

SA's online retail sector shows significant growth

There's been significant growth in South Africa's online retail sector, surging to R71bn in 2023, a 29% increase from 2022, positioning the sector to break the R100bn mark by 2026.



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These findings were presented in a recent webinar presented by Arthur Goldstuck, CEO of World Wide Worx, in partnership with Mastercard, Peach Payments, and Ask Afrika.

Says Goldstuck, "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."

Gabriel Swanepoel, country manager of Mastercard South Africa, who was also on the panel, commented: "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. Merchants are utilising our enterprise grade infrastructure to make their financial operations more efficient as they continue to capitalise on this growth.”

Andrea Rademeyer, founder and executive chair 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 e-commerce surge

The 2023 rise comes after 35% growth the previous year took the total to R55bn 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.



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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.

Customer service makes all the difference

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.

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