

South African online retail reaches 1% of sales but needs innovative business models

 By Kevin Tucker

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According to the World Wide Worx Online Retail in South Africa 2016 report, online retail has maintained a growth rate of above 20% for several years. In 2015, the rate of growth was 26% or R7.5bn and this year, growth in rand terms is expected to remain the same as in 2015, taking the total to above R9bn.



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This year, online retail in South Africa will reach 1% of overall retail for the first time, a significant milestone for a sector that is attracting robust investment from both established and new players in the retail game.

However, while these figures are encouraging for the country's growing number of retailers, payment gateways and online merchants, there are still many hurdles to overcome before they can enjoy sustainable returns.

Compared to traditional retail, the profits are still paltry and the number of online shoppers spending regularly remains low. The majority of South Africans spend between R250 and R1,000 when making a purchase online and 33% of those surveyed made 10 or more purchases online per year.

Limited range, limited appeal

The most commonly cited challenge for local online retail is that South Africans remain hesitant to transact online and are afraid to hand their banking details to payment gateways plagued by fraud.

Although online security is indeed a factor, it is less of an issue than the quality of South African online offerings. The primary challenge is the dearth of innovative business models and, as a direct result, the availability of products online (or the lack thereof).

As several reports have illustrated, most local retailers – both established names and newcomers - have a very limited range of products listed online, which deters potential customers and drives them into physical stores in order to enjoy the wide range of choices they have become accustomed to. Lacking confidence in what they can find online, local shoppers will be less inclined to spend time looking, leading to less time spent overall on various e-commerce sites. This is a psychological barrier that retailers will need to work at overcoming. For various reasons, local merchants and brands have sparse product ranges listed online, which is often coupled with poor or unreliable delivery. As such, many local shoppers only hop online to research price points and find favourable deals, at which point they then travel to physical stores to complete the purchasing process.

For South Africans to move online and actually spend significant amounts (on a regular basis), they need to be presented with better quality products and more of them. Local retailers are expecting to win simply on price but diversity and quality will differentiate them and drive e-commerce growth.

Showcasing the standouts

An increasing number of new players entering this space are experimenting with and pioneering different models. However, infrastructure and delivery remain difficult and there are psychological barriers to overcome before local online retail can reach its critical tipping point. The upcoming [PriceCheck Tech & E-Commerce Awards](#) will draw attention to some of the strides being made by individuals and companies and will highlight some of the weaknesses.

Looking ahead, there are infinite opportunities for South Africa's emerging e-commerce players – both established and entrepreneurial – but the key to long term success will surely lie in providing consumers with far more than what the local mall can offer.

ABOUT KEVIN TUCKER

Kevin Tucker launched PriceCheck, an online product comparison platform, in 2006 with the aim of changing the way consumers are able to access and sort through big data to make informed purchasing decisions. With more than 20 years' experience in coding and a deep understanding of successful entrepreneurship, Kevin brings a wealth of business and software development knowledge to his role as CEO.

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