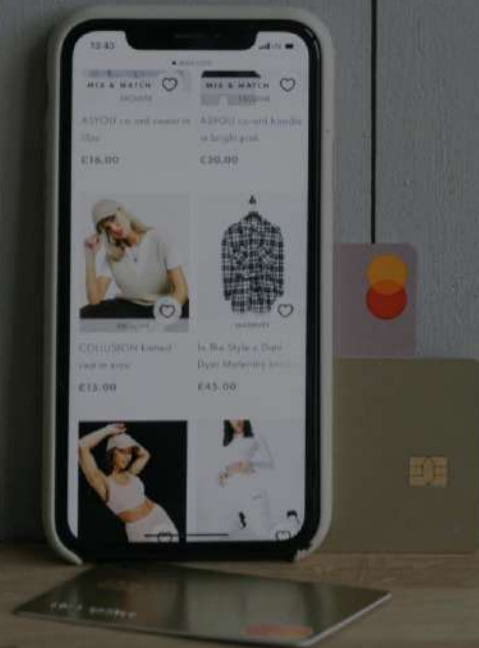# E-COMMERCE LANDSCAPE & BEST PRACTICE IN 2023

PLANIT

CONTENTS

- Digital Transformation

- Trends 2023 & beyond

- SA Landscape

- The Consumer Journey

- Best in Class

- Key Takeaways

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Digital transformation paired with offline channels, brings all parties to the same table – with the consumer at the heart of it.

The objective of Digital Transformation should not only be a business KPI – but rather about transforming for the benefit of the consumer.
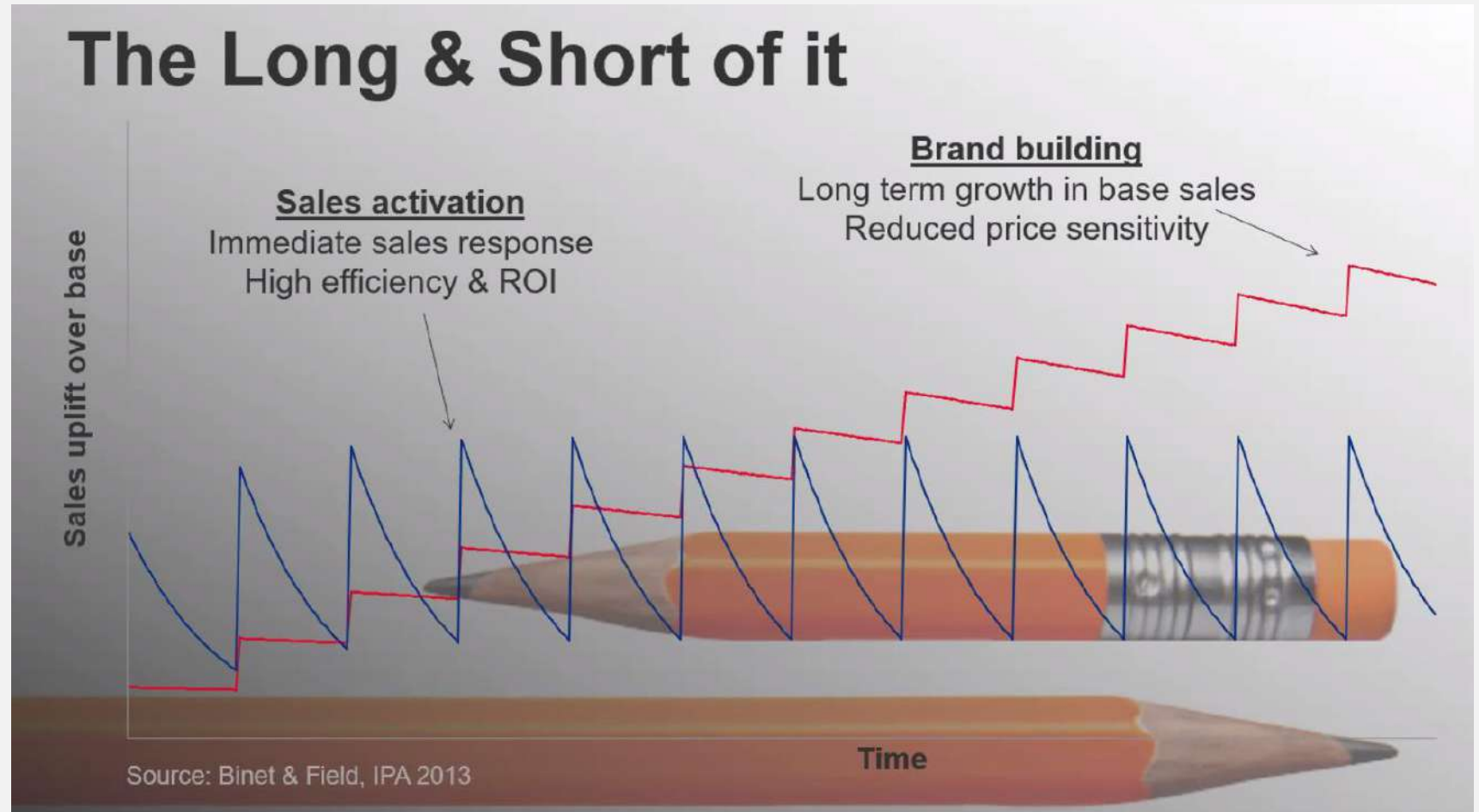

"Digital transformation in marketing is about harnessing the digital enterprise. It means using technology to continuously evolve all aspects of the business model, including what it offers, how it interacts with customers, and how it operates.

Put simply, digital transformation is a way to future-proof a business."

Deloitte

MAINTAINING YOUR BASE IS KEY TO LONG-TERM SUCCESS

Use data to make decisions & focus on customer centricity to build loyalty

The Long & Short of it

Sales uplift over base

Sales activation
Immediate sales response
High efficiency & ROI

Brand building
Long term growth in base sales
Reduced price sensitivity

Time

Source: Binet & Field, IPA 2013

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FACTORS DRIVING DIGITAL TRANSFORMATION

MACRO TRENDS

DRIVING DIGITAL TRANSFORMATION
Why Now?

COVID
Drove a massive surge in digital first commerce our of necessity
Altered consumer habits
There has been a correction - but the growth trajectory has been set

Bye bye cookies!
Deprecation of 3rd Party Cookies limiting the ability to re-target customers online

Protection of Personal Info
GDPR, POPIA, OS Privacy amendments and heightened awareness of protection of personal information

Democratisation of AI
Hello Chat GPT
AI and ML are becoming more accessible from a technology perspective and can therefore give us many more deep insights about customer behaviour

Generational Forces
Gen Z and Gen Y firmly entrenched in the market
Fully digital native - planted in AI and AR
Meet them where they are

takealot.group advertising

30% of spend power is driven by Millennials & Gen Z cohorts

3 KEYS TO SUCCESS

CUSTOMER OBSESSION
Become obsessed with knowing & understanding your customer DNA & meet them where they are

STRATEGY FIRST
Then follows people, process & tech – avoid being swayed by 'shiny' trends. Define clear communication goals.

LEADERSHIP OWNERSHIP
Digital Transformation is Business Transformation & must be owned throughout

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SOURCE: IAB

THINGS IN OUR CONTROL OR INFLUENCE

MEET THEM WHERE THEY ARE AT

Whether it is in a Roblox game, a whatsapp Bot or via a content creator

BUILD 1ST PARTY DATA

Or augment - data partnerships are your friend
Build clear audience segments and personas

Prioritise Personalisation

Mass customisation at scale

CUSTOMER JOURNEYS

Understand your customer journeys, Build multi-touch attribution models to understand their buying patterns

ITERATE AND INNOVATE

Measure, iterate and innovate to drive results

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E-COMMERCE IN SA

The South African online retail market reached R55 billion in 2022, accounting for around 4.7% of the total retail market, a 35% year-on-year increase.

Brandmapp's latest data shows that over 65% respondents had shopped from one of South Africa's largest online retailers in the last year – a 25% jump from just two years ago.
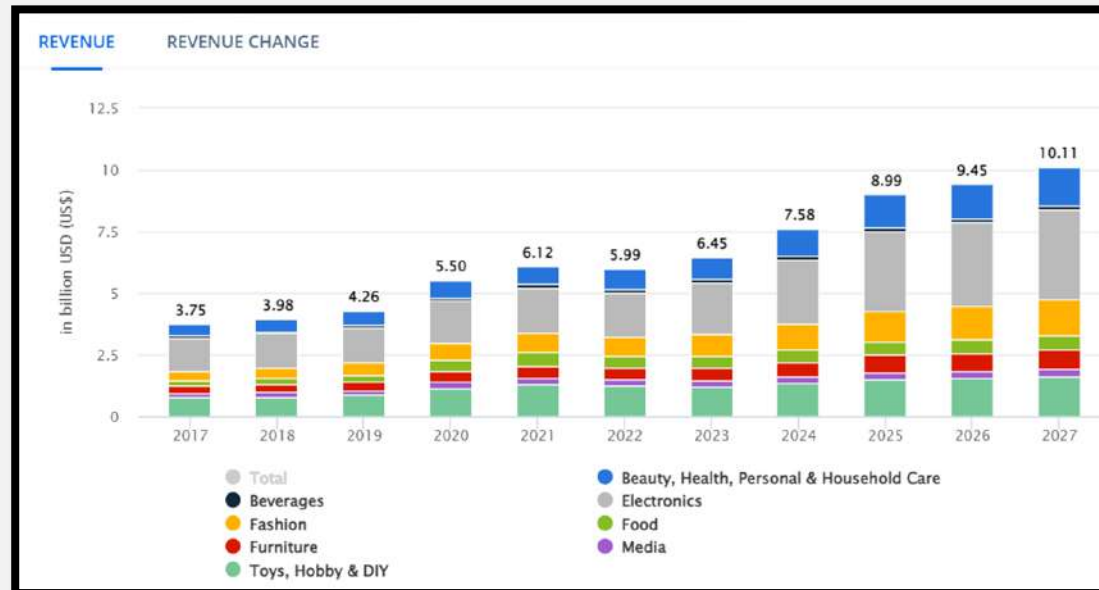
Predictions suggest that e-commerce will continue to grow by 25% in 2023 which could see online retail exceed 5% of total retail in South Africa for the first time.

Online retail in South Africa driven by an ongoing boom in demand for home deliveries, according to new research.

87% of shoppers have bought online increasing 5% YoY

Growth stemming from consumers shifting existing purchase behaviour from physical shops to online stores and apps

Top categories

REVENUE   REVENUE CHANGE

in billion USD (US$)

3.75   3.98   4.26   5.50   6.12   5.99   6.45   7.58   8.99   9.45   10.11

2017   2018   2019   2020   2021   2022   2023   2024   2025   2026   2027

- Total
- Beverages
- Fashion
- Furniture
- Toys, Hobby & DIY
- Beauty, Health, Personal & Household Care
- Electronics
- Food
- Media

Among South African consumers the two most popular categories for online purchases are Clothing 43% and Shoes 36%

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TOP RANKED SITES & APPS

TOP SITES
Ranked on reach
(SimilarWeb May23)

- takealot.com
- makro.co.za
- amazon.com
- bash.co.za
- gumtree.co.za

TOP APPS
(Appfigures.com 27 June)

ECOMMERCE VALUE SHARE
(Statista SA)

2022

Other 35%	Makro 23%

Takealot 22%	Clicks 3%	Game 3%	Superbalist 3%	Woolworths 3%
	Bidorbuy 2%	Home 2%	Incredible 2%	Samsung 2%

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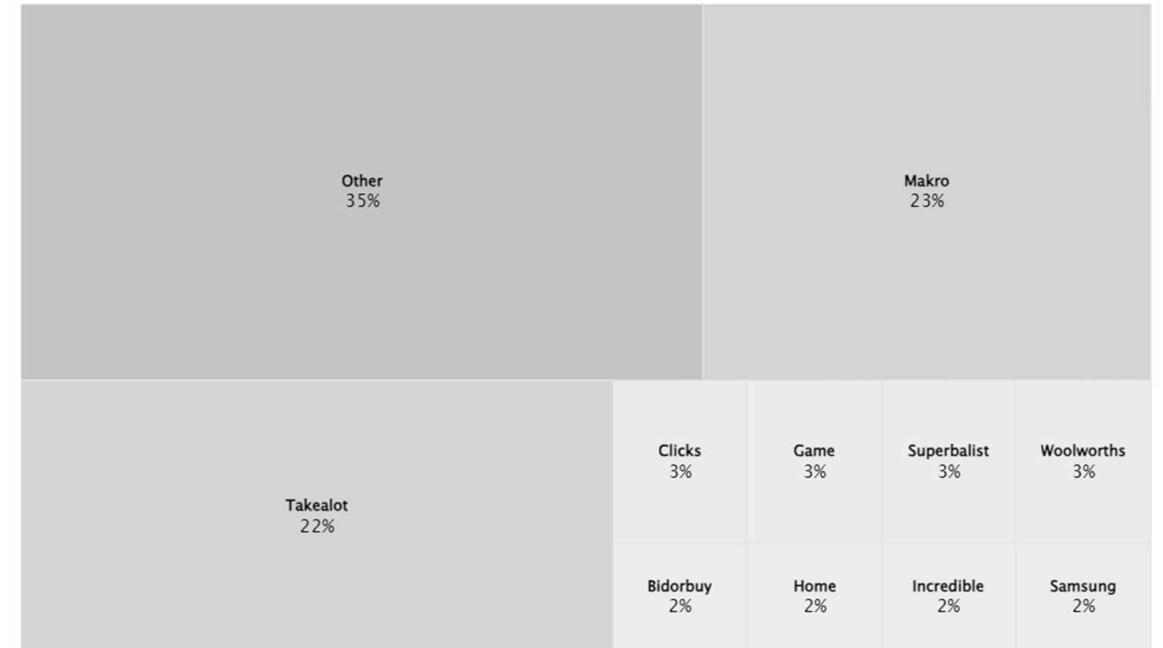
HOW SA CONSUMERS SHOP ONLINE

While the bulk of shoppers make purchases on local websites (67%) and retailer apps (63%), almost half of those surveyed (48%) buy directly through Facebook and Instagram"

Engagement with customers on channels they prefer has proven to be an efficient way to improve the customer experience."

" Shoppers want a seamless experience , ideally on the platforms they are already using:

- Elizma Nolte - Meta **"**

Activate e-commerce on your social platforms - and provide a consistent experience across web, social and messaging apps.

67% South African Retailer Websites

8% Within a game

63% Apps

18% Instagram

42% Facebook

29% Online Classifieds

33% International Retailer Websites

31% WhatsApp or instant messaging platforms

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THE IMPACT OF LOADSHEDDING

Clients with various digital campaigns across numerous online platforms and with unique marketing objectives are being negatively affected by load shedding because audiences simply can't access the Internet.

Stage six load shedding means that South Africans are without power for up to six hours a day. The ripple effect of this results in fewer online product and service searches taking place, as cell phones and laptops need to be charged and battery life must be preserved through any means possible.

"If retailers haven't done any contingency planning up till now, it will be essential that they consider how load shedding will impact the customer experience during this peak season trading period,"

- Thomas Pays, CEO and co-founder of Ozow.

Awareness

Reach

Brand Growth

Loadshedding has impacted

Lead Generation

Engagement

Website Traffic

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THE CHANGING FACE OF E-COMMERCE FOR SOUTH AFRICAN RETAILERS

How retailers can benefit from the boom in 2023 and beyond:

For retailers to benefit from the rise in e-commerce, they need to adopt future-facing strategies.

Changes here in South Africa and globally are being driven both by retailers who are moving towards more multi-channel strategies and are continually reinventing the way we can shop online, and by the expectations of customers as they **seek out more convenience on all levels, from checkout processes and payment methods to hassle-free and cost-effective delivery.**

Brandmapp's latest data shows that over 65% of the 33 000 respondents had shopped from one of South Africa's largest online retailers in the last year – a 25% jump from just two years ago.

Spend to Win
- Substantial budget investment in paid media

Be Agile
- Level the playing field - top five online stores in South Africa accounted for 68% of the net sales of the top 100 online stores in 2021

Meet Customers where they are
- Convenience is key – seamless experience at any point & time.
- 1 click checkout & onsite checkouts [stay in channel]

Buyer Myths
- E-commerce is not only for the top end shopper base
- Deep mistrust – online is a part of SA shoppers' journey + cashless shopping

Marketplace Developments
- Help build credibility for e-commerce in SA
- BOB set to be serious competitor to Takealot – model similar to Makro [shipping] eliminating 3rd party logistics

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E-COMMERCE TRENDS IN 2023

GLOBAL OUTLOOK – STATE OF CONSTANT EVOLUTION

AI

Explosion of AI-produced content leading to decreases in effectiveness – "that's Me" messaging

PRICING PRESSURE

Pressure towards commoditization rising [Amazon] as customers price compare | More frequent pricing changes

80/20 CUSTOMER SEGMENTATION

To avoid commoditisation, identify customer segments and triggers in top 20 to align to customer acquisitions

SOCIAL COMMERCE

Social channels are major players – integration of shopping features keeps user in app/channels

PERSONALISATION

Increased demand from consumers – leverage data analytics to offer customised recommendations, targeted communication, & UX

SUSTAINABLE SHOPPING

Conscious of impact on purchase decisions on environment – ethical shopping practices are increasingly important

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SOURCE: FORBES

E-COMMERCE TRENDS IN 2023

Other Trends to bear in mind

MOBILE SHOPPING

Mobile shopping intersects with other trending ecommerce features like live stream shopping, augmented reality shopping and in-app purchases.

ZERO-PARTY DATA

Consumers want a personalized experience, others are concerned about their data and privacy rights.

AR AND VR

43% of consumers say VR/AR will play a significant role in how they engage with brands over the next 12 months.

VOICE SEARCH

Customers can explore a brand's various collections, choose product sizes and colors and ask questions directly within their shop.

SUBSCRIPTIONS

Brands are adopting subscription models to attract loyal customers while boosting profitability and retention rates.

LIVESTREAM SHOPPING

Brands, influencers and creators can promote products/services while interacting with customers in real time.

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SOURCE: SproutSocial

E-COMMERCE PAVED THE WAY FOR RETAIL MEDIA

Retail media has gone through several evolutions in the last few years, but retains the essential component of - the use of shopper data to customize and cultivate brand communities. Whilst the pandemic accelerated the rise of retail media, what it also did was for social commerce to become a driving force in marketing paving the way for retail media.

Much of retail media's growth has social media to thank: brands & media started to take notice that people were basing their shopping habits on what they were being algorithmically 'fed' from the social feeds of friends, family and 'trusted' social media influencers.

Built on customer data that connects to shopper journey

74% of brands have dedicated budget to RM adverting [Forbes]

[2020] global e-commerce traffic recorded over 22 Bn visits & $4,2 trillion in sales

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RETAIL MEDIA BENEFITS

In 2022 digital advertising spend surpassed the $600 billion mark.
11% of that was Retail Media.
Forbes

takealot.group
advertising

Retail media advertising campaigns are focused on the bottom of marketing funnel objectives, and reaching shoppers at the point of purchase is seen as a main opportunity.

"With the customer in buying mode, you know they are searching for a product or considering different options, so when an ad appears, it's delivered on the doorstep of conversion. Purchase intent is converted into direct fulfilment - without the extra step required with other means of digital advertising to fulfil the created demand"

DATA

INSIGHTS

PERSONALISATION

MOMENT OF TRUTH

Capturing 1st party audience data

Utilizing insights to understand customer journey points

Build personalised journeys / Keep journey in-channel

Right frame of mind = Capitalize on their moment of truth – the point of discovery & purchase

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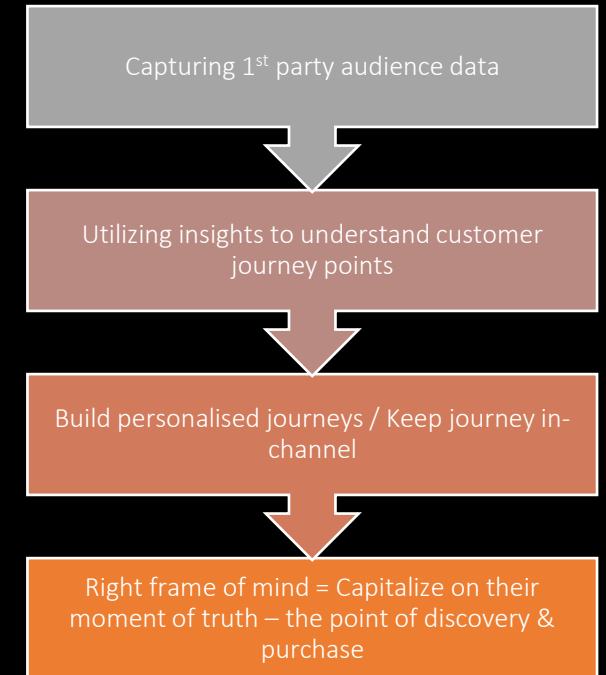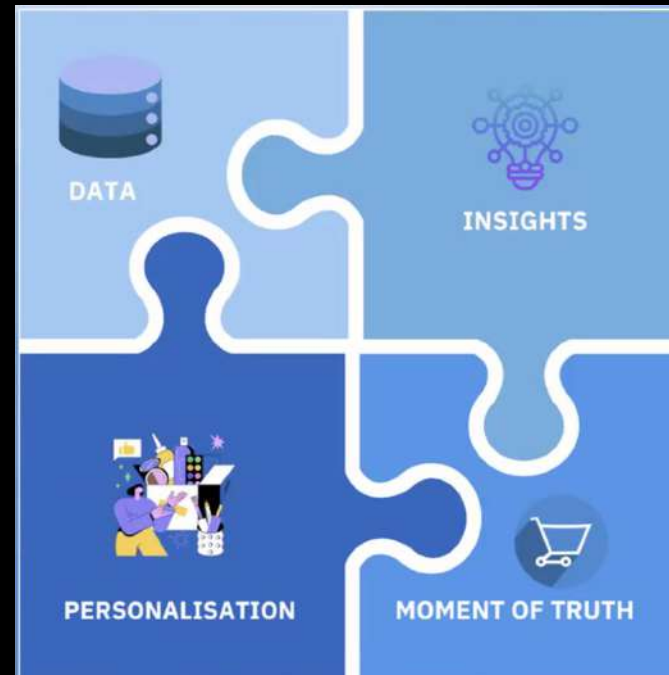
RETAIL MEDIA IN ACTION
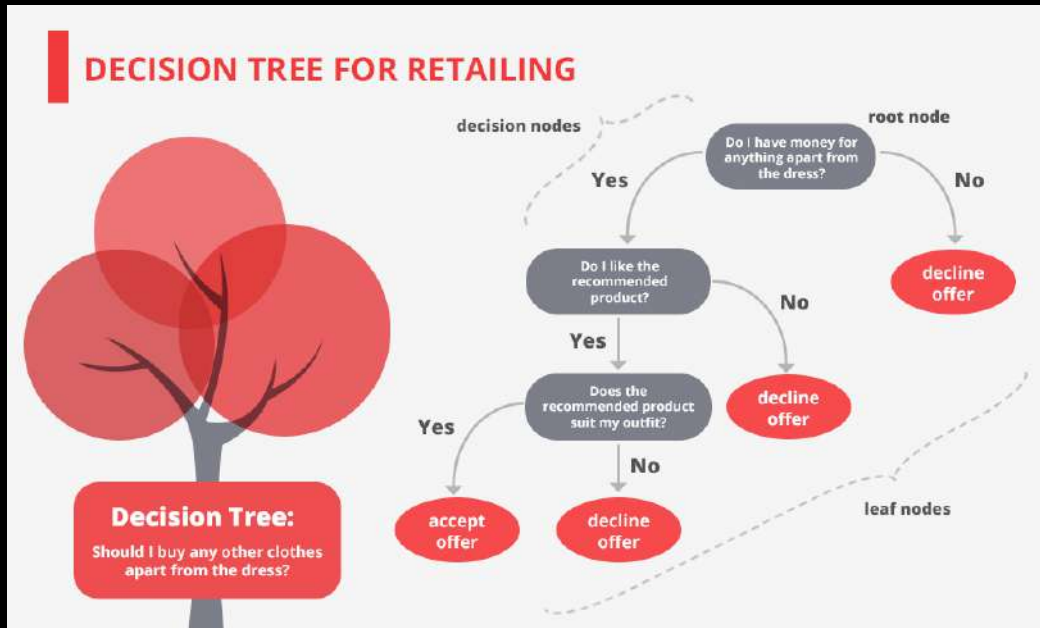
Product promotions on the homepage of the retail e-commerce store

Amazon promotes sponsored products on the homepage.

Search results page

Walmart promotes a sponsored brand on the search results page for the keyword 'mobile phone.'

Ads on specific product pages

Amazon promotes sponsored products relevant to the product being viewed (which in this case is a Meta Quest 2 VR headset).

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THE BUYERS JOURNEY

Journeys are different, non-linear, and include multiple touchpoints

● Online   ● Offline

Research on retailer site
Saw on shelf in store
TV, film or radio ad
Facebook opinion
Coupon / sample
Magazine or newspaper ad
Facebook ad
Poster or outdoor ad
Price comparison/ review site
In-store promo
In-store, other
Brand site
In-store offer
Online magazine or newspaper
Other social media opinion
Other social media ad
Friend or family
Stylist website/ blog/vlog
Magazine article
Hair salon
YouTube ad
Ad on retailer site
Other online ad
Search engine search & ads

Modeling on converted and non-converted paths

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CONSUMER TRIGGERS

80% of audiences don't click past the first page of your site

Why your homepage design is critical & supports purchase decision

| Homepage design pulls in, or pushes away, potential customers | → | The best ecommerce brands have memorable websites with a clear value proposition | → | Leads to Increase in visitor engagements & conversions | → | Great ecommerce sites should look just as beautiful and function the same on mobile as they do on desktops. | → | Clear & simple site navigation is key – prominent search box |

CONSUMER TRIGGERS

Understanding shopper satisfaction on ecommerce sites:

Online shoppers are impressed with streamlined ecommerce checkouts, but digital retailers still have work to do in meeting needs around details of products in stock and site loading speeds.

Drawing on the responses of 1,107 online shopper in the Digital Commerce 360s 2023 Web Design and Customer Experience Report, reveals how they viewed their online experiences:

62% of participants reported that a fast checkout process was the top feature of online retail platforms that met and/or exceeded their expectations.

Less than half said they were satisfied with the ability to see if a product was in stock.

41% of consumers were happy with how fast a website loaded.

"When it comes to user experience, it's imperative to understand if shopper expectations are being met or, even better, exceeded. Knowing what aspects are performing and those that might be lagging can guide future retailer investments" – Lauren Freedman, senior consumer insights analyst, Digital Commerce 360.

SOURCE: WARC

DRIVERS OF REPEAT PURCHASES

Delivering a great experience helps to lock consumers into brand ecosystems, mitigating customer acquisition costs

Category	%
They're reliable	72%
Good value delivery	66%
They have the best prices	63%
They make it easy for me	59%
I can trust them	50%
They always have what I need	50%
I like their brand	50%
Their loyalty programme	46%
There's help when I need it	39%
Personalised communications	23%
It's what I'm used to	19%
I don't have a choice	6%
Other	2%
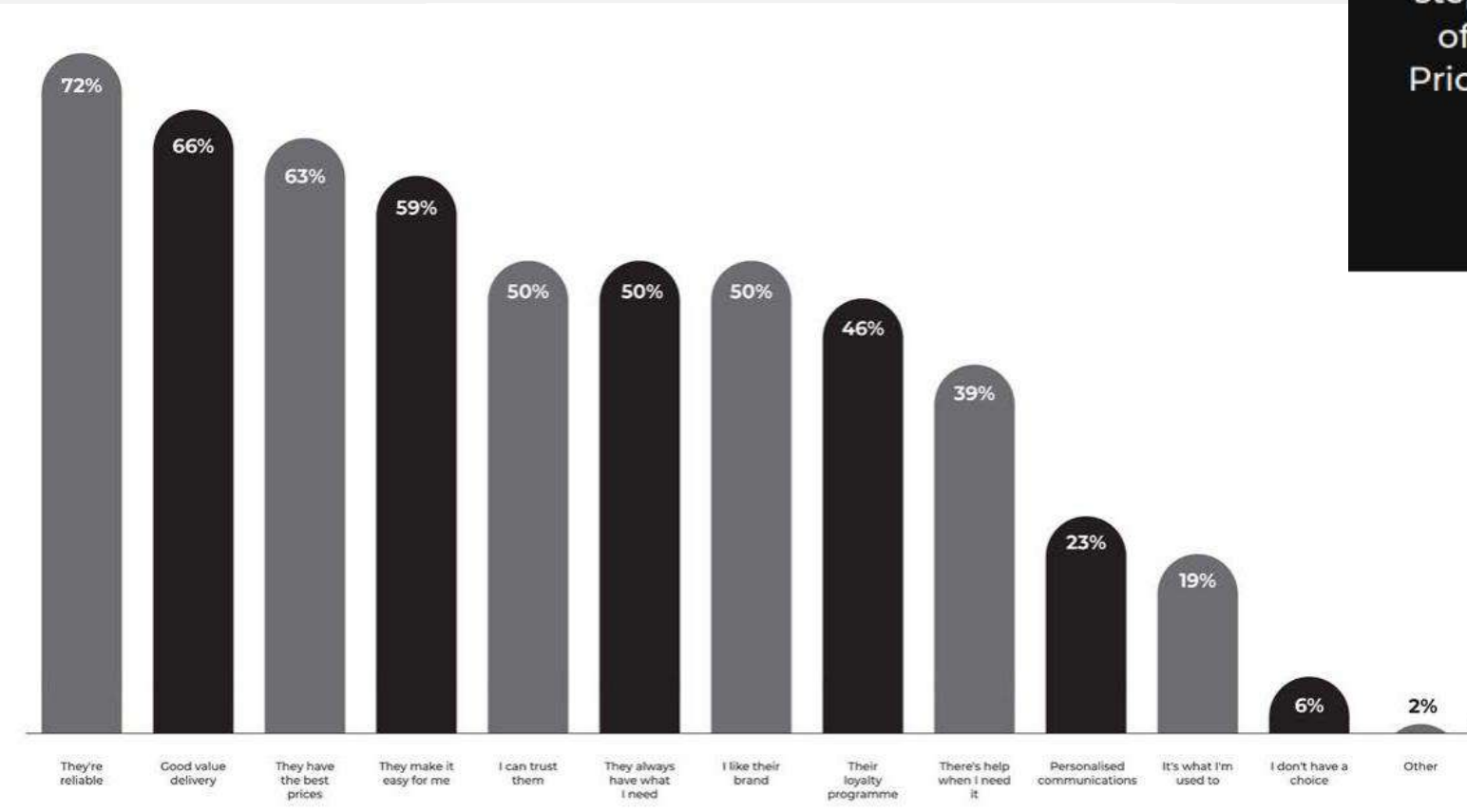
"I frequently buy from Mr Price because they are reliable and trustworthy. They communicate every step of the delivery process. They have a variety of stuff I can choose from at a good price. Mr Price always gives me the best service that I can recommend to family and friends"

- Coloured, Female, 18-24 years old, KwaZulu-Natal, Less than R10k

The power of the brand has been diminished by the power of the experience. In other words, customer experience is brand experience:
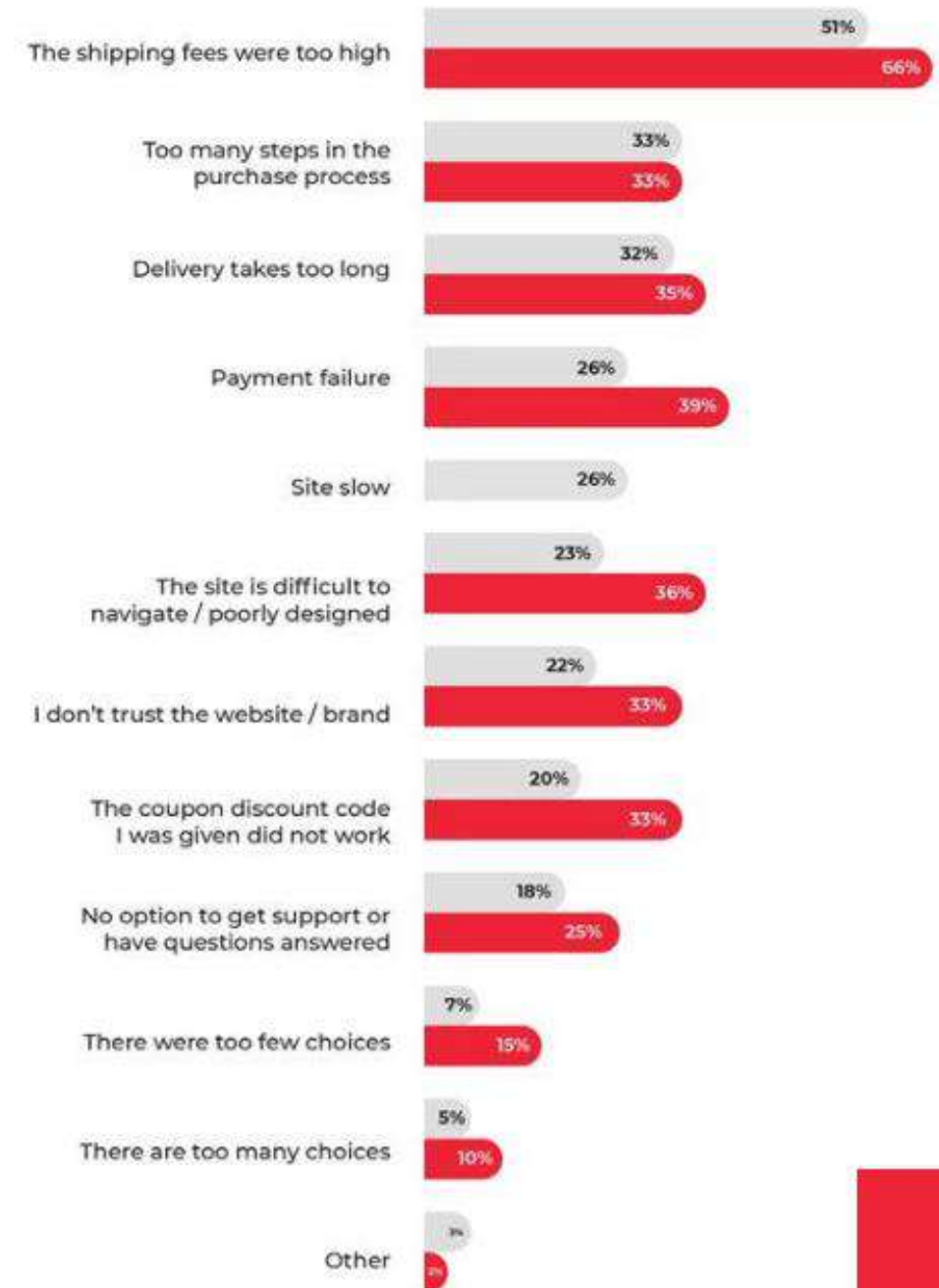
- Amanda Reekie - ovatoyou

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BARRIERS TO PURCHASE

- e-commerce shopping cart abandonment could be as high as R26.621 billion in 2022.

- The primary reason for abandonment is the **cost of shipping followed by payment failure.**

- Digital self service support channels that are backed by, or offered in tandem with, human-assisted service are preferred by consumers.

- Consumers will switch to retailers who provide a better experience - even if it means paying more

YES **60%** **40%** NO

Have you ever switched to a different website because they made it easier for you to buy the product even if it was more expensive? Fig. 16

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2021 - **2022**

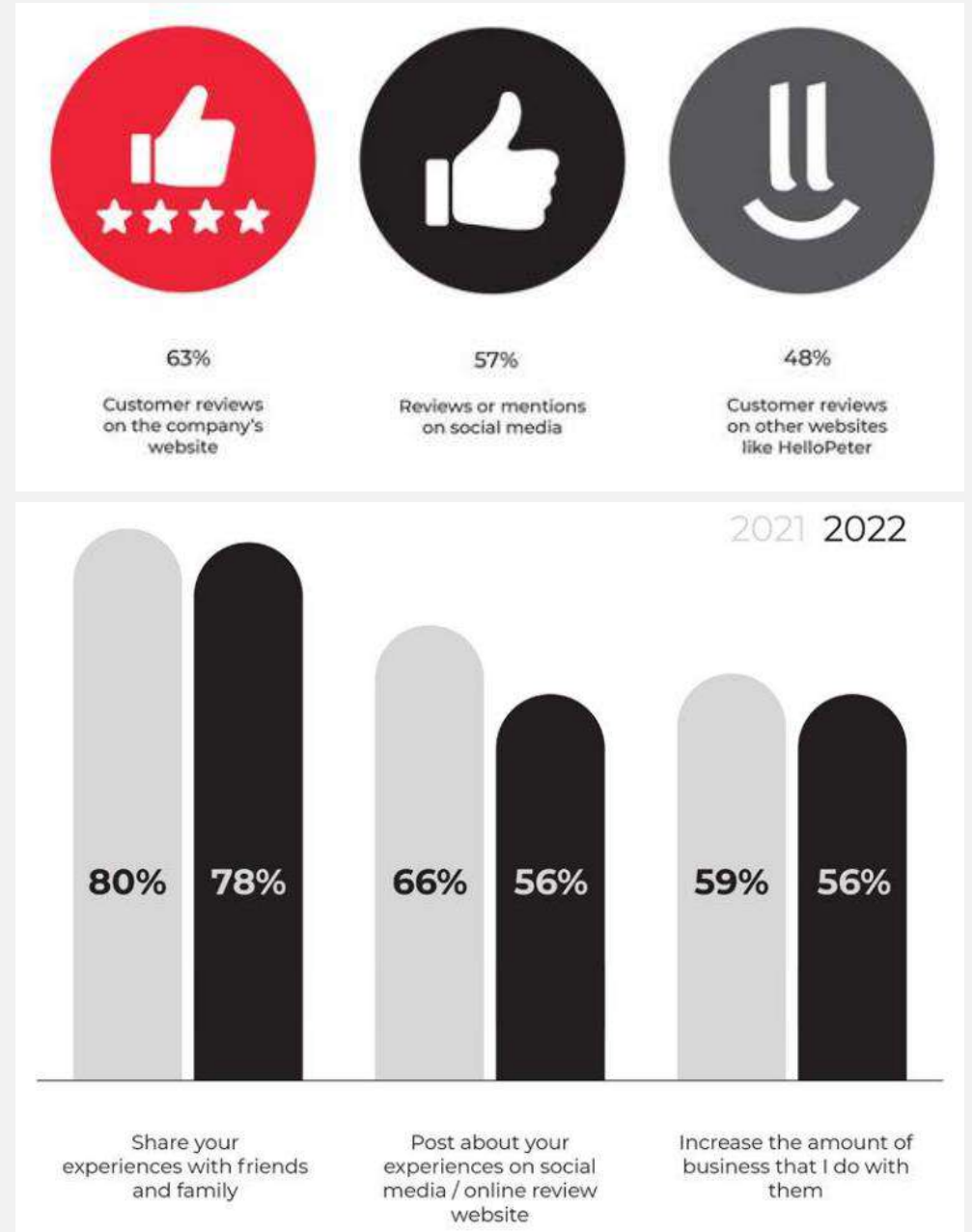|	2021	2022
The shipping fees were too high	51%	66%
Too many steps in the purchase process	33%	33%
Delivery takes too long	32%	35%
Payment failure	26%	39%
Site slow	26%	
The site is difficult to navigate / poorly designed	23%	36%
I don't trust the website / brand	22%	33%
The coupon discount code I was given did not work	20%	33%
No option to get support or have questions answered	18%	25%
There were too few choices	7%	15%
There are too many choices	5%	10%
Other		

THE ROLE OF REVIEWS

Many of us turn to reviews to find the sort of authentic feedback that the merchant might not themselves disclose. A recent study found that they influenced some $3.8 trillion14 in global e-commerce sales last year.

63% use reviews on e-commerce own sites to guide their shopping decisions

Over half (57%) tap into reviews on social media platforms

This exceeded the number who rely on word of mouth feedback from friends and family

48% use 3rd party platforms like TripAdvisor, Google and HelloPeter in pre-purchase research

Value of reviews to SA consumers estimated at R35,9Bn

Reviews are ideal spaces to mine for customer needs & wants

"Conversion rates are far higher for products which have a solid set of positive ratings" *Shekara Singh - Zando*

63% Customer reviews on the company's website

57% Reviews or mentions on social media

48% Customer reviews on other websites like HelloPeter

2021 2022

80% 78% Share your experiences with friends and family

66% 56% Post about your experiences on social media / online review website

59% 56% Increase the amount of business that I do with them

RETURNS AND REFUNDS

The CPA (Consumer Protection Act South Africa Refund Policy) provides South African consumers with important rights, including the right to a refund, when goods or services are defective, not delivered as promised, or when consumers cancel a fixed-term contract within the cooling-off period.

Reasons for return;

- 23% of customers received an item other than the one purchased.
- 22% of cases the article appeared different from how it was shown online.
- 20% of the products arrived at their destination damaged.
- 35% of returns are ascribable to other reasons etc. such as a delayed delivery.

■ Online   ■ In-stores

SOURCE: Retail Trend Tracker, Morning Consult, May 2023
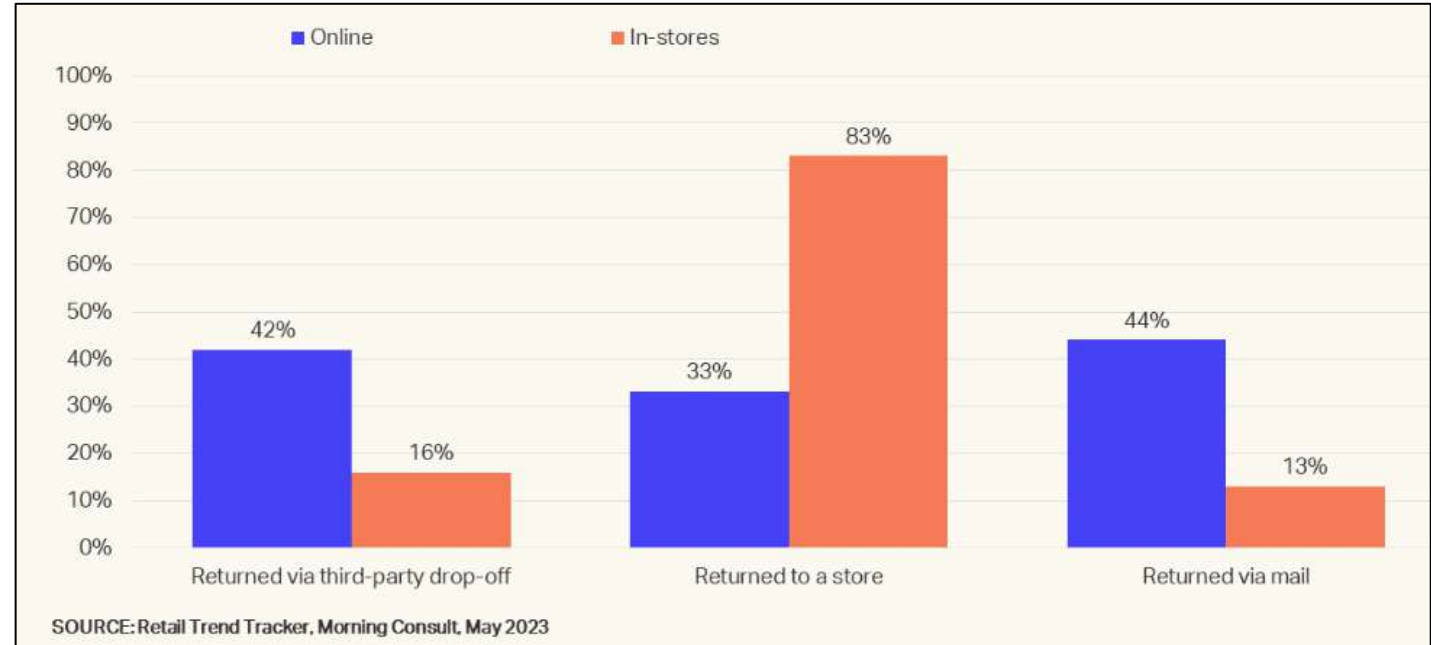
Thirty-four percent of shoppers said they made a return in April, compared to 26% in November. The report sampled 2,200 to 4,400 U.S. adults through an online survey.

The good news is that in-store returns, which cost retailers less money, are increasing faster than online ones. Online returns can be a significant price drain for retailers, and present a challenging dilemma for companies trying to save money during economic downturn.

REASONS FOR A GOOD RETURN POLICY

Returns are simply another opportunity to improve brand rapport and provide a positive customer service experience. When the brand return experience is positive, it increases sales, decreases returns, and drives customer loyalty. When paired with return insights, a customer-driven return policy can lead to better business decisions and increased profits.

Many e-commerce stores spend as much as 80% of their marketing budget on customer acquisition. But it can be more lucrative to focus on customer retention instead. 8% of repeat customers create 41% of an e-commerce store's revenue, so your business should prioritize keeping customers coming back.

Your customers want to see a return policy before making a purchase.

- 91% of consumers [Harris Poll survey] said that a store's return policy was an essential factor in making a purchase decision.
- Over 60% of customers review a return policy before purchasing decisions. (Source: TrueShip)
- More purchases will occur if given the option to return products.

A good return policy can improve customer retention.

- Customers who have a good return experience are more likely to shop again. And they're demanding that returns are collected with the same efficiency as the original purchase was delivered
- E-commerce businesses with at least 40% repeat customers are likely to have 50% higher sales.
- 36% of online shoppers made a return in the previous three months. Out of these shoppers, 73% said their returns experience would affect their decision to buy again.

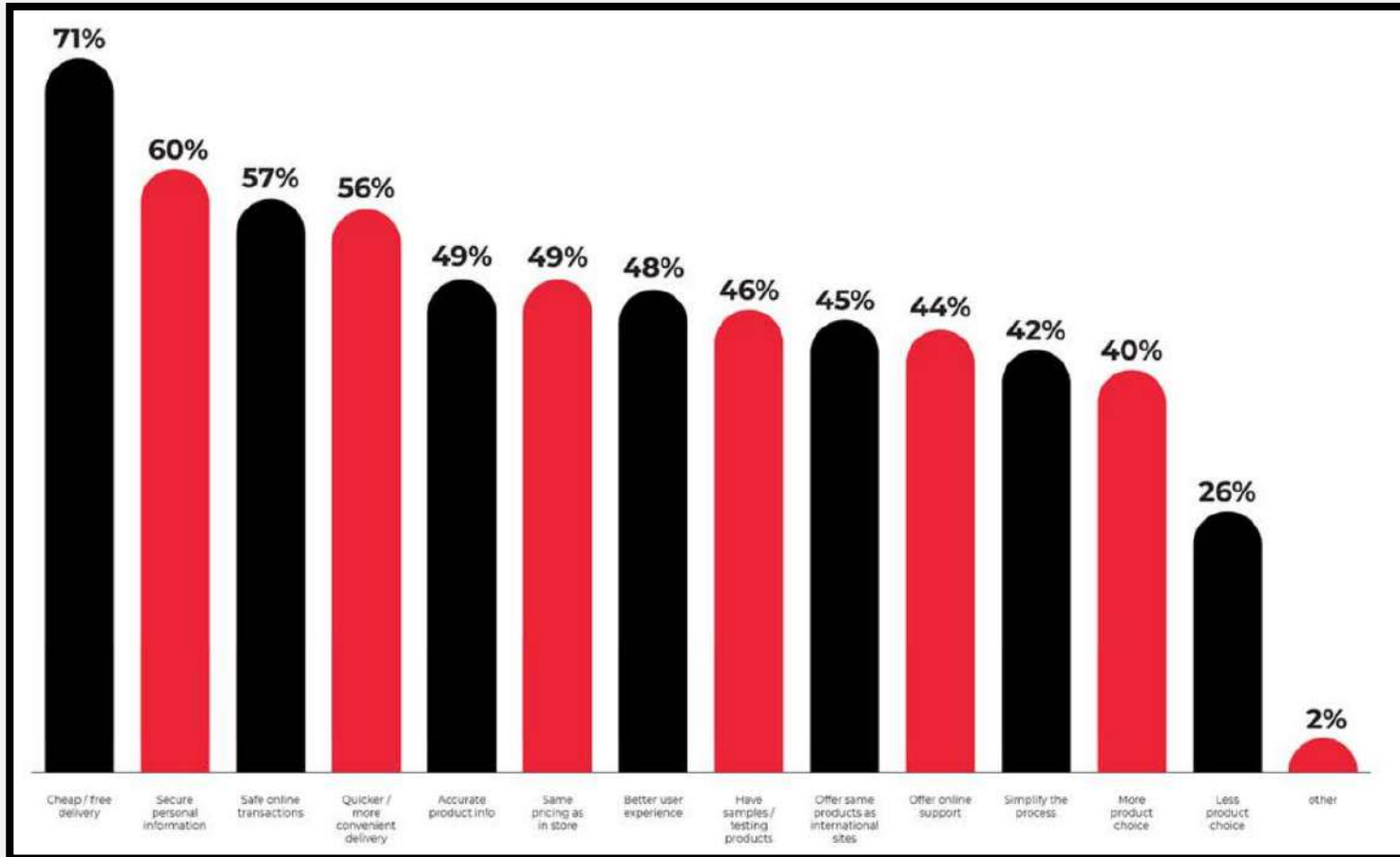**Implementing a return policy with insights can increase profitability.**

- E-commerce brands can aggregate customer feedback into different categories.
- These include return reasons and types, product manufacturers, product attributes, and more.
- Using these categories, retailers can find common factors between products. Exploring deeper into specific return reason codes can pinpoint the cause of the problem.

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TOP ECOMMERCE RETURN POLICIES

	Return Policy	Package Policy	Return Days	Navigation
takealot.com	Log a return on the Website within 30 days of delivery to you or collection by you of the unwanted product. After 30 days, you can only return a product if it is defective.	Must be unused and undamaged while having original labels and stickers. As well as the original packaging.	Refund must be filed within 30 days of the purchase of the product.	User-Friendly Website
Gumtree	Gumtree return policy depends on each seller individually. Gumtree encourages customers and sellers to meet in person, examine the item, and discuss the conditions before completing a transaction.			User-Friendly Website
amazon	You can return items fulfilled by Amazon within 30 days of receipt of delivery in Your Orders.	Return days will depend on the seller, Amazons standard return days are 30 days. Certain products will have different return day allowed.	Dependent on the seller but product cannot be damaged.	User-Friendly Website
bobshop	Bidorbuy will not process refunds on behalf of active Sellers. The Seller will have to process the refund directly to you. Unless the Seller is blacklisted on the site, the Seller will have to request the funds to be paid out and then do a direct refund to you. Refunds will not be immediate.			User-Friendly Website

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THE LAST MILE

The single most important part of the South African e-commerce journey is delivery

71% asked for reduced or free shipping fees

↓

56% called for quicker, more convenient delivery

↓

Delivery also plays a key role in mitigating cart abandonment

↓

65% said high shipping fees deterred them from checking out

↓

Consumers also requesting click & collect options

↓

Sustainability of delivery and packaging is becoming increasingly important

↓

Better product information means fewer returns

↓

There is a strong relationship between on site conversion rates, and speed of delivery

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BEST IN CLASS

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GLOBAL: AMAZON:

WHEN IT COMES TO E-COMMERCE TRENDS, AMAZON SETS THE STANDARD

Amazon has emerged as the status quo for online marketing strategy: other retailers are copying their "uniform set of standards", which includes an emphasis on upper-funnel growth and a sophisticated use of cost-per-click (CPC) ads.

Why it matters?

Understanding the retail giant's approach to e-commerce is essential to predicting the next trends in online marketing.

Cost-per-click

Amazon might be called the king of CPC – both because of the sheer volume of CPC ads present on most landing pages, as well as the giant's reputation as a massively influential marketplace.

Takeaways

Retailers are in large part looking to the amazon playbook for guidance on their next moves.	Focusing much of its ad-spend on CPC items and awareness-raising strategies	By staying ahead of consumers, the marketplace can build purchase habits that run across multiple channels of online engagement.

"Whatever amazon does, other retailers will follow," [the amazon playbook]	To predict the future of e-commerce, marketers should look to amazon's "uniform set of standards"

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LOCAL: TAKEALOT

Despite its continuing dominance of the South African online retail market, Naspers-owned Takealot has seen its Growth Merchandise Value (GMV) growth plummet from 72% in 2021 to 15% in 2022.

As of 2022, the revenues of Takealot group amounted to 827 million U.S. dollars. The company's sales increased substantially compared to the previous years

Takealot's Competitive Advantage = People

Launched in June 2011 & expanded to 21 departments, 3rd party seller marketplace & pick-up points nationwide

Analyzes the markets and adapts accordingly to satisfy all targeted demand

strategies are focused on the consumer – ease of use & accessible on most electronic devices

Partner mergers & acquisitions to lower cost of logistics – PnP pick ups launch trial

Continued investment in tech & infrastructure – payment options, expanded delivery routes & same day delivery plans

Purpose: Local market support = Takealot Marketplace Business Accelerator Programm

"Our objective over the next two years is to make our two other businesses become profitable. Being able to contribute over R2 billion in taxes as an ecosystem in 2021 demonstrates that if there is enablement and support for digital markets, the sector has great potential to address job creation."

- Takealot Group CEO Mamongae Mahlare

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TAKEALOT LOAD SHEDDING CAMPAIGN

Takealot has announced that its latest campaign, which featured its 'hired' expert load shedding solutions buyer, has seen significant success with audiences. Since December 2020, Takealot has seen 3 000% GMV growth in the sale of generators, inverters and UPS devices, indicating the need for load shedding mitigation solutions across the country.

To formulate the campaign, Takealot considered key aspects that would resonate deeply with South Africans.

This includes crafting a message that'' relevant and relatable to the local context of load shedding and strategic product placement to tie the idea together.

1.7 million views on TikTok

18 800 views on Instagram

294 000 views on Facebook, and

1.1 million views on YouTube.

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KEY TAKEAWAYS

Experience is paramount to developing a base of repeat online shopper communities; from discovery of brand through to checkout & receipt of goods.

Trends driving adoption; personalisation & social commerce

Site homepage design & UX should be simple & consistent

Delivery & payment methods are critical & plays role in repeat purchase
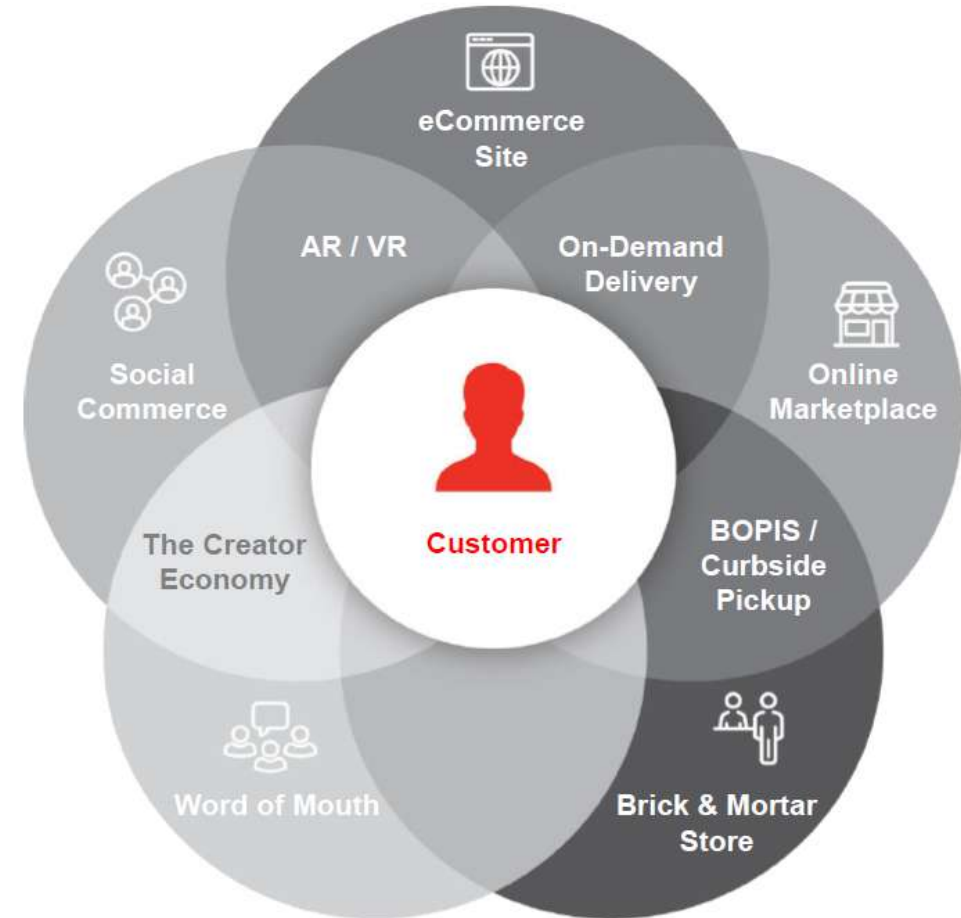
Meet customers where they are – in channel experience & convenience

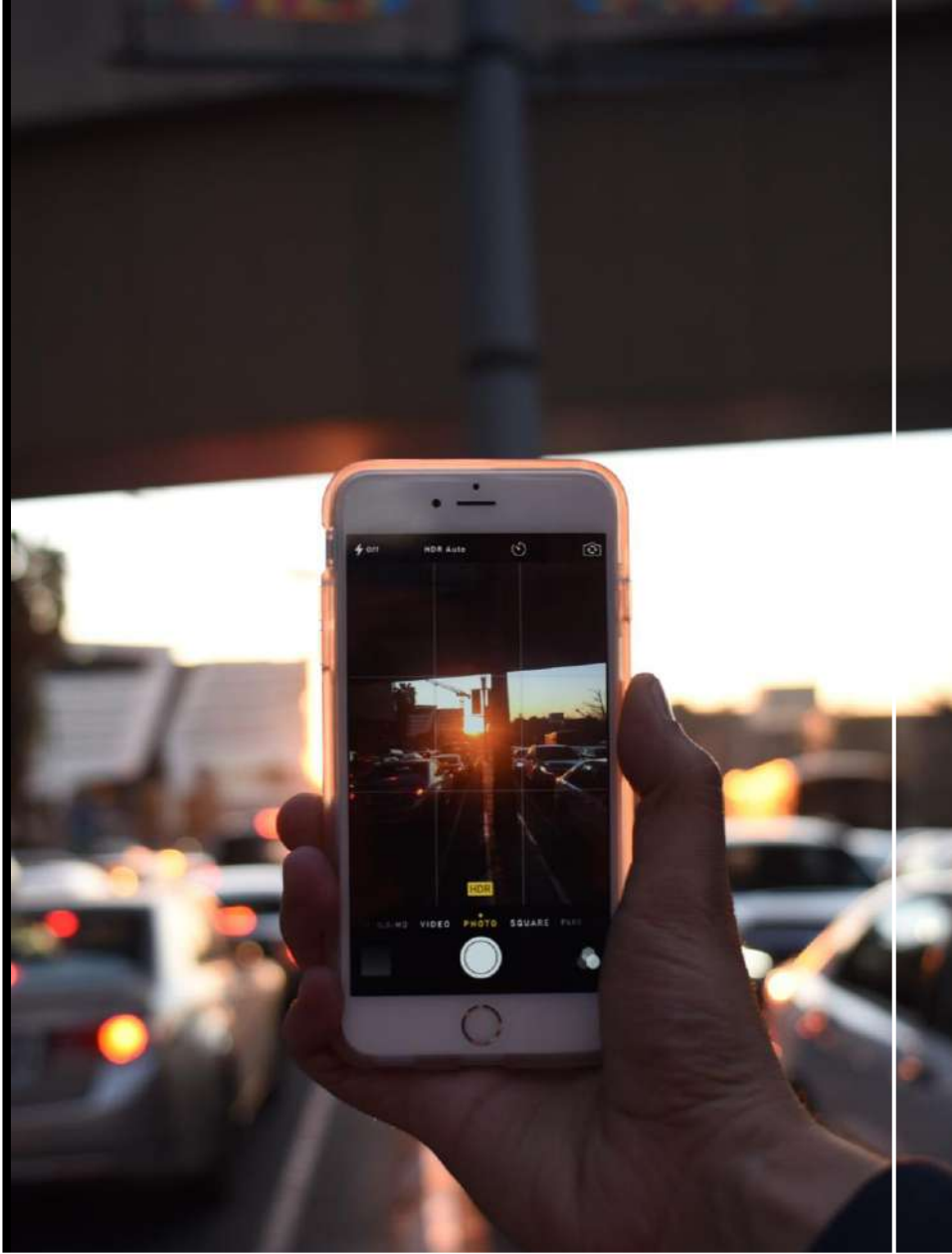Social channel presence & reviews are drivers of purchase

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CLOSING THOUGHTS

Welcome to the era of 'H-Commerce' or, *Hybrid Shopping*

1. Continued e-commerce growth combined with the resurgence of in-store shopping has ushered in the era of hybrid shopping—or "H-commerce."

2. Not to be confused with omnichannel, H-commerce is defined by the *fusion* of online and offline shopping.

3. Established and direct-to-consumer (DTC) brands are recalibrating their go-to-market strategies to meet the expectations of the H-commerce shopper.

4. Brands and retailers are investing in technology to provide seamless H-commerce shopping experiences.

eCommerce Site

AR / VR

On-Demand Delivery

Social Commerce

Online Marketplace

The Creator Economy

Customer

BOPIS / Curbside Pickup

Word of Mouth

Brick & Mortar Store

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WE FOLLOW THE AUDIENCE & MEET THEM WHERE THEY ARE

PLANIT

THANK YOU

PLANIT
MEDIA