

Slowing retail sales do not affect e-commerce

In an environment of slowing retail sales, as reported by Statistics SA on 14 August 2013, the e-commerce field presents opportunities for businesses and brands, with more and more South African consumers becoming comfortable with using online platforms to make purchases.



According to Claude Hanan, co-founder of design curated website Citymob.co.za, "E-commerce in SA is quite a defensive industry at the moment. Even when broader macro trends point to muted consumer spending, the number of shoppers becoming online shoppers is growing faster than the decline in basket sizes, as a result of falling disposable income."

South Africa is still very far away from being in a position where all those who want to shop online, can and do so. If one takes a deeper look, South Africa has 3% e-commerce penetration (being the percentage of total population who shop online). This equates to about 1.5 million people. This figure is expected to double by 2016 to 6% or 3 million people, but Hanan feels it will more than double.

"There are 13.2 million internet users in South Africa currently. However, a measure we prefer looking at, which has been identified by Arthur Goldstuck, is the number of internet users who have been online for longer than a 5-year period. Currently this sits at 4.6 million. However, no one is comparing the 1.5 million currently active online shoppers to the 4.6 million potential user base. If you do, you see that only 32% of people who are ready to shop online are shopping. Why is this? There are a number of reasons but top contributors are awareness, trust and quality of offerings."

The market is growing very quickly. Again, according to research by World Wide Worx, online retail is growing at 25-35% per year and is expected to reach R4.2 billion in 2013. "It's not a case of local online companies getting better in the next few years; they are getting better right now. It is happening today. More users are online, shipping is faster, product offerings are better, client service is smoother. So the tailwinds in the industry are legitimate and we are benefiting massively from that and are hugely excited about the growth of e-commerce in South Africa over the next 5 years."

Site sees 120% growth in sales

Citymob took advantage of the opportunity and has seen considerable growth across the board.

"All KPIs are in the green. When we compare y/y growth to where we were 12 months ago, the figures are good. Since the start of 2013, we have seen user growth in excess of 200%, monthly site visits have more than doubled and orders per month have increased in excess of 120%. As a result of these factors, we have seen substantial revenue growth, which is something we are excited about."

It is estimated that by 2016, there will be 17 million internet users in SA and 8.5 million of those will have been online for five years or more or are 'e-commerce ready.' "This represents a large opportunity for the e-commerce market, but while there are countless opportunities in the space, you need the necessary experience, skills and the right team in place to succeed. The space is competitive and only the nimble survive," concludes Hanan.

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