

# Growing e-commerce market

## Good for consumers, but will proudly South African brands rise?



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As global e-commerce giants like Amazon, Shein and Temu set their sights on South Africa's growing e-commerce space, local retailers may find themselves feeling the pinch. Will South African stalwarts rise to the challenge, or crumble faced with international competition?

Although South African e-commerce accounts for only 5-7% of the retail sector, it has grown by over 30% annually since Covid-19 due to increased consumer trust and new services like Checkers' Sixty60 grocery delivery service. A similar growth pace is expected over the next five years. Local players Takealot and Checkers have been leaders in a fragmented e-commerce landscape which will see disruption and innovation with the entry of new global players.

### Shein and Temu – rapid inroads made

Chinese brands Shein and Temu have made rapid inroads into South Africa with their extensive, low-priced product ranges, hyper-personalised user experience (UX), and aggressive marketing,

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Shein and Temu were the most downloaded apps on South Africa's Google Play Store in 2023 and 2024 (so far), respectively.

Shein appeals to fashion-savvy consumers by adding about 10 000 styles daily, using advanced analytics to tap into fashion trends gleaned from social media and runways. Website traffic analysis shows that Shein is not only taking market share from local e-commerce players like Superbalist and Zando but also activating a new wave of e-commerce users. Temu, like Shein, has over a million low-cost product listings beyond fashion,

including home goods and electronics. Temu's app also includes gamification, like 'spin the wheel,' with substantial discounts as prizes to make shopping more entertaining.

Despite these initial successes, Shein's and Temu's long-term viability is uncertain. Their lack of local logistics and customer support infrastructure undermine continued loyalty from their customers. Market analysts also estimate that both companies are making significant losses due to high customer acquisition costs and expensive air-shipment from China. They are also involved in long-standing legal/regulatory disputes and issues related to environmental impact, in other markets, which may tarnish their brands amongst conscious buyers.

<https://superbalist.com/>



## Amazon – a bumpy start, but a compelling offering

Amazon launched its co.za website for South Africa in May but faced some launch related operational challenges like stock unavailability, highlighting the complexities of adapting a global model to local market conditions. They, however, seem committed to gaining market share and have partnered with local delivery services and locker pick-up options like Pargo and Pudo to support last-mile logistics. Amazon is also likely to soon link its marketplace to the existing Prime Video subscription to onboard an initial customer base in South Africa.

What Amazon enjoys over local retailers, is a very sophisticated pricing analytics engine adjusting prices every 90 seconds to match competitors on key value products and a parent company that is willing to bear short to medium-term losses to win market share. Their long-term strategy is to drive growth in the region using their time-tested 'flywheel' – an expansive product selection enhancing consumer experience, increasing website traffic and attracting more sellers, who further broaden the product range. The flywheel's growth supports Amazon's low-cost structure, enabling low prices and service guarantees that ensure customer loyalty.

## Established local retailers – must adapt quickly to thrive

Global e-commerce giants entering South Africa changes the game and presents local retailers with an impetus to adapt and thrive. Although

the government's recently introduced tax reforms – taxing clothes bought from international e-commerce retailers in small quantities at the same rate as larger quantities (from July) —may offer some relief to local players, local retailers must still proactively adopt new strategies to compete with these formidable new competitors.

Large retailers can compete head-on by launching or enhancing their marketplaces, much like Takealot and Makro. They can turn into 'superstores' with an expansive online product range or specialise in niche segments, offering unique value propositions like Builders Warehouse. For consumer brands or single-category retailers, joining forces with Amazon can extend their reach, while strengthening direct-to-customer channels via their websites and apps. Meanwhile, investing in physical stores remains crucial to serve the two-thirds of consumers who still prefer in-store shopping.



In various markets, certain local retailers demonstrated successful pushbacks against Amazon's arrival. In Brazil, for example, Mercado Libre fortified its customer base and supplier network, invested

in fulfilment infrastructure, and developed an integrated credit and payment system. Similarly, in the Netherlands, Bol.com enhanced its fulfilment capabilities, localised product offerings, and integrated omni-channel strategies with its parent company, Ahold. These tailored actions kept Amazon's market share in Brazil and the Netherlands to low single digits and these key local players in the game.

In South Africa, Takealot has already sought to counter Amazon's launch with a R39 subscription service offering free delivery and a 'Thanksalot' sale. Checkers has also already responded by launching Checkers Hyper Sixty60 in select areas, providing one-hour delivery on non-grocery items.

To effectively compete, local retailers will need to: invest in key e-commerce enablers; develop dynamic pricing strategies; roll out hyper-personalised loyalty programmes; invest in logistical

infrastructure to reach to remote areas; and maintain strong relationships with suppliers. All these efforts should operate on a flexible, scalable, and modular technology platform to deliver a seamless user experience.

This transformation requires dedicated, autonomous, and agile teams empowered by management to drive change.

By innovating and investing wisely local players may emerge from this onslaught as leaders, continuing to shape the future of South African e-commerce. But one can't afford to wait – this market is moving quickly. **SR**