

# A watershed moment for e-commerce in SA

 By [Lauren Hartzenberg](#)

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South Africa's strong shopping mall culture should not be underestimated. Combine this with the country's well-established retail channels and it's already a compelling case for why physical retail will remain steadfast for many years to come. But for businesses seeking growth, "online is where it's at", according to Jonathan Smit, MD and co-founder at online payment gateway PayFast.



In conversation with Warrick Kernes, founder of The Insaka eCommerce Academy, during the second annual [PayFast eCommerce Virtual Summit](#) taking place this week, Smit said the Covid-19 pandemic has fast-tracked e-commerce by three to five years.

## Ready for lift-off

"We've reached the tipping point for e-commerce. It's been shown in other markets that once you get 1% of retail spend occurring online the growth is rapid," said Smit.

The [Online Retail in South Africa 2021](#) report, released by World Wide Worx last week, revealed that online retail sales now make up 2.8% of total retail in South Africa, climbing to R30,2bn – more than double the R14,1bn reached just two years ago.



Online retail in SA soars to R30bn, comprising 2.8% of total retail

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South Africa now has the right tools, systems, service providers and infrastructure in place to act as a foundation on which e-commerce can thrive. "It's a great time to be in e-commerce. Logistics is easier, payment is easier ... Everything is in place now for online to grow and become a significant part of the industry," Smit said.

He added, "The beautiful thing about technology specifically is that it democratises the landscape, making it possible for

smaller businesses to compete against larger ones. Yes, having deeper pockets helps, but it's so easy to get going selling online. You don't need a huge team of people, you can start very small. It's not expensive anymore, barriers are low and you have what you need at almost at a click of a button."



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## Payment volumes and basket size

PayFast registered over 40,000 new merchant accounts since the start of lockdown last year, and an 83% increase in total payment volumes in comparison to the same period in 2019.

Smit said the company also recorded a 51% increase in new online shoppers, with the fastest-growing demographic being 18 to 24 year-olds, growing 218% year on year. He noted that this is likely younger than the age group merchants usually stake their bets on, as they aim for consumers who tend to have more disposable income.

The average basket size for merchants was R817 for the March 2020 to Feb 2021 period, marking a slight decrease from previous years, according to Smit, despite PayFast recording an increase in both the number of transactions and payment volumes.

"The conclusion we've drawn from this is that online shoppers are spending more online and making more frequent purchases, but potentially for smaller values. People would historically buy many big ticket items online but are now buying smaller, more regular stuff. So they're spending more online but this is driving the basket size down slightly," said Smit.



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## Category growth

Based on new accounts registered with PayFast over the past year, the top growing industries include the food and baby sectors, which have been boosted by the stay-home economy. "Companies needed to reach parents, and parents were especially cautious to go out with their kids and put them at risk," explained Smit.

Some of the fastest new growth industries include online alcohol sales, bakeries with home delivery services, and e-

commerce stores catering for pet supplies and jewellery, all of which have grown by between 1,000 and 3,000%. This is based on the number of transactions from new merchants who signed up with PayFast and started transacting for the first time over the lockdown period, compared to the previous year.

While many consumers experienced salary cuts during the pandemic and grappled with financial uncertainty, many people also found themselves with additional disposable income. “Lots of people spending online seemed to have weathered the pandemic pretty well, and have had access to money that they would usually have spent on restaurants and entertainment.”

Some of this extra cash was funnelled into consumers’ home environments, where they’ve been spending more time, leading to a lift in categories like home improvement and décor – a trend [Massmart](#) and [other businesses](#) have experienced too.



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From a payments perspective, Smit said that mobile is key. Between March 2020 and February 2021, PayFast saw a 143% increase in mobile payments as more consumers shop online using their smartphones. More than two-thirds of payments processed by PayFast are made on a mobile phone, said Smit.

## E-commerce trends to watch

Notably, PayFast recorded a [412% spike in QR code payments](#). Smit listed the rise of **contactless and QR code payments** as an e-commerce trend to watch, adding that these payment technologies are not necessarily new but their adoption has been fast-tracked during the pandemic.

“People have become so wary of touching things, so they’re preferring to pay with apps wearable devices, and using their cards for contactless payments,” said Smit.



### PayFast records 412% growth in QR code payments

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The second emerging trend that Smit highlighted was that of **flexible payment options**, such as the Buy Now Pay Later (BNPL) model made popular by the likes of Afterpay in Australia. The model is now gaining traction locally as platforms [like Payflex](#) become more popular.

The third trend was ‘**made for mobile**’, with Smit saying that providing a seamless customer experience designed for mobile is absolutely key going forward.

Lastly, Smit listed the rise of **social commerce** as a trend to be mindful of as social media platforms become even more sophisticated with shopping functionality built into the platform itself.

“We’ve seen lots more referral traffic coming to our engine from Facebook and Instagram, which means that social sites are building tools to allow more actual purchases, instead of directing users elsewhere. It’s been forecast that social commerce sales will rise by 35% in 2021, representing a significant share of all retail e-commerce sales – in the US it’s about 4-5%. It’s now much more important to have a social media strategy that involves commerce as well.”

## ABOUT LAUREN HARTZENBERG

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