

SA's e-tailers finally getting to grips with festive rush

According to newly released research, South African online retailers have learned to meet the demands of Black Friday and the Christmas season, with nine out of ten saying they coped with extra staffing demands and more than two-thirds saying their technology could handle the increased traffic at the end of 2021.



Source: Getty

The single biggest challenge facing the sector was managing customer queries and challenges, cited by just over half (53%) of respondents.

These were key findings of the second phase of the *Online Retail in South Africa 2021* study, conducted at the end of last year by World Wide Worx, with the support of Mastercard and Standard Bank.

The first phase of the study, released in mid-2021, had shown the [total growth for online retail](#) in South Africa in 2020 had come to 66%, bringing the total of online retail in South Africa to R30,2-billion. The forecast for 2021 of 30% growth to R42bn, will be tested in the 2022 edition of the study.



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The new research examined retailers' success factors, challenges and outlook, and delved into their marketing and technology strategies.

"The research was of particular significance due to the major glitches that bedevilled online shopping during peak times in recent years," says Arthur Goldstuck, CEO of World Wide Worx and principal analyst on the project. "The findings were encouraging, despite ongoing challenges like fulfilment disruption and inventory forecasting."

Positive outlook

The Christmas holiday season remains the most important time of year for online retailers, with 73% rating it as important, while 60% regarded Black Friday as important to their sales. In contrast, Valentine's Day and Mother's Day are regarded as important by only about a quarter of respondents, and Back-to-School by fewer than one in five.

Retailers were surprisingly upbeat in expectations for turnover in 2022, with more than a third of respondents expecting more than 60% growth, and well over half expecting more than 20% growth. This is in contrast to around half of respondents anticipating less than 20% growth for 2021. However, more than a quarter expected to report over 40% growth for last year.

"The findings anticipate an economy emerging from the darkest shadows of the pandemic," says Arno van der Howen, head of digital e-commerce and housing platforms for consumer high net worth at Standard Bank. "Consumers remain under pressure, but the retail sector is assisting by making the shopping experience and the payment process increasingly seamless."

The study found that online retailers were almost unanimously confident in the prospects of the industry. Nine in ten said they were very optimistic about growth in the online retail industry over the next five years, while a mere 2% were neutral or pessimistic.



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Key success factors

The key success factors for most retailers were good customer service (98%) and a good user experience (90%). Quality of products came in third at 83% of respondents, while pricing was ranked only 6th – cited by only 73% of respondents. This aligns with other research by World Wide Worx, which has consistently shown price being less important to consumers than service and quality.

"Consumers want frictionless, convenient checkout regardless of whether they check out online or on mobile," says Gabriël Swanepoel, country manager at Mastercard, Southern Africa. "When you consider cart abandonment rates nearing 70%, due to security concerns or often complicated checkout processes, the concept of frictionless quickly moves from a nice idea to a must-have. If friction can be removed, it should be removed."

Innovative technologies and business models are expected to continue enhancing both retailer performance and the customer experience, but will not become a case of tech for its own sake, says Goldstuck.

"Eight out of ten online retailers are already using parcel tracking, and a similar proportion offering collection and return

points,” he says. “This may feel like a norm to the online shopper today, but it was almost unheard of just five years ago. Just over half are offering QR code scanning, and that’s expected to increase this year. On the other hand, only one in five participants in the survey are using artificial intelligence, and that is not expected to increase by much in 2022.”



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Payment technologies will follow a similar trend, with not a single participant planning to use chatbot-enabled payments, only 3% accepting cryptocurrency, and 2% allowing biometrics-based payments. Credit cards and debit cards dominate payment methods, with electronic funds transfer and vouchers widely offered. Innovations like mobile credit and buy-now-pay later (BNPL) are emerging, but still not challenging mainstream payment systems.

“Even as people embrace a new way of shopping, they still trust the older styles of payment,” says Van der Howen, “This shows that the shopping landscape may be shifting, but the payment foundations remain in place.”

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