

Trade in second-hand goods the hidden boom in SA economy

 By [Claire Cobbedick](#)

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While the formal South African economy is clearly struggling - the finance minister's grim budget on Wednesday confirmed that harsh truth - there is one key segment of the economy which is booming yet often ignored. Online trading, both for new and second-hand goods, is on a constant up curve.



Gumtree has seen great growth in the past year and now carries 1,004,516 listings. And, when South Africa finally sheds itself of the data cost choke chain, the growth in online trading will become explosive across the board.

Online trading underestimated

This already massive online trading economy is important and is under-estimated in formal analysis in several significant ways.

The thriving trade in second-hand goods demonstrates the smart search for value by consumers in the tough economic climate and, in many instances, it displaces retail sales. The money that some retailers are losing is not vanishing, it's being spent in other ways.

Car sales are a classic example of this. Last year, we estimate that previously-owned cars outsold new ones in SA by 2 to 1 yet almost all the sales data, awards shows and industry analysis focusses on the new metal on the showroom floors. To their credit, car dealers have adjusted to this shift and most now operate cleverly and flexibly in the previously-owned online space.

And South Africans are only just beginning to appreciate how much potential value they have locked up in unused or unwanted goods. An Australian survey found that families could add 6% to their total household income by selling their unused goods online. And we estimate there's more than R1bn lying around in South African homes in unused, good condition, re-sellable cellphones alone.

A new retail economy

Probably most importantly, the online space is the protagonist of a new economy in which anyone can become a retailer on their own terms. This phenomenon is in line with global trends and it could play a huge part in alleviating South Africa's massive unemployment problem.

One estimate is that by 2025, what's called the ingenuity or DIY economy – which includes small home businesses, buying and selling for profit and modest entrepreneurial ventures – could employ two-thirds of the population, and the online space provides instant, accessible and free promotional platforms for such enterprises.



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The appeal of this economy is its inclusivity. Anyone can participate and the barriers to entry are extremely low. Start-up capital investment is markedly reduced because you can so easily trial a product or service and reach different markets. We have watched a generation of, what we call, Gumtrepreneurs rise over the past decade and build successful businesses online out of next-to-nothing.

I am convinced that this new economy will continue to outpace the formal sector because the growth potential is phenomenal. The single biggest step the government can take to fuel this boom is to translate their fine policy words on the expansion of fast internet access and the radical lowering of data costs into immediate reality.

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