



**Western Cape
Government**
Economic Development
and Tourism



#GoDigitalWC
An Introduction to e-commerce

#GoDigitalWC is a campaign to raise awareness and adoption of digital technologies amongst businesses in the Western Cape. It aims to help and support SMMEs with practical tools, tips and information to move or expand their business online and use digital technologies to improve their operational efficiencies and competitiveness

#GoDigitalWC is an initiative of the Digital Economy unit of the Department of Economic Development and Tourism. For more information, please visit <https://www.westerncape.gov.za/site-page/godigital>



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Disclaimer: There are many e-commerce options available in the market, and hence this guide is not — and cannot – be exhaustive. The company and brand names of many products and services are provided but other companies and brands are available. These company and brand names are not used with their express permission, but with the intent to inform the general public and business communities, thereby driving adoption. Their understanding is greatly appreciated.

An introduction to e-commerce for Western Cape SMMEs

The changing face of business

The COVID-19 pandemic has and will continue to change the way we do business for years to come. You may have been hearing and thinking about digitising your business, taking your business online or even starting an online business. Perhaps you have been putting this off for a while, or perhaps you have already moved in this direction?

The reality is that now, with the world of work and business faced with unprecedented change, the motivation and validation to join the world of e-commerce, or to take your business online, is stronger than ever before.

It is important to remember that whether your business is online, offline or somewhere in between, business is still business. Overall, the same principles apply, but the methods, means and technologies will differ.

For instance, in any business you fundamentally still need a product or service which a customer is willing to pay you for. This does not change when you take your business online.

You still need a product or service to sell, and you still need to market your product. Similarly, you still need money systems, supply systems, operational systems, delivery systems, payment systems, staff systems, etc.

And beyond that, you still need to build your brand, build trust, build versatility, build a reputation.

Therefore, and while e-commerce is a new way of doing business, remember, it is still “business”.

Depending which online route you choose to take, it will also require varying degrees of time and resources. It is not a quick fix.





What is e-commerce?

E-commerce is the buying and selling of information, products, goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These business transactions occur either as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer (C2C) or consumer-to-business (C2B). The terms 'e-commerce' and 'e-business' are often used interchangeably. The term 'e-tail' is also sometimes used in reference to the transactional processes for online shopping¹.

Business-to-business (B2B) e-commerce refers to the electronic exchange of products, services or information between businesses rather than between businesses and consumers. Examples include online directories and product and supply exchange websites that allow businesses to search for products, services and information and to initiate transactions through e-procurement interfaces.

Business-to-consumer (B2C) is the retail part of e-commerce on the internet. It is when businesses sell products, services or information directly to consumers. The term was popular during the 'dot-com boom' of the late 1990s, when online retailers and sellers of goods were a novelty.

Today, there are innumerable virtual stores and malls on the internet selling all types of consumer goods. The most recognized examples of these sites internationally are Amazon and Alibaba, and locally Takealot, Bidorbuy and OneDayOnly.

Consumer-to-consumer (C2C) is a type of e-commerce in which consumers trade products, services and information with each other online. These transactions are generally conducted through a third party (business) that provides an online platform on which the transactions are carried out.

Online auctions and classified advertisements are two examples of C2C platforms, with eBay and Craigslist being two of the most popular of these platforms in the US. Because eBay is a business, this form of e-commerce could also be called C2B2C -- consumer-to-business-to-consumer. In South Africa, Gumtree, JunkMail and OLX are good examples of on-line marketplaces with Facebook now a player too.

Consumer-to-business (C2B) is a type of e-commerce in which consumers make their products and services available online for companies to bid on and purchase. This is the opposite of the traditional commerce model of B2C.

A popular example of a C2B platform is a market that sells royalty-free photographs, images, media and design elements, such as iStock. Another example would be a job board, where freelancers can market and offer their services to businesses.

¹ Source: <https://searchcio.techtarget.com/definition/e-commerce>

There are also variations that involve transactions from the government to business (G2B) and business to government (B2G). The government rarely buys products or services from citizens, but individuals frequently use electronic means in the following areas:

- Education: disseminating information, distance learning/online lectures, etc.
- Social security: distributing information, making UIF payments, etc.
- Taxes: filing tax returns to SARS, making EFT payments, etc.
- Health: making appointments, providing information about illnesses, making health services payments, etc.



Benefits of e-commerce

The benefits of e-commerce include its around-the-clock availability, the speed of access, the wide availability of goods and services for the consumer, easy accessibility and international reach². Other factors include:

- **Availability:** Aside from outages or scheduled maintenance, e-commerce sites are available 24x7, allowing visitors to browse and shop at any time. Bricks and mortar businesses tend to open for a fixed number of hours and may even close entirely on certain days.
- **Speed of access:** While shoppers in a physical store can be slowed by crowds, e-commerce sites run quickly, which is determined by computer and bandwidth considerations on both consumer device and e-commerce site. Product pages and shopping cart pages load in a few seconds or less. An e-commerce transaction can comprise a few clicks and take less than five minutes.
- **Wide availability:** Amazon's first slogan was "Earth's Biggest Bookstore." They could make this claim because they were an e-commerce site and not a physical store that had to stock each book on its shelves. E-commerce enables brands to make a wide array of products available, which are then shipped from a warehouse after a purchase is made.
- **Easy accessibility:** Customers shopping a physical store may have a hard time determining which aisle a particular product is in. In e-commerce, visitors can browse product category pages and use the site search feature to find the product immediately.
- **International reach:** Bricks and mortar businesses sell to customers who physically visit their stores. With e-commerce, businesses can sell to any customer who can access the web. E-commerce has the potential to extend a business' customer base globally.
- **Lower cost:** Pure play e-commerce businesses avoid the cost associated with physical stores, such as rent, inventory and cashiers, although they may incur shipping and warehouse costs.

² Source: <https://searchcio.techtarget.com/definition/e-commerce>



- **Personalization and product recommendations:** E-commerce sites can track visitors' browse, search and purchase history. They can leverage this data to present useful and personalized product recommendation. Examples include the sections of Amazon product pages labeled "Frequently bought together" and "Customers who viewed this item also viewed."

Disadvantages of e-commerce

The perceived downside of e-commerce includes sometimes limited customer service, consumers not being able to see or touch a product prior to purchase, and the wait time for product shipping. Other factors to consider are:

- **Limited customer service:** If a customer has a question or issue in a physical store, he or she can see a clerk, cashier or store manager for help. In an e-commerce store, customer service may be limited: the site may only provide support during certain hours of the day, or a call to a customer service phone number may keep the customer on hold.
- **Not being able to touch or see:** While images on a web page can provide a good sense about a product, it's different from experiencing it "directly," such as playing music on speakers, assessing the picture quality of a television or trying on a shirt or dress. E-commerce can lead consumers to receive products that differ from their expectations, which leads to returns. In some scenarios, the customer bears the burden for the cost of shipping the returned item to the retailer.
- **Wait time:** If a customer sees an item that he or she likes in a store, the customer pays for it and then goes home with it. With e-commerce, there is a wait time for the product to be shipped to the customer's address. Although shipping windows are decreasing as next day delivery is now quite common, it's not instantaneous.
- **Security:** Skilled hackers can create authentic-looking websites that claim to sell well-known products. Instead, the site sends customers forfeit or imitation versions of those products -- or, simply collects customers' credit card information. Bonafide e-commerce sites also carry risk, especially when customers store their credit card information with the retailer to make future purchases easier. If the retailer's site is hacked, hackers may come into the possession of customers' credit card information.



Formal e-commerce vs Informal e-commerce

As there are major structural and system differences between the informal and formal economies, it becomes logical to differentiate between two types of e-commerce, i.e. formal and informal e-commerce.

A study by the Consultative Group to Assist the Poor (CGAP³), provides helpful insights based on a research study conducted in Bangladesh in 2019:

Informal e-commerce is a variant of e-commerce in which goods are bought and sold via social platforms, such as Facebook and WhatsApp. In formal e-commerce, the buyer and seller experiences are mediated by an e-commerce platform from start to finish, from the matching of supply and demand all the way to payment and order fulfilment. In informal e-commerce, buyers and sellers leverage social media platforms. The platforms connect supply and demand but do not necessarily engage directly in other aspects of online commerce. Social media doesn't generally accommodate payments or delivery services. Consequently, those steps happen off-platform in whatever configuration works for the buyer and seller based on their circumstances. We therefore make the distinction between formal e-commerce (end-to-end) and informal e-commerce (fragmented and highly situational).

The typical buyer starts by researching product options, reading reviews from trusted sources like family and friends as well as others in a social network. [They] use scans social media for information about product features, price, reputation, payment options and delivery time frames. [They] then place an order through social media apps like Facebook Messenger. If advance payments are required, [they] use mobile money and pays the remainder with cash upon delivery.



³ Source: <https://www.cgap.org/blog/hiding-plain-site-informal-e-commerce-among-women-asia>

Furthermore, the CGAP study provides the following useful comparison:

	Formal E-Commerce	Informal E-Commerce
Products	Large selection of products but limited value addition; high gross merchandise volume	Small selection of products but with value added; low gross merchandise volume
Delivery	Platform-driven	Self-initiated, handled by seller or a third-party service provider
Marketing	Platform-driven	Self-driven, often starting with personal networks
Payment Method	Allows digital payments (but cash on delivery is still the most commonly used payment method)	Little or no digital payments (nearly all cash on delivery)
Customer Interaction	Commoditized communications, including chatbots	Highly personalized communications
Business Model	Primarily a business-to-business-to-customer (B2B2C) marketplace business model	Business-to-customer (B2C) business model

e-commerce in South Africa



Market sizing

There are currently 18.43 million e-commerce users in South Africa, with an additional 6.36 million users expected to be shopping online by 2021 and spending a predicted average of 189.47 USD online⁴.

Currently the top e-commerce websites in South Africa are Amazon, Takealot.com and McAfee. Other top retail sites include BidorBuy, Alibaba, Apple, Pricecheck, eBay, Makro and Woolworths. Other sources put the top 10 e-commerce websites in South Africa as: Yuppiechef, Action Gear, Zando, Bidorbuy, Esque, Superbalist, H&M, Futurama, HomeChoice and Wootware. Given that the revenues of these companies are not provided in the public domain, it is difficult to determine who holds the places on the e-commerce leader board.

Providing an additional lens, a 2019 study conducted by the International Trade Administration, which focuses on strengthening the competitiveness of US industry, and promotes US trade and investment, provides the following synopsis and statistics on the South African e-commerce landscape - as at October 2019⁵.

Overview

The South African online spend forecast is projected at an annual growth rate of 15% through 2021. This accounts for 1% of the country's retail sector as a whole and indicates an immense potential for growth and opportunity.

Internet user penetration is at 47% and expected to reach 60% by 2021 and mobile penetration is 65% and growing.

In South Africa, generally B2B customers are also B2C customers, so interaction is generally the same. Both have become accustomed to performing consumer product research online.

As a result, both types of customers are using consumer and B2B websites to purchase products and services for their companies or as individuals.

Current Market Trends

The top e-commerce product category in South Africa is media products, including books, CDs, DVDs, and games.

⁴ Source: <https://flickerleap.com/south-african-ecommerce-landscape/>

⁵ Source: <https://www.trade.gov/knowledge-product/south-africa-ecommerce>

Consumers are also price-conscious, favouring online promotions and coupons.

South Africans are spending more time online researching better prices and seeking product recommendations on social media.

Cross-Border e-commerce

South Africans purchase mostly from South African websites, but 27% purchase from the United States, and 14% from Europe.

The U.S. version of Amazon.com is the third most visited e-commerce website in South Africa.

Online Payments

Credit card and debit cards are the most preferred payment methods. Consumers also use e-wallet services for online payment. Due to the growth of credit card fraud, the Payment Association of South Africa mandated the use of 3D Secure in 2014. Merchants have reported that increased flexibility in the application of 3D Secure to online transactions in recent years has reduced cart abandonment by consumers.

Mobile e-commerce (also known as m-commerce)

Cell phones have largely replaced wallets, as banks, card operators, retailers and communications companies provide alternatives to cash as a means of payment. m-Commerce, where cell phones are used to pay for goods and services, has advanced beyond mobile banking to debit and credit transactions.

m-Commerce is particularly attractive in South Africa due to the rapid increase in the number of cell phones, limited access to the Internet, and poor fixed-line infrastructure.

This provides an immense opportunity for online retailers, as mobile spend is projected to increase year-on-year.

Digital Marketing

Social media platforms are becoming more pervasive as marketing tools in South Africa.

More than 90% of South African major brands advertise on social media platforms.

Selling online on South Africa – A starter guide

When considering why you want to sell online, these are some questions you can ask yourself:

1. Do you have an existing business that you want to expand by selling your goods or services online?
2. Do you simply want to explore a different sales channel?
3. Are you starting a completely new business which you want to do online?
4. Are you simply curious about how online selling works?

While there's no singular response to the above questions and while some may overlap in your particular case, the reason why you want to get into online selling can be a significant determinant in what and how you sell online. This will be elaborated upon more a bit later in the article.

If you're new to e-commerce, it may be helpful to think that of the process of creating an online shop, as one where you will simply be creating a virtual replication of a physical shop.

Thus, think of what you'd be selling in an actual shop. What would your products or services be? What would distinguish these from those of your competitors? Iso, remember that as with any business, you need to decide on a product or service for which there is a market that is willing to pay for it. Something may be of value to you personally but it does not necessarily mean that others would value it in the same way, and be prepared to pay you for it.

If you have a physical store, you would need to consider how would you display your products? How would you inform your customers of your services in-store? How would customers enter your store? How would you entice them to purchase your products?

The same applies to an online store. First, you would need to decide on what product or service you want to sell. Then you would need an online communication vehicle, such as a website or social media platform to display your product. In order to entice and close the sale, you would need to write informative descriptions of the products and/or provide good photographs. Remember, customers will not be able to physically see and touch your products so you would need to recreate that experience for them through digital mediums.

There are different tools which vary in complexity which allow you can use to create an online store.

In essence, to sell online, your customers will need a means to do the following in your virtual shop:

- browse your virtual shop – photos and descriptions of your SKU (stock keeping units)
- ask questions and get more info about your product or service – via reviews by other customers or info directly from you
- pay you
- have the product delivered – since the customer won't be able to physically visit your store (this is of course not applicable if the product or service is digital)
- contact you for post-sales support – in case something needs to be returned, etc.

Fortunately, due to the exponential rise of the digital business in recent years, there are a wide variety of sophisticated products which makes life easy for online sellers and customers alike.

These online shopping platforms will allow you to have access to most, if not all of the above requirements, and to built-in systems such as automated management of orders (e.g. online shopping carts).



Online platforms

Examples of online retail platforms operating in South Africa are:

1. loot.co.za
2. [Takealot.com](https://takealot.com)
3. [Shopify](https://shopify.com)
4. [Faithful to nature](https://faithfultonature.com)
5. [Snatcher](https://snatcher.co.za)
6. [Yuppiechef](https://yuppiechef.com)
7. [One Day Only](https://onedayonly.co.za)
8. [Hyperli](https://hyperli.co.za)
9. [Amazon](https://amazon.co.za)
10. [Shopstar](https://shopstar.co.za)
11. [Facebook shop](https://facebook.com)

While these platforms provide similar services, they all have unique ways of operating and unique types of services to sellers. It is therefore best to do in-depth research to find one that fits your needs.

Please note that above list is non-exhaustive. There are many other platforms available.



Online payment systems

In specific regard to online payment systems, there are also several on the market for you to choose from. Usually, the online shopping platforms have payment technologies automatically incorporated, but for those online businesses who “go it alone” the following are examples of online payment portals.

1. [Paypal](https://paypal.com)
2. [Payfast](https://payfast.com)
3. [Paygate](https://paygate.co.za)
4. [Peach](https://peach.co.za)
5. [eBucks](https://ebucks.co.za)

Please note that above list is non-exhaustive. There are many other platforms available.



Dropshipping

A unique model of online sales has also surfaced over the past few years and is known as dropshipping. Essentially, this is an online retail model where you as seller do not hold any inventory. You still require an online store, marketing and all the bells and whistles which were mentioned previously. The key difference is that you are only the go-between the customer and the supplier. When a customer orders from your online shop, at a price which you determine, they pay you directly. However, the order is placed directly with the supplier and the supplier ships (delivers) the product directly to the client. You therefore simply enable the transaction, but get your payment based on your mark-up on the product, plus shipping costs. This model is simple to set up and easy to scale. This said, it has many pros but also several cons. If this is a model that appeals to you, there are plenty of online tutorials and information that you can access on the internet.

Some online platforms such as Shopify, have a built-in dropshipping option. In the case of Shopify, this is called [Oberlo](#). Via Oberlo, online retailers can access a list of thousands of suppliers with a wide variety of products. Depending on your niche, you can then select your products, engage the suppliers and start selling via Shopify. Arguably this is simple, but not easy.



Selling on e-commerce platforms in South Africa

The table overleaf shows some of the leading online players in South Africa including those that source products from the local SMME market. Where available, contact information for the company is provided.



eCommerce Retailer (name)	URL	Main areas of focus	How to sell
Action gear	https://www.actiongear.co.za/	Outdoor technical products	sales@actiongear.co.za
Bidorbuy	https://www.bidorbuy.co.za/	Vehicles, Travel, Fashion, Lifestyle and Digital items, etc.	https://www.bidorbuy.co.za/article/5682/How to Sell on bidorbuy for Beginners
Esque	https://www.esque.co.za/	Interior and Decoration service provider	admin@esque.co.za
Futurama	https://www.futurama.co.za/	Armory, Tools for home and garden, Watches, 3Dprinters, etc	info@futurama.co.za 021 8513284
H&M	https://www.hm.com/za	Fashion	
Homechoice	https://www.homechoice.co.za/	Home - shopping,	salesagents@homechoice.co.za
Superbalist	https://superbalist.com/	Fashion	
Takealot	https://www.takealot.com/	All manner of items	https://www.takealot.com/sell
Wootware	https://www.wootware.co.za/	IT enterprise	Contact us page on the https://www.wootware.co.za/
Yuppiechef	https://www.yuppiechef.com/	Kitchen tools	https://www.yuppiechef.com/forum.htm?action=ViewQuestion&id=1251&title=How-do-I-sell-my-products-through-Yuppiechef
Zando	https://www.zando.co.za/	Fashion	https://new-sellercenter.zando.co.za/user/signup/dostep/step/1

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