

Online shopping meshes with bricks and mortar

By  Eben Esterhuizen

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Forbes' richest people in the world list says Amazon CEO, Jeff Bezos, earns \$107.4 million per day, so he must be doing something right. Amazon, which dominates the world of online shopping, now have a chain of grocery stores, bookstores, pop-ups and have partnered with a department store - a radical disruption from their online buying category.



Dominance in business belongs to the agile and in the words of [Naomi Simson](#), "Each retailer must choose to either be a disruptor or be disrupted."

"Intelligence is the ability to adapt to change." Stephen Hawking

In 2017 Amazon spent almost twice as much on R&D as Microsoft and Apple combined – a staggering [\\$22.6 billion](#). One reason Amazon's homework led them to bricks and mortar is that e-commerce online sales in the US only account for less than 10% of all retail sales. Another, as [BizNews reports](#), is Amazon's ability to integrate knowledge of online customers with AI and data statistics.

"The retail apocalypse has claimed many victims, with almost 7,000 stores closing in the US in 2017." CB Insights

Amazon, with the intelligence and power to adapt to change, is controlling [upwards of 40%](#) of online sales in the US, while [Bloomberg](#) predicts America's 'retail apocalypse' is just beginning. The global figures show overall online retail figures currently [at 11%](#) of all retail sales with China at approximately 20% and the UK and Germany, 18% and 11%, respectively.

SA's online growth trajectory

So, how does South Africa fare in terms of online business? Our reported online shopping figure is [around 1%](#) with Spree predicting an "exponential" increase over the next three years - rising to around 4% by 2021. As [Malcolm Horne](#), CEO of Broll Property Group says, "The South African online shopping marketplace is still very much in its infancy but an increasing number of retailers are incorporating the convenience concept of 'click-and-collect' into their businesses." The potential of local online sales can be seen by looking at [Zando's results](#) from Black Friday 2017, where they sold 80 items a minute.



Online retail potential will soon be realised in SA - Spree

26 Mar 2018



“Putting experience at the heart of retail is the first building block to success.” Phil Chang

South Africa is like to experience growth in online sales for a number of reasons, including:

- [55.5% of](#) South Africans now have a smartphone – and this is only going to increase in the future.
- Big retailers such as Clicks, Pick n Pay, Mr Price Group and Woolworths have set an online shopping precedent for others to follow.
- Connecting to the internet is becoming cheaper and more accessible.
- There are more efficient online payments options with loyalty points and special offers becoming more prevalent.
- Quicker delivery times are happening with the prediction that [drones](#) will be delivering for some brands by 2021.
- Free delivery of goods costing over a certain amount.
- A better looking, more refined and personalised online shopping experience to entice consumers.
- Generation Z and younger are more inclined to make online purchases as they are so accustomed to being online.

“Finding new ways to engage with customers on their terms is more important to us now than ever.” Shea Jensen, Nordstrom senior VP of customer experience

Shopping mall oversupply

While online shopping is set to grow in South Africa, retail trade sales increased by 4,1% in the first quarter of 2018 compared with the first quarter of 2017. In addition to that, the SA Council of Shopping Centres (SACSC) says South Africa has the [sixth](#) most shopping centres in the world and yet more malls are being built. Do we have enough economic growth to fill brick and mortar malls as well as escalate online sales?

Trend analyst, Dion Chang, believes malls are “dying” and some will be repurposed as [centres of learning](#) and to help with health services. He uses Alibaba (a Chinese company) as an example of how South Africa’s online market will look – Alibaba is worth \$264-billion and has approximately 450 million customers.



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Chang calls the consumer of the future, the [stealth bomb shopper](#): “With the necessary information to hand, shoppers know exactly which shop they want. They park at the mall entrance closest to the shop they need, go direct to that store, pay and leave. There is no browsing, less impulse buying and less foot traffic in the malls.”

Pushing boundaries of innovation

“Know what your customers want before they do.” Thomas H. Davenport

To some extent we can gauge the trajectory of South African retail by looking at global trends. These include retailers “leveraging technology”, such as artificial intelligence and augmented reality, to “[enhance operational visibility](#)”. There’s also an interesting ecosystem of [tech startups](#) emerging to help brick and mortar shops mirror a seamless online shopping experience, “integrating augmented reality, beacons and wearables”.

While online, brands are focusing on how to dominate in the bricks and mortar showroom by integrating events, product demos and in-store experiences into their business. The future of retail will only become more innovative as we push creative and technological boundaries to limits unimagined a couple of years ago.

ABOUT EBEN ESTERHUIZEN

Eben has over 20 years retail, pharma & FMCG experience in South Africa. He understands consumer & shopper behaviour patterns, and is an expert in CE. Eben is passionate about delivering bottom line success for brands in retail. A champion for innovation, as General Manager at The Pharma Group, Eben is continually developing both himself and his team to deliver excellence in the marketplace.

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