

Online retail future still good despite closures

Despite the recent closure by Naspers of SA Camera, Style36, 5 Rooms and Kinderelo, I believe that the country is constantly developing and online retail is growing at a rapid rate. Naspers has confirmed this by stating its intentions to restructure and focus on its general online store, Kalahari.com.

By [Cuan Chelin](#) 20 Mar 2014



Cuan Chelin, Super-Brands CEO

Online retail in South Africa does present its challenges. In its report for the year ending 31 March 2013, Naspers reported trading losses of R1.8 billion in its online retail portfolio. South Africa's internet penetration in comparison to first world economies is quite low - estimating around 11-12% of South Africans has access to the internet compared to over 75% of the population in the developed world. In addition to this, many consumers still want the social experience of shopping in physical stores and have a natural tendency to want to physically see, touch and test products before purchasing them.

Drivers of growth

Drivers of growth in online retail in South Africa are:

- Attractive online pricing
- Increasing internet population further elevated by web enabled mobile devices
- Increasing confidence in online banking and transacting
- Advancements in logistics and IT
- Traditional retailers also providing an online offering

Although each of our businesses are showing very good growth in the online market, I am not convinced that the traditional models of Amazon and other large foreign online retailers will work in South Africa. Our market is still relatively small in comparison to the rest of the developed world, which makes the working capital requirements and risks associated with holding the required inventory levels prohibitive.

Consumers expect a wide variety and immediate access to products online. I believe that a more tailored approach, similar to Amazon's third-party marketplace where merchants are able to set up their own virtual stores, trade their products alongside Amazon's, allowing them to leverage Amazon's significant customer base and processing services is far more likely to be successful here.

Low price no longer key, m-commerce more suited

Price cutting is not a viable long-term strategy and low price is no longer the key factor that affects customer's choice. Online retailers need to enhance the customer's online experience by providing more value added services.

I see an integration of online and offline becoming more and more relevant as demonstrated in our recently launched concept store in Cavendish Square. We are able to lease much smaller sites than the traditional stores, but still offer our customers access to our full product offering with next day deliveries on those items not held in-store. This ensures that

customers still get the full in-store experience including the assistance and guidance of knowledgeable store staff.

A core online investment area is m-commerce - with South Africa's high mobile penetration and rapidly developing mobile capabilities, its mass market to some extent may skip web based retail entirely and move straight onto mobile commerce.

ABOUT THE AUTHOR

Quan Chelin is the CEO of Super-Brands.

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