

# Deepen SA's online retail growth trend

By  Kirsten Dewar

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Now for the good news. There's a huge opportunity for growth in online retail, but the path to profits is through dramatically improving customer experience.



Kirsten Dewar

## Online retail is growing. And will continue its healthy growth.

Brick-and-mortar retail is struggling in South Africa, but e-commerce is growing faster than expected. In fact, online retail is doing so well it is outstripping the growth rate for real-world shopping by far.

The [Online Retail in South Africa 2019](#) study, co-authored by Platinum Seed and Arthur Goldstuck of World Wide Worx, revealed that online retail in South Africa passed the R14-billion mark in 2018 as e-commerce started to go mainstream. The great news is that this 2018 figure represented growth of 25% over the figure for 2017, which came as a surprise to the research team, and confounded predictions that online retail growth would slow down.

This growth trend will deepen in 2020, in stark contrast to real-world growth retail sales which remain flat. [Stats SA reports](#) that the volume of retail trade sales “grew by 2,1% compared with 2017, down from annual growth of 3,1% in 2017 and up from 1,7% in 2016. In 2018, the annual growth rate got off to a good start of 4,7% in the first quarter, but it fell to just 1,8% in the second quarter and 1,5% in the third.”

What this means is that despite a disastrous economic climate, online retail is thriving and pushing to a key point – the psychological threshold of 2%.

“ Global research shows that 2% is a tipping point for online retail, and once nations achieve this growth rate the trend is for e-commerce to go mainstream. ”



Credit: Getty

Platinum Seed is confident that this will happen locally because of the huge investments that retailers are making in e-commerce infrastructure, and the amazing consumer response to retail promotions like Black Friday.

In November 2019, [Takealot announced](#) that it expected to ship one order every second during Black Friday, estimating that 10,000 boxes would leave the SA retail giant's warehouse every hour. [Takealot reports](#) that the brand's Black Friday gross merchandise value grew 125% from 2017 to 2018, with orders up 127%.



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## Lean into customer experience to drive growth

If there is only one thing you do in 2020 it should be to improve your brand's customer experience.

“ Besides being a massive differentiator, research shows that investments in customer experience pay off with a bottom-line return. ”

A study by the Temkin Group shows that experience matters – in real financial terms. The study showed that a small increase in customer experience can realise an increase of some \$823 million over three years in a business with revenues of \$1 billion.



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Why invest in customer experience? If you're not convinced by the returns, consider this. Research reported by Deloitte shows “customers are likely to mention a positive customer experience to an average of nine people, while they are likely to tell 16 people about negative experiences. Conversely, customers who enjoy positive experiences are likely to spend 140% more than customers who report negative experiences.”

Finally, Deloitte reckons that delivering positive customer experiences can reduce the cost to serve customers by up to some 33%.



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Despite the massive competitive incentives, according [to PwC](#), most companies are not getting customer service right yet. In the retail sector, the gap between what customers expect in terms of experience and what they're getting, is 20%.

Here's how to narrow this gap, quickly.

“ Lean into hyper-personalisation, which can offer a real competitive edge. Personalisation is everything. ”

[Sixty-nine percent](#) of consumers want an experience that is uniquely individualised and tailored to them. Despite this, only 40% of brands actually offer one today.

Complement this by engaging and empowering employees in an earnest attempt to improve your company's culture, and you'll realise the rewards in a return on your bottom line.

## ABOUT KIRSTEN DEWAR

Kirsten Dewar is the Managing Director at Platinum Seed.

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