

# ONLINE VS. IN-STORE SHOPPING

CONVENIENCE | EXPERIENCE | PRICE

September 2016



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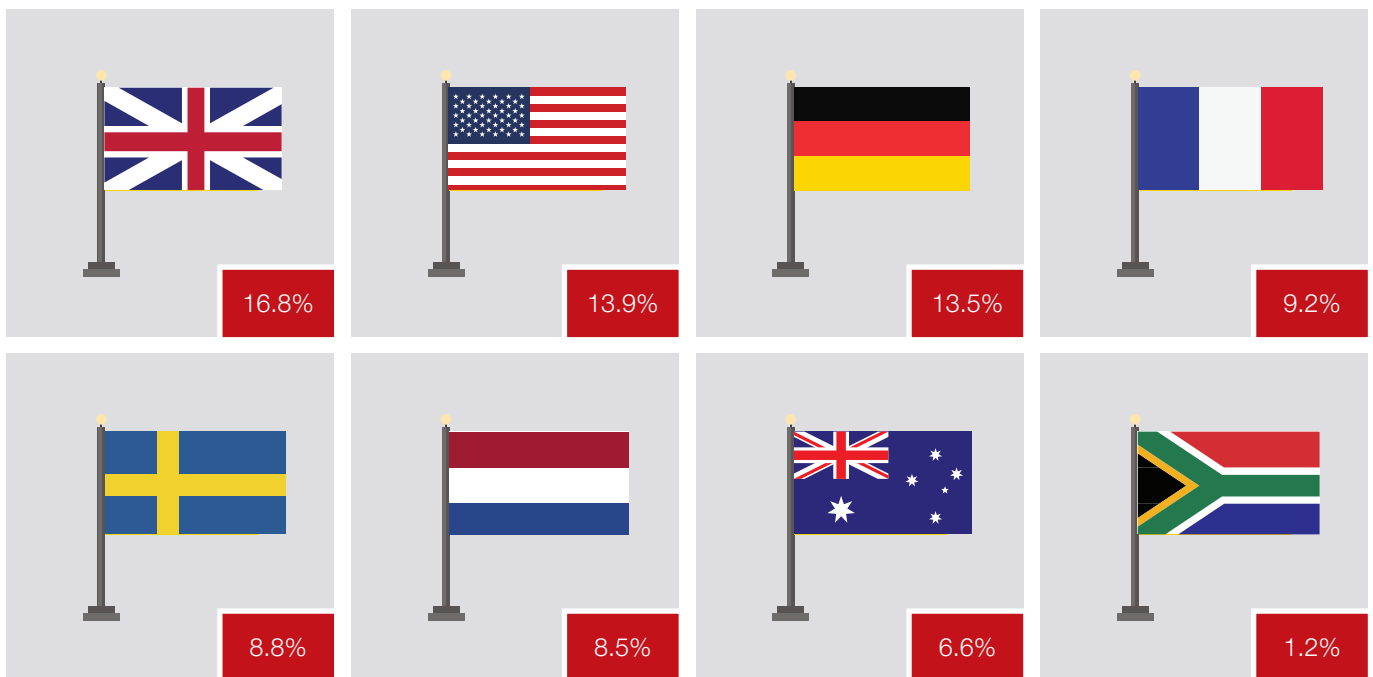
# ONLINE VS. IN-STORE SHOPPING

Worldwide the tempo of online shopping is increasing and is the fastest growing retail market in Europe and North America. Online sales in Europe are expected to reach €250 billion in 2017 and the US online sales will reach \$400 billion in 2017. The South African market is still very small with an estimated retail online sale of R8.9 billion per annum.

This report focuses on worldwide online shopping trends, the changes in online shopping in South Africa since 2013 and online development initiatives amongst South African retailers. A few of the latest worldwide futuristic trends in terms of online shopping will be highlighted.

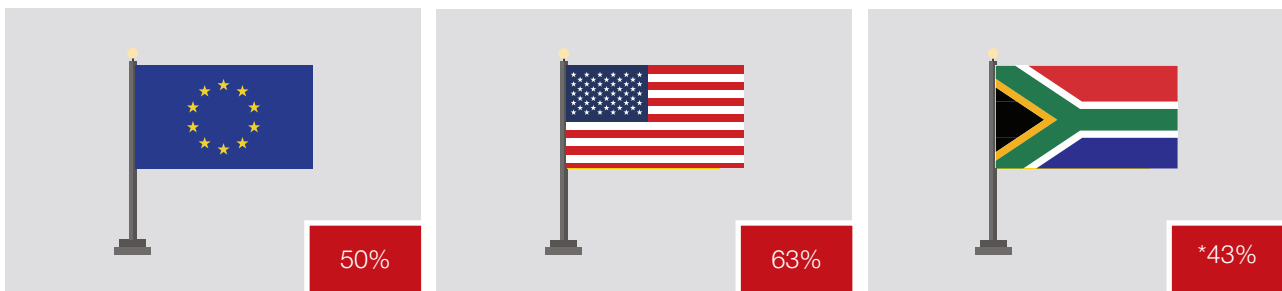
The United Kingdom has been the leader in online shopping since the first surveys 10 years ago. China is currently spending the most on online shopping but this is a small portion of total retail sales. South Africa is still far behind and is not really catching up.

## ONLINE SHARES OF RETAIL TRADE 2016



The US is still the leader in online retailing compared to Europe. With a similar population to the eight countries surveyed in Europe, 63% of the US public were online shoppers compared to 50% in Europe. Every online shopper in Europe spend on average \$1 460 per annum compared to the \$1 800 in the US.

ONLINE SHOPPERS

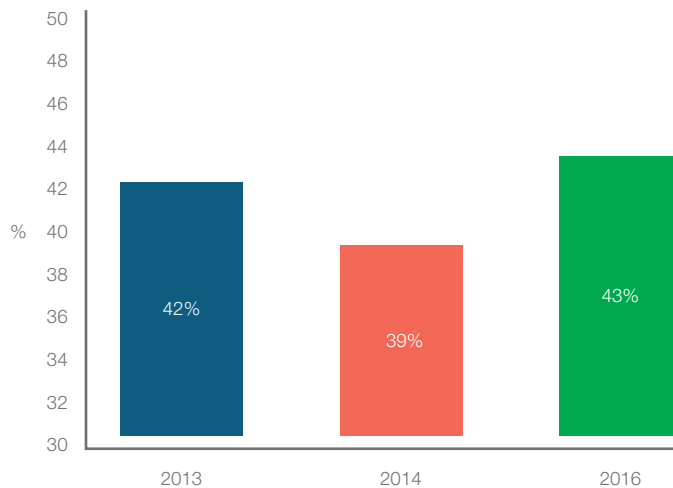


\*based on the survey results and not the total population

Based on 600 shopper intercept surveys conducted at five different shopping centres throughout metropolitan South Africa, the trend indicates a very consistent use of online shopping.

Figure 1: The proportion of online shoppers has increased from 39% to 43% in this particular segment of the market.

BUY ONLINE 2013 VS 2014 VS 2016





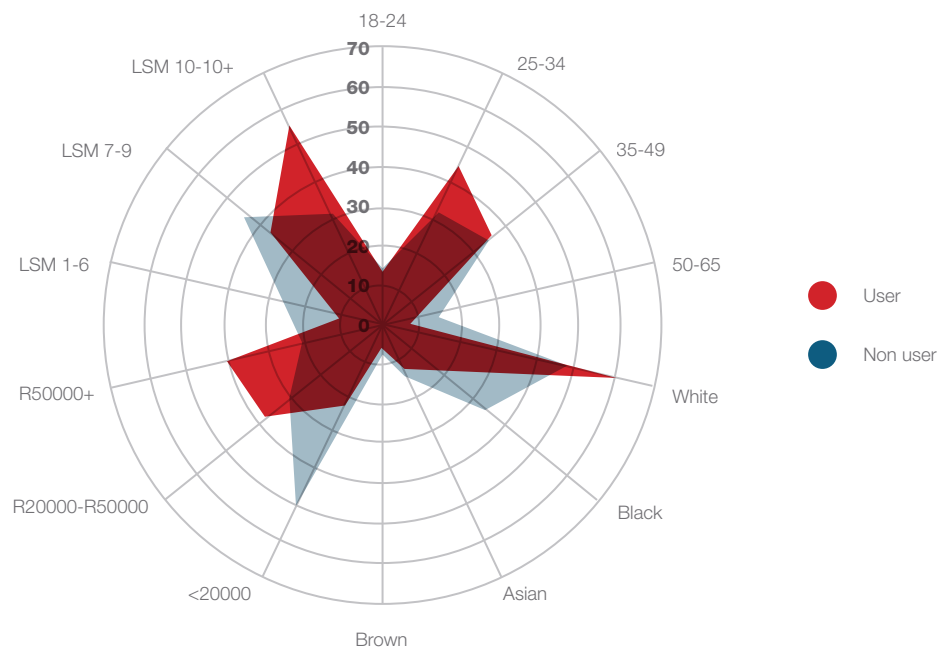
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One of the most interesting findings is that online shoppers worldwide have similar demographic and socio economic profiles. Previous studies in the UK confirmed a profile very similar to the South African market.

There is a clear difference in the demographic profiles of online and non-online shoppers.


## DEMOGRAPHIC PROFILE:

USERS VS NON USERS OF ONLINE SHOPPING 2016




## THE ONLINE SHOPPER IN SOUTH AFRICA HAS THE FOLLOWING CHARACTERISTICS:


Almost equal – slightly more male




25 – 49 years



Earning more than R30 000 per month

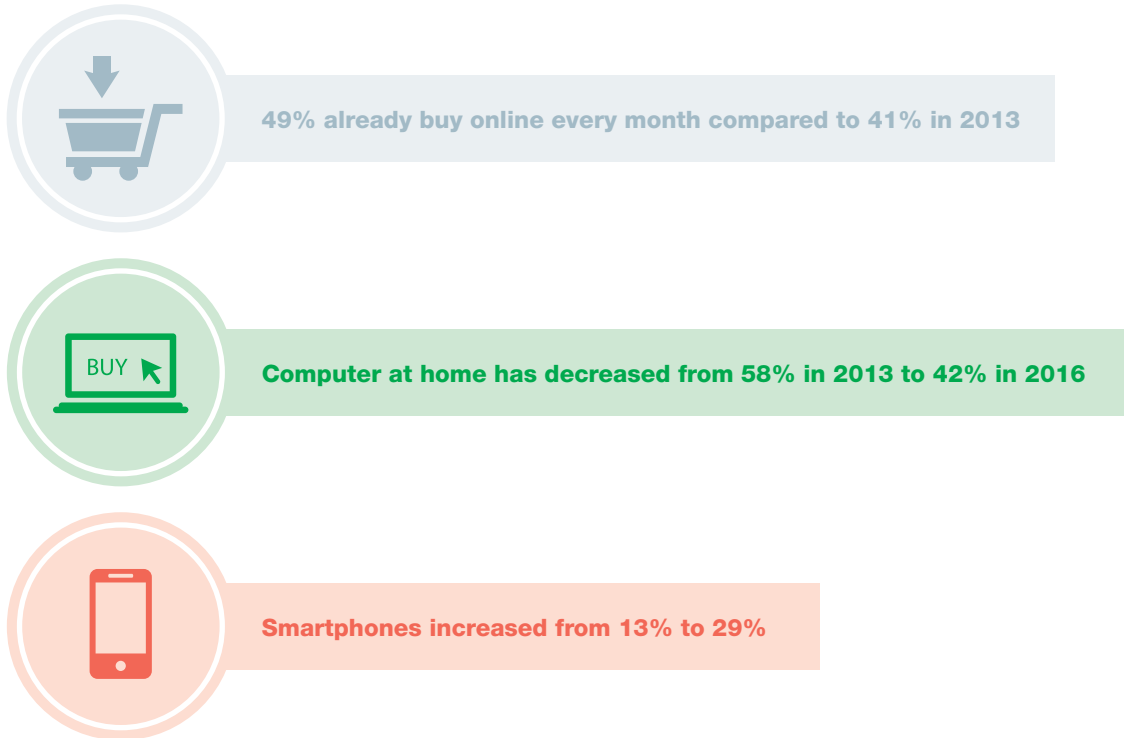


LSM 10 and LSM 10+



## WRONG PREDICTIONS

In the 2013 report expectations were that the regular online shoppers will increase from 42% to between 55% and 65% in the next 2 - 3 years. This definitely did not happen. There seems to be a big difference between the early adopters, and the slow progress made by followers and laggards. In spite of this slow progress the long term growth prospects for online shopping remains positive.



The most important reasons for online shopping have remained consistent since 2013 and are mainly driven by convenience. Online shopping offers a variety of local and worldwide choices, it is also much easier do price comparisons and it is regarded as faster.



# ONLINE VS. IN-STORE SHOPPING

**TABLE 1: CONVENIENCE STILL REMAINS THE MOST IMPORTANT REASON FOR ONLINE SHOPPING**

Reasons for shopping online (%)	Total 2013	Total 2014	Total 2016
<b>Total Responses</b>	<b>253</b>	<b>238</b>	<b>259</b>
Convenient/comfort of my own home/work	49	46	35
Variety of choices	7	12	12
Can shop worldwide	7	9	11
Price: make comparisons/cheaper	12	10	11
Faster	8	11	11
Avoid shopping centres	4	2	8
Can shop after hours	5	4	4
Compare products	4	1	3
Free delivery	2	3	3

The most important disadvantage of online shopping is the fact that the shoppers want to touch and feel a particular product. There is also uncertainty regarding the quality of the product, concerns regarding the delivery of correct sizes and the late or non-delivery of goods. Other concerns include the exchange of goods and return policies. During the 2013 survey, security of credit cards was a major concern, which has decreased substantially over the last three years.

**TABLE 2: SOME DISADVANTAGES OF ONLINE SHOPPING ARE NOW LESS IMPORTANT, WHILE OTHERS ARE MORE IMPORTANT THAN IN 2013.**

Disadvantages of shopping online	Total 2013	Total 2016
<b>Total Responses</b>	<b>236</b>	<b>242</b>
Cannot touch, feel or see a product	25	20
Uncertain about quality/size of products	13	18
Wrong sizes delivered	3	17
Problems with delivery	13	15
Problems/exchanging goods	10	8
Credit card security risks	22	8
Delivery costs	5	5
Human contact lacking/product knowledge	5	3
Website unsecure		2

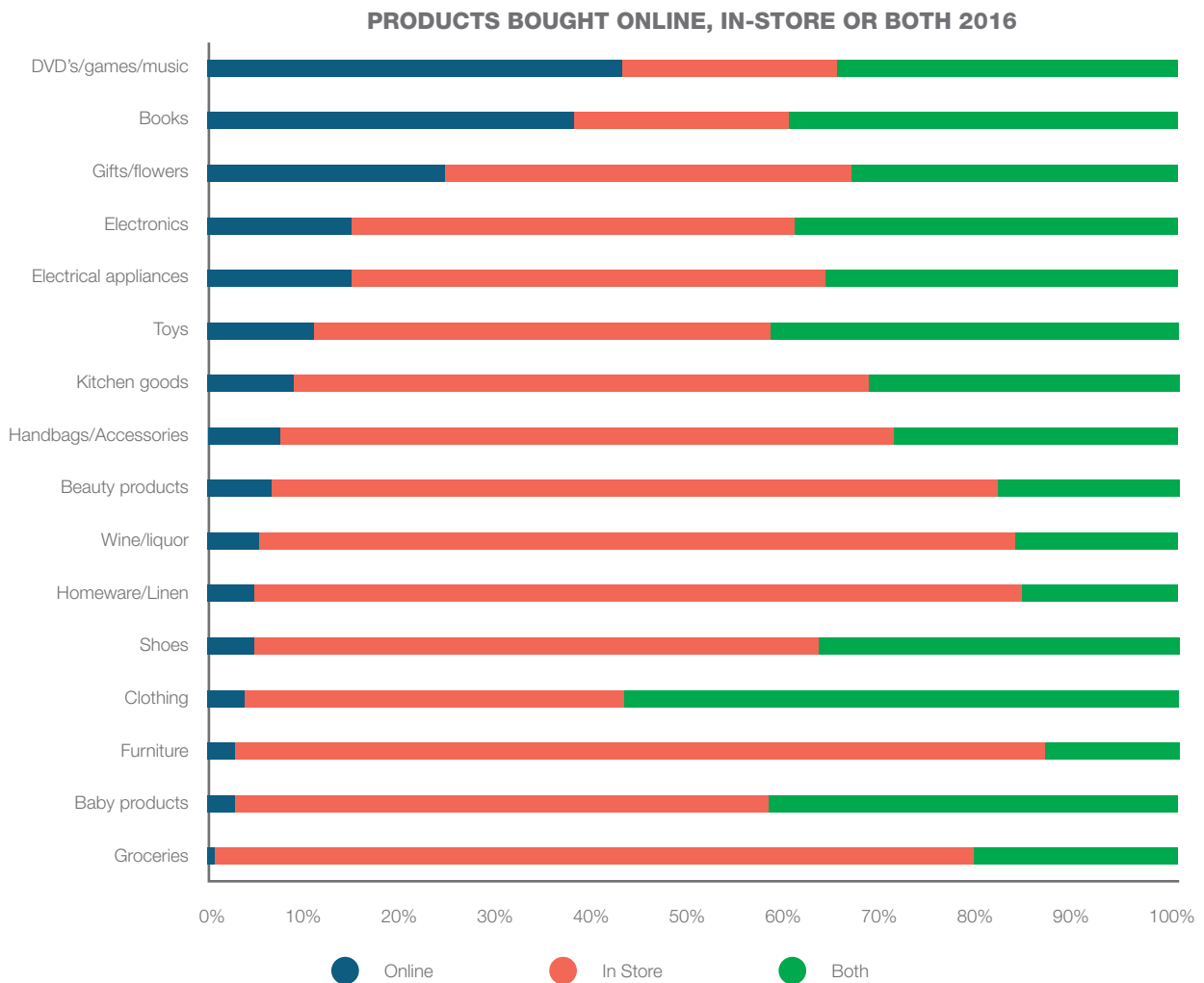
Most products bought online are DVD's, books, gifts and flowers, electronics, electrical appliances and toys.



The most important in store purchases are still groceries, furniture, shoes, hardware, linen, wine and liquor, beauty products, handbags and accessories.



**FIGURE 3: VERY FEW PRODUCTS ARE ONLY BOUGHT ONLINE. BOTH ONLINE AND INSTORE PURCHASES HAVE SHOWN THE MOST CHANGES SINCE 2013.**

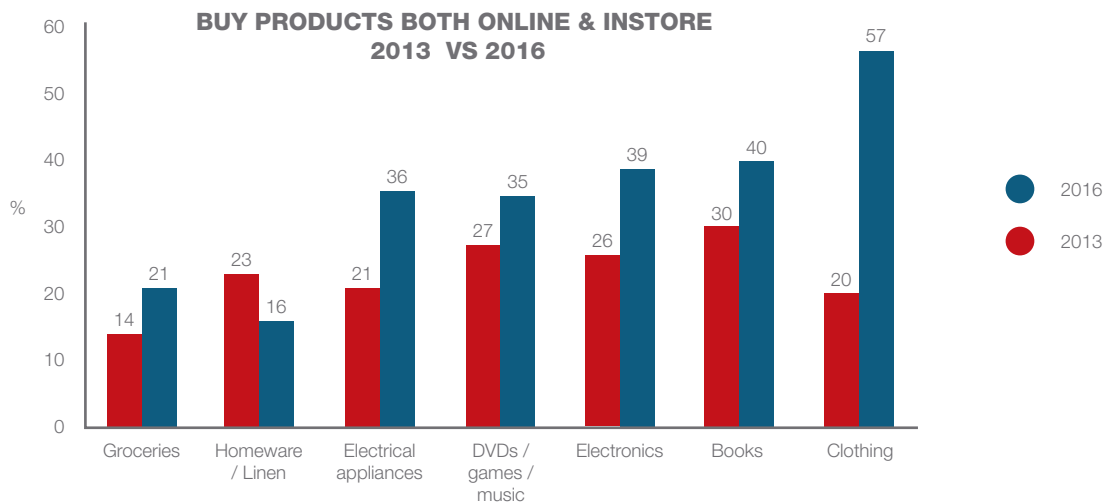




# ONLINE VS. IN-STORE SHOPPING

The most important trend since the first survey in 2013 is the increase where online shoppers prefer both the in-store and online options. The most significant change was for clothing, where online and in-store purchases was only done by 20% during 2013 and has now increased to 57%. These positive trends were also applicable to books, electronics, DVDs/games, electrical appliances and homeware. The proportion of the market that buys groceries both online and in-store also increased from 14% to 21%.

**FIGURE 4: GOOD INCREASES BETWEEN 2013 AND 2016 WHERE SHOPPERS BUY PRODUCTS BOTH ONLINE & IN-STORE.**



The most popular online stores supported during the 1st three months of 2016 are the following:



Mr Price and Woolworths are the most supported online retailers in South Africa at the moment (2nd quarter of 2016). Most other retailers are rolling out very specific online shopping platforms.



The service ratings by online shoppers in terms of their experience at online stores like Takealot, Amazon and Spree were rated at a satisfaction rating of **8.2 out of 10**.



The rating for the South African retailer online stores was at **7.8**.



Percentage of online products delivered by courier:





## ONLINE VS. IN-STORE SHOPPING

**TABLE 3: THE ANTICIPATED FUTURE SHOPPING BEHAVIOUR IS SIMILAR TO WHAT IT WAS IN 2013, WHERE 39% OF THE RESPONDENTS WILL BUY IN-STORE ONLY, 22% ONLINE ONLY WHILE THE REST WILL BROWSE ONLINE AND SHOP INSTORE.**

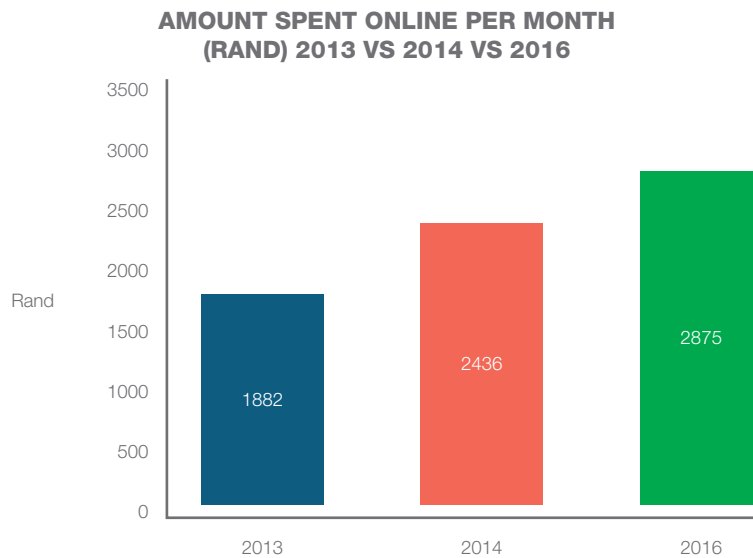
Future shopping	Total 2013	Total 2016
<b>Total Responses</b>	<b>253</b>	<b>259</b>
In-store	40	39
Online only	27	22
Browse online and shop in store	26	27
Buy online and collect in store	4	9
Other	2	3

Shoppers were asked to mention those factors that will further increase their online shopping in future. Some of the important factors in 2013 are now less important while others have increased in importance.

**TABLE 4: THE DIFFERENT FACTORS INFLUENCING ONLINE SHOPPING BEHAVIOUR VARY FROM TIME TO TIME DEPENDING ON CHANGING NEEDS.**

Different factors are more important now than factors in 2013 (%)	Total 2013	Total 2014	Total 2016
Most SA retail stores online	22	15	12
More variety of online stores	25	26	14
Stricter security with credit card	19	13	4
Better description of products	14	11	13
More reviews by other buyers	8	7	6
Other	13	6	10
More money available		4	4
Nothing		12	9
Free delivery		6	28

The proportion of online shoppers has remained the same at 43% but spending has increased from R1 900 per month in 2013 to R2 875 in 2016. The increase in spend is growing at 15% per annum which is much higher than the inflation rate of 5% - 6%. This rate is also slower than the predictions made in 2013 of an increase of between 25% and 30%.



The most prominent changes and trends since 2013 are the following:

- 43% online shoppers remained more or less similar
- more transactions are conducted per month
- there is a 15% increase in spending online per annum
- a much wider variety of online retailers as well as online stores of South African retailers have been supported
- there has been a good increase in support for Takealot, Amazon, Spree and Bid or Buy
- the most popular South African retailer online stores are Mr Price Clothing, Woolworths Clothing, Makro, Woolworths Food, Exclusive Books, Pick n pay, Cape Union Mart and Dischem
- there has been a strong increase in courier delivery
- free delivery is becoming the critical need at the moment

All these changes will have a major impact on the planning of an omni channel strategy by retailers in future.



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Non online shoppers are mainly older, earning less than R20 000 per month and mainly in middle and lower LSM segments.

The non-online shoppers mainly do so because:

- they still enjoy shopping in the store
- they are concerned about credit card security
- they still want to touch and feel the product
- they feel uncertain about the quality of the product and/or
- they are not computer literate

Of the 57% non-online shoppers, 53% indicated that they will consider online shopping in future. This is very similar to the 49% mentioned in 2013.

The non-users will change over time but at a much slower rate than initially anticipated in the 2013 survey. The implementation of an online platform by South African retailers has increased dramatically over the last 3 years. This is reflected in the increased support for different online South African retailer platforms.

## RETAILER COMMENTS AND FUTURE PLANNING

### WOOLWORTHS

- Woolworths to move to a single e-commerce platform across the group
- WW David Jones brand online sales up 48% to 3.5% of total sales
- Woolworths Country Road online sales up 28% to 11.6% of total sales



- 40 000 new online customers
- establishing online warehouses



- Bring all 17 TFG retail brands online by 2018
- Expect to achieve 5% of turnover by 2018



- To improve digital offering
- To enhance customer shopper experience in-store and online



- A very strong emphasis on click-and-collect
- A number of stores in metropolitan areas already offering click-and-collect facilities



- Online sales R182.7 million
- Working towards a profitable omni-channel presence
- Traffic on the website increased by 65% and had 11 million unique visits during 2015
- Online sales represents 2% of total annual sales
- Customers shop online and in-store
- Click-and-collect remains a popular choice

Most of the online retail platforms were already mentioned in the online shopper survey above. An online platform will form a very important part of the omni-channel strategy in future.



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## LATEST SHOPPING TRENDS

The in-store experience has become much more crucial than ever before. The shopper survey confirms that both online and in-store shopping will remain very important in future. Shoppers still want to touch and feel products. To capitalize on this very clear preference of shoppers the in-store experience is 100% linked to prompt and outstanding customer service. Many of the online retail platforms are also moving into brick and mortar.

Retail in future will mainly be driven by convenience and experience. Uber raised the bar of customer expectations and service. This is strongly driven by convenience.

Mobile purchasing is still growing slowly but with good potential. This was also confirmed in the shopper survey. Mobile devices are most often used to compare prices, to conduct online research for different products, to find the nearest store and on much lower levels to purchase products online.

Marketing initiatives will mainly focus on social media to offer special in-store events and unique experiences and also to develop mobile phone advertisements.

As far as market segments are concerned you have to anticipate the next generation of shoppers who will become your customers. The so-called millennials is definitely the target market for the future. Their online shopping is still lower but will increase the overall online shopping rapidly in future.

## CONCLUSION

The biggest challenge in future is not necessarily to create online retail platforms, but to offer an in-store shopping experience based on innovative, experiential ideas linked to excellent service at affordable prices. This report confirms:

- a slower growth in the acceptance of online shopping as a method of purchasing
- the touch and feel aspect still remains strong
- mobile devices are used for gathering information, doing research and comparing prices
- online shopping as proportion of total retail sales is currently at 1.2% and will slowly increase.

**The expectations and results of online retailer platforms are showing good growth and therefore the importance of an omni-channel retail strategy is more important than in the past.**

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