

SA joins the online shopping boom

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By global standards, the e-commerce platform in South Africa is small, but online retail sales have shown a steady increase over the past five years as the one-time timidity of shoppers takes a back seat and a growing number of time-poor and techno-savvy consumers turn to the Internet.



Mr Price and Edcon, through its CNA stationery division, are among local companies who joined the e-commerce fray last year, highlighting the trend towards capturing online trade in a bid to grow market share.

Research by World Wide Worx, commissioned by Google, indicates that online retail is becoming increasingly popular in the country, growing at a rate of 30% a year.

Simon Leps, chief executive of digital solutions provider Fontera Digital Works, says South African Internet users are more than happy to shop online.

"Historically, South Africans have been shopping online from Amazon for more than 10 years. Kalahari, Takealot, Yuppichef have been going for a while and they do pretty well. It's always been that people buy videos, DVDs, books - that type of stuff, its now moving on to electronics. And if you take a look at Zando - people are quite happy to go shopping for clothing too," Leps said.

In October, e-commerce start-up Zando announced that Summit Partners, an equity investment company based in Boston in the USA, had invested €20m in its business. This was the second international backer to pour money into Zando, following an investment "more than R100m" from the asset management division of investment group JPMorgan in September, indicating confidence in the online fashion retailer.

Mr Price chief executive Stuart Bird says the group has taken a long-term view on its online strategy. "We think it's going to come and we think its going to come big," he says.

"Why online? It's to protect as well as grow local market share in South Africa. There are lower costs associated with this model too. And most importantly, we see it as a platform to launch into prospective global markets," he says.

According to Edcon, about 3.9m Edgars and Jet account holders are able to purchase music, books, games and movies from www.cna.co.za. Customers can return products to a store and do not have to worry about the fuss of shipping products back to the supplier.

Consumers have also been switching to the benefits of online shopping, as broadband capabilities and costs have become slightly more accessible.

Broadband access in South Africa has more than doubled in the past two years, as mobile operators slashed the cost of data and network rollout accelerated, the *Internet Access in South Africa 2012* study released in December, revealed.

Measured by subscriptions, South Africa now has 15.8% broadband penetration claimed. It was conducted by World Wide Worx and backed by the howzit MSN online portal.

However, due to extensive multiple-use of broadband subscriptions, especially thanks to the falling cost of data and the proliferation of promotional offers, the number of individuals using broadband subscriptions represents only 11% penetration of the population.

"This may seem small, but it is still light years ahead of where we were five years ago. It suggests that, five years from now, mobile broadband and smartphones will be the conventional means of access, rather than fixed line, which will increasingly be confined to small business," Arthur Goldstuck, managing director of World Wide Worx says.

Woolworths chief executive Ian Moir says faster and cheaper broadband will be the tipping point for e-commerce in South Africa.

"We are the biggest online retailer in the market, but everybody is small and it won't take off until broadband becomes cheaper and faster, and really I think that's about four years off.

"And it will also rely on people becoming more secure about buying online. We have invested a lot of money, resources and skills in our digital strategies, because when that happens we want to be ready for it and more ready than anyone else," he says.

According to PwC, online retailing in South Africa remains a niche proposition for the medium-term, although growth is now starting to accelerate.

"Growth in Internet access is now speeding up as the market gets more competitive. Nevertheless, only higher-end retailers are giving e-commerce much attention, with most focus on non-food goods.

"Costly online access aside, the local postal system is also a constraint on growth, given concerns over its efficiency," he says.

Source: *Business Day* via I-Net Bridge