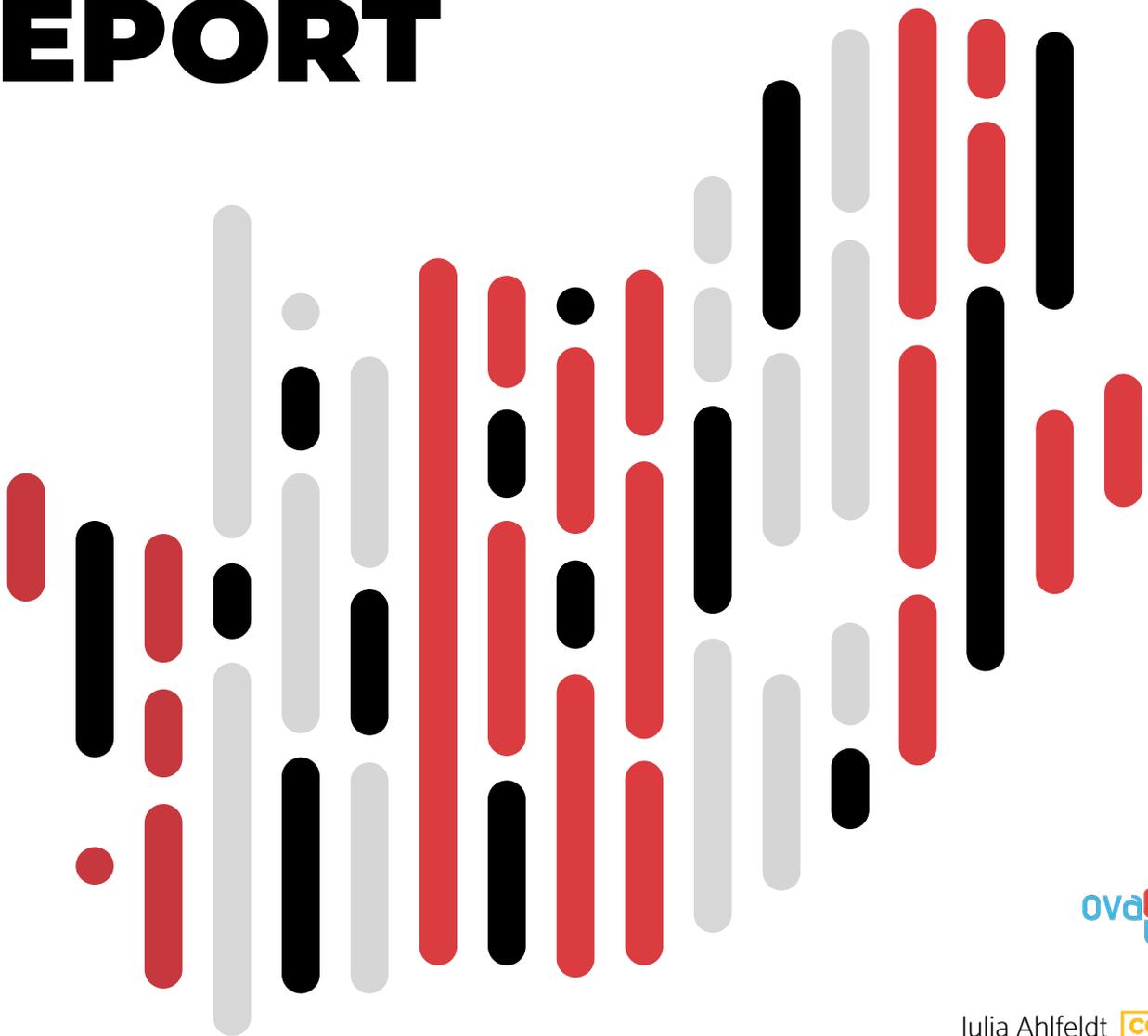


SOUTH AFRICAN DIGITAL CUSTOMER EXPERIENCE REPORT



ova^{to}
you

Julia Ahlfeldt **CCXP**

Rogerwilco

Foreword

In this, the fourth annual edition of The South African Digital Customer Experience Report, digital agency Rogerwilco, market research company, ovatoyou and Julia Ahlfeldt CX Consulting take a look at Mzansi's attitudes towards the brands we engage with online.

In keeping with the past reports, we polled some 2 000 South African consumers interspersing their feedback with commentary from senior marketing practitioners and business leaders across a range of industries.

We dig into consumer perceptions around new technologies such as the metaverse while questioning why so many marketers continue to take a web-oriented view on e-commerce - the startling growth of social and chat commerce suggest that many brands are missing opportunities to increase their share of wallet.

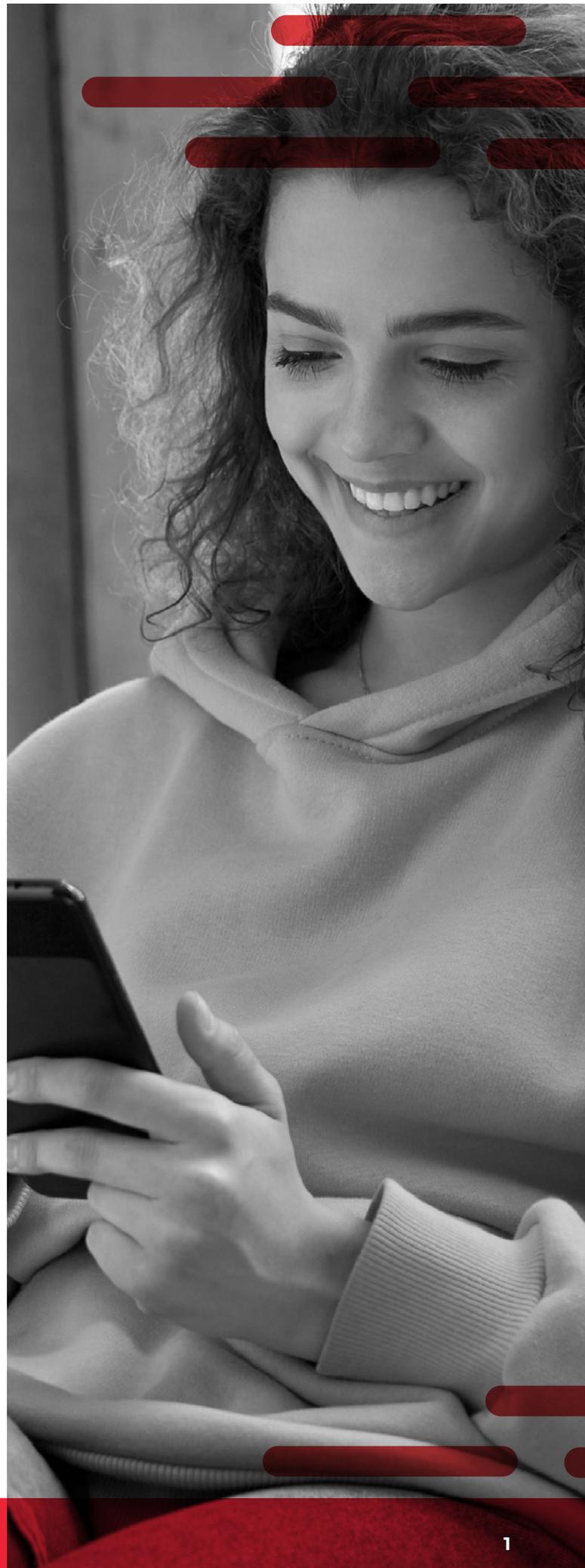
Building on our premise that online's contribution to e-commerce should not just be viewed as the rands and cents chalked up at the website checkout, we look at digital's influence on purchase propensity regardless of where the transaction takes place and extrapolate its true value in chapter three.

The report tracks how consumer sentiment towards experiences - both good and bad - has evolved over the past four years, providing hard evidence of the benefits that accrue to organisations who deliver on their customer promise.

Speaking of delivery, the data underscores the role that shipping plays in not only the initial buying decision, but also in locking the consumer into an ecosystem that drives repeat purchase. Chapter six contains some clear takeouts for brands looking to turn their logistics capabilities into a competitive advantage.

While responses to the 2022 survey suggest that brands have made big strides in delivering improved online experiences, they must also be cognisant of the changing landscape. Rising inflation, the economic impact of load shedding and the prospect of a global recession all point to the likelihood of constrained trading conditions in the near future.

As context, the FNB/BER Consumer Confidence Index¹ sank to -25 in the second quarter of 2022 - a level only reached once in the last 30 years (in the midst of the 2020 pandemic). With confidence falling among all income groups, it is evident that those companies who take the time to put the customer first and work hard to meet, or preferably exceed, consumer expectations will be well positioned to weather the economic uncertainty.



¹<https://bit.ly/2rfw6wg>

About the research

The 26 question survey was served to ovatoyou's panel of 22 000+ online South Africans through its mobile and web apps and promoted on social media platforms during the second quarter of 2022. In total 2 000 consumers completed the survey. The sample's demographics are:

PROVINCE

38%	GT	5%	FS
21%	WC	3%	NW
16%	KZN	3%	MP
7%	EC	1%	NC
6%	LP		

GENDER

73%	FEMALE	27%	MALE
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AGE

38%	25-34	16%	18-24
31%	35-49	14%	50+

RACE

57%	BLACK	7%	INDIAN/ASIAN
18%	COLOURED	1%	OTHER
17%	WHITE		

MONTHLY HOUSEHOLD INCOME

54%	<10k
32%	10 - 30k
14%	30k+



The report authors



Amanda Reekie
ovatoyou

Amanda Reekie is an experienced brand strategist and researcher who thrives on uncovering insight and wrangling meaning out of data. She has over 30 years of marketing and consumer insights predominantly in retail, e-commerce and in fast-moving consumer goods but works across all sectors. She is the founder of ovatoyou, an HTML and app based research tool with an associated panel of over 22 000+ online South Africans. Amanda was nominated for Shoprite/Checkers woman of the year in 2006 for the womenNATION project.



Charlie Stewart
Rogerwilco

Charlie Stewart is chief executive of Rogerwilco, the Financial Mail AdFocus 2021 Digital Agency of the Year. He has worked in the marketing industry for over 25 years. A Scot by birth, he began his career in London before moving to South Africa in the early 2000s. At Rogerwilco he takes a leadership role in crafting high impact ROI generating marketing interventions for the agency's multinational clients. His book on marketing strategy, co-authored by Mark Eardley, was published by Penguin Random House in 2016.



Julia Ahlfeldt
CCXP

Customer Experience Professional (CCXP), Julia Ahlfeldt has dedicated her career to helping organisations gain market leadership through customer-centricity. She has worked with the C-Suite of leading brands including Virgin, Old Mutual and American Express to deliver on their brand promise and foster customer loyalty through great experiences. Julia is also the producer and presenter of the podcast Decoding the Customer, which explores business trends and innovation in customer experience.

Expert panel



Christele Chokossa

Consultant - Euromonitor International

Christele is a Consultant at Euromonitor International with a focus on services and payments. Based in Cape Town, she has more than 5 years of experience in the industry. She oversees services related projects across Sub-Saharan African markets like Nigeria, Kenya and Cameroon. Christele advises clients across various industries on evolving consumer behaviours in Africa, as well as socio-economic challenges and opportunities across the region. Before joining Euromonitor, she was an analyst at financial service companies.



Claude Hanan

co-CEO - TFG Labs

Claude studied a Bus Sci honours degree at UCT before completing a post grad in financial planning at Stellenbosch University. He co-founded Citymob in 2010 which he and business partner Luke Jedeikin later rebranded to superbalist.com. The pair sold Superbalist to Takealot in 2014, holding positions as co-CEOs of Superbalist and serving on the Takealot group executive until their departure in 2020. In 2021 the pair joined TFG and in June 2021 founded TFG Labs - the technology division of TFG spearheading the group's digital transformation efforts. In 2022 they launched Bash, South Africa's largest omnichannel fashion and lifestyle shopping platform, offering customers a wide range of products and brands from popular South African stores.



Elizma Nolte

Regional Marketing Manager Africa - Meta

Prior to joining Meta, where she leads the Sub-Saharan Africa marketing team responsible for Facebook, Instagram and WhatsApp, Elizma helped build the Google South Africa marketing team, leading local efforts to help small businesses get online with campaigns such as Woza Online (with the DTI and Vodacom).



James Bayhack

Director Sub Saharan Africa - CM.com

James heads up CM.com's sub-Saharan operations and is responsible for the strategic planning of the company's organisational cloud communications platform. Before joining CM.com, James was Regional Head of MBlox and Vice President of Sales at the Silverstreet Group. He holds an IMM Graduate School Diploma in Marketing Management.



Kelvin Jonck
CEO - YOUKNOW Digital

Kelvin founded YOUKNOW Digital in 2014 and has worked with some of Africa's premium brands and agencies - helping them leverage their Marketing, CX and Social technologies better, to get the most value out of their investments. YOUKNOW has become the go-to implementation partner for anyone wanting to leverage the world's top technologies (such as Brandwatch, Chattermill, Khoros, Hootsuite, GWI and more) while doing so with strong, local consulting and a thorough understanding of the unique needs of African organisations.



Liz Hillock
Head of Online & Mobile - Woolworths

Liz has led Woolworths e-commerce team, digital marketing, as well as MySchool, MyVillage and MyPlanet loyalty programmes over the past six years. Prior to that, she was head of digital, overseeing the digital transformation and digital strategy at Woolworths. With over 20 years experience in e-commerce in both SA and the UK, she has also served as an ecommerce consultant in the education space and was as marketing & customer support director at Kalahari.com before it merged with Takealot.com



Lorna Pretorius
Chief Marketing Officer - Faithful to Nature

Lorna Pretorius is a tenured marketing executive with a keen interest in consumer experience and data-driven marketing. She has worked across a range of industries, including e-commerce, fashion & beauty retail, FMCG, beverages and restaurants, and in diverse markets like South Africa, Europe, Australia and Thailand.



Marnitz van Heerden CCXP
Head of Customer Success - Luno

Marnitz has more than 19 years of experience helping Financial Services and Fintech brands achieve their strategic customer goals. He specialises in customer experience management strategy and customer centric transformation and is currently the Head of Customer Success at Luno, a global cryptocurrency exchange. Marnitz holds MBA (Cum Laude) and BCom(IT) (Cum Laude) degrees, is a Certified Customer Experience Professional (CCXP) and member of the CXPA (Customer Experience Professional Association).



Mike Abel
CEO - M&C Saatchi Abel

With 30 years of experience in FMCG, financial services, automotive and retail advertising, Mike Abel is recognised as one of Africa's leading marketing, advertising and communications specialists. He has co-led the largest communications group in Africa, Ogilvy South Africa; he ran the prestigious M&C Saatchi Group in Australia; and in February 2010, he founded M&C Saatchi Abel, which to date is credited with being the fastest-growing advertising agency in the history of South Africa.



Shekara Hellmann Singh
Chief Marketing Officer - Zando

An experienced corporate brand and retail marketer, Shekara heads the marketing function at Zando, South Africa's biggest online fashion store. Over the last decade she has led digital and strategic projects for organisations including Estée Lauder, Old Mutual and Unilever.



Tinyiko Mageza
Marketing Executive - V&A Waterfront

Tinyiko Mageza is Marketing Executive at the V&A Waterfront. Prior to joining the V&A Waterfront, Tinyiko held senior and executive level positions at various financial institutions but her passion for Marketing was born at the beginning of her career when she joined the South African Breweries. Tinyiko describes herself as a lowkey activist for kindness (because kindness trumps everything), a curious and purpose driven marketer and a storyteller. Born in Soweto, Tinyiko fell in love with the idea of escapism through words, pictures and stories. She was a shortlisted finalist for Marketer of the Year in the 2022 Marketing Achievement Awards.



1. NewCommerce - Reliability and Convenience Fuel e-commerce Expansion

The 2021 version of this report spoke of the democratisation of e-commerce as brands responded to increased consumer demand for online shopping fueled by the Covid-crisis.

The acceleration has continued into 2022 with 87% of our respondents claiming to have made an online purchase - this is up from 76% when the inaugural research took place in 2019 and represents a 5% climb on last year's number.

What makes this growth particularly noteworthy is that over half of our sample have a household income of less than R10 000 - so the notion that only the affluent are shopping online is firmly disproven. It was also interesting to note that there was very little deviation in online buying behaviour by gender or regional location - even in the provinces reporting the lowest levels of e-commerce activity (Free State, Mpumalanga and North West), 80% of respondents had made online purchases.

Widespread adoption of special shopping days such as Black Friday, Cyber Monday - and to a lesser extent Giving Tuesday - have undoubtedly played a role in bringing new shoppers online.

Market research provider, Euromonitor International², whose data we use in this report, projects that total spend on goods in the South African retail e-commerce market will hit R56.844 billion in 2022. Including

services purchased online - such as insurance products and streaming subscriptions - the figure jumps to a staggering R152.992 billion.

Christele Chokossa, consultant at Euromonitor International, confirms that the South African retail e-commerce market has expanded significantly in the last two years. "Our data indicates consumer spending grew by over 40% in 2021, and we project a further 39% growth this year. While Covid and government policies played a key role in driving demand for first-time users during lockdowns, the South African online landscape remains underpenetrated. As a result, leading retailers' continuous investments in omnichannel strategies to improve aspects like last-mile delivery services and shoppers' experiences is expected to remain key factors in consolidating demand."

“ We project a 39% growth in ecommerce spend this year:

- Christele Chokossa Euromonitor International ”

Convenience is cited as a key factor in driving people online, while the proliferation of e-wallets, new payment mechanisms and increasing credit card ownership will certainly improve access. In early 2022, the relatively new low-cost banking entrant TymeBank reported that 46% of customers aged 18-24 have one of its credit cards³.

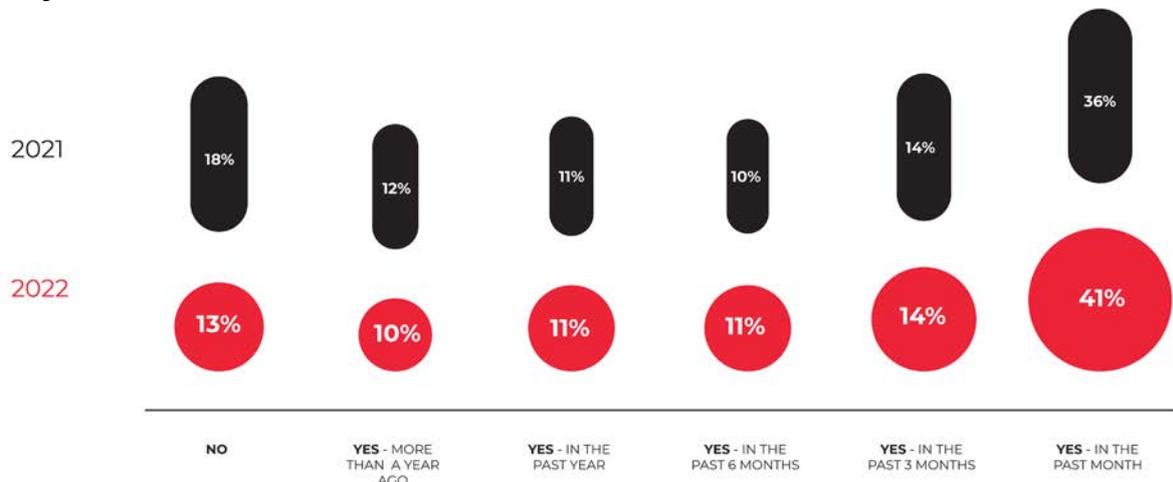


² see appendix for Euromonitor methodology and definition of e-commerce

³ <https://bit.ly/3ze2Jhc>

According to Rogerwilco CEO Charlie Stewart, the primary goal for all businesses is to migrate once off transactional purchases into repeat buying behaviour. “Delivering a great experience helps to lock consumers into brand ecosystems, mitigating customer acquisition costs. Most humans are creatures of habit, so removing friction points and giving them what they want means they’ll likely stick around and buy from you again.”

Our data suggests that brands are beginning to get this right. Over the past 12 months not only have we seen an increase in the number of online shoppers, but there’s been a big jump in those who report shopping online at least once per month, which currently stands at 41% of respondents - up from 36% in 2021.

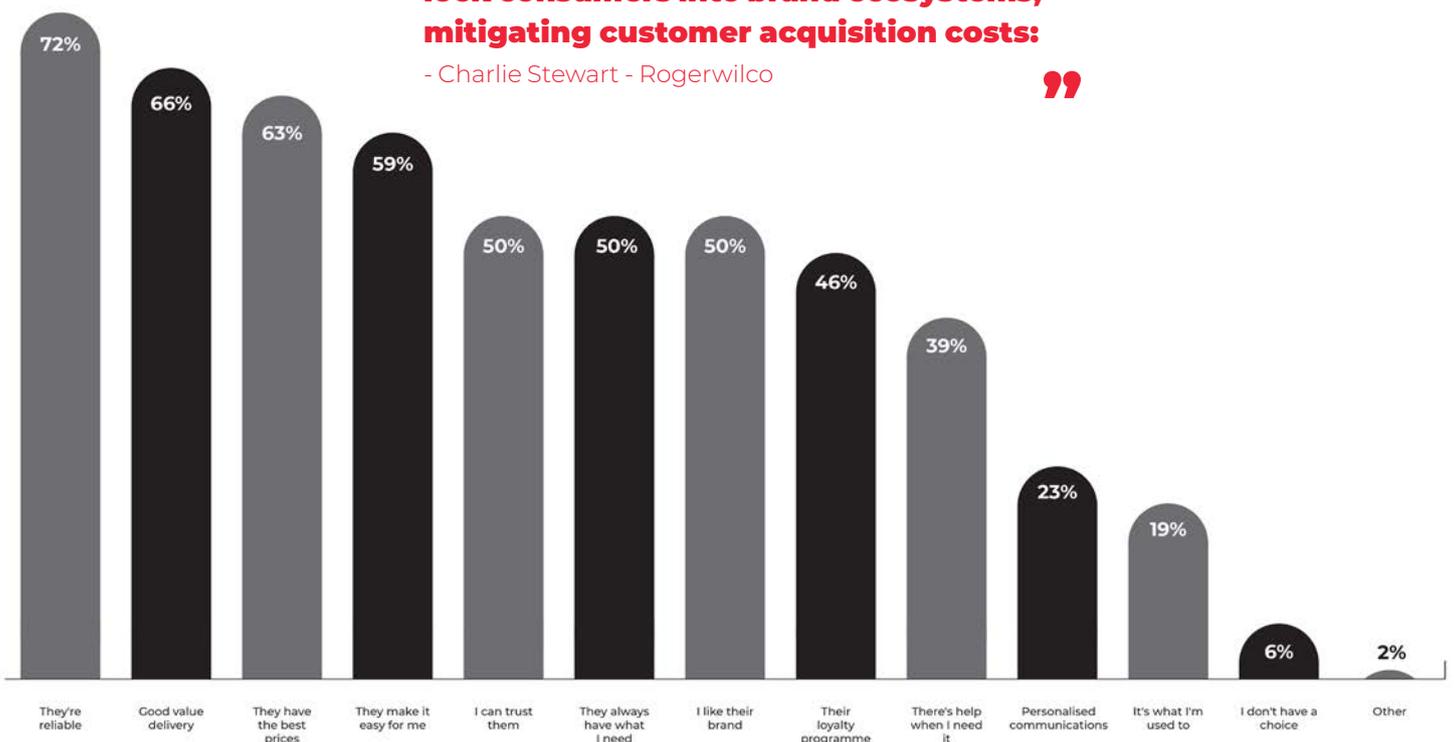


Have you ever shopped online? Fig. 1

Although it appears that consumers are starting to integrate online shopping into their daily routines, the bar is being raised and expectations around what constitutes great service are evolving. Feedback from our respondents shows that there have been some major shifts in terms of the levers brands should be pulling to encourage loyalty.

Of the 12 core attributes we assessed that encourage consumers to come back (these ranged from brand affinity and trust to pricing and delivery - see accompanying chart) people’s desire for reliability trumps all with 72% citing it as the most important factor in driving repeat purchase.

“**Delivering a great experience helps to lock consumers into brand ecosystems, mitigating customer acquisition costs:**”
 - Charlie Stewart - Rogerwilco



What encourages you to make repeat purchases from the same company? (multiselect) Fig. 2

"I frequently buy from Mr Price because they are reliable and trustworthy. They communicate every step of the delivery process. They have a variety of stuff I can choose from at a good price. Mr Price always gives me the best service that I can recommend to family and friends"

- Coloured, Female, 18-24 years old, KwaZulu-Natal, Less than R10k



Good value delivery was second (we unpack this in more detail in chapter six) followed by good product pricing - interestingly, this occupied top spot in last year's study, suggesting that as consumer expectations mature and online shopping becomes integrated into consumer's lives, discerning customers are more interested in the actual experience they receive than the cost of the purchase.

Brand likeability fell from third position to equal fifth while the availability of a good loyalty programme slid from the fourth most

Key Insights

- Almost 90% of respondents have made an online purchase - in doing so they'll have contributed to a projected 39% growth in the e-commerce market this year.
- Online shopping is an integral part of South Africans' lives - transcending income, age and geographical location.
- Being consistent is the key to winning consumers' hearts and minds - the price of the product is now less important than the consumers' perception of the brand's reliability.

important consideration to the eighth. The clear takeout from this is that the credibility of the 'brand' is less significant to consumers than the lived experience the customer has when they engage with the company.

"The power of the brand has been diminished by the power of the experience. In other words, customer experience is brand experience:

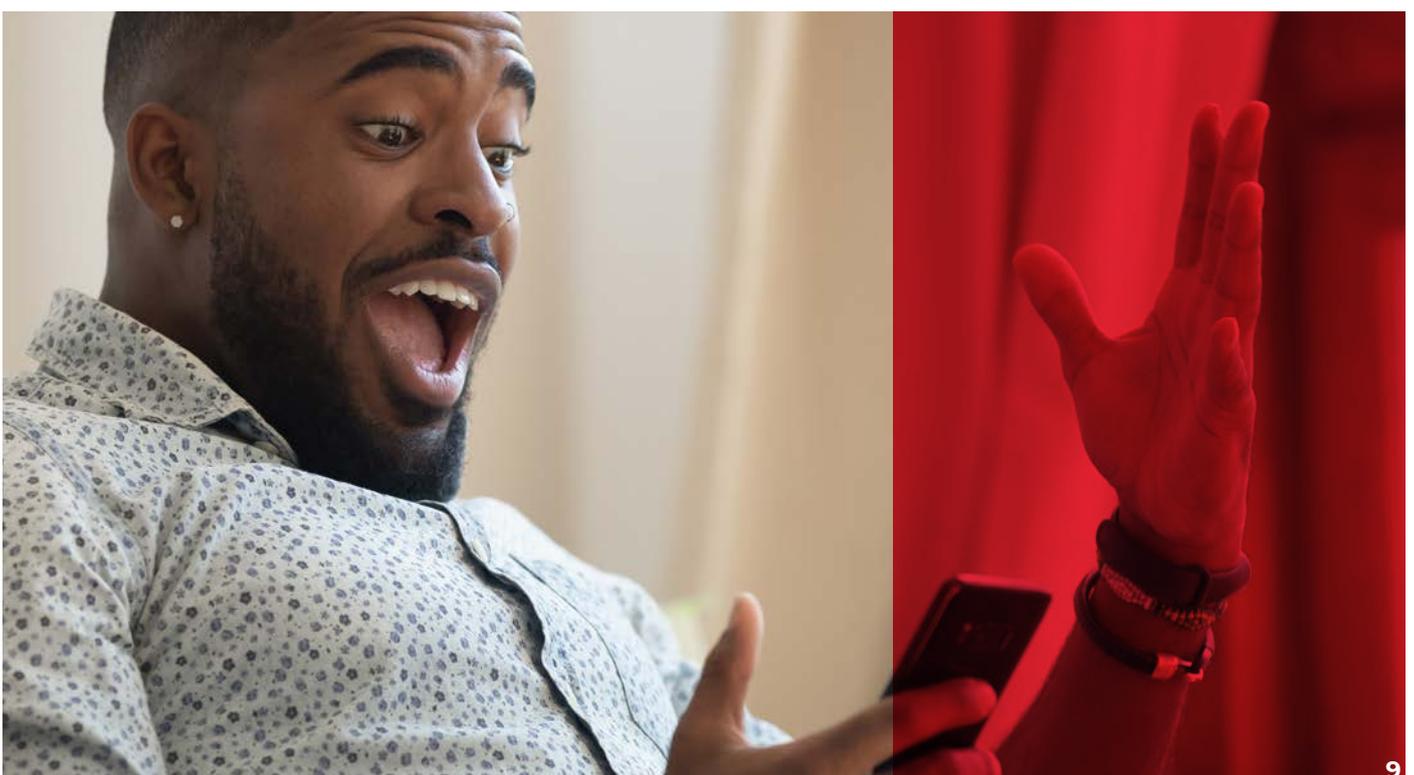
- Amanda Reekie - ovatoyou



Simply put, businesses need to stick to their promises and deliver great experiences. If they do this effectively, their customers - as we see in chapter five - will become advocates, transitioning them into authentic influencers and spokespeople for the brand. Get it wrong and the converse will be true.

Actionable Outcomes

- Stick to your promises - customers are more inclined to buy from a company that remains true to its commitment than a business that's built a great brand but falls short elsewhere.
- Invest in providing great experiences. This locks consumers into repeat shopping cycles - it's cheaper (and more profitable) to retain an existing customer by delighting them than it is to acquire a new one.
- Remember that customer wants and needs are fluid. Don't lose touch with what is important to your customers. This evolves - quickly.



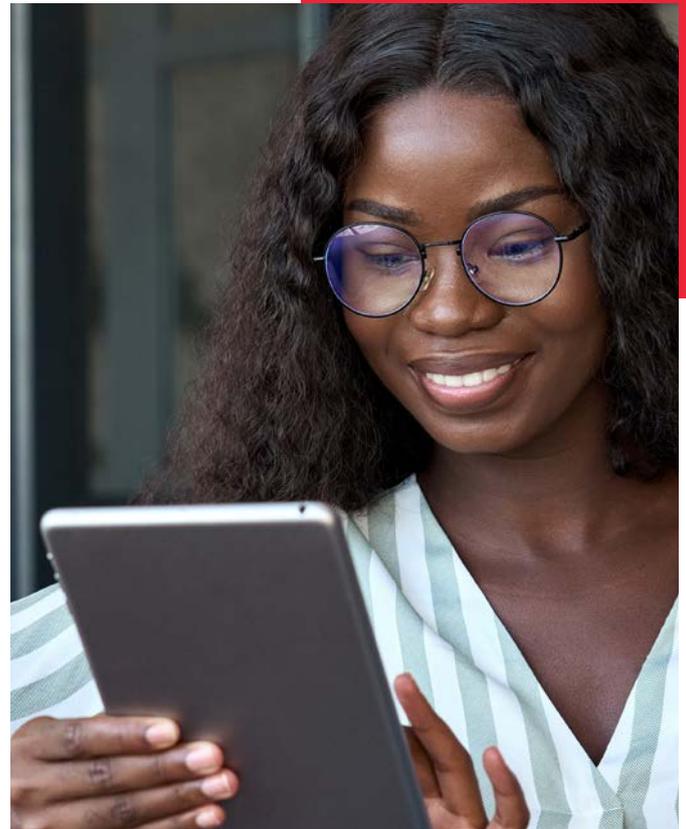
2. Shopping Platforms

In our introduction we suggested that conventional measures of the size of South Africa's ecommerce market under-represent the true value of online shopping. We also noted that brands may be missing valuable opportunities by limiting the channels they trade through.

While the bulk of our respondents report making purchases on local websites (67%) and retailer apps (63%), almost half of those surveyed (48%) buy directly through Facebook and Instagram.

James Bayhack, Director of CM.com Sub Saharan Africa notes that this is a perfect opportunity for brands to take advantage of targeted Instagram or Facebook ads, and combine them with instant access to support via WhatsApp through Click to Chat ads.

“Engagement with customers on channels they prefer has proven to be an efficient way to improve the customer experience.”



What are the channels that you have ever used to shop online? (multiselect) Fig. 3

For retailers who have not already activated an online storefront through Facebook Shops, this is surely a strong call to action.

“Social selling conjures up images of small businesses embracing the low barriers of entry to sell their wares,” says Julia Ahlfeldt, principal of Julia Ahlfeldt CX Consulting, “but global juggernauts such as H&M have jumped on the bandwagon because this is where their customers are.”

Locally, Woolworths is making a significant investment in its social communities, says Liz Hillock, Head of Online & Mobile for the retailer: “The Woolies brand extends far beyond our stores or web platforms - we see social commerce as the marketplace of the future. We’re focusing heavily on crafting inspiring content and customer conversations, curated shopfronts and innovative features that provide an opportunity to engage with our customers in the most immersive way”.

“ **The Woolies brand extends far beyond our stores or web platforms:**

- Liz Hillock - Woolworths

It’s also an opportunity for brands to look into audience segments and deliver enhanced targeting through their marketing messaging. Understandably, given the demographics of the two Meta platforms, Facebook shoppers are more likely to be in the 35 - 49 year age group while a much younger audience shops on Instagram which was weighted towards 18 - 24 year olds.

Our findings about South African consumers are in keeping with global trends. In a research report released earlier this year, Accenture⁴ found that social shopping, fueled by Gen Z and Millennial social media users, generated some \$492 billion in global revenues during 2021 and accounted for 10% of all e-commerce sales. They project that its contribution will rise to 17% by 2025. An extrapolation of this number - premised off the current size of South Africa’s transactional e-commerce spend⁵ - suggests that social commerce could account for some R5.7 billion in sales revenue this year, potentially rising to R21.2 billion by 2025.

“This supports the trends that we are seeing”, says Elizma Nolte,

Regional Marketing Manager Africa at Meta: “Shoppers want a seamless experience, ideally on the platforms they are already using, like Facebook, Instagram and let’s not forget the rise of shopping via WhatsApp. We continually think about how we can improve our platforms to help advertisers meet consumers where they are at, in a way that’s delightful, useful, and above all makes the journey from discovery through to purchase easy.”

“ **Shoppers want a seamless experience , ideally on the platforms they are already using:**

- Elizma Nolte - Meta

Given the recent announcement by Meta that it is creating a digital wallet for all its platforms, social shopping is likely to grow substantially.

Classified sites, like Facebook Marketplace and Gumtree are go-to destinations for 29% but one of the standout channels are messaging platforms like WhatsApp which almost a third (31%) profess to use when buying products or services.

A notable growth area has been the near trebling of spend on international websites - which rose from 13% last year to 33% in 2022. In previous editions of the report we suggested that consumers who engage with global brands like Netflix and Uber have become accustomed to receiving a great user experience. While they expect the same quality from local companies, a lack of choice has meant that many will continue to buy even though they may not be thrilled by the service. Indeed, some 21% of respondents noted that they buy from sites simply because they’re used to them or because they feel that there is no alternative merchant who can meet their needs.

With the long mooted move by Amazon to open in South Africa finally appearing set to materialise in February 2023⁶, it’s likely we’ll see a big shakeup in the local market. If the e-commerce behemoth arrives with a full product catalogue and couples it to its much vaunted Prime service which bundles free delivery with access to Amazon TV’s extensive repertoire, the slick experience will likely prove irresistible for many.



5.7 billion

The potential value of social commerce in South Africa Fig. 4

4 <https://accntu.re/3zhFymf>

5 see appendix for Euromonitor methodology and definition of ecommerce

6 <https://bit.ly/3OdAaEZ>

Local platforms like Takealot have, however, a first mover advantage and remain incredibly popular with our sample with just under a quarter (22%) rating it as their preferred e-commerce store. Praise for the platform came from all quarters with respondents appreciating

affordable and fast delivery, physical collection points, a wide range of quality products, great customer service with fair return policies, a flexible array of payment mechanisms and a user friendly website and app.



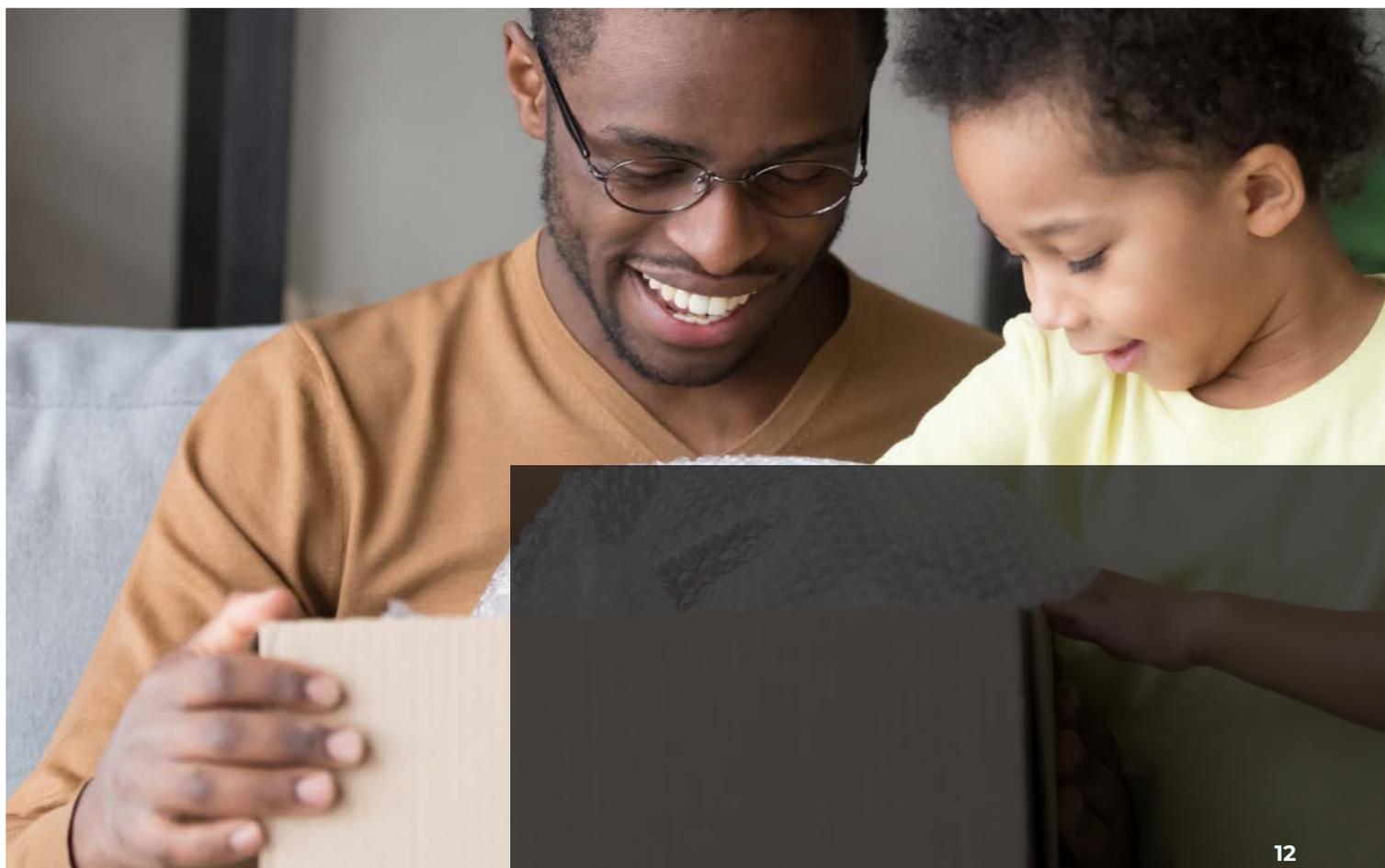
Consumer praise for Takealot Fig. 5

“We trust Takealot at my house. We started using their services in 2019 and we have never stopped since. They sell almost every product you need from baby supplies to appliances, food and clothing. You name it, they have it.”

- Black, Female, 24-34 years old, Gauteng, Less than R10k

Takealot has also recognised the appeal of its marketplace as a shop window for brands who may not have their own direct-to-consumer distribution channels. It has seen a sharp uptick in the number of companies opening branded ‘store-in-store’ shops with the likes of

Nestle, Glenfiddich and Ray-Ban listing products. In its most recent financial results for the year ending 31 March 2022, it reported that marketplace revenues accounted for 52% of sales⁷.



⁷ <https://bit.ly/3OxE4sx>

Hot on Takealot's heels - and speaking to the benefit of a multi-platformed approach to e-commerce - is Checkers' Sixty60 app which has transformed grocery shopping in South Africa. Our panel appreciated the speed with which deliveries are made, the ease with which alternative products can be chosen and how quickly credits are applied if there's a problem with the order. Perhaps the most surprising of the vox pop

comments was their praise of Sixty60's drivers. A key challenge for so many brands using outsourced delivery is that the courier becomes the only point of contact the brand has with the consumer, so it's particularly encouraging to see Checkers, which uses a 3rd party logistics company (albeit one it subsequently acquired a substantial equity stake in), succeeding in the experience space.



Consumer praise for Sixty60 Fig. 6



Underscoring the significance of e-commerce, Claude Hanan, co-CEO of TFG Labs, maintains that, for many physical retailers, their website is their biggest sales outlet. "For almost all local retailers it is the number one flagship store and in many cases already the number one mall."

“ For almost all local retailers online is the number one store: ”
 - Claude Hanan -TFGLabs

Key Insights

- Social commerce is booming and likely accounts for 10% of all e-commerce sales.
- Recognise that you're being benchmarked against global brands, not just local competitors - a third of our respondents buy from international retailers.
- For many physical retailers, their online store delivers more sales than their largest branch.

Actionable Outcomes

- Activate e-commerce on your social platforms - and provide a consistent experience across web, social and messaging apps.
- Dig into your data and audience segments. Where possible, improve your targeting to align with your customers' interests and actions.
- List your product on marketplaces. Your customers are shopping on them - and in many instances view them as their preferred go to platform.



3. Online's Influence on Offline Purchases is Indisputable

While 87% of those who shop online do so for the simple convenience of home delivery, significant numbers use the internet as a discovery medium to find products. The former is what businesses traditionally consider e-commerce, but the latter is where brands can unlock the full potential of e-commerce.

Indeed, when asked which information sources people find most helpful when looking for products or services, digital channels - such as online reviews, search engines and personalised communications - resoundingly trumped more conventional marketing tactics such as adverts, flyers and in-store advice.

“We heavily weight our marketing budget towards online”, says Tinyiko Mageza, Marketing Executive at the V&A Waterfront. “Whether we’re looking to communicate with our tenant community, share the diverse stories of our neighbourhood and its people or amplify the amazing brands across our precinct, we recognise that digital provides a particularly efficient, effective and accountable channel that draws people into the precinct and encourages connection.”

Woolworths, too, recognises the crucial role digital plays in driving in-store purchase. “Although our e-commerce offer has one of the highest online contribution rates in South Africa, it is a fraction of what our digital platforms are aiding in terms of in-store purchases. Over 60% of our online browsers claim to buy in-store, and this reinforces our focus to lead in omnichannel retail,” says Liz Hillock.

“Ecommerce is a fraction of what our digital platforms are aiding in terms of in-store purchases:”
- Liz Hillock - Woolworths

Our respondents feedback supports this and presupposes that no matter where a transaction takes place, the digital experience will have influenced the end purchase. While this isn't a new revelation, it prompted us to extrapolate the value of online research in encouraging people to buy in physical stores.



Which parts of your process of purchasing a product are happening online? (multiselect) Fig. 7

Utilising StatsSA's standard industry classification of retail trade⁸, we asked our panel to provide insights on how they use digital when shopping within five core categories - groceries; medicine / toiletries; clothing / fashion; furniture / appliances; hardware.

Over half of respondents had made online purchases of both fashion (57%) and groceries (55%). Slightly fewer than half had bought medicines or cosmetics (45%). Just over a third (36%) had purchased appliances / furniture. The category exhibiting the lowest propensity for online purchase was hardware with just 20% transacting through digital channels - albeit, 30% of respondents said they never purchase this category in either physical stores or e-commerce platforms.

When we looked at broader digital engagement - specifically around research and discovery - a different picture emerged.

For household appliances and furniture, 34% go online to research options while 32% use digital means to discover products. The fashion segment sees 28% and 31% respectively. In the medicines, cosmetics and toiletries category 30% conduct online research with 27% using the internet for product discovery. Grocery and hardware purchases showed slightly lower rates of online research and discovery. Twenty three percent of our panel went online for research purposes with 25% discovering grocery products. The sheer size of retail spend in the grocery category means that online product inspiration and resources

that consumers use to research these products have a profound impact on overall market activity.



Estimated physical retail spend from digital research and discovery Fig. 8

Overlaying this data onto actual spend figures within these five core industry classifications⁹ suggests that digital product research and discovery influences R293.8 billion in retail product sales, even though the majority of these purchases ultimately take place through conventional channels. That's over 25% of total retail trade alone. Although 41% of our panel had researched travel, entertainment and accommodation online, we excluded this sector from our calculations due to the lack of comparable consumer spend data from StatsSA.

Extrapolating this impact of online activity onto the service sector and other industries such as travel and dining out, it's not difficult to see that the online world has a huge influence on South Africa's offline economy.

Claude Hanan of TFGLabs, notes that online stores offer vastly more choice than a physical store as they aren't constrained by the size limitations that exist in bricks and mortar shops. "It makes intuitive sense for consumers to browse their favourite retailer's website to see the universe of all available styles first, versus starting with the range your local store has."

Key Insights

- Digital product research and discovery influences R293.8 billion in retail product sales - that's some 25% of South Africa's retail trade for the largest categories.
- Household furniture and appliances, as well as fashion, are the retail spend categories with the highest rates of online product research and discovery.
- Over 60% of Woolworths online browsers claim to buy in-store.

The clear takeout is that if online browsing makes such a significant contribution to in store purchases, companies need to calibrate their digital marketing effort so that it focuses as much on brand building (with a view to raising awareness and driving footfall) as it does on short term / bottom of funnel performance activities that encourage consumers to load products to e-commerce shopping carts. This is particularly important for organisations that don't see online as a key component of their business - perhaps because they don't have e-commerce capabilities or where online only accounts for a small proportion of overall sales.

While the total value of e-commerce sales is the yardstick against which businesses have measured the potential value of the online economy, when viewed as a standalone figure this presents a misleading picture. Over time, it's led to a dangerous disregard of the other channels and transactions that contribute to the broader construct of online shopping - these are no longer niche behaviours. Our research suggests that it's time businesses rethink - and broaden - their definition of e-commerce in keeping with actual customer behaviour.

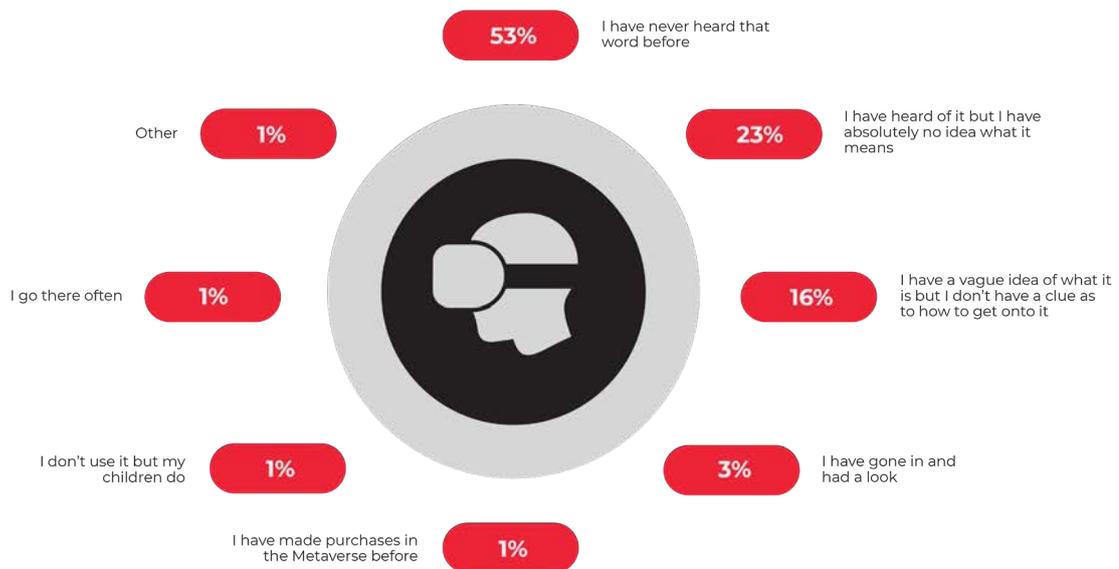
Actionable Outcomes

- Rethink - and broaden - your definition of e-commerce so it remains aligned with actual customer behaviour.
- Omnichannel retailers need to split budget across both brand building (preferably online) and performance activities.
- Double down on efforts to generate reviews, enhance SEO / SEM and personalisation - they're more effective than conventional marketing tactics.

4. The Rise of the Metaverse

For all the interest marketers have shown in the metaverse over the past year or so - not to mention the column inches dedicated to it - just over half of our respondents (53%) claim to have never heard of it. For

a further 23%, the word is familiar but they don't know what it is. Only five percent have actively entered it and, of these, only one percent have bought something.



Are you aware of what the metaverse is? Fig. 9

Mike Abel, CEO of M&C Saatchi Abel, one of the first South African companies to set up in the metaverse, recalls when connecting to the internet meant having to wait for the dial up to finish. “Remember when no one believed that the PC would be anything of significance? Or how about when mobile phones were as big as landline phones and cameras needed a roll of film? Well this is where we find ourselves with the metaverse. Right at the beginning and at the very tip of an iceberg.”

“We’re right at the beginning - at the very tip of an iceberg:

- Mike Abel - M&C Saatchi Abel



One of the larger considerations when looking at our respondents’ data is to explore how the term ‘The Metaverse’ is defined. While many will be familiar with the late 2021 rebranding of Facebook’s holding company to Meta, the reality is there are many 3D virtual worlds - some of them dating back to the 1990s¹⁰ - and new ones are being created all the time.

While the original metaverses were aimed at gamers, modern metaverses have functioning marketplaces, currencies, and economies.

Perhaps a lack of definition as to what constitutes a metaverse is causing some confusion - while just one percent say that they have

made a purchase in the metaverse, eight percent say they have bought something within a game. While purchases within a game may not equate to active participation in a metaverse, it indicates engagement in a virtual economy which is a meaningful step towards metaverse usage.

Beyond gaming, is there any use for the metaverse? Fans are calling it Web 3.0, critics are calling it a gimmick which has no value. Despite this, office and productivity tools are quickly becoming a focus, with several available options (Horizon Workrooms, MeetinVR, Immersed and several more). It’s thus clear that the metaverse is moving beyond its gaming origins and into both the work and home environment.

Marnitz van Heerden, Head of Customer Success at global cryptocurrency exchange Luno, acknowledges that there’s still lots of novelty attached to the metaverse “It’s very similar to the early ‘90s when Amazon and eBay launched. But today none of us can imagine a world without online shopping”.

He notes that the adoption of new technologies tends to speed up over time: “We should not be surprised if the prediction from the World Economic Forum that we’ll be spending an hour a day in virtual worlds by 2026 realises”.

¹⁰ <https://bit.ly/3PC2IZD>

While the pandemic certainly accelerated the appeal of a virtual universe, its dissipation has still left us with a significant interest in participating in this brave new world. Despite the fact that many of our respondents

hadn't heard of it, a whopping 79% of our respondents said they could see themselves interacting with a brand in the metaverse in the future. There's clearly an eagerness for something new.



Can you see yourself interacting with a brand in the metaverse in the future? Fig. 10

There are already some notable partnerships in the metaverse - Gucci, Starbucks and McDonalds are just a few of the companies to have made an active play to build consumer engagement. The former offers their customers virtual sneakers. By doing this they've made two clear statements: they're innovative, and they're accessible. Roughly half of Gucci's sales come from the Gen Z audience. It's an audience that's closely aligned with the brand - in large because of strategic moves like this one.

South African companies are also joining the metaverse. UbuntuLand is a virtual world that exists in Africarare, Africa's first metaverse. In May, Africarare saw huge demand for virtual land, with companies such as MTN and advertising agency M&C Saatchi Abel purchasing real estate in the immersive world.

Many have questioned whether South Africa is ready for the metaverse. A good indicator is the uptake of crypto currency in the country, a fundamental part of a metaverse's ecosystem. According to January 2022 data from GWI¹¹ 19.4% of South African internet users aged 16-64 own some form of crypto - that's more than double the UK (8.3%) and significantly higher than the global average of 10.2%.

While Luno's van Heerden acknowledges that most South Africans are using cryptocurrency for investment purposes, he believes that one of the reasons for the significant take up is historical financial exclusion. "South African consumers are leap-frogging traditional financial services options in favour of crypto in a similar manner to what happened when so many bypassed landline telephones and went straight to mobile."

Our data suggests that once local organisations have had the opportunity to determine what role they can play in the metaverse that there's likely to be a significant audience. One of the current challenges with corporate

engagement is that to date there has been too much focus on short term publicity activations - like drinks companies curating NFT collections. But it has the potential for more mainstream applications. In places like Seoul, government sees the metaverse as an opportunity for better service delivery by anticipating demand to the extent that services can be provided as real time needs arise.¹²

Initiatives like this have led McKinsey & Co to project that the metaverse could be worth \$5 trillion¹³ just seven years from now.

Rogerwilco's Stewart recommends that at a minimum companies should be investing in real estate. "Although we may not yet know which will be the chosen destination, it's better to spread risk by acquiring relatively 'cheap' land in a few metaverses today than to pay over the odds in years to come. If nothing else, ownership is likely to focus minds on identifying how and where you should act."

Given South Africa's relatively high level of crypto usage and consumers' willingness to embrace new channels of digital commerce (as we saw in chapter two), the conundrum for brands is that there's a good chance that the metaverse will flourish here. They just need to figure out how to prepare for the demand.

As Luno's van Heerden notes: "The future vision of the metaverse is far too big for retail brands to ignore. There is no doubt that it will contribute significantly to the revenues of brands and become the primary destination where consumers spend their time shopping."

“The future vision of the metaverse is far too big for retail brands to ignore:

- Marnitz van Heerden - Luno



11 <https://bit.ly/3yOKr17>
12 <https://bit.ly/3PnS09y>
13 <https://mck.co/3RKpMYd>



Mike Abel concludes: “By breaking down terrestrial borders in favour of an open virtual world, real-time engagement on a global scale, and harnessing data to better segment messaging will greatly impact the industry. But, as with any shift in how (and where) we operate and communicate, a void opens in terms of regulation, policy, and security requirements. Just like IRL.”

Key Insights

- While more than half of respondents have not heard of the metaverse, 79% see themselves interacting with a brand in the metaverse in the future.
- At 19.4% of internet users, South Africa’s cryptocurrency ownership is more than double the UK’s and significantly higher than the global average, suggesting local consumers may be poised to be early adopters of virtual consumerism.
- Globally, the metaverse could be worth \$5 trillion just seven years from now.

“It is here that our responsibility sits,” he believes, “ensuring we have the checks and balances in place to ensure that this new environment we create for engagement, is one led with ethical and considered practices”.

Actionable Outcomes

- Make sure you’re ready for the metaverse - even if your play is merely buying real estate while you figure how to best utilise it.
- Look at how governments and companies are moving beyond publicity-centred metaverse activations into effective service delivery.
- Factor the ethical equation into your plans and ensure your activity is deliberate and strategic and not as a leveraged trend for a short-term goal.



5. Reviews Fuel Success ... or Failure

In previous editions of the research we have looked at the role reviews play in driving engagement, enhancing the customer experience and ultimately building sales generating confidence.

Their impact is indisputable - whether we're looking to book a table at a restaurant or buy a new gadget - many of us turn to reviews to find the sort of authentic feedback that the merchant might not themselves disclose. Underscoring their significance, a recent study found that they influenced some \$3.8 trillion¹⁴ in global e-commerce sales last year. Providing further context, the Harvard Business School¹⁵ reports that in the US, an extra star on a restaurant's Yelp rating could help increase its revenue by between 5% and 9%.

This year our audience reported that they were using reviews more than ever. Over half (57%) tap into reviews on social media platforms - interestingly this exceeded the number who rely on word of mouth feedback from friends and family (cited as helpful by 55% of respondents).

Another source of reviews finding resonance with South African consumers are third party platforms like TripAdvisor, Google and HelloPeter which are now used in pre-purchase research by 48% of our panel (up from 35% in 2021).

The greatest benefit of all, however, was seen in reviews and comments posted on e-commerce sites themselves with a full 63% of respondents saying that they find them particularly helpful in guiding their shopping decisions - this was up from 54% in 2021.

Premised on this 63% number (which is lower than the global norm which suggests reviews influence 77% of online purchases) - the value of reviews to South African e-commerce spend could be as high as R35.81bn this year. As we saw in chapter three, online research plays an enormous role in driving offline (instore) purchase, so the value of customer testimony to overall retail sales is likely to be much, much higher than this.

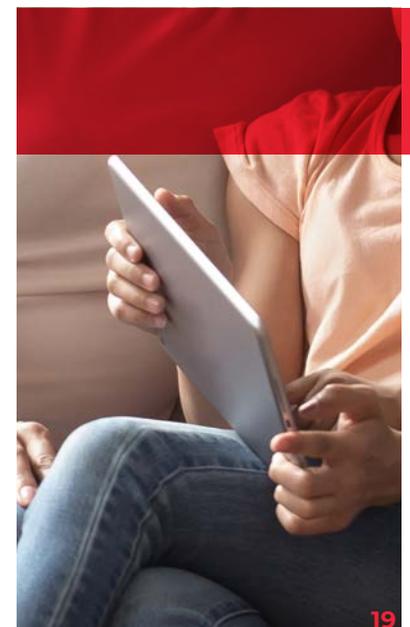
Shekara Singh, Zando's Chief Marketing Officer, notes that shoppers on their platform spend much more time on product pages than they did two or three years ago. "We can see a direct correlation between viewing pages with reviews and making purchases. Not only are our visitors far more likely to show intent in buying products after looking at how other shoppers rated them, but when it comes to actually checking out and paying, conversion rates are far higher for products which have a solid set of positive ratings."

“ Conversion rates are far higher for products which have a solid set of positive ratings: ”
- Shekara Singh - Zando

Ultimately, Singh, sees ratings and reviews becoming far more influential in the full funnel of customer journeys, from driving awareness, consideration to conversion and, even advocacy in the event a positive customer rating or review is given.



What information sources do you find most helpful when looking for products or services? (multiselect) Fig. 11



14 <https://bit.ly/3oerNOP>
15 <https://bit.ly/3yOBKHD>

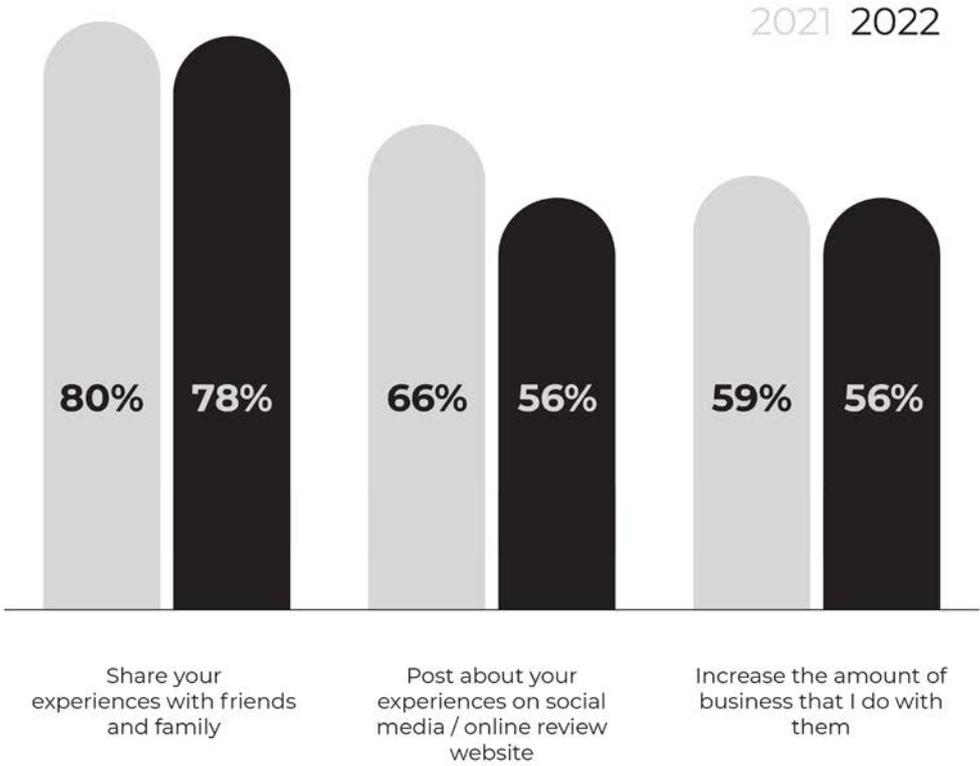
According to Kelvin Jonck of YOUKNOW Digital, the sheer number of reviews a product receives has a direct correlation on its sales performance. “When looking at how products are ranked on retail marketplaces like Amazon, or Takealot, for example, even moving from 0 reviews to 1 review can have a significant uplift in traffic and conversion rate”.

Jonk believes that smart marketers should be adjusting their products and customer experiences based on their analysis of reviews: “Reviews are the ideal place to mine for what people like, or want. Real time analysis of what consumers are saying is a gold mine for businesses capable of adjusting their product repertoire.”

We’ve established that consumers find reviews useful and that they drive sales. But our research also found that when we experience great service we’re extremely likely to talk about it. Eighty-six percent of respondents state that, when they have a positive experience with a company they will share news of it with their friends and family. This is up from 75% in 2020’s dataset.

Two thirds (66%) say they’ll go even further than merely talking about good service and will take the time to write a review - and that’s increased in each of the past two years. In 2021, 56% agreed they’d post a comment, compared to 43% of respondents in 2020.

“Reviews are the ideal place to mine for what people like, or want:”
 - Kelvin Jonck - YOUKNOW Digital



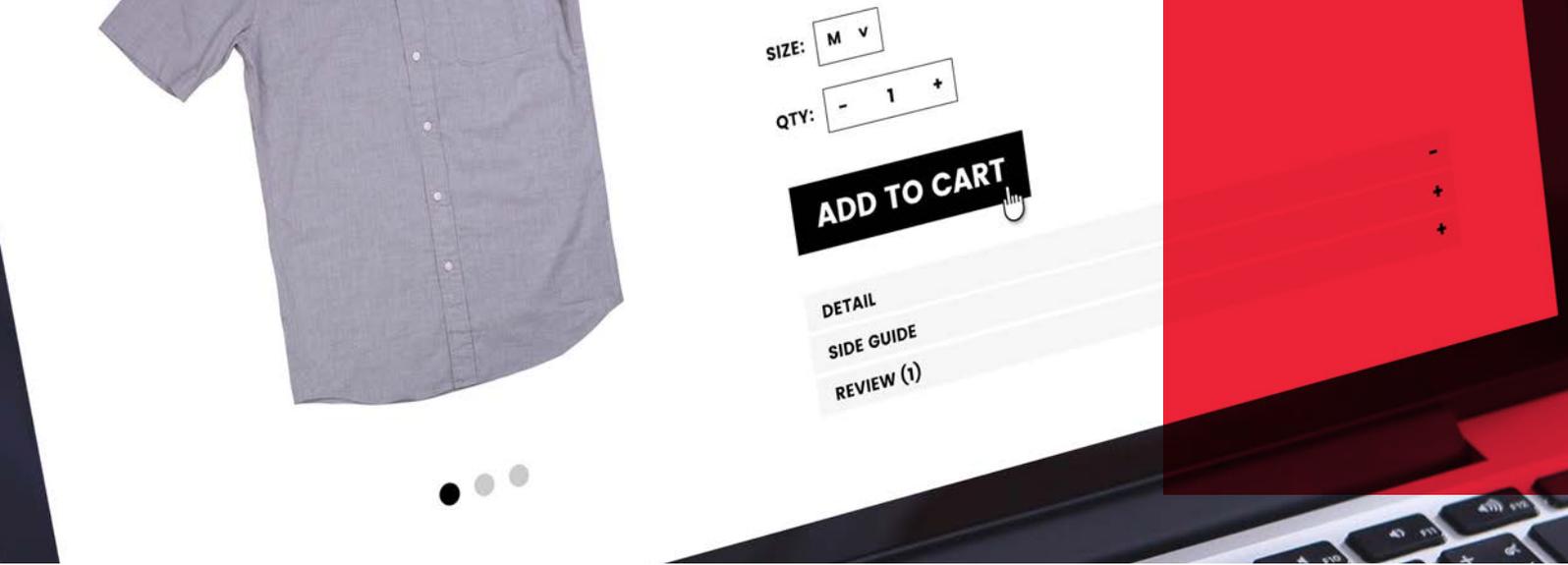
When you have a positive experience what do you do about it? (multiselect) Fig. 12

Despite this positive intent, many websites’ product listing pages are devoid of customer feedback which raises the question: why do so few retailers manage to build substantive review libraries?

There’s clearly an argument to be made that us humans don’t always follow through on our promises. That’s particularly true if there’s friction in the process or if we’re not provided with a timely reminder to walk the talk.

Consumers are relying heavily on reviews when making purchase decisions, says Julia Ahlfeldt. “They’re also doing more to contribute to the ecosystem of reviews, but it’s just not fast enough to keep pace with growing demand for peer review feedback”.

This suggests that retailers are missing a trick or two, says Rogerwilco’s Stewart: “All too many companies have silos that impede communication between operations, sales, marketing and customer care. Finding ways to



knock these down and ensure all functions in the business understand the benefit of positive feedback could help them find better ways of encouraging customers to leave reviews.”

Aside from the obvious tactics of asking at the right moment and making it easy to submit a review, perhaps resorting to psychology and reminding customers of just how important reviews were to their own purchase journey might help elicit a few more responses. With the wealth of analytics data most e-commerce companies have available to them, it’s a relatively simple process to create an attribution funnel that identifies customers who read reviews and single them out for special targeting.

According to Lorna Pretorius, CMO at Faithful to Nature: “Even highly engaged customers lead busy lives, so it helps to incentivise them to post reviews – consider a competition element or discount off their next purchase, for each review posted.”

As we spoke to in last year’s report, brands could also investigate review syndication services. These typically aggregate verified product reviews from customers all over the world and share them with subscribing retailers.

Syndication comes with its own challenges: incorrect implementation could impact a site’s organic search visibility, while language and context

Key Insights

- Reviews could influence R35.81bn in South African e-commerce sales this year.
- Zando reports that conversion rates are far higher for products which have a solid set of positive ratings.
- Eighty-six percent share news of positive experiences with friends and family - up from 75% in 2020.

can also be problematic. Equally, a review aggregated from a US site could contain terminology that seems inauthentic to a South African. Notwithstanding this, the benefits of syndication significantly outweigh the risks.

It’s important to note that there is a dark side to reviews. In a research paper published earlier this year, the World Economic Forum¹⁶ found that 4% of online reviews are fake, directly influencing \$152 billion of sales. In a South African context, given the rewards at stake, it might be tempting for unscrupulous companies to try and game the system, but regulators are stepping up their efforts to address the growing problem and the reputational impact of being seen to promote false feedback.

Faithful to Nature’s Pretorius adds: “Transparency is a non-negotiable to build trust in customer reviews on your site – you have to allow customers the freedom to talk about the good AND the bad.”

“**Transparency is a non-negotiable to build trust in customer reviews on your site:**

- Lorna Pretorius - Faithful to Nature”

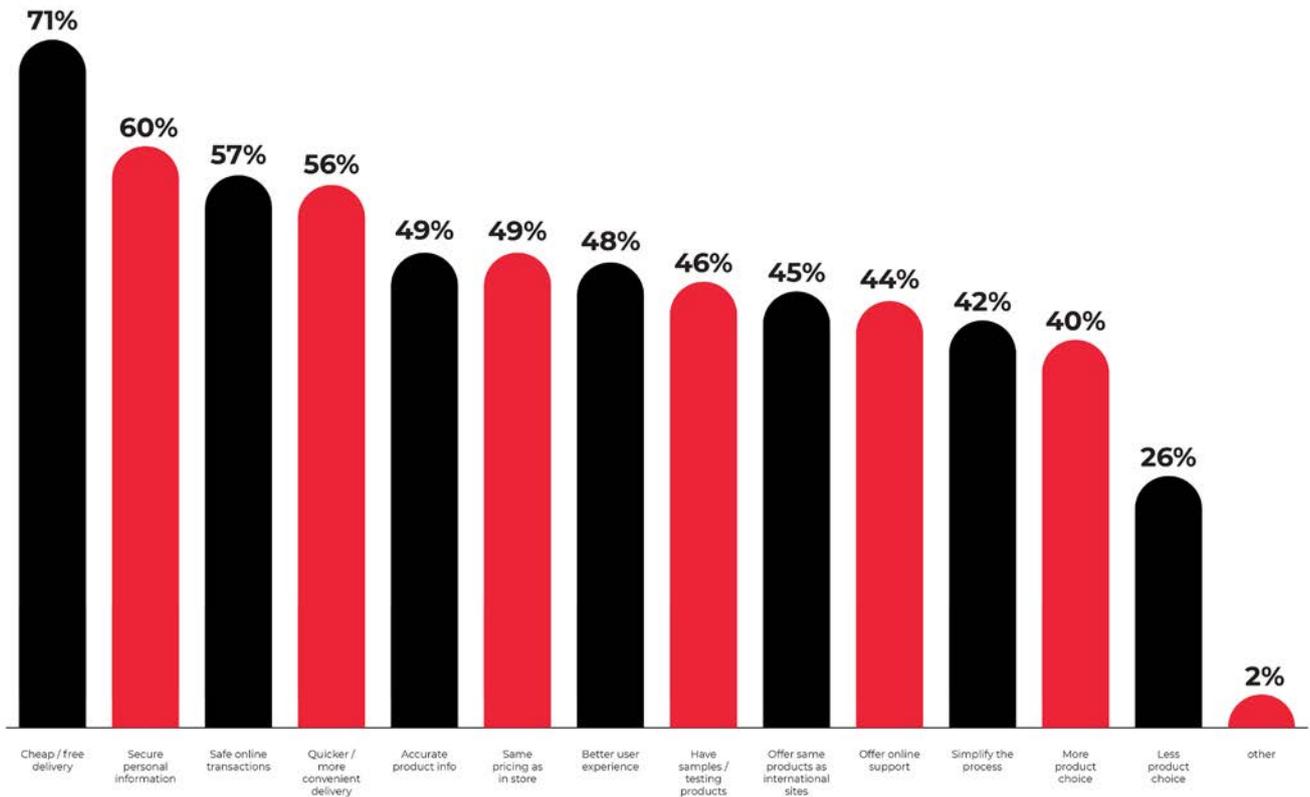
Actionable Outcomes

- Consider options for expanding your ecosystem of reviews through review syndication services or initiatives like competitions that nudge customers to write reviews.
- Invest in review moderation to eliminate fake reviews and recognise the importance of transparency in winning customer confidence.
- Integrate insights from customer reviews into your product and experience strategies.

6. The Last Mile is the Only Mile

It's clear that the single most important part of the South African e-commerce journey is delivery. When asked what the one thing was that people wished online stores would do better, of the 12 presented options

71% of our respondents asked for reduced or free shipping fees while 56% called for quicker, more convenient delivery. We can definitively state that the last mile is the only mile that matters.



What is the one thing that you wish that online stores would do and that currently stops you engaging more online? (multiselect) Fig. 13

As we noted in chapter one, effective handling of logistics locks customers into repeat buying cycles, shooting up from the seventh most important factor in encouraging repeat purchase in 2021 to being the second most important consideration this year (reliability being the key to winning hearts, minds and wallets).

Delivery also plays a key role in mitigating cart abandonment, featuring as two of the top three reasons people fail to conclude a purchase. Although we saw a slight reduction in the overall abandonment rate (unpacked in chapter seven), this year 65% of our sample said high

shipping fees deterred them from checking out - up a staggering 14% from the 51% who listed this as a barrier in 2021. A possible cause of this is that with more of us shopping online and doing so more frequently, we have a greater awareness of who does - and doesn't - offer free or cheap shipping. Costs are now becoming a key factor in the consideration process.

The time it takes to execute a delivery was also a key factor in catalysing abandonment for 35% of our respondents.

"I wanted to buy wallpaper art on one site but bought from another that had the same design. Even though it was a bit more expensive the convenience of payment options and quick delivery that made me switch"

Black, Female, 18-24 years old, Gauteng, Less than R10K



As customers integrate e-commerce into their lives and shopping routines, retailers are struggling to hit the ever-moving target of customer needs.

As Faithful to Nature's Pretorius says: "Sustainability of delivery and packaging is becoming increasingly important, especially to younger consumers. So while we're focused on improving speed and convenience of delivery, we're also finding ways to make our deliveries more sustainable, by using 100% plastic-free and recyclable shipping materials, trialling zero-carbon emission electric delivery vehicles, and offsetting the carbon footprint of our deliveries with local carbon credits."

“ Sustainability of delivery and packaging is becoming increasingly important, especially to younger consumers: ”
- Lorna Pretorius - Faithful to Nature

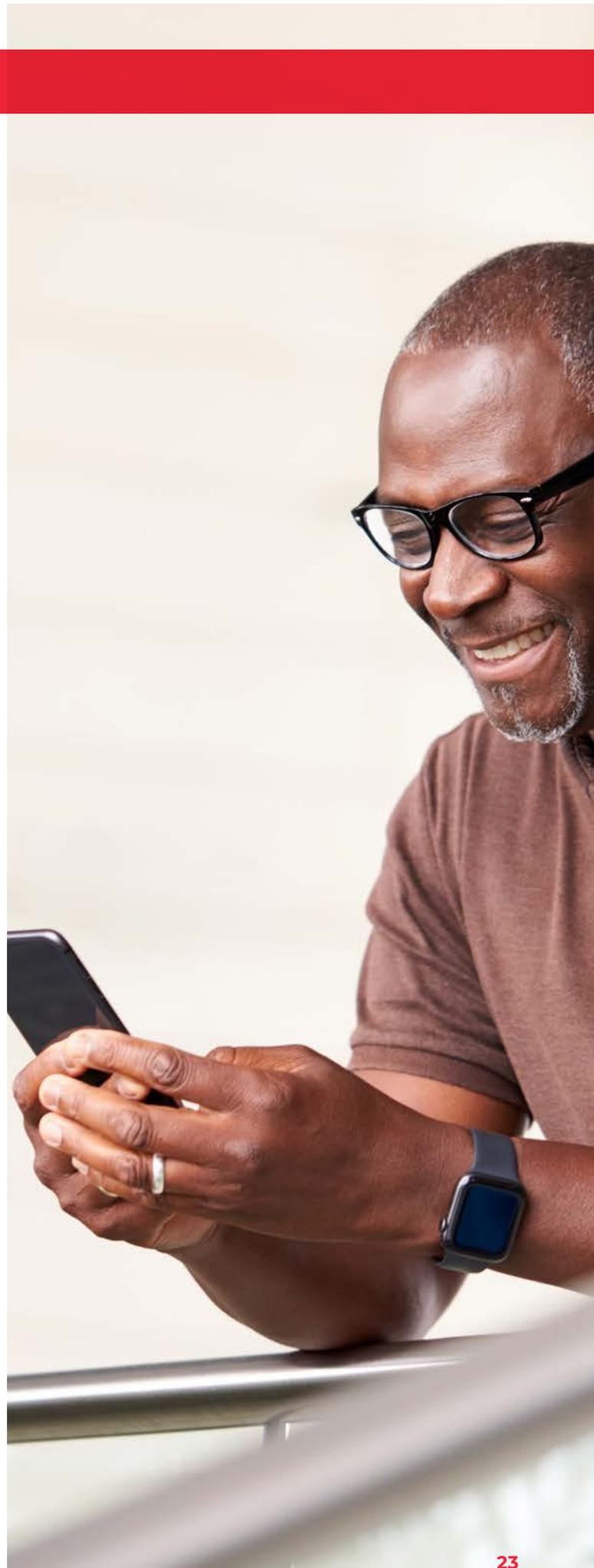
In addition to cheaper (or free) shipping, faster delivery and more specific dates and times of delivery, the consumers we polled are asking for click and collect solutions like those offered by Woolworths, TFG and Takealot.

Claude Hanan from TFGLabs recognises that there is a strong relationship between on site conversion rates, and speed of delivery. "The faster you deliver, the higher the chance of customers checking out. The best play is to give the customers maximum choice - be it same day, next day, evenings, weekend, two hour or click and collect. Let the customer choose. With the right choice, customers are typically happy to pay a premium for express delivery."

“ The best play is to give the customers maximum choice: ”
- Claude Hanan - TFGLabs

And they're demanding that returns are collected with the same efficiency as the original purchase was delivered.

This latter requirement is a contentious one. The processing of returns carries a significant cost for retailers. While some factor this into product prices or into their logistics fees, there is a growing risk that price wars will create an unsustainable environment. Internationally, retailers are starting to address this - notably, UK fashion retailer Boohoo announced in July¹⁷ that it would be charging consumers a flat fee for returns. Others are considering just handing customers their money back and letting them keep their purchase even if it's not what they wanted, rather than absorb the cost of collecting it and booking it back into their inventory¹⁸.



¹⁷ <https://bbc.in/3yRDhg3>
¹⁸ <https://cnn.it/3aLsTV>

Returns are a huge issue - particularly in the fashion business - says Zando's Singh. "Firstly, mitigating the likelihood of a customer wanting to return a product is the most effective way of addressing the issue. We make a huge investment in creating quality product descriptions and educating customers about the product during the intent phase of their path to purchase".

Singh believes that by providing detailed visuals and written information on the product, especially on size guides, as well as the likely delivery date, Zando gives its customers the peace of mind that they're making the correct purchase decision. "The more effort we put into this, the fewer returns we see which supports a much more sustainable business operation".

“ **Better product information means fewer returns which supports a sustainable business operation:**

- Shekara Singh - Zando



TFGLabs' Hanan believes that click and collect networks can be a huge benefit for returns. "Customers like to return items quickly, and click and collect is much cheaper for the retailer vs sending a courier to collect an item".

Although data suggests that local demand for last mile delivery will continue to grow (recent media reports¹⁹ suggest that it's often more cost effective to make use of grocery delivery services than it is to drive your own vehicle to a store), global trends indicate that in some countries the market for just-in-time delivery - particularly in the grocery segment - is oversaturated. Turkish grocery delivery firm Getir, Berlin-based startup Gorillas and London grocery startup Zapp have all announced plans to reduce headcount²⁰ as fears of the impending recession erode the confidence of their venture capital based funders.

Key Insights

- Free, or low cost, shipping tops South African e-commerce shoppers' wish lists.
- Effective logistics moved from being the seventh to the second most important factor in encouraging repeat purchase this year.
- Eighty percent of the world's top omnichannel retailers own their own last mile capabilities according to TFGLabs.



The situation in South Africa is somewhat different as many of our larger retailers own their logistics function in full or part. Takealot owns Mr D., Shoprite Checkers owns a substantial component of RTT. Others, like Pick n Pay, are moving beyond a traditional customer:supplier relationship and are entering into strategic joint ventures with fulfilment businesses - in its case it announced a structured tie up with Takealot. While big commerce players, like the aforementioned, have the scale to address delivery, this will remain a critical component of the value proposition for smaller retailers and new entrants to the e-commerce space.

Validating this, last year Hanan's team at TFGLabs researched 27 major global omni channel and pure play businesses. "We found 80% of them owned their last mile capabilities. Relying on third parties to get it right is fraught with challenges. The vast majority of omni players feel delivery should become a core capability. We believe this too".

Actionable Outcomes

- Provide customers maximum choice when it comes to delivery - the more options, the lower the friction created by price.
- Reduce the likelihood of returns by investing in great product descriptions.
- Appeal to younger consumers by focusing on sustainability in the logistics channel.

19 <https://bit.ly/3culoMZ>

20 <https://cnb.cx/3zjjBTU>

7. Brand Prisoners are Released



Disengagement. Unhappiness. Attrition. With the cost of customer acquisition continuing to climb, these are three words that no brand wants to encounter when they look to lock consumers into their ecosystem.

Yet they are sentiments our panel of online consumers are not only familiar with, but exhibit on a daily basis. They featured in many of the responses to our questions. They lead to cart abandonment; they encourage customers to switch to rival brands. They are born from

frustration around poor inventory management to friction points in the online journey; from a lack of trust in a brand to a lack of support; from slow websites to payment failures.

In 2021, 76% of our respondents loaded a product to their cart but pulled out of the checkout. While abandonment rates have fallen to 70% this year, retailers are still leaving vast sums of money on the table - we estimate that the likely cost of abandonment could be as high as R26.621 billion.

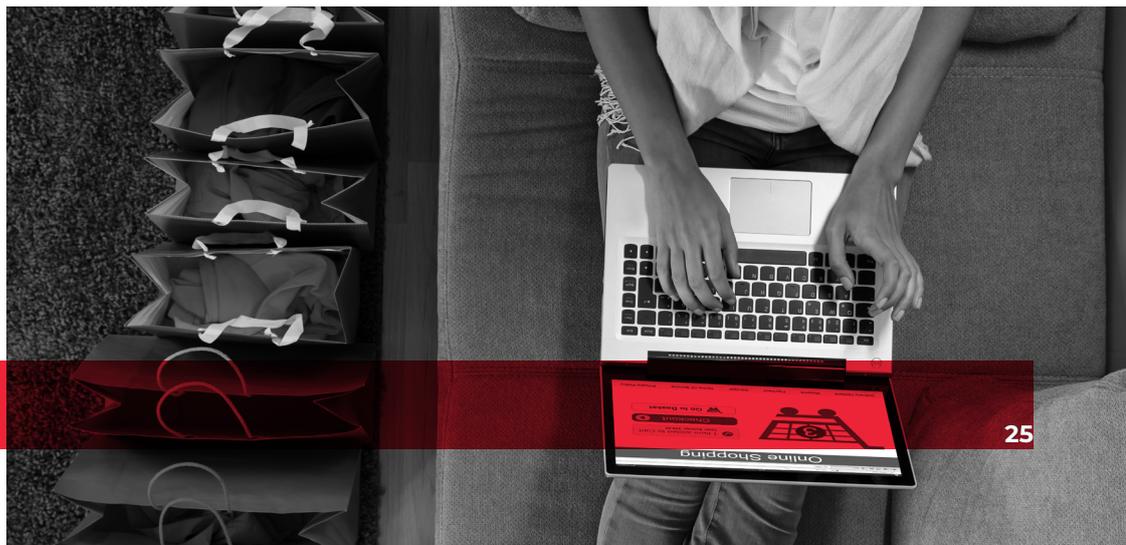


How frequently do you abandon transactions? Fig. 14

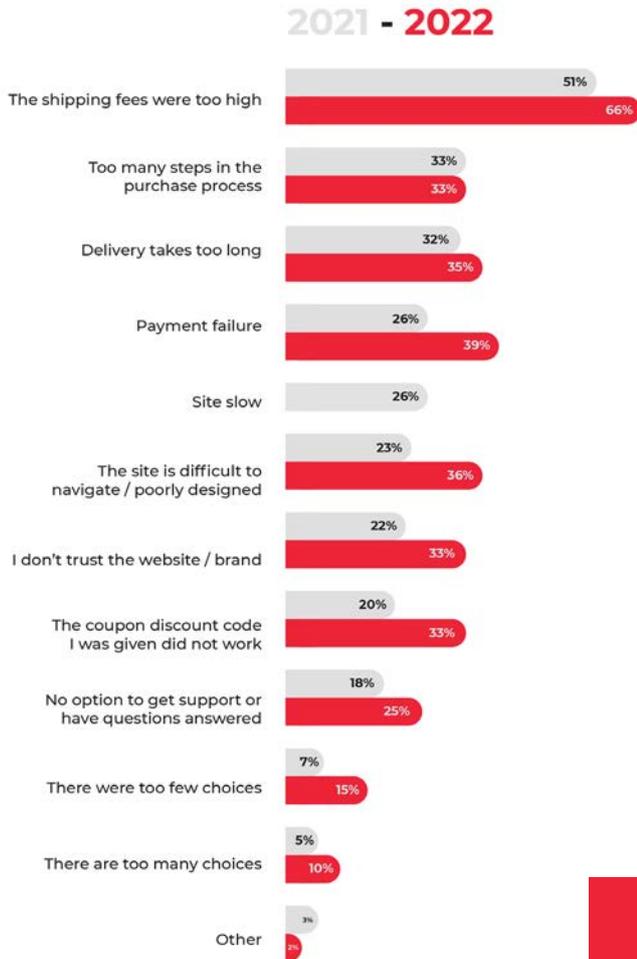
While the percentage fall in abandonment rates may, in part, be due to improved experiences, the likelihood is that as attitudes to e-commerce mature and people become more familiar with the shopping process, their resistance to minor friction moments dissipates.

respondents - up from 51% last year. Payment failure prompted 39% to ditch their shopping (26% in 2021), while poor site design and flaws in the user experience were a reason for 36% to give up.

That said, as outlined in chapter six, the single greatest source of cart abandonment was the high cost of shipping fees, cited by 65% of our



What makes you abandon the transaction? Fig. 15



"I switched from the Pick n Pay app to Checkers 60 Sixty because it is much easier to navigate"

White, Female, 50+ years old, Gauteng, R30K+



Exactly a third highlighted a lack of confidence or trust in the company as the cause of their abandonment - worryingly, this was up from 22% last year - while a quarter identified a lack of support / no opportunity to have questions answered as the root cause of their failure to purchase.

A poor moment doesn't only result in a revenue loss for a brand. It also allows its competitors to gain new customers. This year's data

found that 60% of respondents had switched to retailers selling more expensive products (up from 50% last year) because they provided a better experience. With increasing competition and more like-for-like product repertoires, it's clear that no-one has the right to 'own' the customer. And this is particularly true with more frequent shoppers who, by virtue of having been exposed to really good customer experience, are less forgiving of poor CX and are thus less loyal.



Have you ever switched to a different website because they made it easier for you to buy the product even if it was more expensive? Fig. 16

Julia Ahlfeldt notes that as consumers become more savvy, we can expect more brand prisoners to be freed.

“As consumers become more savvy, we can expect more brand prisoners to be freed:

- Julia Ahlfeldt



Pricing is contentious. Although it leads to attrition, ovatoyou’s Amanda Reekie suggests that as competition grows companies are finding themselves having to engage in a slugfest, battling against others with similar product lineups. “Experience, not product, becomes the differentiator that wins the hearts - and wallets - of the customer.”

There are manifest lessons in this year’s survey responses as to how brands can zone in on the differentiator that helps retain customers.

For all the global concerns around how companies abuse the data we so freely share, many appreciate personalised communications and recommendations: a full 41% cite them as being helpful to their purchase decisions, while 58% believe companies are using information about them to improve experiences. If chief marketing officers are looking for an argument to support investments in martech, our panel has provided it.

That said, many on our panel remain sceptical as to retailers’ true intentions:

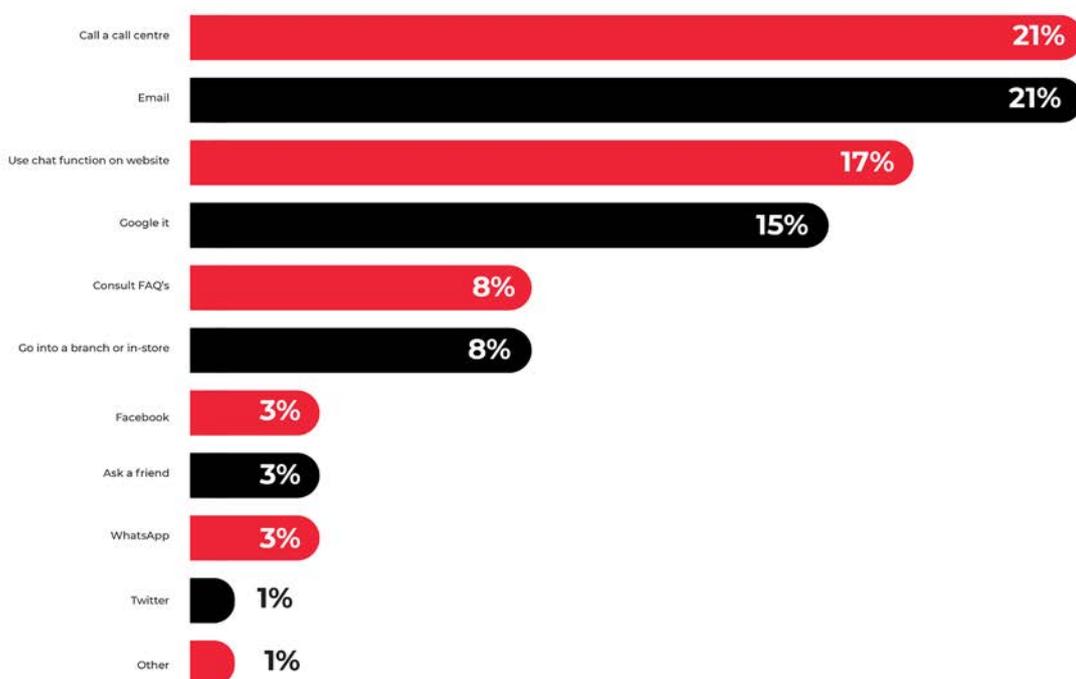
“I think their primary goal is to increase their marketing effectiveness... not to improve my experience...”
White, Male, 50+ years old, Western Cape, R30K+



The provision of quality support should be an obvious route for companies wanting to delight customers.

Our panel’s favoured support channels are call centres and email - each cited by 21% as their first choice when they have a problem and need help to solve it. Live chat or chatbot engines were the third most

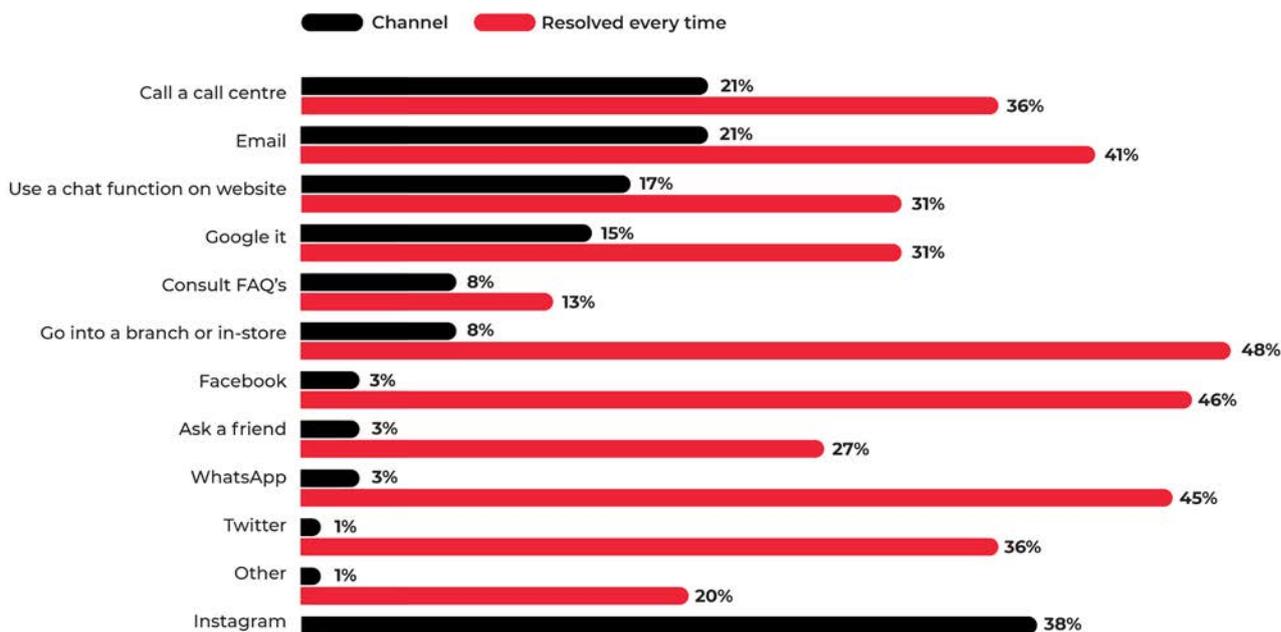
popular mechanism for problem resolution (17%), while eight percent of respondents preferred to leave the digital environment entirely and walk into a physical store to discuss their challenge in person. Interestingly, few of our panel turn to social media as a first choice - just three percent would use Facebook or WhatsApp as a default, while one percent would head to Twitter or Instagram.



What do you do first when you have a problem and need help to solve it? Fig. 17

Paradoxically, when asked which channels provide the most effective resolution, social media was one of the most effective, beaten only by in-store visits (cited by 48%). Reaching out to a company on Facebook

helped resolve challenges 46% of the time, WhatsApp interactions led to problems being addressed satisfactorily on 45% of occasions, Instagram had a 38% success rate and Twitter 36%.



How often are you able to solve your problem completely vs. having to try something else? Fig. 18

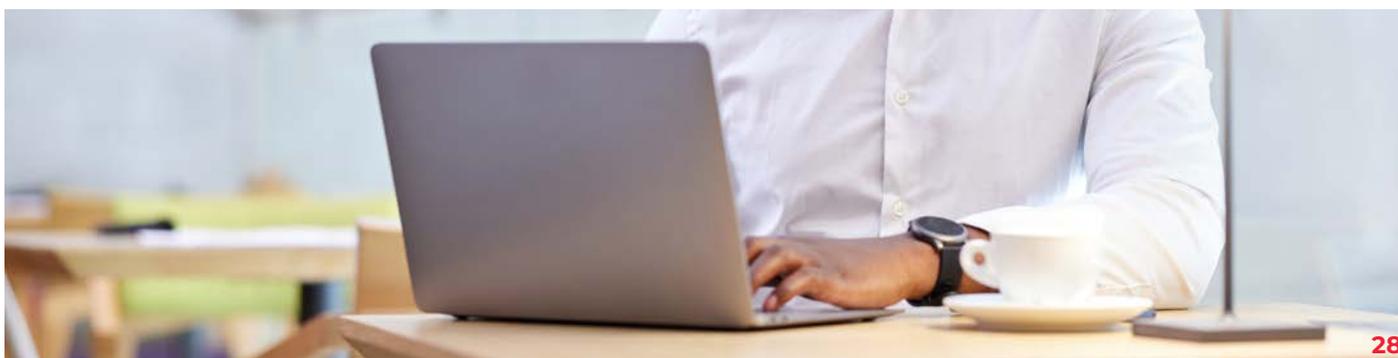
It is natural for profit-conscious brands to try to minimise costs where possible. Luno's Marnitz Van Heerden affirms this with a frank assessment of the commercial motivations. "Let's be honest - most brands invest in self service support channels because of the promise of efficiencies and super low cost to serve at scale. Very few brands do this because it delivers a superior customer experience that differentiates them and drives brand loyalty." But if this impacts support, it can erode confidence and lead to churn.

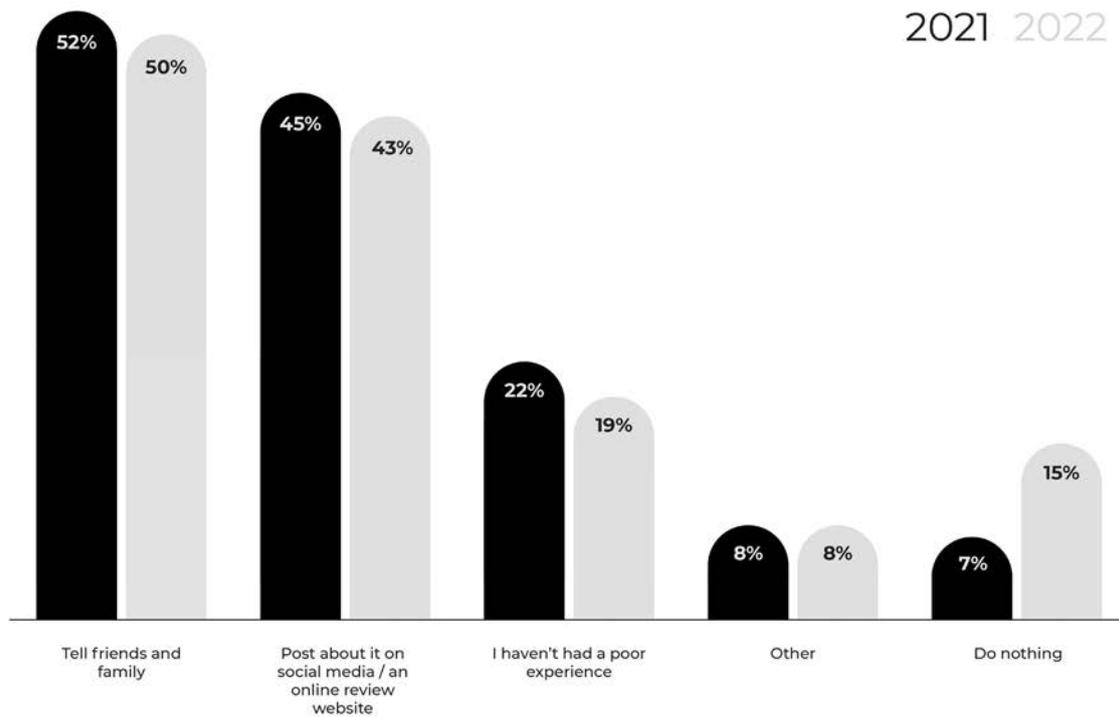
Furthermore, there are clear signs that encouraging customers to resolve issues via lower cost digital channels, such as chatbots, can backfire. Many resent being forced to use an unfamiliar channel to resolve an issue. While 59% of customers appreciated the speed of chat functions, 45% said they'd prefer to have a human at the other end, and only 17% said they turn to chat as their first port of call.

This is perhaps why our panel said that chat only addresses their problems 31% of the time.

van Heerden suggests that support channels are most effective when they work in tandem. "At Luno we've found the intersection of self service and human assisted service is where magic happens. Providing customers with self service options, with rapid human intervention when these fail or customers show frustration, seems to deliver experiences which customers rate higher than either self service stand alone or human assisted stand alone services."

When support interactions go wrong, it sets the stage for negative sentiment that has consequences that reach far beyond the disappointment felt by a single unhappy customer. Although we've seen a gradual decline over the past four years in people's desire to share news of poor experiences, this year 43% of our respondents say they take to social media or review platforms to let others know that a brand they have dealt with did not live up to its promise. Exactly half would tell their friends and family when things go wrong.





When you have a poor experience what do you do? (Multi select) Fig. 19

There is, however, a level of apathy that might mislead some brands into thinking consumers are happy when the reverse is actually the case. This

year 15% said they'd do nothing after a bad experience - that's more than double the seven percent number recorded last year.

"If it really was bad, then I post about it on social media. If it's not too bad, I just let the company know or even let it slide."

Indian, Male, 35-49 years old, Eastern Cape, R10k-R30k



Key Insights

- e-commerce shopping cart abandonment could be as high as R26.621 billion in 2022. The primary reason for abandonment is the cost of shipping followed by payment failure.
- Digital self service support channels that are backed by, or offered in tandem with, human-assisted service are preferred by consumers.
- Consumers will switch to retailers who provide a better experience - even if it means paying more.

Actionable Outcomes

- Address shipping fees and delivery options so that consumers can select the option that works for them - with the probability of Amazon Prime launching companies could consider subscription models offering free delivery to frequent shoppers.
- Engineer support channels around consumer wants, not company objectives.
- Invest in technology that enables personalised communications - 41% find this helpful and the majority believes information is being used to improve experiences.



Conclusion



In the four years since we started producing this report, South Africans' attitudes towards online - and their adoption of it - have changed markedly.

Consumers view digital as a preferred way of engaging with the companies they love (and those they'd love to love but just quite can't). Brands have responded by making major investments, expanding their online presence to enable commerce and provide the logistical support to ship their products.

Yet there are still many gaps. And one thing South Africa's private sector business community is particularly good at when they spot a gap is to find the silver lining. The opportunity online presents to connect consumers, reduce inequalities and boost the economy is immense. GDP growth may be languishing, but as Euromonitor International reports, e-commerce spend on goods is set to expand by 39% this year. That's on top of the 40% growth we saw in 2021.

While much of this may be a cannibalistic growth - taking sales from Peter (bricks and mortar stores) and giving them to Paul (online shops) - the convenience and efficiencies of e-commerce will undoubtedly be beneficial for household and corporate budgets, freeing a portion of these for investment in other areas to the benefit of the country's broader economy.

But the power of digital goes far beyond the checkout. As we saw in chapter three, online plays a huge influence in commerce in general. Traditional or omnichannel retailers would do well to change their mindsets about their definition of ecommerce if they're serious about protecting the future of their business's offline sales. Guidance here could be to rebrand the way they speak about this internally and to their customers, and ensuring that they have the right skills and talent to keep up with changing consumer demands is crucial. The ground is moving beneath our feet.

Last year we noted that the biggest opportunities, or silver linings as it were, for future growth were likely to be centred on building consumer loyalty and delivering effective after sales service. While this remains true today - and especially so when it comes to the latter point - it's reliability that appears to be the key demand coming from consumers.

Many of the larger brands we cite in this year's edition have taken this on board. Yet, for emerging online retailers, it is a seemingly tough ask to execute on the trifecta of consumer expectation around price, speed and after sales service.

There are, however, a number of opportunities for them to compete on a level playing field. Meta's Nolte points to the surging growth in social commerce - and her data's backed up by numerous global studies. Activating Facebook or Instagram Shops is relatively straightforward. Another consideration may be to list products on the major marketplaces - most of the big online players (and indeed many of the big traditional retailers stepping up their omnichannel plays) now offer marketplaces that enable small businesses to tap into their infrastructure and, perhaps most importantly, their audiences.

An even greater opportunity, perhaps, lies in authenticity. That may manifest itself in promoting sustainable business practices. It could be through better communication - both in the sense of offering consumers the channels they want to use but also in owning our mistakes. We all make missteps and putting our hands up to acknowledge a failure often leads to positive sentiment. The type of sentiment that creates loyalty.

Then there's ethics. As Abel points out, the online world is moving forward at a staggering pace. Regulators simply can't keep up, so it's incumbent on brands to ensure the right checks and balances are built into business models and processes to safeguard customer data and do things the right way.

Digital is making a massive contribution to the beleaguered South African economy. And customer experience is its beating heart. There can be no more exciting a time to be involved in this field.

About the Authors

Rogerswilco

Rogerswilco, the 2021 Financial Mail AdFocus Digital Agency of the Year, is a multi-award-winning staff-owned marketing agency with business units in Cape Town, Johannesburg and London.

The company offers a full range of digitally-led marketing services including strategy, creative, social, performance, development and marketing technology solutions to enterprise level customers and leading non-governmental organisations.

For more information on Rogerswilco visit www.rogerswilco.co.za

ovatoyou

ovatoyou is an online market research platform with a panel of well over 22 000 online respondents in South Africa and panels in Kenya, Uganda, Nigeria, Tanzania and Mozambique.

The company has the ability to give businesses and brands both the qualitative, immersive insight they need to understand their markets, as

well as the quantitative data they need to make decisions. The platform and responsive panel allows ovatoyou to get results swiftly from a broad spectrum of online South Africans. Surveys can be scaled to meet the needs and budgets of clients with rapid project turnaround times.

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Julia Ahlfeldt CX Consulting

Julia Ahlfeldt, one of the leading customer experience experts in Southern Africa and beyond, works with businesses to help improve competitiveness by putting the customer at the centre of their organisation. Her interventions have helped some of the world's leading brands achieve their customer experience objectives. Her services range from conducting CX research to CX strategy development, journey mapping, experience design and customer-centric culture change.

For more information on Julia and her services, visit <https://www.julia-ahlfeldt.com/>



Appendix - calculation methodologies

Our projections of the value of social commerce (chapter two), the value of reviews (chapter five) and the cost of cart abandonment (chapter seven) are derived from data provided by Euromonitor International on the size of the South African e-commerce market.

Euromonitor's definition of e-commerce includes all online purchases made by a consumer to a business for either goods or services regardless of the device (PC, mobile phone, tablet, etc.) used to execute the transaction. It includes those purchases made via online marketplaces, assuming it is a business-to-consumer purchase, as well as situations in which the consumer pays for it with cash on delivery, by mail via a postal cheque or in person when turning in a ticket and associated payment at a designated ATM or branch facility.

For 2022, Euromonitor projects the full e-commerce market for goods and services will reach R152.992 billion. The goods element of this - on which we report and use as the basis for our extrapolations - will equate to some R56.844 billion this year.

Social commerce

To determine the potential social commerce figure we applied data from Accenture's 2022 report suggesting that, globally, social commerce accounted for 10% of all e-commerce transactions to Euromonitor's evaluation of the SA e-commerce market. Thus 10% of R56.844bn gave us a figure of R5.684bn in 2022.

Value of reviews

Our calculation to determine the potential influence of reviews on e-commerce transactions was derived from the 63% of respondents who told us that they find them particularly helpful in guiding their shopping decisions. This was multiplied by Euromonitor's R56.844bn to arrive at a figure of R35.811bn this year.

Cost of cart abandonment

With 70% of shoppers abandoning purchases, we calculated the likely cost of abandonment by applying a multiplier to the current size of the e-commerce market (the R56.844bn currently spent represents 30% of the overall market potential if all products added to carts were checked

out). We then analysed the frequency data our respondents provided on how often they abandon transactions and applied a median calculation to determine the value of lost sales. In aggregate this presents a figure of R26.621bn.

Influence of research and discovery

Our projection on the influence of digital research and discovery to in store purchase (chapter three) uses StatsSA's standard industry classification of retail trade within five core categories.

For the 2021 calendar year StatsSA reported a total market value of R1.166 trillion which comprised groceries - R628.1 billion; clothing / fashion - R183.7 billion; 'other' retail - R108.3 billion; hardware - R98.6 billion; medicine / toiletries - R93.7 billion; and furniture / appliances - R53.7 billion.

We then extrapolated this data to determine what proportion of South Africa's population are 'online' - reported as 68.2% by WeAreSocial. Multiplying this number by the overall market value of our five industry sectors suggests that R795.4 billion of retail spend could be influenced by online activity. The retail spend attributed to 'online' South African consumers was then multiplied by the proportion of individuals who use the internet for product research and discovery in each of the five sectors. Aggregated, it suggests that digital product discovery and research influences R293.8 billion in retail product sales.