

South African online spend expected to reach R53bn by 2018

PayPal's third annual global report on cross-border trade, in partnership with Ipsos, is predicting that South African online spend will grow to over R53 billion by 2018, with cross-border shopping continuing to rise.



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In 2016, 43% of adults in South Africa shopped cross-border, with the US as the most popular cross-border online shopping destination, followed by China and UK.

The global insights research, which investigated the online domestic and cross-border shopping habits of more than 28,000 consumers in 32 countries, including South Africa, reveals new opportunities for merchants to expand their international sales.

Online shopping on the rise

Online shopping has been slow to take off in South Africa but in recent years has picked up steam. The research indicated that 58% of online adults in South Africa shopped online over the past 12 months, amounting to an estimated total spend of R37.1 billion.

The increase in online spending is also forecasted to continue; with over half of online adults interviewed (53%) saying they will increase their online spending in the next 12 months.

As reasons for the expected increase, they gave convenience of shopping online (cited by 84% of those predicting an increase), planning to save more money (38%) and change in disposable income (36%).

When it comes to buying products online, the most popular online categories for South African consumers were downloadable digital entertainment and education items (purchased by 53% of online shoppers in the past 12 months), event tickets (47%), and clothing, apparel, or footwear (45%).

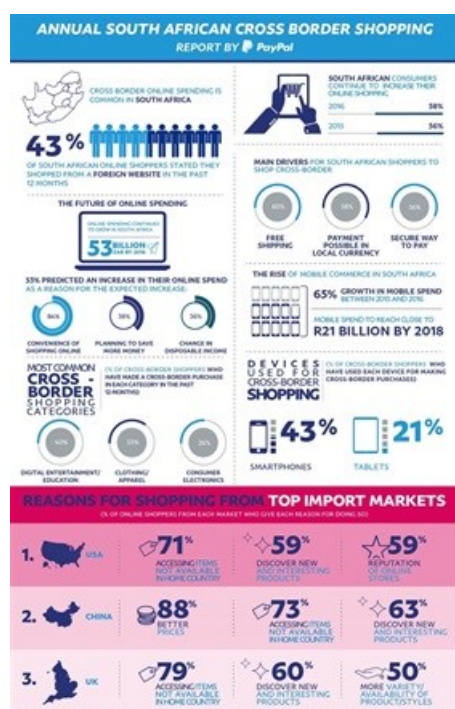
Cross-border online spending is increasing

Cross-border online spending is common in South Africa with 43% of South African online shoppers stating that they

shopped online from websites in another country in the past 12 months. The main drivers that would encourage South African online shoppers to buy cross-border online are free shipping (60% of online shoppers say would make them more likely to shop from websites in another country), availability of local currency for payment (58%) and secure way to pay (56%). All told, an estimated 1.4 million South Africans shopped internationally, spending an estimated R8.8 billion. Cross-border shopping is estimated to grow by 38% in 2017 based on shoppers own predictions.

Cross-border shoppers from South Africa are making purchases all over the globe, with the US being the most popular destination (24% of online shoppers claim to have made a purchase from websites in US in the past 12 months) followed by China (13%) and the UK (12%).

South African cross-border shoppers buy from the US instead of purchasing from South African websites because of access to products that they cannot find in their own country (selected by 71% of those who shop in the US), discovering new and interesting products (59%) and reputation of online stores in the US (59%). The top reason to buy from China is better prices (selected by 88% of those who shopped in China) and for the UK, the access to items not available in their own country (selected by 79% of those who shopped in the UK).



Continued rise of mobile commerce in South Africa

With high rates of mobile penetration in South Africa, online shoppers are increasingly opting to make purchases on their mobile devices – resulting in an estimated 65% growth in online spend via mobile device (smartphone or tablet) between 2015 and 2016, to reach an estimated R9.5 billion, with momentum expected to continue. This provides an immense opportunity for online retailers, as mobile spend is projected to increase by 123% by 2018. In the last 12 months, 43% of cross-border shoppers stated that they shopped cross-border via smartphone while 21% stated they used a tablet for their cross-border purchases.

“The South African commerce revolution is well underway and, backed by the region’s diverse and global population and high mobile penetration rates, consumers are looking internationally to source their favourite products and services,” commented Efi Dahan, GM for PayPal Israel and Africa.

Opportunities shown in the research

Retailers can take several steps to make their online shops a more user-friendly experience for consumers. For cross-border shopping, 72% of online shoppers admit to abandoning a cross-border purchase. The main reasons for this abandonment include high shipping costs (a reason for 55% of those who abandoned their purchase), uncertainty about duties/taxes/customs fees (33%) and long delivery times (32%).

When it comes to barriers to cross-border shopping; for the online shoppers who do not shop cross-border their top three reasons preventing them from making cross-border purchases were delivery or shipping costs (selected by 48%), having to pay customs fees (46%) and concerns that they might not receive the item (41%).

Security drives choice of payment method

Key factors for choosing a preferred payment method for cross-border shopping included security, convenience and trust. Cross-border shoppers who chose PayPal as their preferred cross-border payment method mentioned that they use PayPal for cross-border purchases primarily because of its reputation for security (68% said they chose it because it is ‘a secure way to pay’), the service convenience (46%) and their trust in the brand (45% chose ‘well known, trusted brand’).

Among the South African cross-border shoppers, 68% claim to have used PayPal as a payment method for their cross-

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border purchases in the past 12 months.

For the past three years, PayPal has revealed this extensive cross-border commerce research to understand the online shopping behaviours of the global consumers. This year the research has revealed that South Africa as a high adopter of cross-border shopping with a high adoption in mobile usage in the region. The US, China and the UK have continued to be the top three cross-border shopping destinations for the South Africa consumers. The future of online spending for South Africa has great potential for growth and estimated to increase for the upcoming years.

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