

# Online retail potential will soon be realised in SA - Spree

After a few years hovering around the 1% mark, Spree predicts online shopping's share of total retail sales in South Africa will increase exponentially over the next three years, rising to about 4% by 2021.



According to the online fashion retailer, barriers to entry such as lack of internet access and limited online payment methods are rapidly being overcome. There are also great improvements in the experience and convenience of online shopping that will draw shoppers online.

Vincent Hoogduijn, CEO of e-commerce at Media24, the company that owns Spree, says growth figures have been exponential for their online fashion business. "In mid-2017, total sales at Spree were up 88% year-on-year, sales on the shopping app more than doubled and daily transactions increased by 76%. If this growth continues and is mirrored by other players we will see online retail gaining serious ground and growing market share measurably over the next couple of years."

Hoogduijn further says South African shopping trends often follow big global ones. "Globally, online retail currently stands at 11% of all retail sales with China coming in well over 20% and large markets such as the UK and Germany standing at 18% and 11% respectively." This is according to the Centre for Retail Research, Emarketer and Internet Retailer.



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These are Hoogduijn's top reasons why online retail will see its potential realised in South Africa over the next few years.

## 1. Barriers have fallen

New research from After Access shows that 55.5% of South Africans now have a smartphone – and this figure is rising steadily. So the connectivity gap is no longer a major barrier. Many South Africans leapfrogged the desktop stage straight to mobile so the growing penetration of smartphones is likely to deliver a big boost for online retail.

Technological advancements and our increasingly digital lifestyle also help to break down barriers such as lack of trust in delivery and payment, as multiple digital payment options (and even digital credit) are now being offered.

## 2. Tech is helping us live our best lives

Shopping is increasingly about personalisation, with machine learning building up a psychographic profile of every customer at a granular level and suggesting products accordingly. In 2017 Spree introduced a fashion [image search feature](#) that allows shoppers to upload a photo in the Spree app, which then suggests visually similar items.

Essentially, machine learning serves customers looks they will love. Once shoppers get used to this feature they'll grow impatient with the shop-to-shop mall walk quickly. This technology, along with improved online search functionality through voice (think Alexa), will extend beyond clothing and will help shoppers find the best possible skincare products as well as other items such as homeware, sportswear and even groceries.



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## 3. We'll get our purchases delivered faster and faster

In the US, drone deliveries and smart distribution tech are already reducing a three-day delivery time to three hours. Next to faster and more accurate deliveries, we're likely to see at least some local deliveries arriving by drones in 2021.

Since South Africans have a penchant for instant gratification, faster delivery times are likely to speed up the uptake of online shopping as shoppers know that their purchases will arrive very soon after the order is placed. There is a huge correlation between speed to customer and revenue growth.

## 4. The mall will embrace digital too

South Africans love a mall outing – it is part of our national DNA. As a result, South Africa has an oversupply of malls – 1,950 of the 2,082 shopping centres in Africa are in SA, according to Dion Chang's Flux Trends Report. Based on this, we know the mall will still be alive and well in two years' time, but the way we shop there is likely to evolve as physical and online shops increasingly work in tandem.

More and more shops in malls will be shop fronts with limited stock – essentially more a brand presence than a store. Shoppers will browse there but want to buy online. This will mean that even mall shoppers will be making purchases online, demystifying the process. Soon they may no longer feel the need to go to the mall at all.



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## 5. We'll get increasingly creative with who and how retail is delivered

We'll also see some interesting moves from traditional industries over the next few years. One interesting convergence, which Media24 has already been able to explore, is opportunities between online retail and media.

Firstly, by using its considerable distribution experience to offer a third-party e-commerce distribution service for online retailers. And secondly, by tapping into its decades-long understanding of consumers' media consumption habits to help and improve brands such as Spree to cater for the best possible customer experience. Increased variety in the online retail space and novel ways of approaching this will also help grow the sector.

According to Hoogduijn, Media24's e-commerce division capitalises on synergies between media and e-commerce to deliver excellence through Spree as well as a robust and growing e-commerce fulfilment and distribution business.

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