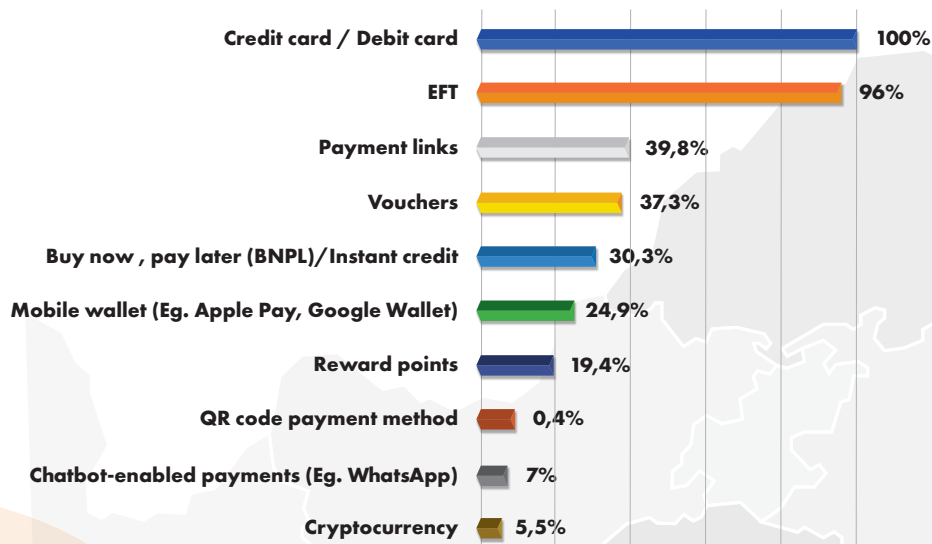
Current payment processing gateway/s satisfaction



Payment methods currently using or intend to use in 2024

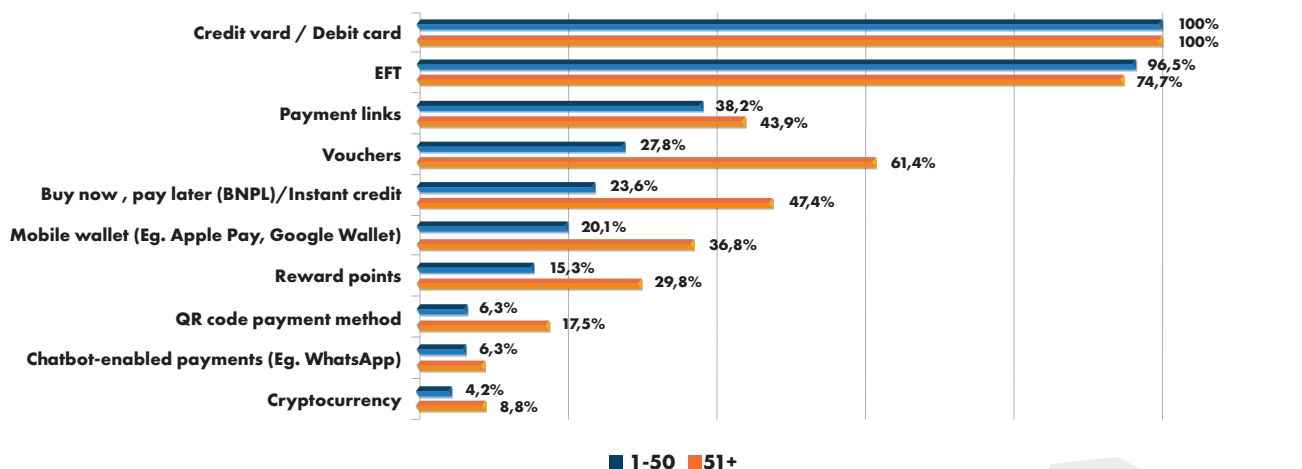
Credit and debit card transactions are universally accepted, with 100% of respondents using these methods, followed closely by Electronic Funds Transfers (EFT) at 96%. These methods dominate due to their widespread adoption and ease of use. Other payment methods, however, are less commonly used: Payment links (39,8%), and vouchers (37,3%). The Buy Now, Pay Later (BNPL) option or instant credit is chosen by approximately one-third of the respondents (30,3%), and mobile wallets are used by about a quarter (24,9%). This indicates a more selective adoption for these less traditional payment methods.

Payment methods currently using or intend to use in 2024



Payment methods according to company size

Payment methods, by company size



A clear preference for traditional and modern payment technologies depending on the scale of the business was shown in the findings. Credit and debit cards maintain a consistent usage rate of 100% across all company sizes, underscoring their essential role in business transactions. Electronic Funds Transfer (EFT) is also highly favoured, with nearly universal acceptance.

As businesses grow, there’s a notable increase in the use of digital payment methods. Vouchers are more prevalent in larger companies, reflecting a strategic push towards promotional activities and customer engagement.

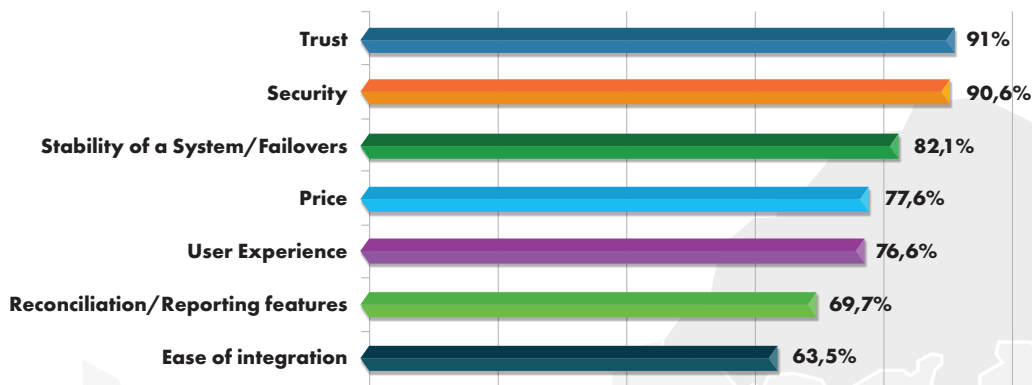
More recent payment solutions like Buy Now, Pay Later (BNPL) and mobile wallets show a pattern of increased adoption in larger firms. Reward points, and QR code payment methods are more commonly used by larger organisations, which aligns with the need for quick service and customer loyalty programs in expansive business settings. Meanwhile, emerging payment technologies such as Chatbot-enabled payments, and Cryptocurrencies, though still less common, are increasingly being adopted by the largest companies, demonstrating a trend towards innovative payment solutions in technologically advanced settings.

While traditional payment methods remain foundational, there is a significant move towards diverse and technologically advanced payment options as companies grow. This diversification in payment methods reflects broader business strategies that cater to a wider array of customer preferences and operational needs in the digital age.

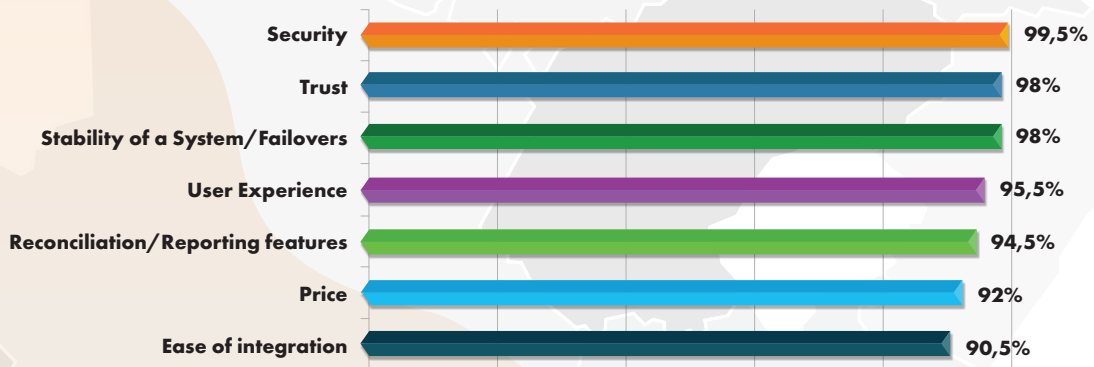
Factor importance when choosing payment gateway

When ranking the factors critical to choosing a payment gateway, respondents overwhelmingly emphasise the importance of trust (91%), and security (90,6%), marking these as Very Important. Stability of the system, including failovers, is also a significant consideration for 82,1% of respondents. Pricing is a major factor for over three-quarters of the users (77,6%), closely followed by user experience at 76,6%. Reconciliation and reporting features are important to 69,7% of respondents, indicating robust demand for effective management tools. Lastly, Ease of integration is deemed important by 63,5% of respondents, highlighting its role in choosing a payment gateway but with relatively less emphasis compared to other factors.

Proportion that say factor is Very Important when selecting payment gateway



Proportion that say factor is Very Important or Important when selecting payment gateway



An overwhelming majority of respondents consider several key factors as either Very Important or Important when choosing a payment gateway, with all these factors receiving scores above 90%. The top three factors—Security, Trust, and the Stability of the system including failovers—are each rated close to 100%, underscoring their critical role in the decision-making process. These priorities highlight the paramount importance of reliability and safety in payment transactions.

Factor importance for payment gateways according to company size

Across all company sizes, Trust and Security receive exceptionally high ratings, indicating a universal emphasis on these critical aspects.

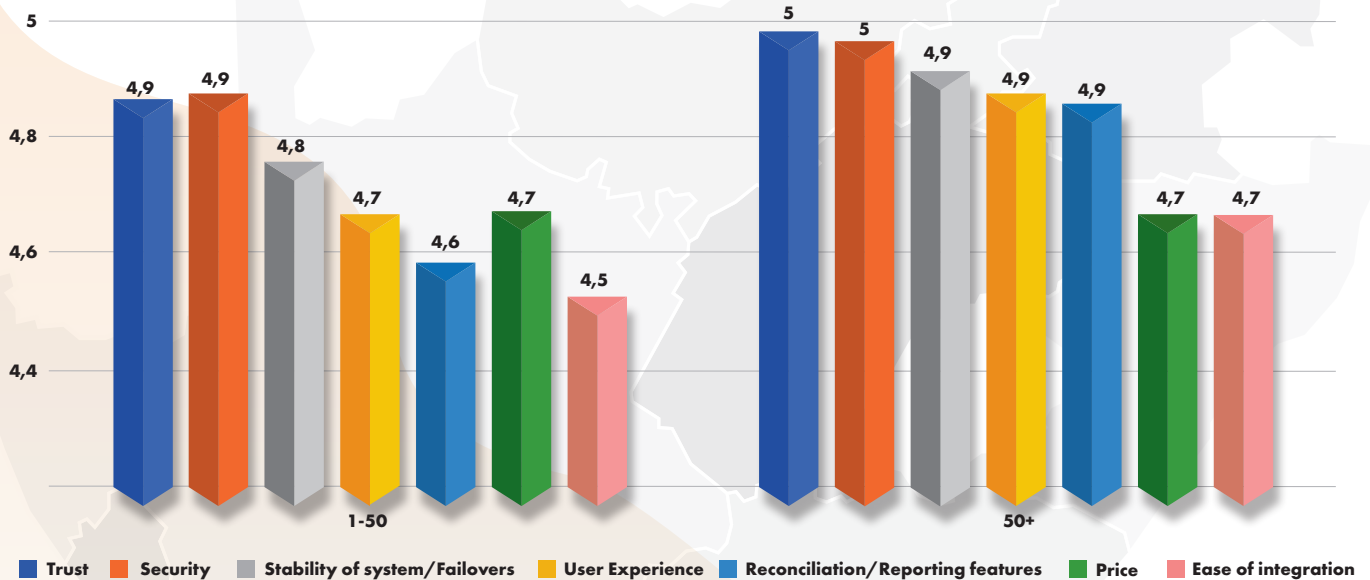
Stability of systems is a critical factor and generally receives high ratings, although there is a slight variation based on company size. This data points to the importance of scalable and stable systems that grow in reliability as companies expand.

User Experience is closely aligned with System Stability in its ratings.

Reconciliation/Reporting features sees varied ratings, with companies with less employees finding it to be less important, while larger entities may have more sophisticated reporting tools at their disposal.

Larger companies tend to rate all factors higher, likely due to their capacity to invest in better systems, security, and user interfaces. Smaller companies, while generally satisfied, indicate areas for improvement particularly in integration and sophisticated reporting features, which could guide targeted enhancements in product offerings or service improvements tailored to company size.

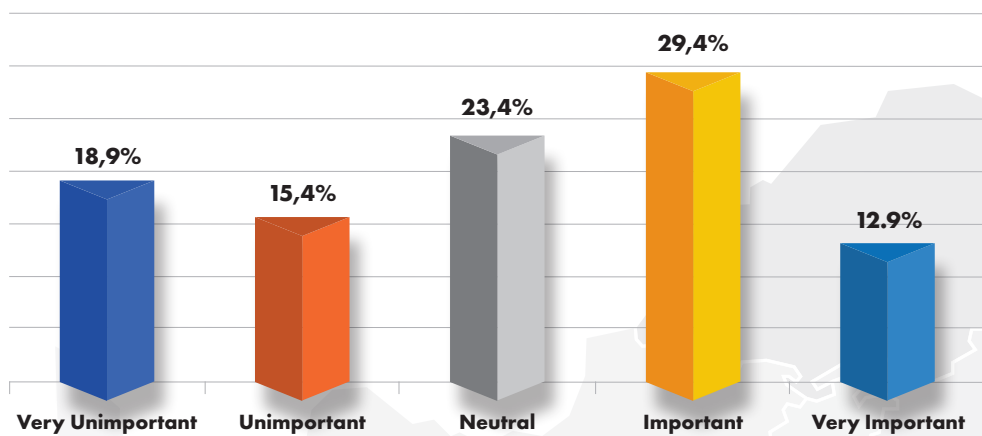
Average 1-5 rating for factor importance when selecting payment gateway, by company size



Importance of payment gateway in supporting multiple currencies

The importance attributed to a payment gateway's ability to support multiple currencies shows considerable variation among respondents. A modest 12,9% consider it Very Important, while a slightly larger group, nearing one-third (29,4%), deem it Important, bringing the combined total to 40,3% who view multi-currency support as a significant feature. Conversely, a significant portion of respondents view it as less critical, with 15,4% labelling it Unimportant and 18,9% considering it Very Unimportant, totalling 34,3%. Additionally, about one-quarter of the respondents (23,4%) hold a neutral stance.

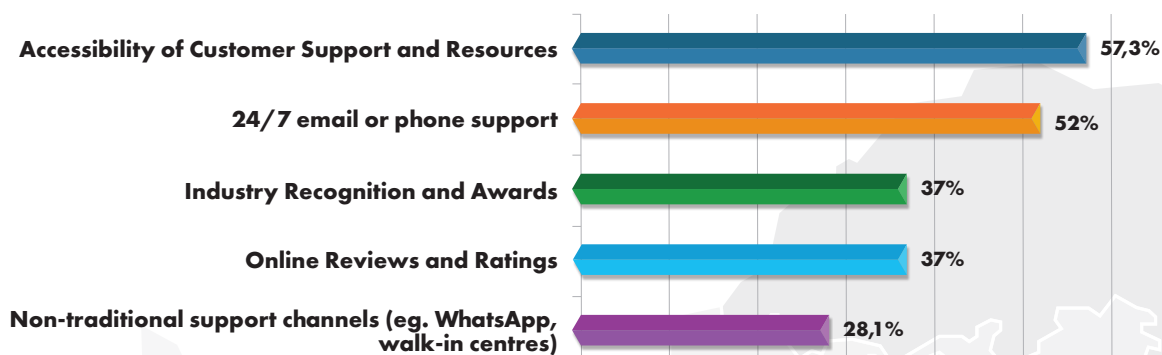
Importance of payment gateway supporting multiple currencies



Importance of factors when trusting payment gateway

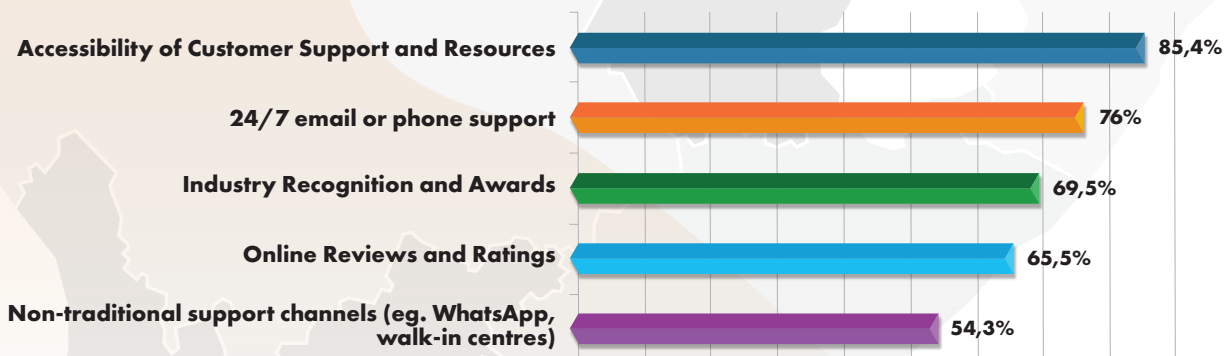
Among factors influencing trust in a payment gateway, the availability of customer support and resources stands out, with 57,3% of respondents identifying it as Very Important. This is closely followed by the availability of 24/7 email or phone support, considered Very Important by 52% of respondents, indicating a strong preference for reliable and continuous assistance. Additionally, industry recognition and awards, as well as online reviews and ratings, each hold significant weight for just over one-third of respondents (37%), reflecting the importance of a reputable and positively reviewed service. Less conventional support options, such as WhatsApp or walk-in centres, are deemed Very Important by 28,1% of respondents, ranking lowest among the surveyed factors but still crucial for a notable minority.

Very Important factors when trusting payment gateway



The same hierarchy observed in the Very Important ratings is reflected when considering both Important and Very Important ratings combined. More than half of all respondents affirm that all the listed factors are at least Important in their decision-making process.

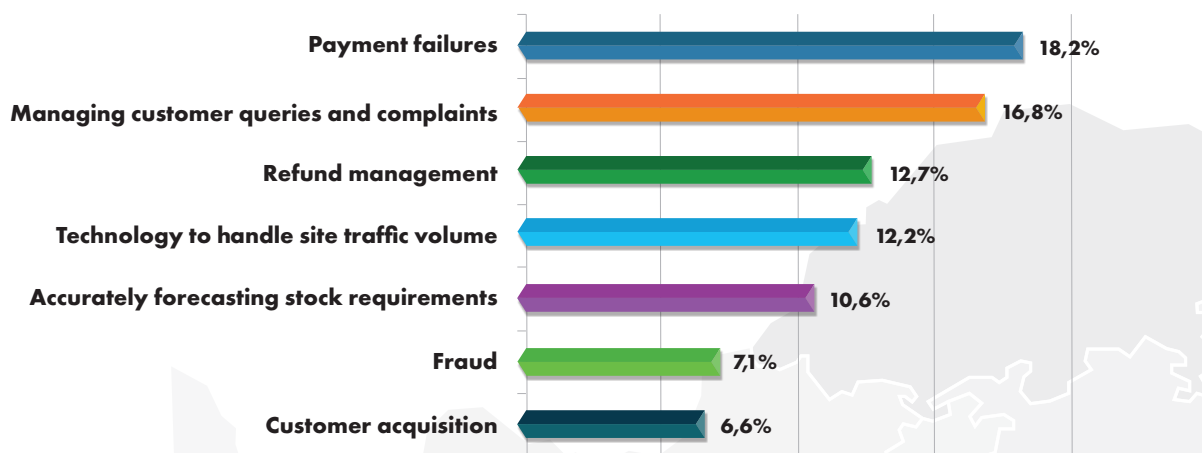
Important or Very Important factors when trusting payment gateway



Challenges facing business operations

Respondents identify payment failures (18,2%), and Managing customer queries and complaints (16,8%) as the most challenging aspects of business operations, with significant proportions finding these areas either Very Challenging, or Challenging. These concerns are followed by Refund management, which 12,7% of respondents find challenging, and the technology required to handle site traffic volume, close behind at 12,2%. Accurately forecasting stock requirements is also a notable challenge for 10,6% of respondents. Less challenging but still significant are issues related to fraud (7,1%) and customer acquisition (6,6%), which are seen as the least problematic areas.

Business operations are Very Challenging or Challenging



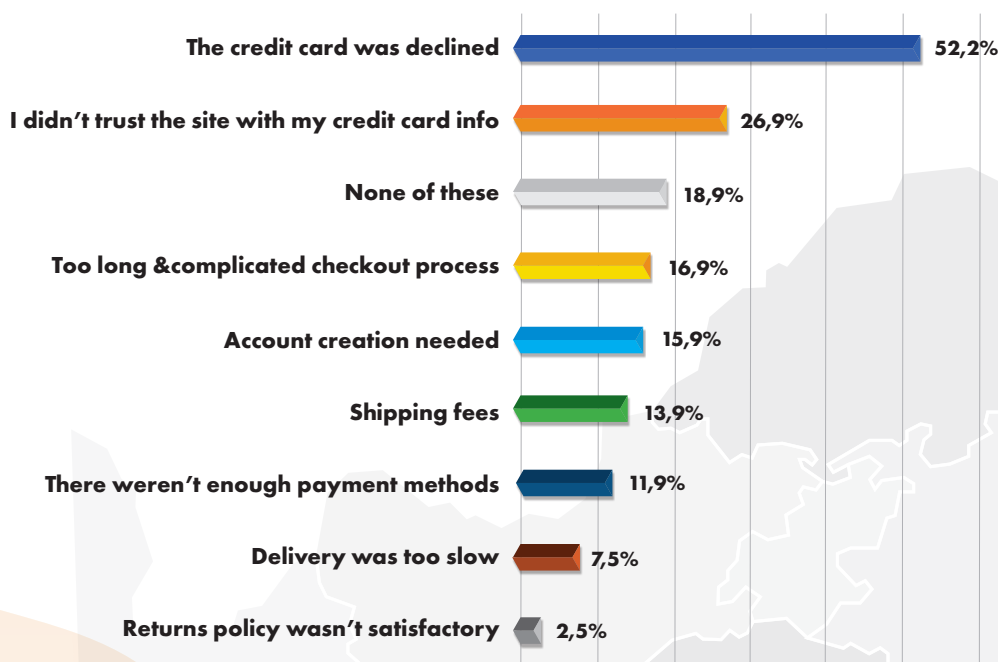
Reasons for cart abandonment

The predominant reason for cart abandonment among respondents is their credit card being declined, which more than half (52,2%) cite as a significant issue. The next most common concern, considerably less frequent yet notable, involves distrust in sharing credit card information with a site, reported by approximately a quarter of respondents (26,9%). A lengthy and complicated checkout process is the third most cited factor, affecting 16,9% of respondents, closely followed by the requirement to create an account at 15,9%. All other reasons were selected by less than 15% of respondents. Interestingly, about one-fifth (18,9%) indicate that none of the provided options are reasons for abandoning their cart.

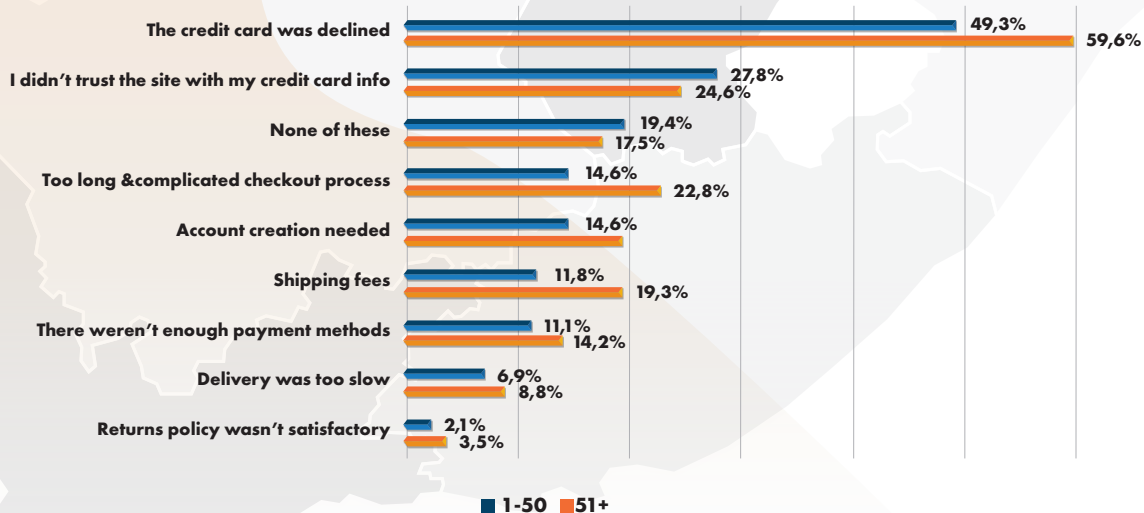
This highlights critical areas where e-commerce businesses can focus their improvement efforts to enhance user experience and increase conversion rates. The predominant issue of credit cards being declined suggests that merchants need to explore more reliable payment processing solutions or provide clearer instructions

and support during the payment process to reduce transaction failures. Additionally, the significant concern about the security of credit card information underscores the necessity for businesses to invest in robust security measures and transparently communicate these protections to build consumer trust. The frustrations associated with a lengthy and complicated checkout process, as well as the requirement to create an account, point to the need for streamlining the checkout experience. Simplifying these processes and offering guest checkout options could help reduce these barriers, keeping customers engaged through to purchase completion. Addressing these key factors effectively could markedly diminish cart abandonment rates and foster a more favourable and secure shopping environment.

Reasons for cart abandonment



Reasons for cart abandonment, by company size



Selling online?

The **top 3** ways to improve conversions



More **payment methods**, more chances to convert:

Industry insight: 37% of businesses are adding mobile wallets as a payment option.

What the experts say: We've seen a 20% higher conversion rate on Apple Pay so think bigger than just card.

Keep **payments smooth** to keep sales going:

Industry insight: Credit card decline is the leading cause of cart abandonment for 52% of retailers.

What the experts say: We enhance conversion success with automatic retry services that switch to an alternative bank during acquirer downtimes.



Keep **customer satisfaction** at the centre of your conversion rates:

Industry insight: A solid 74% of businesses view customer service as a best kept secret to online success.

What the experts say: Our dedicated and priority support team is just a call away, resolving 95% of queries within the first day.

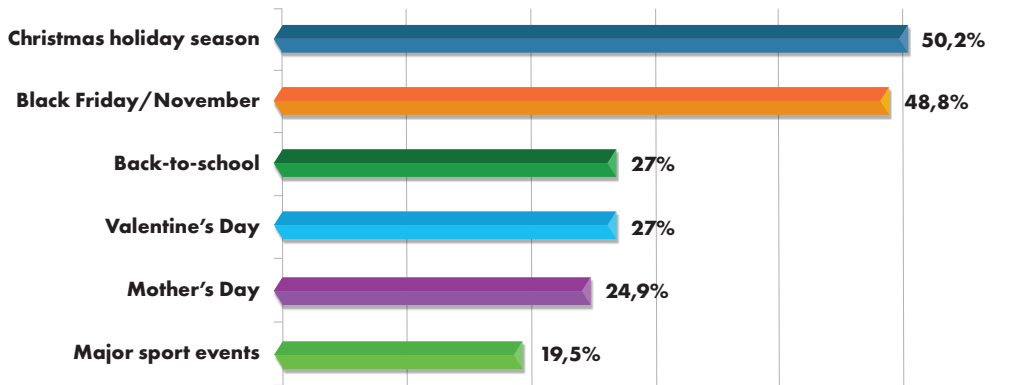
3. Success factors for SA online retail

Importance of events/occasions

The survey results reveal significant variation in the perceived importance of different sales events and occasions among respondents. About half of the respondents consider the Christmas holiday season (50,2%) and Black Friday in November (48,8%) as Very Important for their business operations or shopping activities, underscoring these periods as peak times for consumer spending. In contrast, events like Back-to-School and Valentine's Day are deemed Very Important by a smaller yet substantial portion (27%) of respondents, indicating these occasions still influence significant economic activity. Mother's Day follows closely, viewed as Very Important by nearly one-quarter of the participants (24,9%). Major sports events, although impactful, are seen as less critical, with only 19,5%. These insights suggest a clear prioritisation of traditional retail peaks, with seasonal and culturally significant dates driving the most considerable consumer engagement and spending.

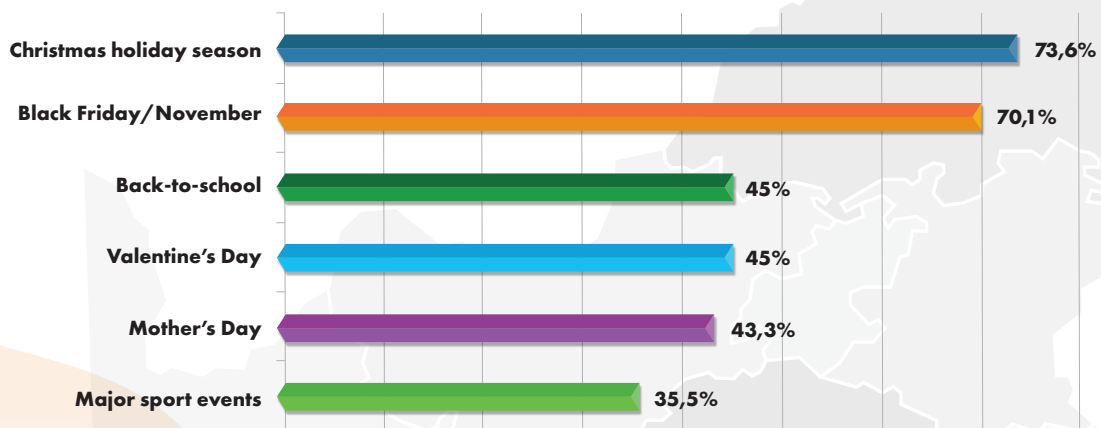


Event/occasion id Very Important



Events/occasions that are ranked as Very Important or Important appear in the same order. The top two by a large margin are Christmas holiday season (73,6%), and Black Friday/November (70,1%).

Event/occasion id Very Important or Important



Important factors to success of online retail actives

There is a clear hierarchy of factors that consumers consider crucial to the success of online retail activities. Customer service emerges as the preminent factor, valued by nearly three-quarters of respondents (73,9%). This indicates that effective communication, prompt responses, and resolution of issues are likely perceived as essential components of a positive online shopping experience. The emphasis on customer service underscores its role in building trust and loyalty, which are critical in the competitive online marketplace.

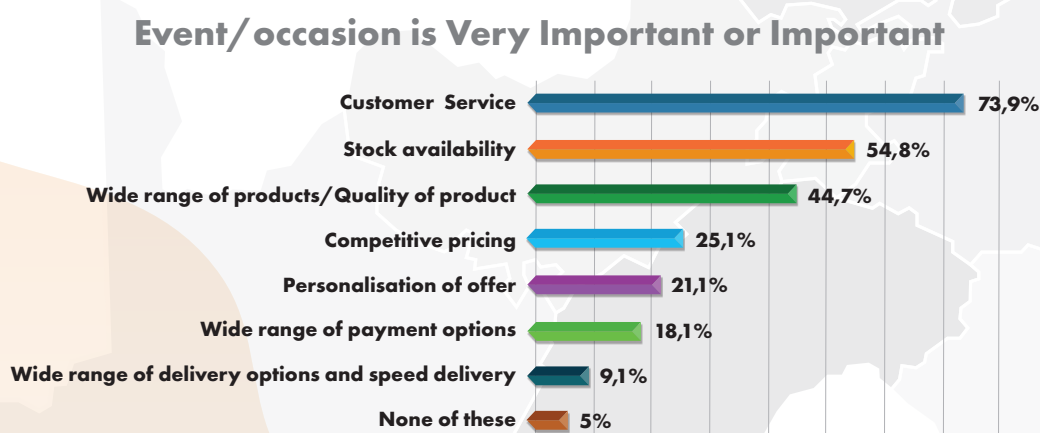
Following customer service, stock availability is considered important by just over half of the respondents (54,8%). This suggests that consumers expect online retailers to have items readily available for purchase. A lack of stock can lead to frustration and may drive customers to seek alternatives, highlighting the need for retailers to manage inventory efficiently and update their stock levels in real-time to meet customer expectations.

The third-ranking factor is the availability of a wide range of products or the quality of the products, cited by 44,7% of respondents. This reflects a consumer preference for variety and quality, allowing them to choose products that best meet their needs and preferences. Retailers that provide a diverse array of high-quality products can differentiate themselves in a crowded market.

Significantly fewer respondents consider competitive pricing (25,1%), personalisation of offers (21,1%), and a wide range of payment options (18,1%) as key to online retail success. While these factors are still important to a substantial minority, they do not hold as much sway as the top three factors. Competitive pricing, though less critical than other factors, still suggests that while consumers are looking for good deals, they might be willing to pay a premium for superior service or product availability.

The least influential factors, according to the survey, are a wide range of delivery options and the speed of delivery, valued only by 9,1% of respondents. This surprisingly low priority could be indicative of a market where fast, reliable delivery has become a standard expectation, or perhaps that consumers prioritise other aspects of the service more highly.

Interestingly, only 5% of respondents do not consider any of these factors important, which underscores the notion that most online shoppers have specific expectations that significantly influence their purchasing decisions. This data is crucial for online retailers, as it highlights the need to prioritise customer service and ensure product availability and diversity to enhance consumer satisfaction and drive business success.



Importance of marketing activities

An overwhelming majority (94,5%) consider a combination of email marketing, social media marketing, and paid digital media to be important for the success of online retail activities. This highlights the critical role that digital presence and targeted online advertisements play in attracting and retaining customers in the modern retail landscape.

Search engine marketing, which involves optimising website visibility in search engine results, ranks as the second most important factor, cited by 38,5% of respondents. This indicates that being easily discoverable through search engines is a significant driver of traffic and sales for online retailers.

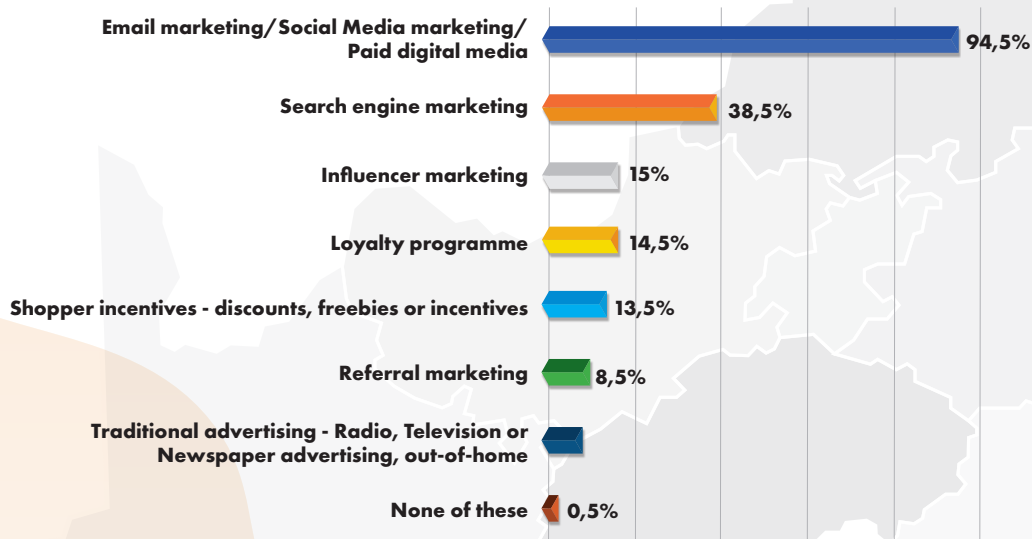
Influencer marketing and loyalty programs are considered important by a relatively smaller segment of respondents, at 15% and 14,5% respectively. This reflects a trend where specific market segments value endorsements by influencers and the benefits of loyalty programs which aim to retain customers by rewarding repeat purchases.

Shopper incentives such as discounts, freebies, or other incentives are also recognised, but by a slightly lesser extent (13,5%). This suggests that while price reductions and promotions are effective, they are less influential than the leading digital marketing strategies.

Referral marketing, and Traditional advertising methods, such as radio, television, and newspaper ads, are among the least impactful according to this survey, valued by only 8,5% and 8% of respondents respectively. This underscores a shift towards digital-first advertising strategies over conventional media.

Only a tiny fraction of respondents (0,5%) believe that none of these marketing strategies are important.

Marketing activities that are important to success of online retail activities



Technologies and strategies used by company

In-store payments are widely used by 69,2% of respondents. This highlights the continued importance of physical stores in the retail ecosystem, even as online shopping grows. Customers value the immediacy and tactile experience of shopping in-store, which is complemented by the convenience of making payments on-site.

Following closely, delivery to townships is used by 53,2% of the companies. This indicates a significant focus on expanding market reach into less urbanised areas, potentially tapping into new customer bases that are not as densely serviced by traditional retail infrastructures.

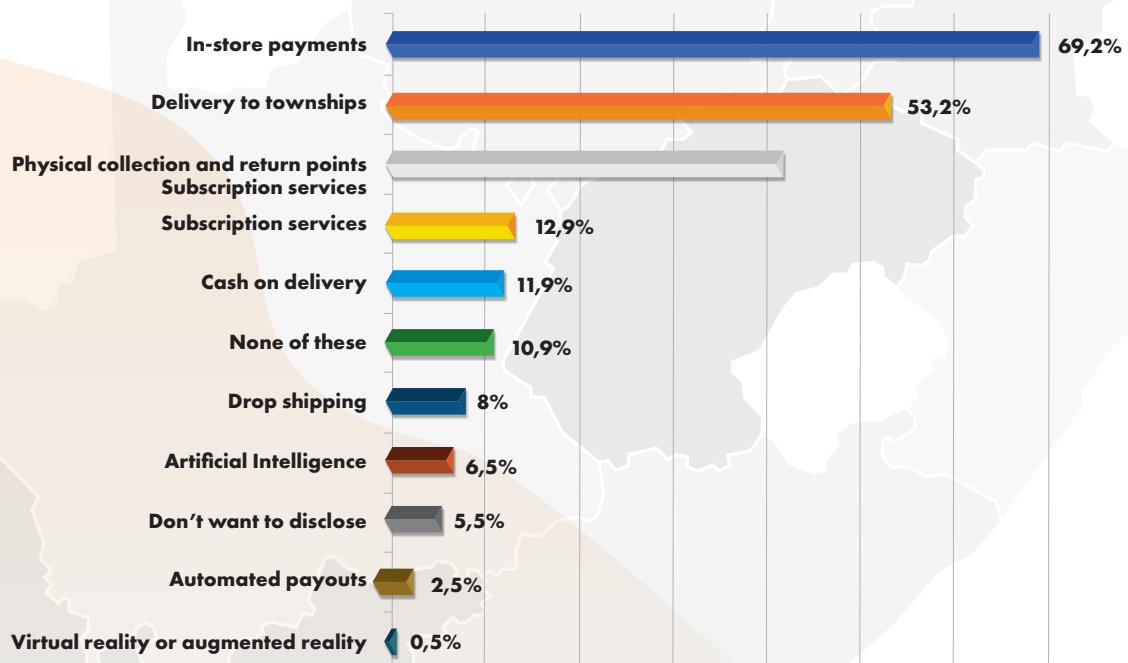
Physical collection and return points are the third most common, at 41,8%. This approach caters to the convenience of online shopping while providing a flexible option for customers who prefer to pick up their purchases or return them physically, which can enhance customer satisfaction and reduce the logistical costs associated with home returns.

Other technologies and strategies like subscription services (12,9%), cash on delivery (11,9%), and drop shipping (8%) are less widely used. These options represent niche strategies that target specific market segments or operational models. For example, subscription services appeal to customers who appreciate convenience and value in regular deliveries, while cash on delivery might be popular in regions with lower penetration of banking services.

Artificial intelligence (6,5%), and Automated payouts (2,5%) are underutilised, suggesting that these advanced technologies are still emerging in terms of broad application in retail settings. Notably, Virtual reality or augmented reality is barely used, at just 0,5%, indicating that while it is a cutting-edge technology, it is not yet seen as central to retail strategies.

Additionally, a notable portion of respondents (10,9%) does not use any of the listed technologies, which could suggest either a reliance on even more traditional methods or smaller scale operations that might not require advanced technological integration. Meanwhile, 5% of participants chose not to disclose their technology usage, reflecting privacy concerns or competitive discretion.

Company uses this technology or strategy



Site profitability

Most strikingly, a large percentage, 46,7%, of the sites report being Very Profitable. This suggests that nearly half are not only successful in covering costs but are also generating substantial profits. This could reflect well-established businesses with strong market positions, effective cost management, or innovative business models that significantly differentiate them from competitors.

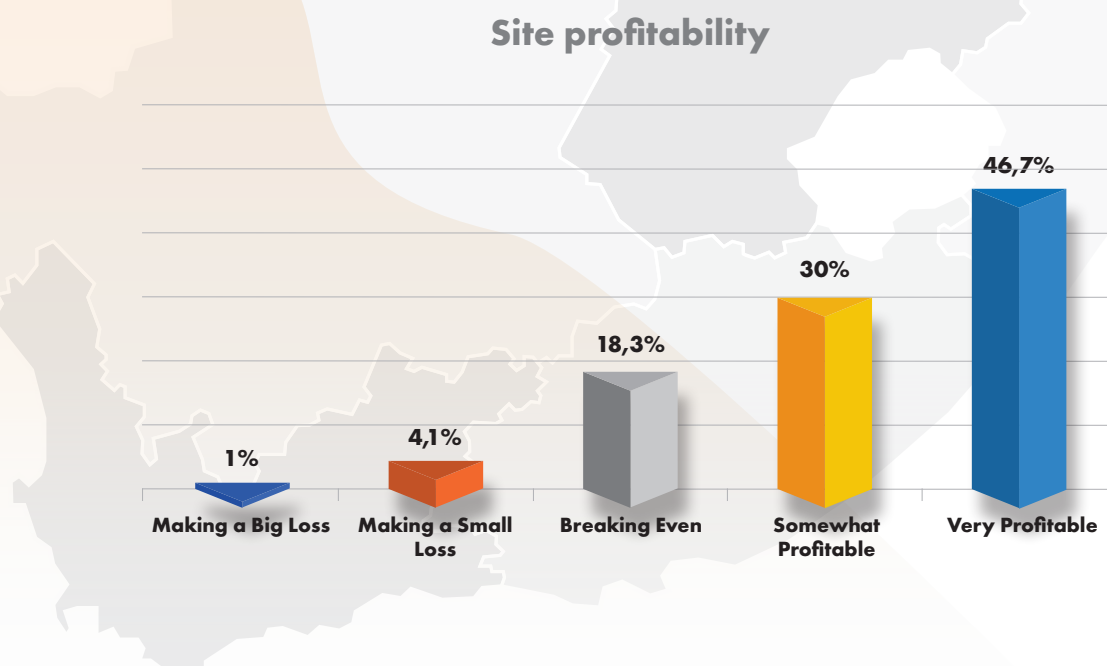
Most sites fall into the profitable categories. Specifically, 30% of sites are Somewhat Profitable, indicating a decent return on investment that could potentially be improved with optimised operations, market expansion, or enhanced marketing efforts.

A significant portion of the sites, 18,3%, are breaking even. This suggests that these businesses have managed to cover their costs but have not yet found the formula to generate profit. This could be viewed positively as a stage in the growth of a business, stabilising before potentially becoming profitable.

Sites making a small loss account for 4,1% of the total. This category likely represents businesses that are either in their early stages, facing temporary setbacks, or operating in industries with slim margins. Their losses, though not substantial, highlight the ongoing challenges in achieving profitability.

A small fraction of sites, only 1%, are making a big loss, suggesting that while a few sites struggle significantly, it is not a common outcome for most. This might indicate either niche markets, poor management, or competitive pressures that are particularly challenging for these entities.

A generally positive picture of site profitability is observed, with a significant lean towards successful financial performance. It indicates robustness within the sectors these sites operate in, showing that while challenges exist, there are ample opportunities for success. This could serve as a motivating factor for businesses aiming to optimise their strategies or for new entrants planning to navigate these markets.



Percentage revenue derived from ecommerce

The segment with 76-100% of revenue coming from ecommerce accounts for a quarter of respondents (25%), highlighting a substantial reliance on online operations. These could be purely online retailers or companies that have transitioned to an online-first business model, possibly in response to market trends or as a strategic decision to reduce physical overheads.

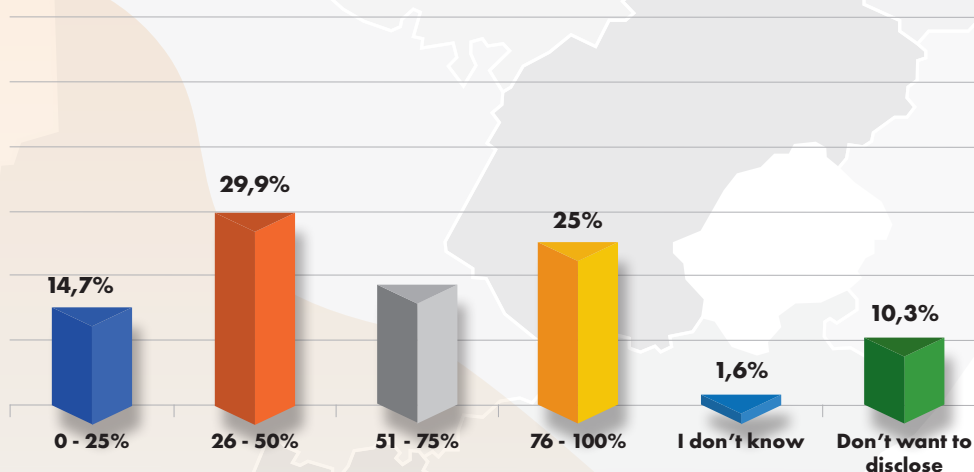
The next group, 18,5%, derive 51-75% of their revenue from ecommerce, indicating a stronger reliance on online sales. This category likely includes businesses that have invested heavily in digital platforms, possibly due to the nature of their products or customer demographics.

The largest group, 29,9%, indicates that 26-50% of their revenue is generated through ecommerce. This significant proportion suggests a balanced approach where online sales play a crucial, yet not dominant, role in their overall revenue streams. These businesses likely benefit from both online and offline channels, possibly providing a seamless omnichannel experience to their customers.

A small segment of companies, 14,7%, report that 0-25% of their revenue comes from ecommerce. This suggests that these companies may primarily operate through physical retail channels or offer online sales as a supplementary option rather than a focus.

Finally, 10,3% opted not to disclose this information, and 1,6% responded with "I don't know." This might reflect competitive sensitivities or privacy policies regarding their financials suggesting a lack of visibility into where their revenues originate.

Percentage revenue derived from ecommerce



Percentage growth in turnover from 2022 to 2023

Only 2,3% of companies more than doubled their turnover, experiencing growth of more than 100%. This highlights exceptional performance that could be attributed to factors like disruptive business models or significant market shifts that were effectively capitalised on.

A smaller segment, 8%, reported growth of 81-100%. This could be indicative of businesses experiencing rapid expansion, possibly through innovation, entering new markets, or leveraging significant competitive advantages.

A further 24,7% of companies experienced growth between 61-80%, indicating even higher levels of success. Companies in this bracket likely capitalised on significant opportunities or effective business models that scaled well during the period.

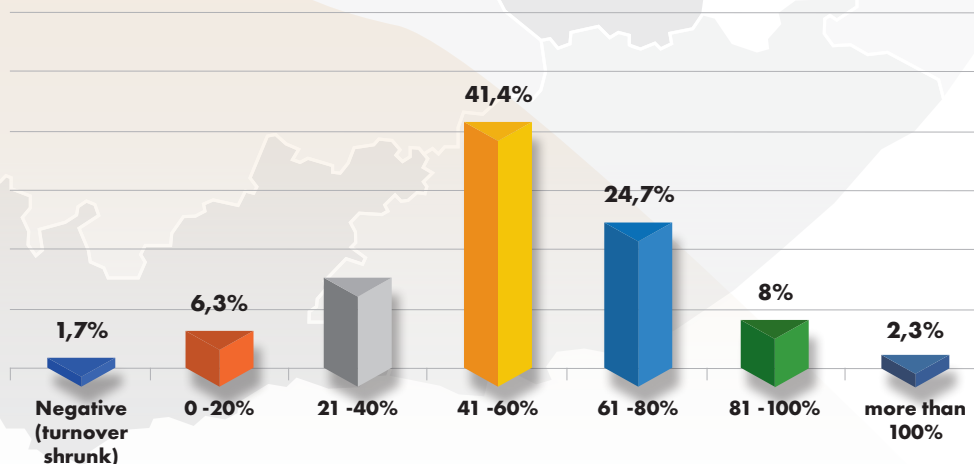
Most companies (41,4%) reported growth in the 41-60% range, suggesting robust growth indicative of successful strategies and possibly benefiting from favourable market conditions or successful expansions. This significant portion of companies achieving strong growth points to an overall healthy economic environment for these businesses, or successful adaptation to market demands.

In contrast, a modest number of companies experienced low to moderate growth: 15,5% of the companies grew by 21-40%, and 6,3% grew by 0-20%. These companies likely faced tougher conditions or slower market segments but still managed growth.

A small fraction of companies, 1,7%, experienced negative growth, indicating a shrinkage in turnover. This decline could be due to a variety of factors including market contraction, increased competition, or operational challenges.

A generally positive economic scenario is illustrated, with a significant majority experiencing notable growth in turnover. This suggests a dynamic business environment where many companies are succeeding in expanding their operations and revenue, despite the challenges some face that led to negative growth or modest increases.

Percentage growth in turnover from 2022 to 2023



Percentage growth in turnover expected in 2024

A substantial 35,5% of companies anticipate their turnover to more than double in 2024. This exceptional level of optimism suggests that many businesses are poised for significant transformations or breakthroughs, potentially driven by disruptive innovations or successful penetration into emerging markets.

Another 23,1% of companies expect their turnover to increase by 81 -100%. This group likely sees substantial opportunities ahead, possibly due to strategic advances in technology, aggressive market expansion, or leveraging competitive advantages that will catalyse near doubling of their current turnover.

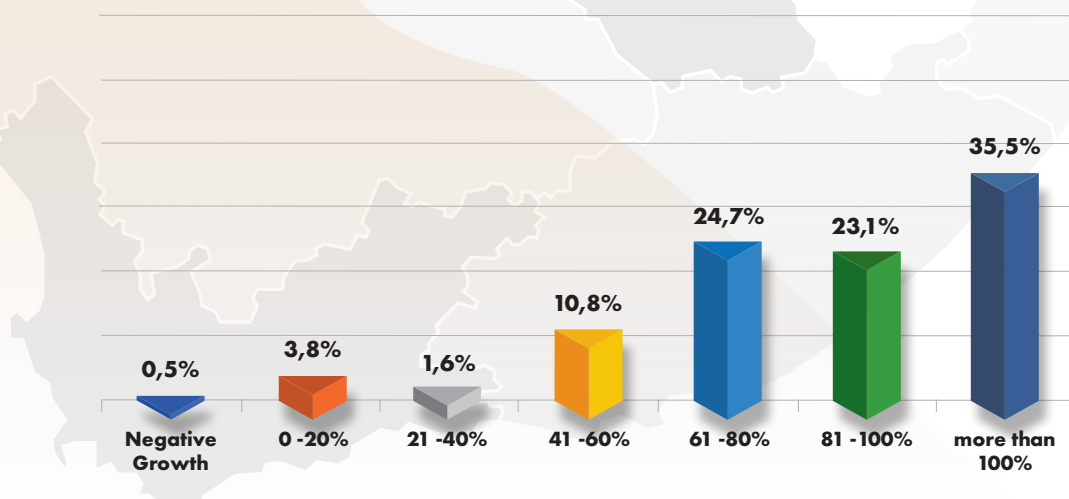
About a quarter (24,7%) of companies forecast growth between 61-80%, indicating strong confidence in significant revenue increases. These businesses might be capitalising on solid market positioning and effective business models that promise to substantially elevate their financial outcomes.

10,8% of companies expect a growth rate of 41-60%, showing a confident but somewhat more conservative outlook compared to the higher brackets. This indicates planned expansions, new product launches, or beneficial market conditions that are expected to yield robust growth.

A tiny 1,6% of companies anticipate growth between 21-40%. These companies may be cautiously optimistic, facing uncertain market conditions or specific industry challenges that temper their growth expectations. Additionally, 3,8% of companies forecast modest growth of 0-20%. This reflects a conservative outlook where businesses expect to grow but at a slower pace, possibly due to limited market opportunities or operational constraints. Furthermore, a minimal 0,5% of companies anticipate negative growth, indicating a slight contraction in their turnover. This negligible percentage reflects a generally positive outlook across the industry, with very few businesses expecting a downturn. Collectively, these figures represent a segment of the market that maintains conservative or minimal growth expectations amid broader industry optimism.

A predominantly optimistic view for 2024 is illustrated, with a significant majority of companies expecting substantial growth.

Percentage growth in turnover expected in 2024



Online retail industry growth outlook over the next 5 years

The outlook for the online retail industry over the next five years is predominantly positive. A significant 63,2% of respondents are Very Optimistic, expecting substantial growth and expansion in the sector. This confidence likely stems from increasing digital adoption, broader internet access, and innovative e-commerce technologies enhancing consumer experiences.

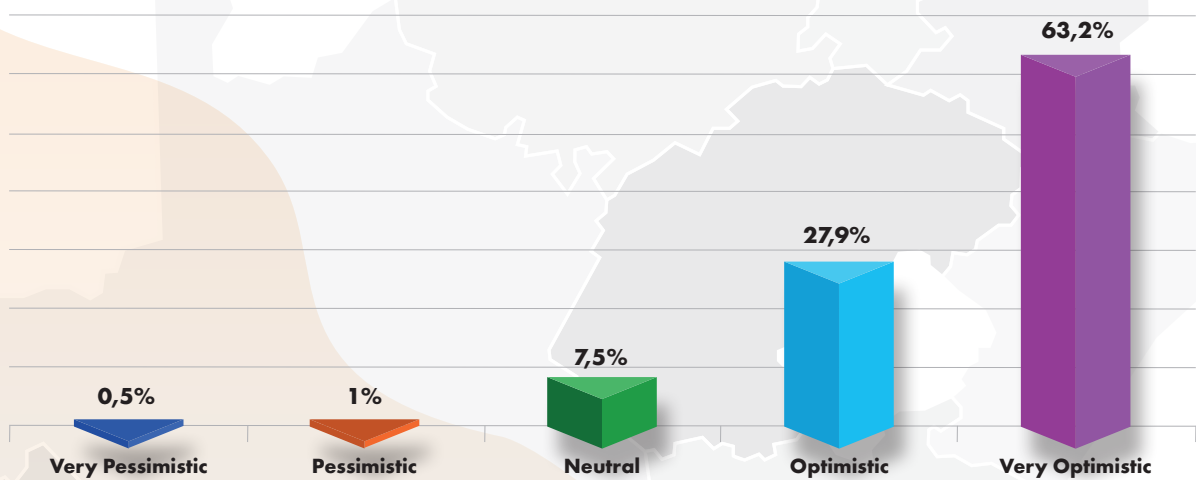
Additionally, 27,9% of respondents are Optimistic, suggesting a healthy growth trajectory but perhaps with more conservative expectations compared to the Very Optimistic group. This optimism may be tempered by potential challenges such as market saturation or economic fluctuations.

A smaller segment, 7,5%, holds a Neutral view, possibly indicating uncertainty about future trends or a belief that growth will continue at a steady, unchanged pace. This group might be weighing potential advancements against existing challenges within the industry.

Only a minor portion of respondents express negativity toward the industry's future. 1% of those surveyed are Pessimistic, perhaps concerned with specific hurdles like regulatory changes or intense competition that could hinder growth.

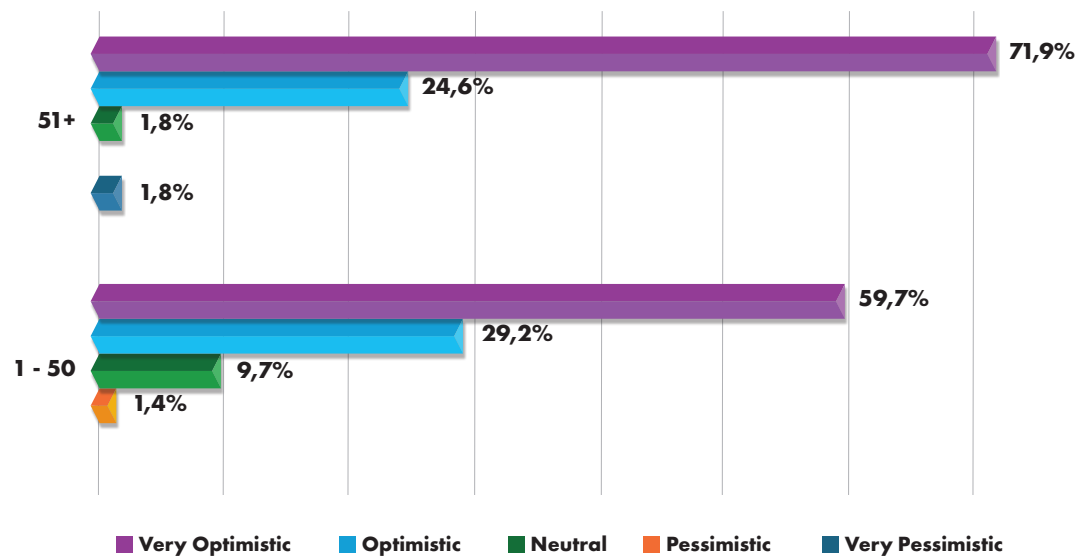
Lastly, only 0,5% are Very Pessimistic about the industry's prospects. This extreme view might be driven by fears of disruptive changes or severe competitive pressures that could dramatically alter the market landscape.

Online retail industry growth outlook over the next 5 years



Larger companies are generally more optimistic about the online retail industry growth over the next 5 years, with significantly more being Very optimistic among those with more than 50 employees (71.0% vs 59.7%).

Online retail industry growth prospects over the next 5 years, by company size



Conclusion

The findings of the industry survey in the Online Retail in South Africa 2024 study offer valuable insights into the dynamics and trends shaping the sector. Across various parameters, such as payment processing gateways, payment methods, factors influencing trust, challenges, reasons for cart abandonment, and the importance of events, certain patterns emerge.

Trust and security emerge as paramount considerations for businesses when selecting payment gateways, closely followed by factors such as stability, user experience, and price. Moreover, the importance of offering multiple payment options and supporting multiple currencies becomes more pronounced as company size increases.

Payment Processing Gateways and Methods: such as trust, security, and user experience are crucial considerations for businesses when choosing a payment gateway, highlighting the importance of reliability and seamless transaction experiences for customers. As for payment methods, credit and debit cards, along with EFT, remain the primary options, emphasising the need for diverse payment solutions to cater to varying customer preferences.

Challenges and Solutions: Payment failures and customer query management emerge as significant challenges for businesses, underscoring the importance of robust customer support systems and proactive measures to address payment issues promptly. Understanding the reasons for cart abandonment, such as credit card declines and checkout process complexities, is essential for optimising conversion rates and improving overall customer satisfaction.

Events and Marketing Strategies: Key events like Black Friday and Christmas are pivotal for driving sales, emphasising the importance of strategic planning and promotional activities around these periods. Digital marketing channels, particularly email and social media marketing, play a central role in engaging customers and driving traffic to online retail platforms, with larger companies leveraging additional strategies like influencer marketing and loyalty programs to enhance brand visibility and customer loyalty.

Technology Adoption and Innovation: While larger companies tend to adopt advanced technologies like AI and subscription services more readily, there remains room for growth and innovation across all company sizes. The adoption of in-store payments and delivery options like cash on delivery reflects a customer-centric approach to enhancing convenience and accessibility, highlighting the importance of adapting to evolving consumer preferences and market trends.

Revenue and Growth Outlook: The profitability of online retail sites and the percentage of revenue derived from ecommerce vary across company sizes, with larger companies generally exhibiting higher profitability and revenue shares. Furthermore, the expected percentage growth in turnover for 2024 reflects optimism and confidence in the future growth potential of the online retail industry, driven by factors such as increasing digitalisation, changing consumer behaviors, and technological advancements.

The survey underscores the dynamic nature of the online retail industry, characterised by evolving consumer preferences, technological advancements, and competitive pressures. By understanding these trends and responding effectively, businesses can position themselves for success in an increasingly digital marketplace.

4. SA online shoppers: demographics



askafrika
LIBERATING TRUTH FOR HUMANITY

Executive Summary

The Online Retail in South Africa project has for many years partnered with Ask Afrika, the continent's leading market research organisation, in the analysis of online shopping data from its Target Group Index (TGI) survey.

TGI comprises two six-monthly waves of surveys among 16,000 consumers, representing adult South Africans, aged 15 and above, living in cities and towns in South Africa.

As a result, TGI makes it possible to provide a comprehensive analysis of online shopping trends and demographic breakdowns in South Africa.

The following summary highlights key findings across various demographic dimensions and shopping behaviours.

Demographic Insights

1. **Gender:** A slight decline in male online shoppers from 41% in 2022 to 37,4% in 2023, whereas female shoppers showed a marginal increase from 35,4% to 35,8%. However, male shoppers still enjoy higher proportional access to online retail.
2. **Age:** The 25-34 age group consistently led in online shopping activity (46,3%), with notable growth among those aged 65+ from 16,4% to 24,9%.
3. **Socio-Economic and Living Standards:** Higher socio-economic levels and living standards correlate strongly with higher online shopping activity.
4. **Income and Education:** Higher income and education levels correspond with increased online shopping, underscoring the digital divide.

Online Shopping Behaviour

1. **Devices:** In 2023, mobile phone usage for online shopping passed the halfway mark (50,4%), indicating a growing preference over desktops and laptops.
2. **Product Categories:** Clothing and groceries are the most purchased items online, with increased diversity in shopping choices reflecting growing consumer trust in online platforms.

- 3. **Expenditure:** There is a notable increase in lower spending categories, indicating a shift towards more conservative spending habits.
- 4. **Retailers and Platforms:** Takealot remains the dominant retailer, though its market share slightly decreased, reflecting a competitive and evolving online market landscape.

Despite growing online engagement, a significant proportion of consumers express a preference for in-store shopping experiences (28,5%), underscoring ongoing challenges for e-commerce in terms of consumer trust and the perceived risks of online transactions.

A robust growth and transformation in South Africa’s online shopping landscape is uncovered, driven by technological adoption, and changing consumer behaviours. However, challenges remain, particularly in bridging the digital divide and addressing consumer concerns about online security and trust.



Other Key Insights

Regional Variability

- **Provincial Differences:** Gauteng continues to lead in online shopping activities, with notable variability across other provinces. The Eastern Cape and Mpumalanga reported the lowest rates, indicating regional disparities in e-commerce adoption.
- **Metro Area Insights:** Pretoria topped the metro areas in terms of online shopping, with Johannesburg also showing significant increases in activity. Cape Town, however, experienced a decrease, highlighting shifting consumer behaviours at a city level.

Shopping Frequency and Preferences

1. **Frequency of Shopping:** Urban areas and higher income groups tend to shop online more frequently, reflecting broader access and possibly greater comfort with digital transactions.
2. **Shopping Categories:** In addition to clothing and groceries, categories such as electronics, footwear, and health and beauty products also saw significant traction, pointing to a broadening of the online market.

Technology and Payment Methods

1. **Payment Preferences:** Debit cards remain the most popular payment method, though there has been a general decrease in their use along with other methods like credit cards. This might suggest a consolidation in preferred payment methods or shifts in consumer confidence regarding payment security.
2. **Platform Usage:** The landscape of online retailers shows dynamic changes, with certain platforms like Amazon maintaining steady usage while newcomers and less traditional platforms fluctuate, suggesting evolving competitive dynamics.

Consumer Attitudes and Safety Perceptions

1. **Safety Concerns:** Despite the growth in online shopping, concerns about personal financial security remain a significant barrier, with many shoppers wary of entering personal details online or fearing that online shopping is prone to fraud.
2. **Preference for Physical Stores:** A substantial number of consumers still prefer in-store experiences, which may be influenced by the tactile nature of shopping, immediacy of transactions, or trust issues with online retailers.

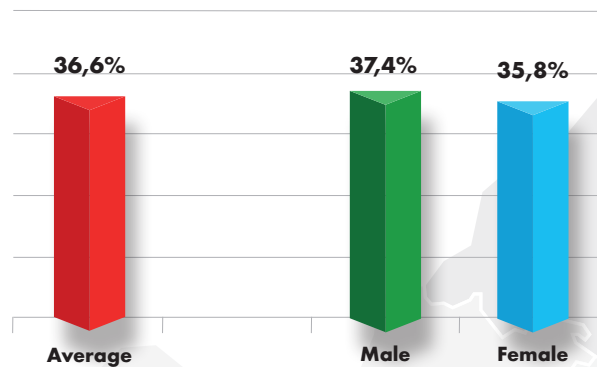
The complex and evolving nature of online shopping in South Africa is revealed, characterised by technological adoption, regional disparities, and persistent consumer concerns about online security. These factors collectively influence the trajectory of e-commerce growth in the region.

The demographics

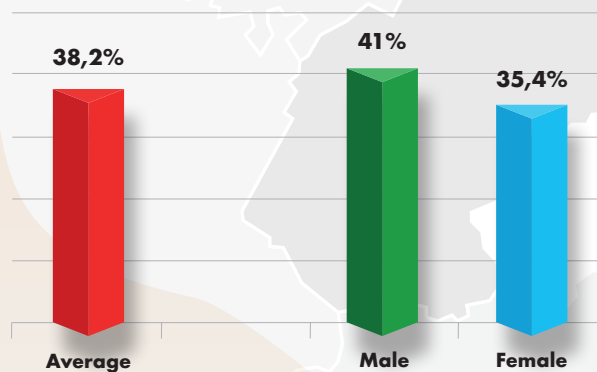
Gender

In 2022, 41% of males and 35,4% of females shopped online. In 2023, the figures changed slightly, with 37,4% of males and 35,8% of females shopping online. This indicates a decrease in the percentage of males shopping online from 2022 to 2023, while the percentage of females shopping online showed a slight increase during the same period. However, males continued to have greater proportional access. These factors collectively influence the trajectory of e-commerce growth in the region.

Those who shop online, by gender (2023)



Those who shop online, by gender (2022)



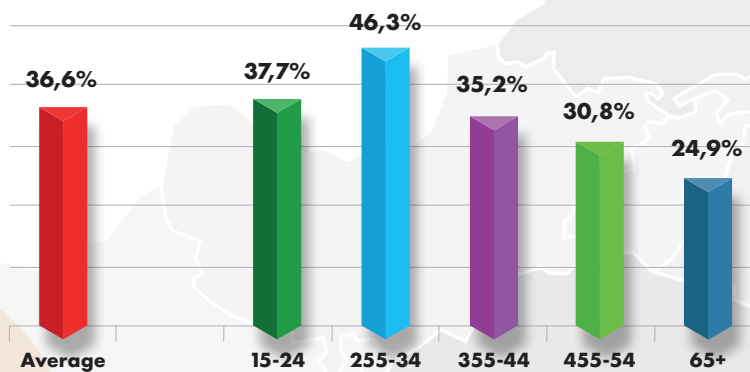
Age

Surprisingly, the overall percentage of South Africans shopping online decreased slightly. This means that the growth in online retail in South Africa was driven by significantly increased online spending by those who were already shopping online. This further indicates growing trust among those who become experienced online shoppers.

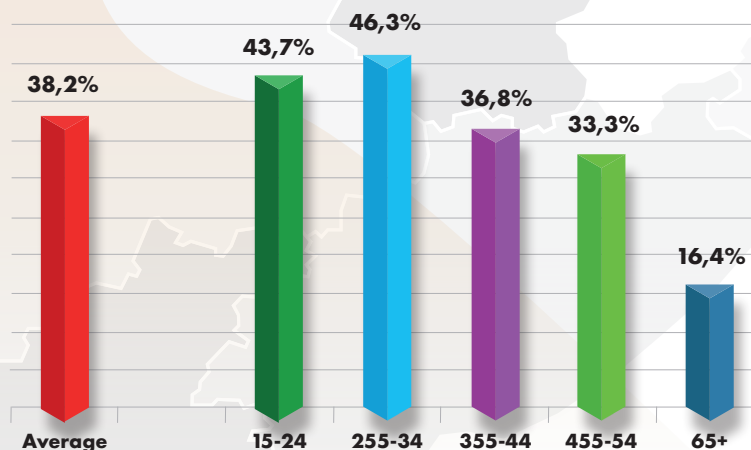
In 2022, online shopping was most prevalent among the 25-34 age group at 46,3%, followed by the 15-24 age group at 43,7%. The percentage was much lower for those aged 65 and above, at 16,4%. In 2023, the trend remained similar, with the 25-34 age group again having the highest percentage of online shoppers at 46,3%. However, there was a significant increase in the percentage of those aged 65 and above who shopped online, rising to 24,9%. The percentages for other age groups saw slight shifts or remained stable.

The biggest fall, in the 15-24 age group (from 43.7% to 37.7%), indicates the impact of youth unemployment on the growth of online retail in younger age groups.

Those who shop online, by age (2023)



Those who shop online, by age (2022)

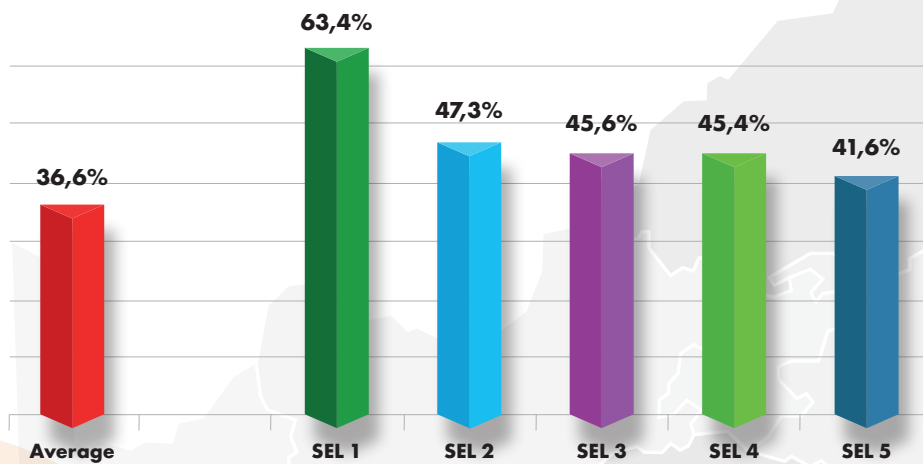


Socio-Economic Level

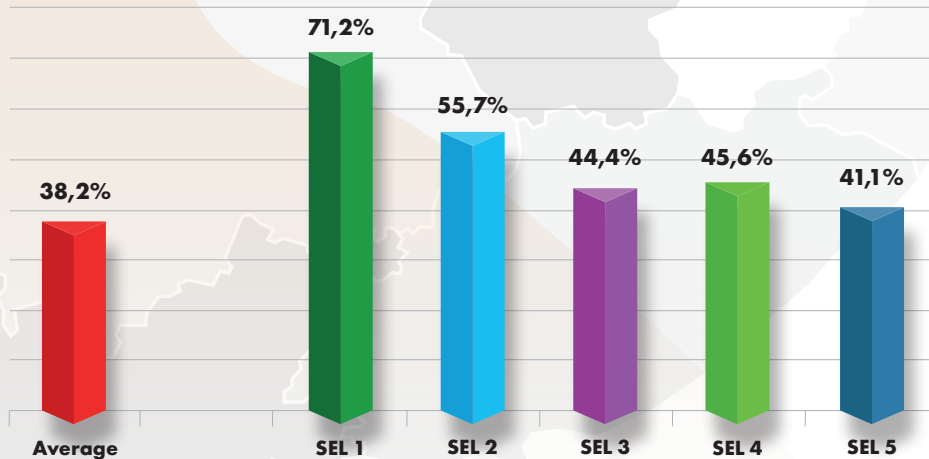
In 2022, individuals from the highest socio-economic level (SEL 1) showed the greatest propensity to shop online at 71,2%. The percentages decreased across lower socio-economic levels, with SEL 2 at 55,7%, SEL 3 at 44,4%, SEL 4 at 45,6%, and SEL 5 at 41,1%. In 2023, there was a notable decline in the percentage of online shoppers at SEL 1, decreasing to 63,4%. This points to more affluent consumers showing a propensity to return to in-store shopping.

However, percentages remained consistent across SEL 2 to SEL 5, ranging from about 41,6% to 47,3%, indicating that the propensity to shop online remained relatively stable across these levels compared to the previous year, if not increasing. This suggests that shoppers in lower socio-economic levels recognise the economic benefits of saving money by shopping online.

Those who shop online, by Socio-Economic Level (2023)



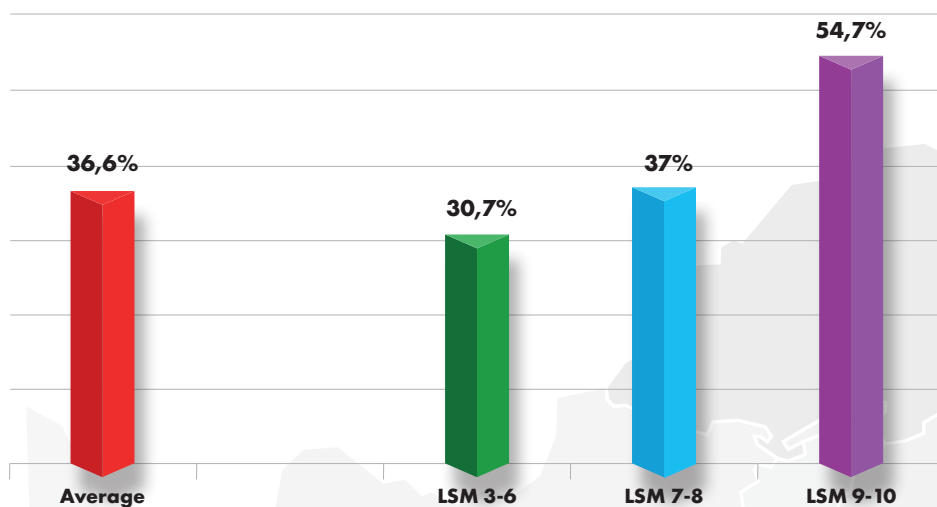
Those who shop online, by Socio-Economic Level (2022)



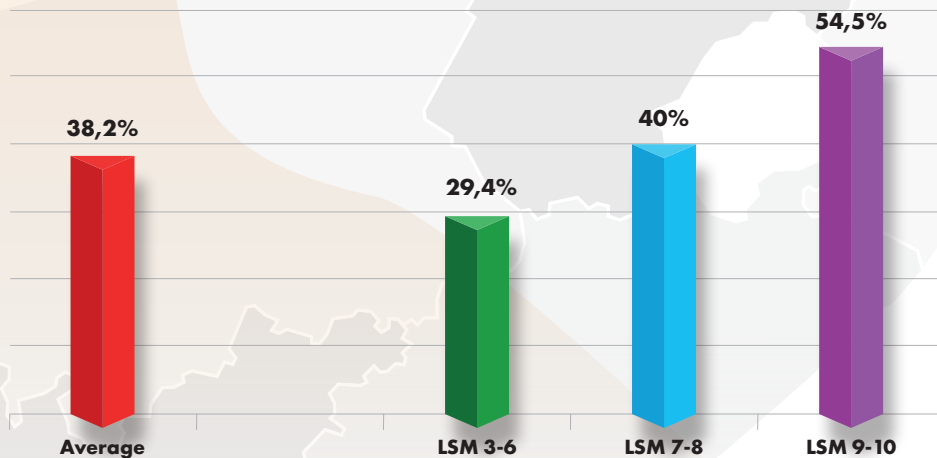
Living Standard Measure

In 2022, the highest rate of online shopping was among those in the LSM 9-10 category, with 54,5% participating. The LSM 7-8 category had 40% participation, while the LSM 3-6 category had the lowest at 29,4%. In 2023, these trends continued, with the LSM 9-10 category still having the highest participation at 54,7%. However, the LSM 7-8 category saw a decrease in participation to 37%, and the LSM 3-6 category had a slight increase to 30,7%. This indicates that higher living standard measures correlate with higher rates of online shopping.

Those who shop online, by living standard measure (2023)



Those who shop online, by living standard measure (2022)

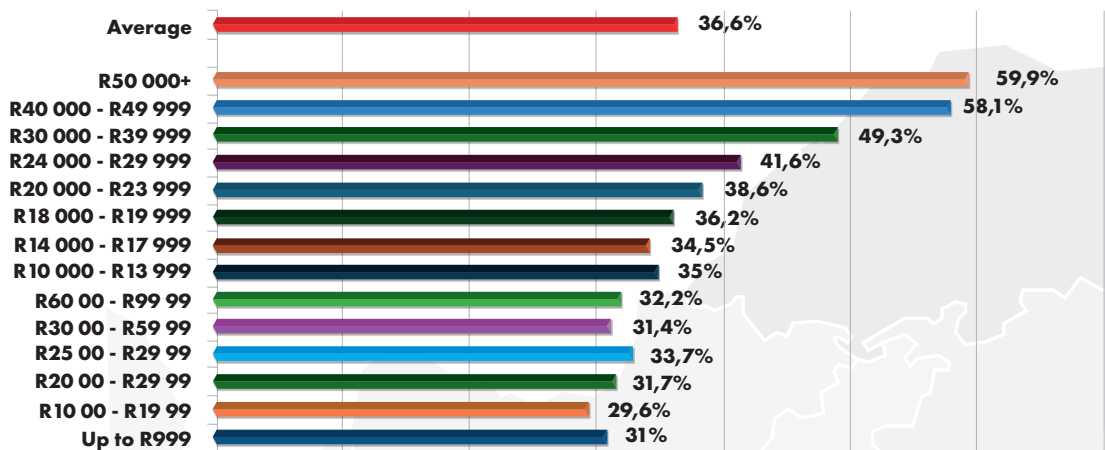


Income

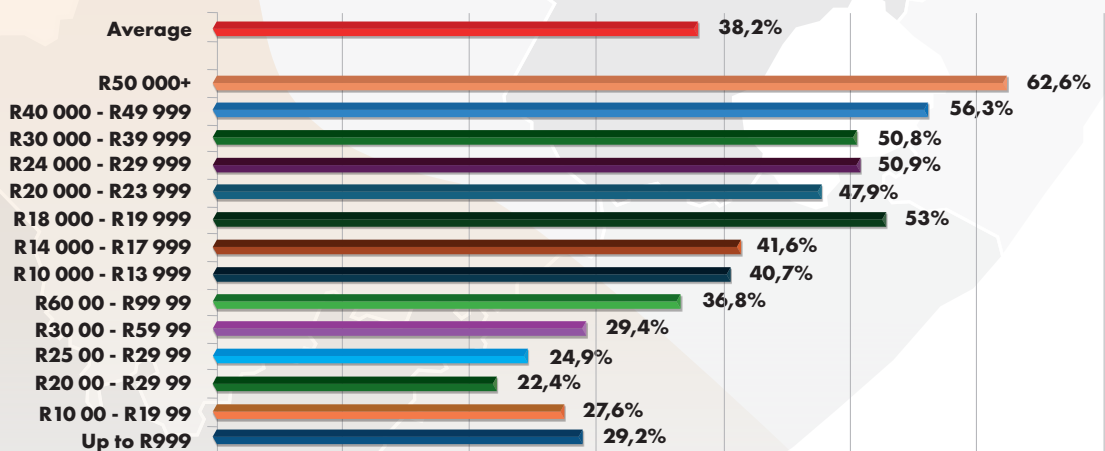
In 2022, the percentage of online shoppers increased with income levels. Those earning R50,000+ had the highest online shopping rate at 62,6%, with each descending income bracket generally showing a lower percentage of shoppers. The lowest earners, up to R999, had the lowest percentage at 29,2%.

In 2023, a similar trend was observed, with the highest income group (R50,000+) again showing the highest percentage of online shoppers at 59,9%. However, most income brackets showed a decrease in online shopping rates compared to 2022, except for some of the lower income brackets, such as R2,000-R2,499 and R1,000-R1,999, which saw slight increases or remained relatively stable. The general observation remains that higher income correlates with higher online shopping participation.

Those who shop online, by income (2023)



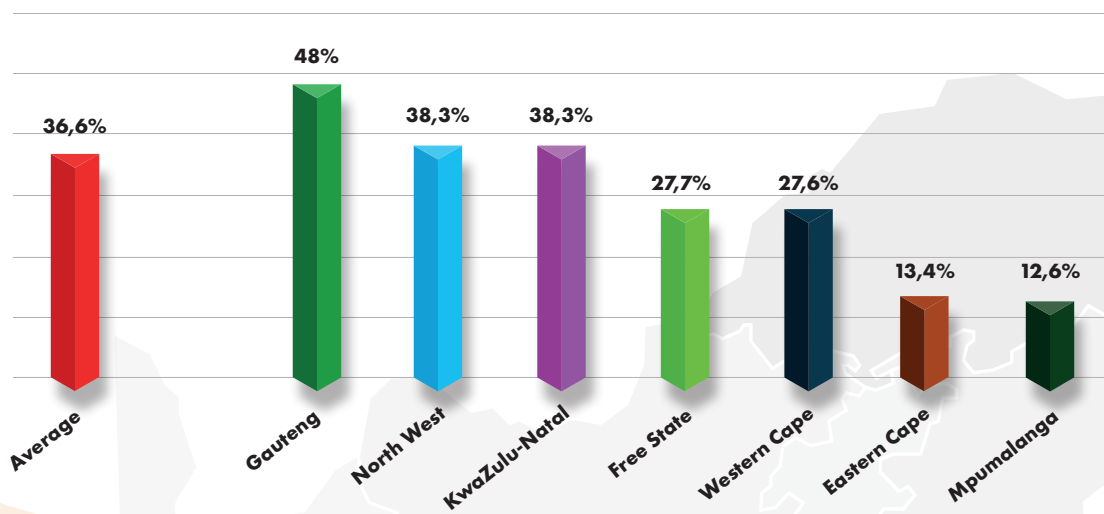
Those who shop online, by income (2022)



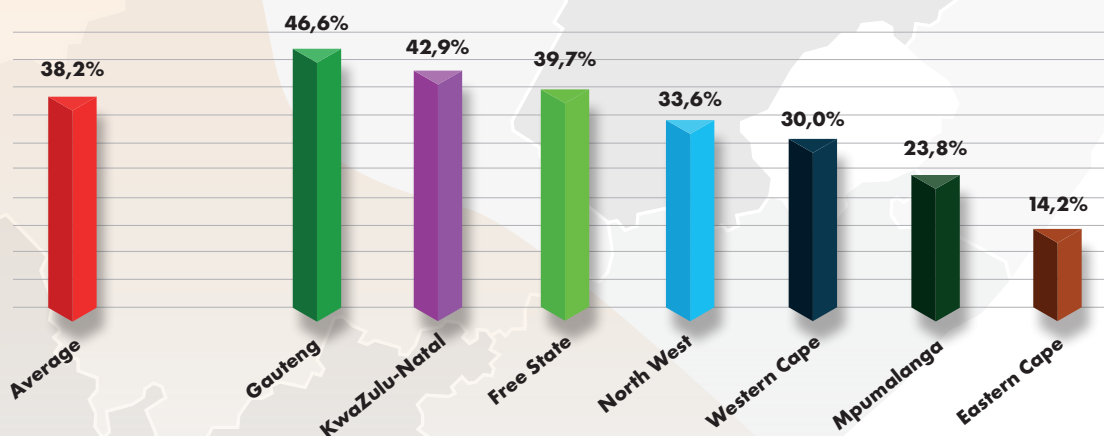
Province

In 2022, the highest rate of online shopping by province was observed in Gauteng at 46,7%, followed by KwaZulu-Natal at 42,9%, and the lowest rates were in Mpumalanga and the Eastern Cape at 14,2% and 23,8% respectively. In 2023, Gauteng remained the province with the highest online shopping rate at 48%, while KwaZulu-Natal and the North West both had rates of 38,3%. The Western Cape saw a decrease to 27,7%, and the lowest rates were again seen in the Eastern Cape and Mpumalanga, at 13,4% and 12,6% respectively. This data shows a continuation of higher online shopping rates in Gauteng and a notable variability in rates across other provinces.

Those who shop online, by province (2023)



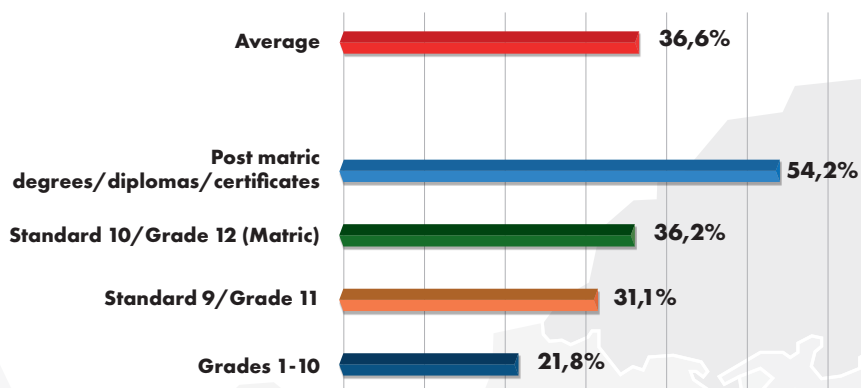
Those who shop online, by province (2022)



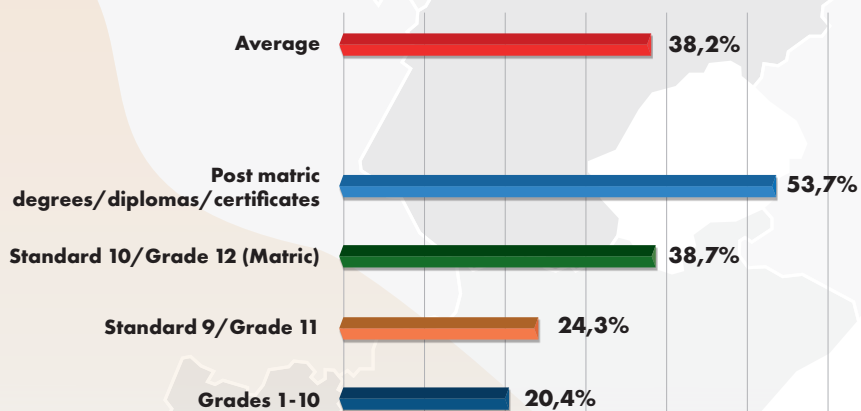
Education

In 2022, individuals with post-matric degrees, diplomas, or certificates had the highest online shopping rate at 53,7%, while those with the least education (Grades 1-10) had the lowest at 20,4%. In 2023, the trend continued with those holding post-matric qualifications leading at 54,2% in online shopping. Education levels correlated positively with online shopping rates: as the level of education increased, so did the likelihood of shopping online. The percentage for those with the least education slightly increased to 21,8%, while rates for other education levels remained relatively consistent or saw minor changes from the previous year.

Those who shop online, by education (2023)



Those who shop online, by education (2022)

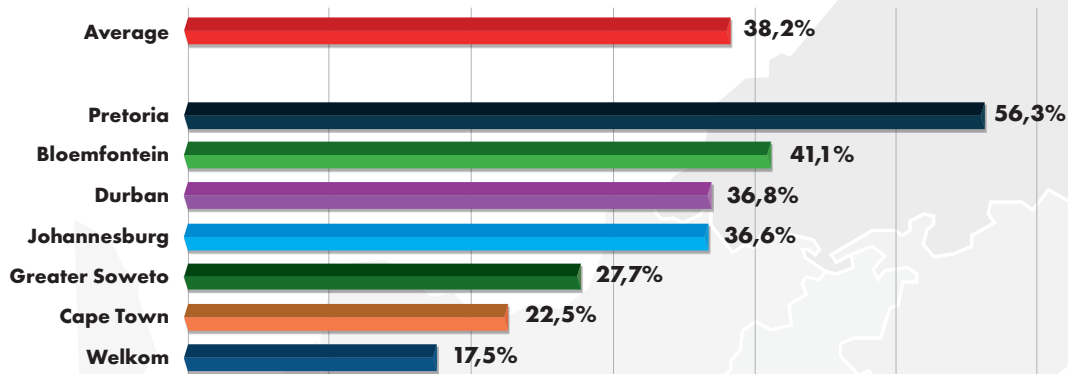


Metro Area

In 2022, Pretoria led the metro areas in online shopping participation at 56,3%, with Bloemfontein and Durban following at 41,1% and 36,8%, respectively. Cape Town and Soweto had lower rates at 22,5% and 27,7%, while Welkom had the lowest at 17,5%.

In 2023, Pretoria remained the leading metro area for online shopping, albeit with a higher rate of 58,8%. Johannesburg saw a significant increase, reaching 41,4% from 36,6% in 2022. Soweto and Durban also saw increases to 38,3% and 36,2%, respectively. Bloemfontein's rate slightly decreased to 31,1%. Cape Town had a decrease in online shopping, with only 20,2% participation, suggesting a shift in online shopping behaviours.

Those who shop online, by metro (2022)



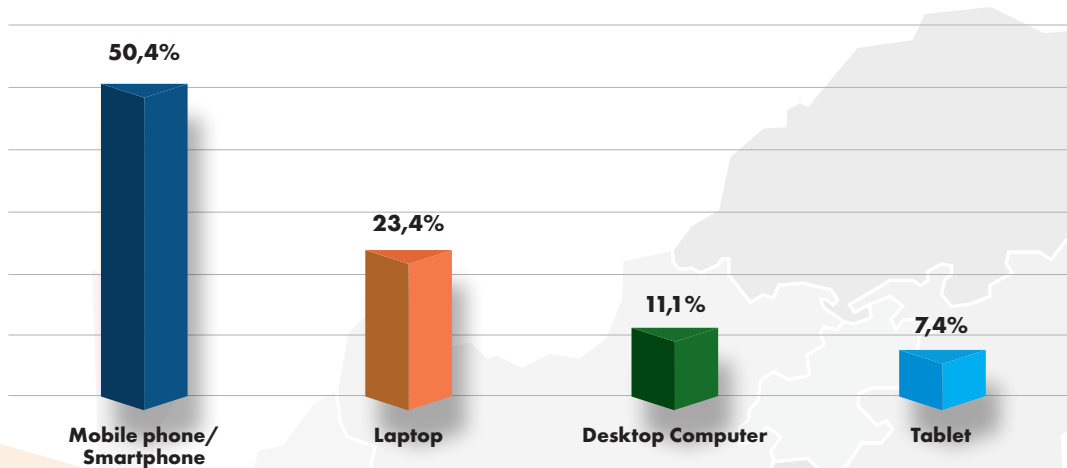
Online shopping access

Device used for online shopping

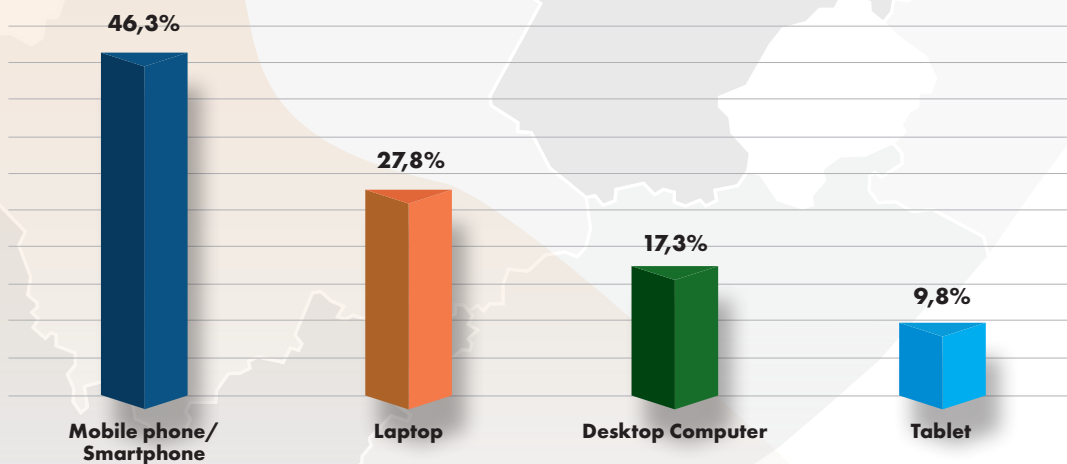
In 2023, shopping via mobile device crossed the halfway mark, with 50,4% of online shoppers using mobile phones.

In 2022, mobile phones had accounting for 46,3% of usage. Laptops followed at 27,8%, desktop computers at 17,3%, and tablets at 9,8%. In 2023 laptop usage decreased to 23,4%, and desktops to 11,1%. Tablet usage slightly decreased to 7,4%.

Device used for online shopping(2023)



Device used for online shopping(2022)

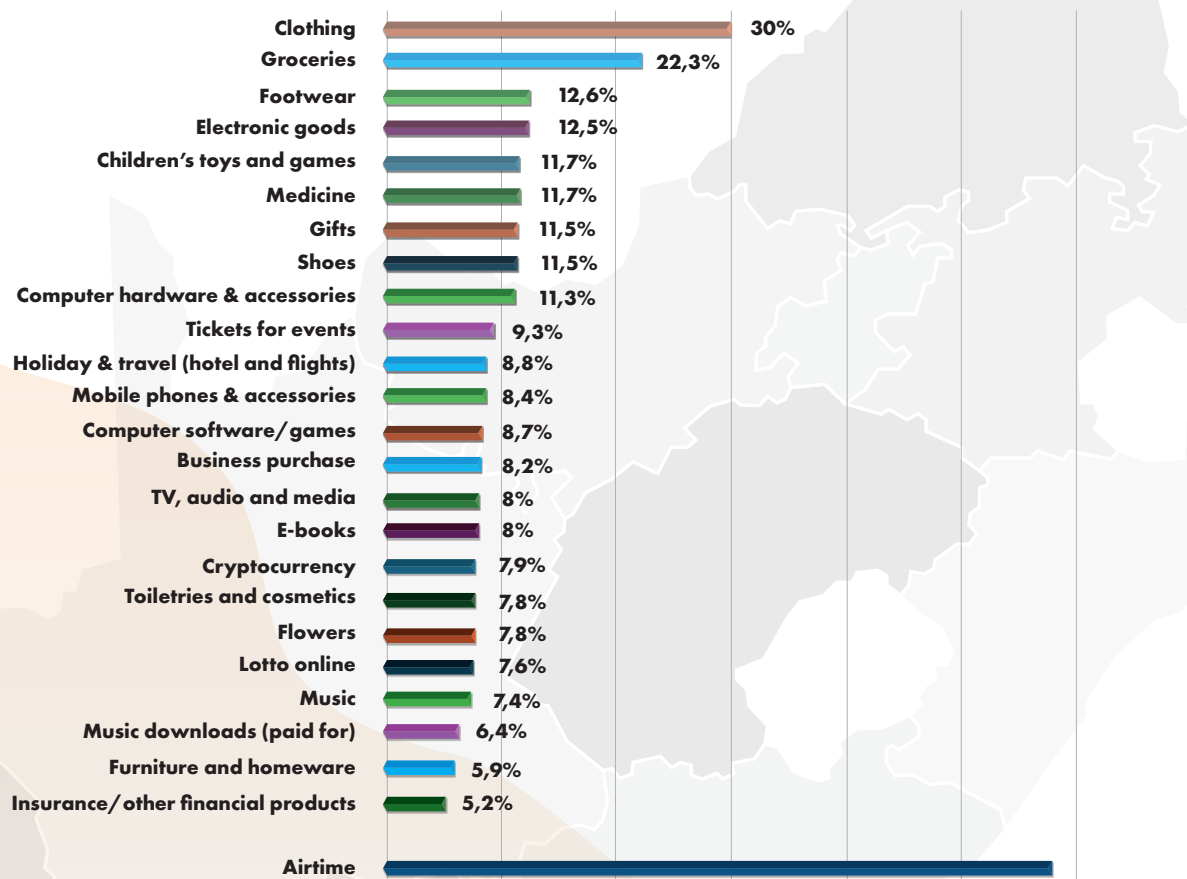


What online shoppers buy

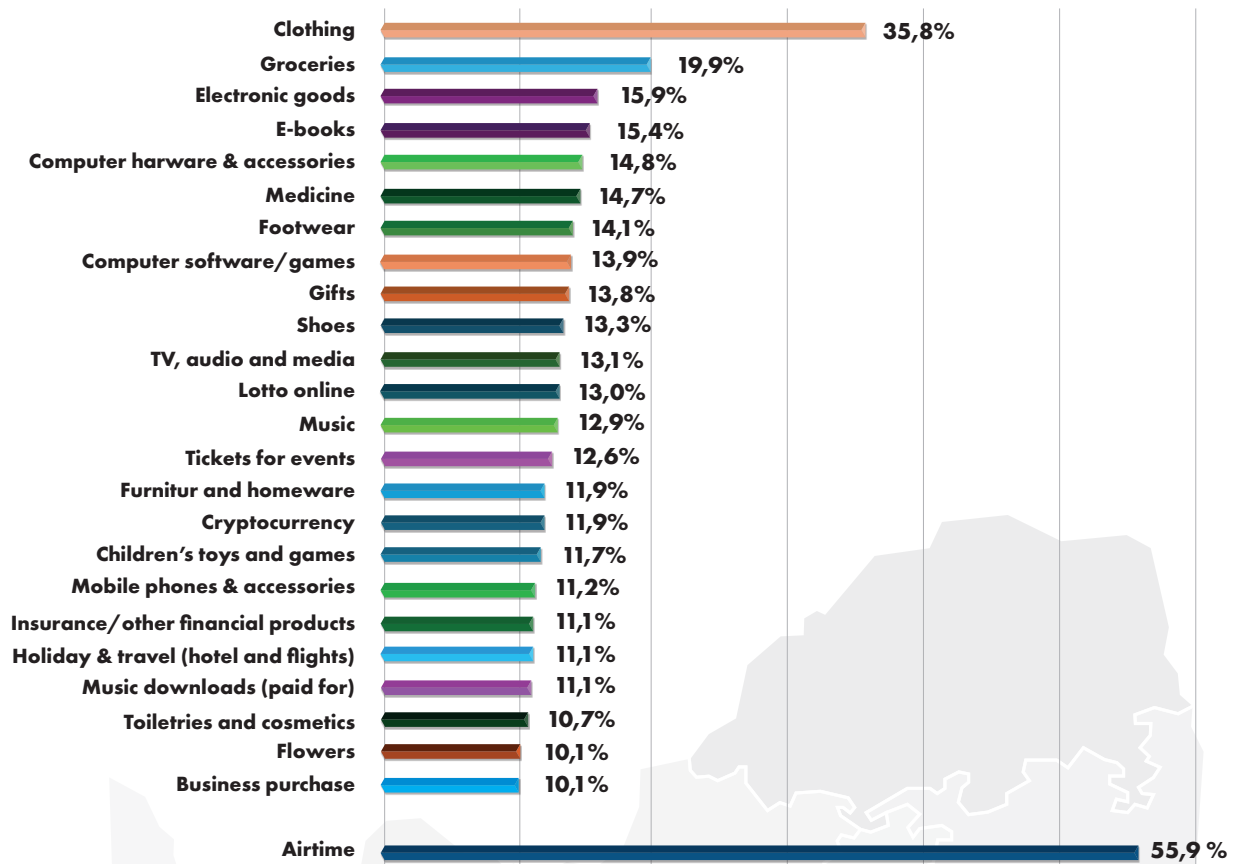
In 2022, the most popular items purchased online were clothing at 35,8%, and groceries at 19,9%. Categories like electronic goods and computer hardware & accessories also saw significant interest, along with computer software/games and medicines.

By 2023, the distribution of purchases had become more diverse, although clothing remained the most purchased category online, at 30%. Notably, the purchase of groceries increased to 22,3%, cementing its position as the second most common category. Other items, like footwear, electronic goods and children’s toys and games maintained strong proportions, indicating a consistent demand for these categories among online shoppers. The diversity in shopping choices highlights a broadening of consumer trust and use of online shopping platforms across various product types.

What online shoppers buy (2023)



What online shoppers buy (2022)

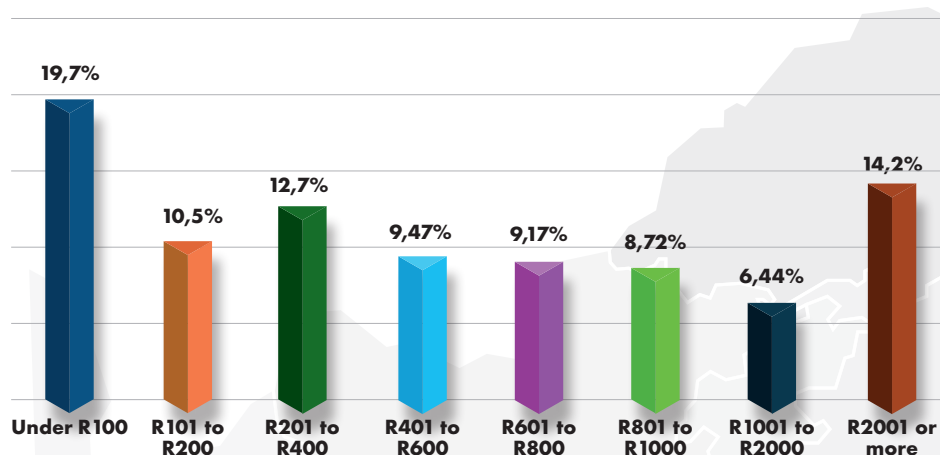


Online shopping spend in the last 6 months

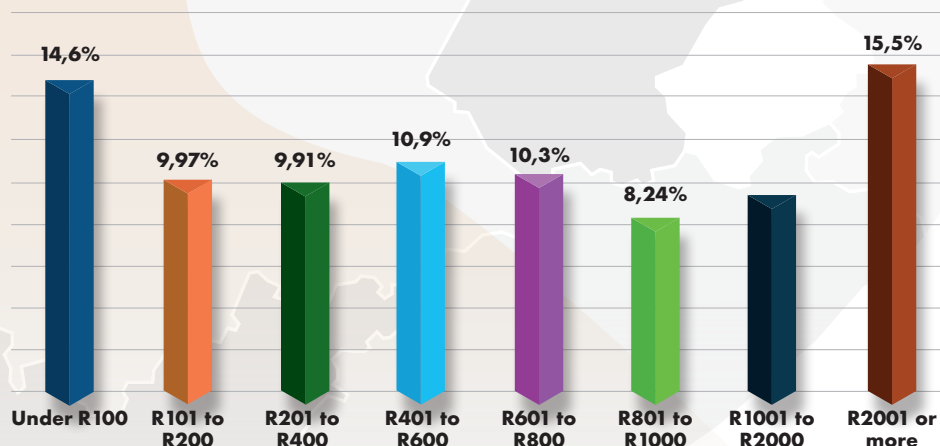
In 2022, the online shopping spend showed a higher concentration in the extremes of the spending spectrum: the highest percentage of spenders were in the “R2,001 or more” category at 15,5%, and the “Under R100” category at 14,6%. The middle spending categories ranged between 8,2% to 10,9%.

In 2023, there was a shift with a significant increase in the lowest spending category, “Under R100”, which grew to 19,7%, making it the largest single spending category. Meanwhile, the high spending category “R2,001 or more” slightly decreased to 14,2%. The percentages in the middle spending ranges remained relatively stable but generally showed a slight decrease or remained like 2022, reflecting possibly more cautious spending or a broader inclusion of lower spending shoppers in online commerce.

Online shopping spend in the last 6 months (2023)



Online shopping spend in the last 6 months (2022)

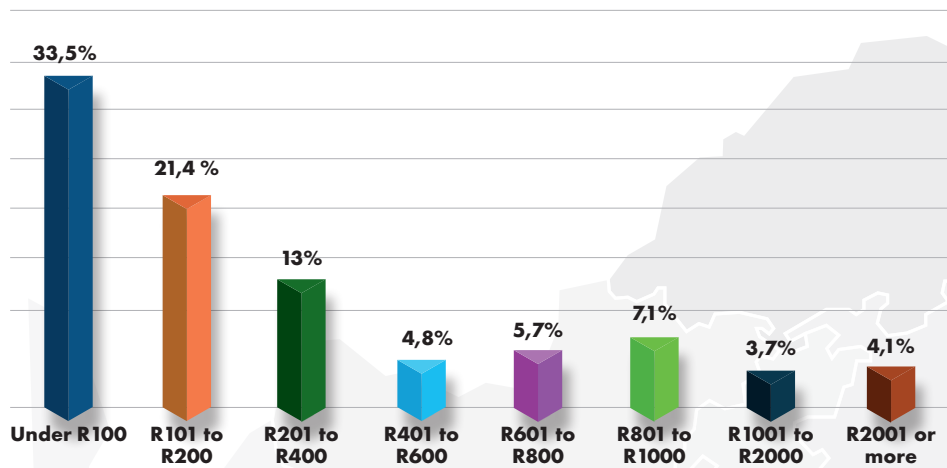


Online shopping spend in the last month

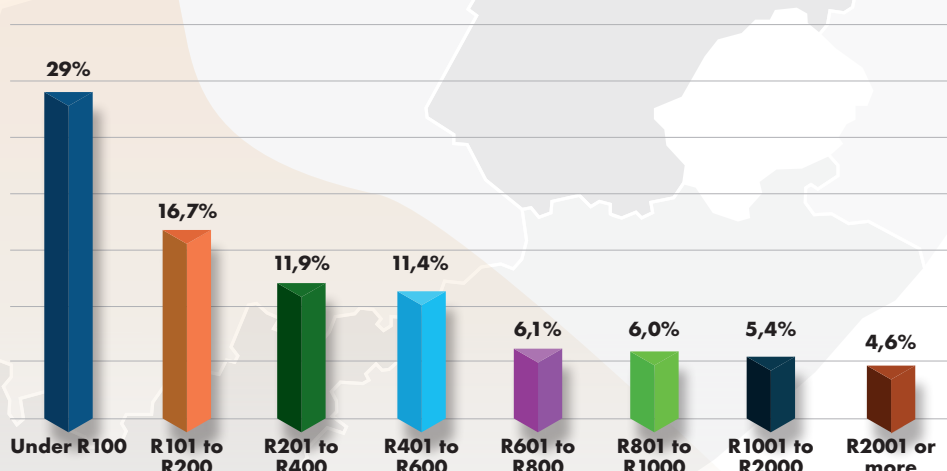
In 2022, most of the online shopping spend fell in the “Under R100” category, which accounted for 29% of the expenditures. This was followed by the “R101 to R200” bracket at 16,7%, with other spending categories progressively decreasing as the spend range increased.

In 2023, there was a significant increase in the “Under R100” category, reaching 33,5% of total online shopping expenditures. The “R101 to R200” category also saw a notable increase to 21,4%. The remaining categories showed a general decline in their share of total expenditures compared to 2022, particularly in the higher spending brackets, indicating a shift towards more conservative spending patterns over the month analysed.

Online shopping spend in the last month (2023)



Online shopping spend in the last month (2022)

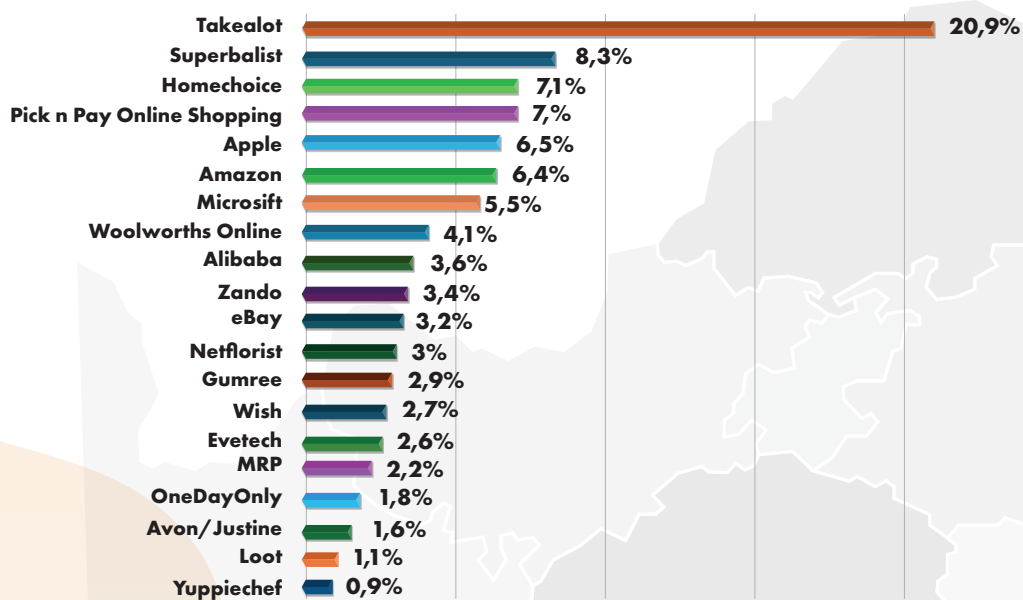


Online retailers used by South Africans

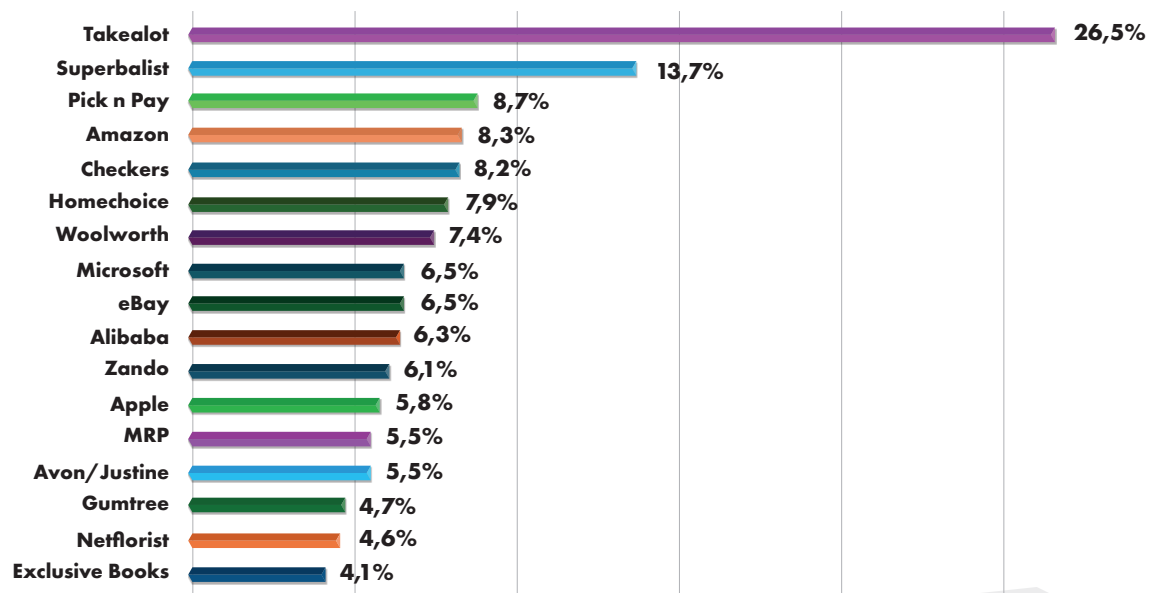
In 2022, Takealot was the dominant online retailer used by South Africans, capturing a significant 26,5% of the market share, followed by Superbalist at 13,7%. Other popular platforms included Pick n Pay Online and Amazon's international services, both used widely.

By 2023, although Takealot remained the leading platform, its market share slightly decreased to 20,9%. Superbalist saw a bigger decrease, to 8,3%. Homechoice and Pick n Pay Online Shopping had slight declines in their user percentage but remained popular among consumers. Additionally, platforms like Amazon maintained a steady presence in the market, while Microsoft saw an increase in users, illustrating a shift in consumer preferences and competitive dynamics.

Online retailers used by South Africans (2023)



Online retailers used by South Africans, > 4% (2022)

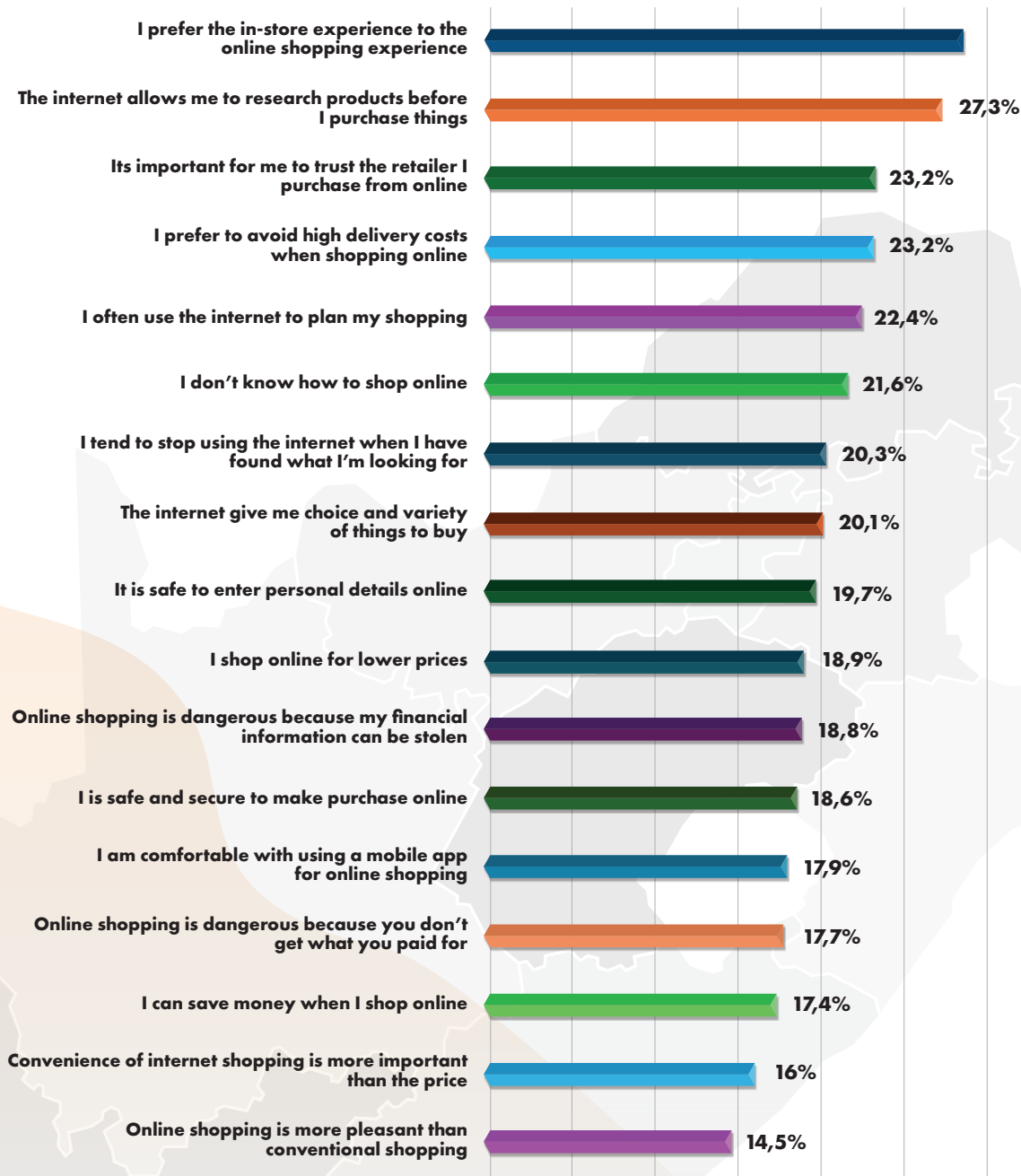


Online Shopping Attitudes

General Internet Attitudes

The following percentages indicate respondents who “definitely agree” with each attitude.

Online shopping attitudes 2023 (definitely agree)



Attitude Analysis

Preference for In-Store Experience (28,5%): The highest percentage indicates a strong, definite preference for physical stores over online shopping. This preference could be due to the ability to interact directly with products, immediate possession after purchase, and a more personal customer service experience, suggesting that retail strategies should continue to enhance in-store experiences to maintain customer loyalty.

Researching Products Online (27,3%): A significant fraction of respondents firmly rely on the internet for pre-purchase research. This emphasises the need for businesses to optimise their online content, ensure accurate product descriptions, and maintain an active presence on review platforms to influence consumer decisions positively.

Trust in Retailer (23,2%): A considerable number of consumers need to feel a strong sense of trust in online retailers. This suggests that transparency, consistent quality service, secure transaction processes, and robust privacy policies are critical for cultivating consumer trust and encouraging repeat business.

Avoiding High Delivery Costs (23,2%): Since a notable percentage of shoppers are deterred by high delivery costs, e-commerce businesses could gain a competitive edge by offering free shipping thresholds, transparent pricing policies, or membership benefits that include reduced shipping costs.

Planning Shopping Online (22,4%): Consumers who use the internet for planning their shopping highlight the role of digital platforms in shaping purchasing journeys. Retailers should focus on creating seamless, user-friendly interfaces that aid in comparison shopping and integrate tools that facilitate planning, such as wish lists and notification features for price drops.

Lack of Knowledge on How to Shop Online (21,6%): This points to a significant barrier for a segment of the population, emphasising the need for online retailers to simplify their shopping processes and provide clear instructions or tutorials, possibly targeting demographics that are less familiar with digital shopping.

Stopping Internet Use After Finding Products (20,3%): Those who discontinue their internet use once they've found what they need might indicate a focus on efficiency and avoidance of distraction. Retailers can cater to this behaviour by making their websites more navigable and reducing the complexity of the shopping process to convert searches into sales quickly.

More Choice and Variety Online (20,1%): A strong appreciation for the diversity of options available online suggests that maintaining a broad inventory can be a significant draw for e-commerce platforms. This could also imply a niche market strategy wherein offering unique or hard-to-find products can attract more customers.

Entering Personal Details Online (19,7%): The firm concern about personal data safety requires businesses to invest heavily in secure platforms and clear communication about privacy practices to reassure customers and build confidence in their online operations.

Shopping Online for Lower Prices (18,9%): Price sensitivity remains a definitive factor in consumer shopping habits online, indicating the effectiveness of competitive pricing strategies, regular promotions, and discounts in attracting cost-conscious shoppers.

Risk of Financial Information Theft (18,8%): The strong worry about financial security underscores the importance of implementing state-of-the-art security measures and regularly updating consumers about protective actions taken by retailers to safeguard their financial information.

Online Purchase Security (18,6%): The close concern for the security of online transactions highlights the necessity for e-commerce sites to continuously enhance their payment systems and reassure customers through visible security certifications and customer education programs.

Comfort Using Mobile Apps (17,9%): A significant portion of the market feels very comfortable using mobile apps for shopping, indicating the growing importance of optimising e-commerce strategies for mobile platforms, with a focus on user experience and app functionality.

Risk of Not Receiving What You Paid For (17,7%): A definite concern about receiving items as described or on time indicates that businesses need to ensure reliability and accuracy in their order fulfilment processes and be transparent about what customers can expect.

Saving Money Online (17,4%): For those who definitely find online shopping economical, this could highlight the importance of pricing strategies, loyalty programs, and cost-saving offers as critical factors in attracting and retaining customers.

Convenience Over Price (16%): For a segment prioritising convenience over cost, this suggests that efforts to streamline the shopping process, such as easy navigation, one-click purchasing, and quick checkout, are particularly valuable.

Online Shopping Pleasure (14,5%): The least definitive agreement yet still notable, those who find online shopping more pleasant than conventional shopping might appreciate aspects like the absence of physical shopping hassles and the convenience of shopping from anywhere at any time.

Recommendations based on attitude insights

Integrating Physical and Digital Retail Experiences: Since a high percentage of respondents definitely prefer in-store shopping, retailers can consider integrating their online and physical presence more seamlessly. For instance, hybrid options like “buy online, pick up in-store” could merge the immediacy and tactile benefits of in-store shopping with the convenience and broader selection of online shopping. Interactive technologies such as virtual reality or augmented reality could also simulate in-store experiences for online shoppers.

Enhanced Consumer Education: The substantial percentage of consumers lacking knowledge on how to shop online indicates a significant opportunity for retailers to engage with their customer base through educational content. This could include video tutorials, easy-to-follow guides, and live support options to assist less tech-savvy customers, thus expanding the potential market.

Loyalty and Trust Building Initiatives: Trust and security are paramount, as highlighted by the concerns about financial information theft and the need for secure transactions. Retailers should focus on building customer loyalty through transparent communication and robust security measures. Programs that reward customer loyalty and offer guarantees such as price matching, secure payment options, and straightforward return policies could foster trust and encourage repeat business.

Optimisation of Delivery and Pricing Strategies: High delivery costs and price sensitivity are significant concerns. E-commerce platforms could innovate their delivery models, such as leveraging local drop-off points to reduce costs or incorporating dynamic pricing strategies that adjust prices in real-time to offer the best deals. Subscriptions for premium services offering free or faster shipping could also be attractive.

Mobile Commerce Focus: With a notable percentage comfortable using mobile apps, businesses must optimise their mobile interfaces. This goes beyond making websites mobile-friendly to developing dedicated apps that offer enhanced functionalities, push notifications for deals, and streamlined checkout processes.

Data Security Enhancements: To address the strong concerns about personal and financial data, businesses need to invest in advanced cybersecurity measures. Regular audits, compliance with international security standards, encrypted communications, and transparent data usage policies can reassure customers.

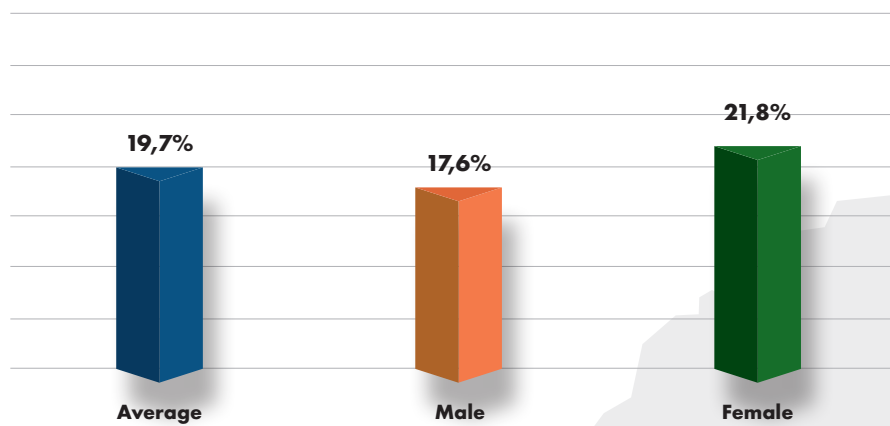
Customer-Centric Return Policies: Given fears about not receiving what was paid for, a clear, lenient return policy could be crucial. Offering easy, free returns with extended return windows can help mitigate these concerns and potentially increase the willingness to purchase.

Strategic Use of Artificial Intelligence: AI can be leveraged to personalise the shopping experience, provide tailored product recommendations based on user behaviour, optimise inventory management, and handle customer service inquiries through chatbots, enhancing overall customer satisfaction.

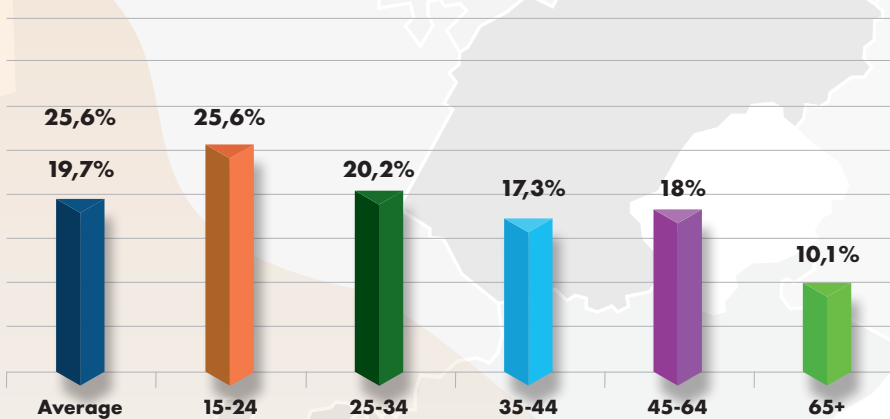
Attitude demographics: safe to enter personal details online

Among the attitudinal findings that showed the highest level of demographic variance, was confidence in entering personal details online. Significantly more women agreed with the statement than men, while there was a direct correlation between age and lack of trust in the safety of personal information online.

It is safe to enter personal details online, by gender



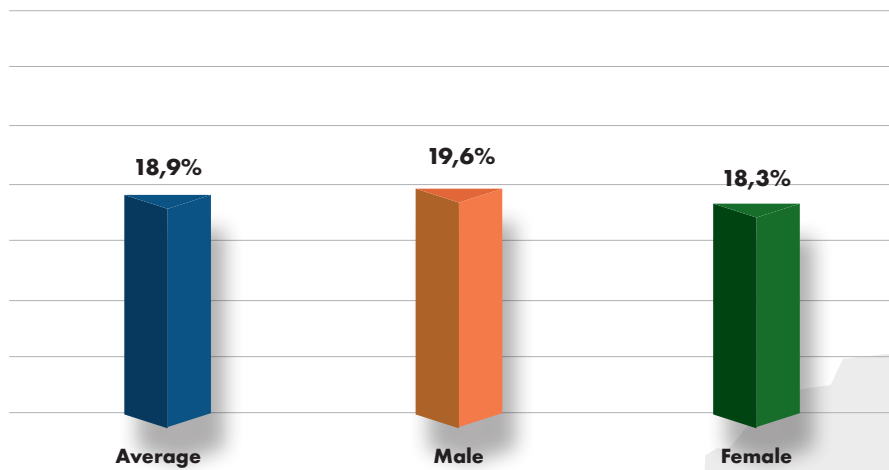
It is safe to enter personal details online, by age



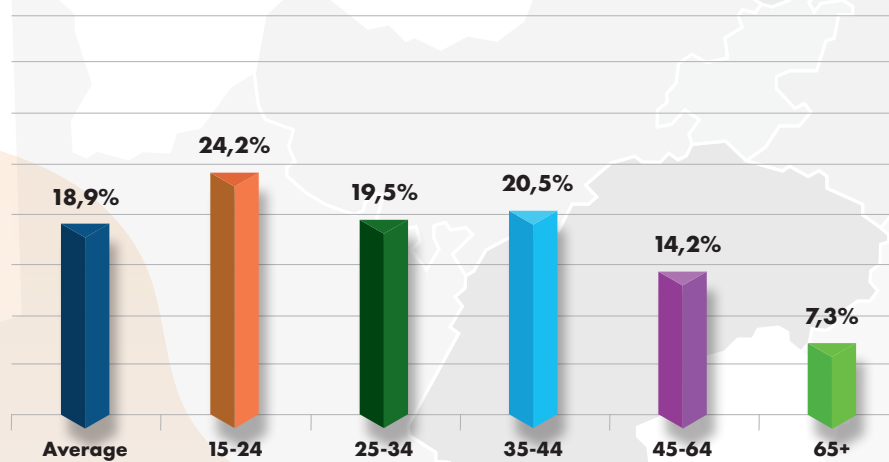
Attitude demographics: shop online for lower prices

Surprisingly, while there was a gender balance among those who shop online for lower prices, there was once again a direct – although negative – correlation between age and being motivated by lower prices.

I shop online for lower prices, by gender

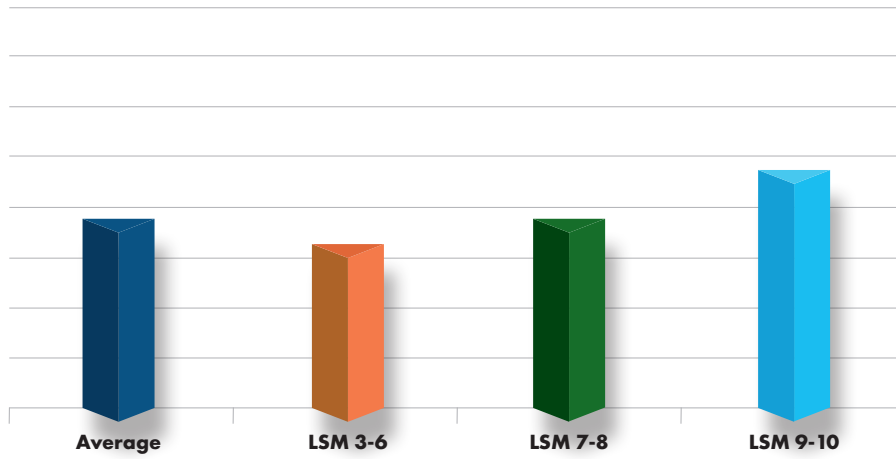


I shop online for lower prices, by age

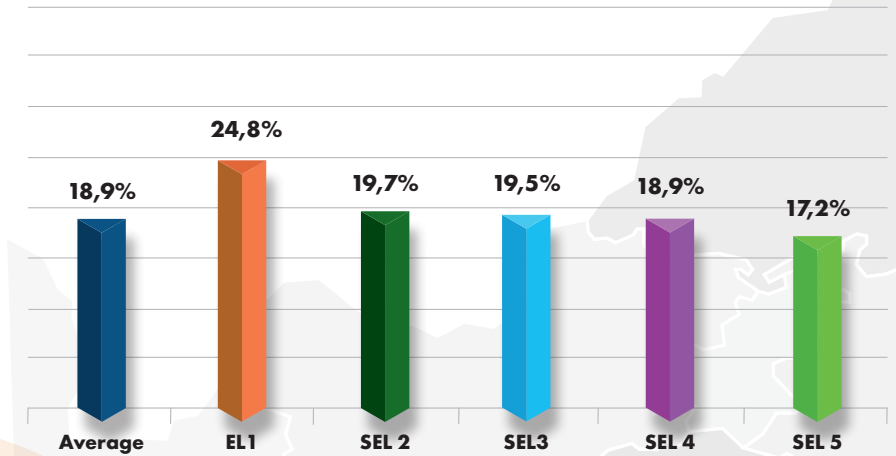


Ironically, higher Lifestyle Measurement (LSM) levels also correlated with being motivated by lower prices to shop online, as did improved socio-economic levels (SEs).

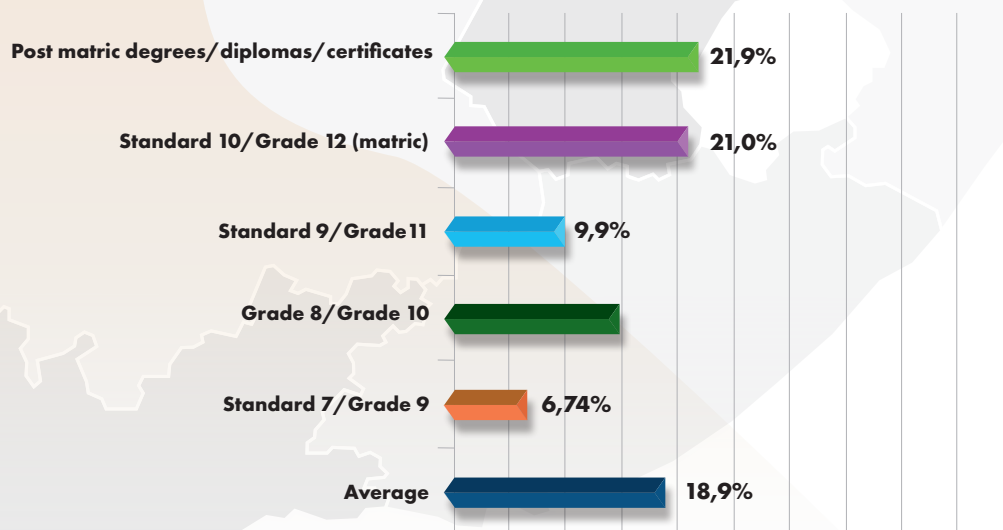
I shop online for lower prices, by LSM



I shop online for lower prices, by SEL



I shop online for lower prices, by education level



Conclusion

The TGI data provides a detailed and nuanced view of the online shopping landscape in South Africa, charting developments across a range of demographic and behavioural axes from 2022 to 2023. The findings reveal a complex interplay between technology adoption, demographic factors, and evolving consumer preferences.

Key Conclusions:

- 1. Demographic Influence:** The data highlights significant demographic influences on online shopping trends, with younger adults (25-34 years old) and higher socio-economic groups showing the most substantial engagement. Moreover, a notable increase in online shopping among seniors suggests a broadening of digital inclusivity, though challenges remain, especially in lower socio-economic groups and less urbanised regions.
- 2. Regional Disparities:** Gauteng remains the epicentre of South Africa's online shopping, with a stark contrast in engagement levels seen across other provinces. This regional disparity underscores the need for targeted digital infrastructure improvements and localised marketing strategies to enhance e-commerce penetration.
- 3. Shifts in Consumer Behaviour:** While mobile devices dominate as the preferred medium for online transactions, reflecting global trends towards mobile-first strategies, there's also a significant consumer segment that still values the physical shopping experience. This dual-mode shopping preference indicates opportunities for omnichannel retail strategies that blend online convenience with in-store engagement.
- 4. Safety and Security Concerns:** Despite the growth in online shopping volumes and frequencies, concerns about personal data security and transaction safety persist, hindering further adoption of online shopping. Addressing these fears through improved security measures and transparent customer communications is crucial for sustained growth.
- 5. Payment Methods and Platform Dynamics:** The consolidation of preferred payment methods suggests a maturing market but also highlights areas for innovation in financial technology. Meanwhile, the evolving dynamics among online platforms, with some like Takealot seeing slight declines in dominance, illustrate a competitive marketplace ripe for innovation and differentiation.

The trajectory of e-commerce in South Africa points towards a vibrant future, marked by technological advancements and evolving consumer habits. However, the path forward requires a concerted effort from businesses, policymakers, and the community to ensure inclusivity, trust, and innovation remain at the forefront of this digital evolution.

Contact

The Online Retail Industry Survey was led by **Arthur Goldstuck**, managing director of World Wide Worx. He is author of 20 books, including *The Hitchhiker's Guide to AI*, and *Tech-Savvy Parenting*. As principal analyst, he leads **World Wide Worx's** groundbreaking research. He was assisted by Jason Banner in data analysis for Online Retail in South Africa 2024.

User demographic data was sourced from the Target Group Index (TGI) survey conducted by Ask Afrika, the largest market research organisation in Africa. World Wide Worx collaborates with Ask Afrika in the structuring of e-commerce, digital and electronics components of TGI, which comprises 16 000 interviews across a vast range of consumer topics and behaviours.

About World Wide Worx

World Wide Worx conducts independent, sponsored and commissioned research projects, in areas ranging from cloud computing and digital transformation to ecommerce and digital consumer trends. We provide talks, commentary and thought leadership on business and digital trends for media and at corporate events.

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