

How SA's online stores can manage the 'deadweight loss of Christmas'

By [Dr Thabang Mofokeng](#)

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By the opening decades of the 21st century, businesses had adopted e-commerce stores, online advertising, and more recently, mobile applications. They have also embarked on the commercial marketing of various products in their store-fronts, accompanied by above-the-line media (print, radio, and television ads) from the start of the Christmas season in order to encourage people to shop for gifts.



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In the USA, mobile marketing drove an estimated 72% of sales traffic and 54% of sales orders in the period leading up to Christmas in 2018 – the festive season being retailers' profitable time. Today, e-commerce shopping is also thriving in South Africa.

The continuous arrival of digital devices (mobile, laptops, and tablets) – aided by broadband internet connections – enabled online stores to put product and service information at shoppers' fingertips.

However, e-commerce stores are faced with the challenges that are inherent in online shopping, which include providing value, product, or service detail, and building consumer trust. Instead of aiming at the commercial marketing of Christmas gifts, today's successful online stores target the needs that consumers seek to satisfy.

Tailoring sales strategies

Tailoring marketing and sales strategies to meet shoppers' needs over the festive season is achieved by presenting a variety of products (e.g., recipes and food, cosmetics and style products, home style and decoration, and rolling out competitions and sweepstakes for shoppers to win prizes or holidays), and aligning this information with tips on gift purchases relating to personal tastes – particularly on items such as cosmetics and perfumes, ornaments, jewellery and clothing.

The aim is to match the gift that is bought to the recipients' value and to the value that the giver pays, thus avoiding the gifts losing between one-tenth and one-third of their value, which may result in returns, reselling, or re-gifting. This phenomenon

was called the “deadweight loss of Christmas” by the economist [Joel Waldfogel](#).

To manage this, the best online stores link online shopping safety tips to the product information, avoid bombarding customers with web advertisements, and provide detailed evidence – preferably using rotating pictures and 3D videos – to demonstrate their value supply chain activities (clear guidelines and instructions on the online shopping process), from ordering and payment to delivery and after-sales service. These moves create a competitive edge.



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26 Nov 2019



Security and privacy concerns

Security and privacy remain valuable in the development of digital transformation strategies: they are non-negotiable, and must not be compromised. Together with inaccurate product information in answering shoppers’ questions, these factors reduce shoppers’ trust and cause them to leave the online store immediately – especially if they can’t find the information they need.

Consumers’ high sensitivity to security and privacy concerns reduces efforts to scaffold trust maintenance and to build loyalty to online stores.

The Online Retail Report in South Africa issued by Goldstuck (2019) indicates that the online shopping growth rate, which was below 20% in 2018, will show a small decline between 2019 and 2020. Given the outcomes anticipated in this report, I conducted a study in which I surveyed shoppers who purchase from online stores in the Gauteng province, which is South Africa’s socio-economic hub.

Shoppers were asked to identify their preferred online stores, for how long they have been buying from those online stores, and a product that they have bought often in the past six months. I also asked shoppers to evaluate their perceptions of the security and privacy of their preferred online stores.

These perceptions were measured against their levels of trust and satisfaction, to determine their impact on online store loyalty. A large cohort of the shoppers was aged between 18 and 24 years, and they frequently purchase clothing.

It was found that shoppers’ trust in an online store was strongly influenced by their privacy concerns, followed by security. This suggests that shoppers were concerned about the protection of their personal information – that it could be accessed, stored, and disseminated to third parties, resulting in credit card fraud, identity theft, and financial loss.

While their privacy concerns strongly reduced their level of trust, their perception of security reduced their online shopping

satisfaction. Their trust influenced satisfaction, which, in turn, influenced their loyalty towards the online stores.



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Establishing online trust

Global Research across industries emphasises that security and privacy are barriers to customers' trust in e-commerce. These factors reduce the growth of online shopping applications. South Africans are no different; so understanding the factors that influence their online buying satisfaction is also important.

Comments about sustainable and responsible social conduct are no longer convincing: consumers' lack of trust is growing, and this affects their satisfaction. Lately, customers take action to establish a strong preference for online stores and brands that exhibit a more radical transparency.

As South Africa's online stores unveil their promotions in the weeks leading up to the Christmas shopping season, they must instill customer trust by providing updated product information, ensuring that pricing is correct and accurately reflects the value received, provide reassurance that personal information will be safeguarded, provide blockchain technologies in online payments, build in rigorous security verification systems (cryptography, encryption) to protect customer's private data, and reassure consumers that their site is trustworthy.

Online stores with these important features will manage to instill customer trust, and are likely to dominate the Christmas shopping season. Those sites can satisfy customers and build a stronger attachment (loyalty), characterised by customers who are less price-sensitive, by repeat purchases, and by customers' advocacy of the online store to family and friends via positive word-of-mouth communication.

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