

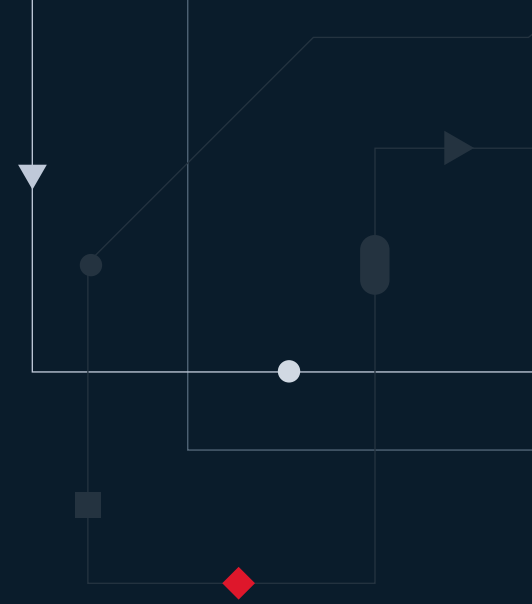


# Ecommerce Performance Index

2020

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**As South Africa entered the nationwide lockdown in March 2020, ecommerce adoption rates soared. It's estimated that the 1-2% hold the sector had in the retail space will almost double to a 2-4% share by the end of the year.**



*This occurred in a matter of weeks, as consumers became reliant on digital transactions amid brick-and-mortar store closures and social distancing measures.*

Over the course of the year, merchants have successfully leveraged digital platforms and ecommerce tools, to meet changing customer behaviours and develop forward-thinking business models. As internet and mobile penetration continues to increase, businesses will need to embrace new ecommerce tools and enhance existing processes to keep up in an increasingly competitive market.

The first annual PayFast Ecommerce Performance (PEP) Index outlines some key predictions for the sector, explores how the pandemic shaped consumer behaviour, and analyses payment data from the PayFast engine to understand the impact of the current ecommerce boom, as digital adoption rates continue to soar for the foreseeable future.

## Methodology

The PayFast Ecommerce Performance Index is based on the following:

- 1 Payment data collected from the PayFast engine from 1 September 2019 to 31 August 2020
- 2 Buyer data collected from the PayFast engine from 1 September 2019 to 31 August 2020
- 3 An online survey conducted with PayFast merchants in September 2020
- 4 In depth interviews with industry experts within the PayFast ecosystem conducted in September 2020

# 2020 – a shot of adrenaline to local ecommerce sector

By Jonathan Smit, Managing Director and Founder of PayFast



**The retail industry has experienced tremendous disruption over the past year, and with these changes, both businesses and consumers have found new opportunities online. In our first ever PayFast Ecommerce Performance (PEP) Index, we unpack how the COVID-19 pandemic has accelerated local ecommerce adoption by as much as three to five years.**

Between April and May this year, we saw a 100% growth in online transactions. This is incomparable to any peak in transactions over a 30-day period that we've ever seen. The surge is on trend with the growth seen in established ecommerce markets across the globe. When the United States entered their lockdown in February / March, the ecommerce share of the retail sector went from 16% to 27% over an eight-week period.

Data drives innovation – especially in the ecommerce sector, which relies heavily on ever-changing digital tools and consumer behaviour. As a digital payments provider, we find ourselves at an intersection of merchant, buyer and industry data, which provides unique insights into ecommerce drivers and online shopping habits in South Africa.

PayFast is fortunate to partner with some incredible experts, who can provide further insight into our growing industry. We have leveraged these partnerships in our report to better understand the scope of the impact that the pandemic has had on local merchants, logistics and ecommerce tools.

The ecommerce sector has seen a steady and predictable trajectory, growing anywhere between 25 to 30% per year for the past five years. The COVID-19 pandemic was a shot-in-the-arm for the industry - lockdown forced businesses to shift to digital or face shut down for an undetermined amount of time.

**The PEP Index is an annual report, which aims to showcase the pulse of ecommerce data that we accumulate.**

As a result of the impact that the pandemic has had on the way we conduct business, the digital economy has been brought closer. On a global scale, COVID-19 has set a high bar for what will be considered as baseline ecommerce growth going forward.

While ecommerce holds a small section of retail spend in South Africa, our adoption rates doubled as people who had previously shied away from online shopping and digital payments, were forced to change their habits in the face of the hard lockdown and social distancing measures. The shift away from physical stores was already underway, but we've jumped ahead as more businesses operate with both a physical and online presence, or strictly using an ecommerce platform.

Since the start of the lockdown in March, PayFast has registered over 25 000 new merchants, far surpassing any previous peak periods for business registrations.\* For many businesses that had previously relied on selling their products or services in person, accepting online payments has been a significant help in digitising their offering. Many of these new registrations are also entrepreneurs, who finally took the plunge to open their ecommerce businesses over lockdown.

The PEP Index consists of industry, payment and buyer data sourced from the PayFast engine over the past year, the findings of our COVID-19 lockdown survey conducted across our merchant database and interviews with key industry leaders from some of our partners including uAfrica, WooCommerce, Mobicred, the Insaka eCommerce Academy and Snatcher.

\*Number of new PayFast merchant account registrations from 26 March to 18 October 2020.

# The impact of COVID-19 on merchants

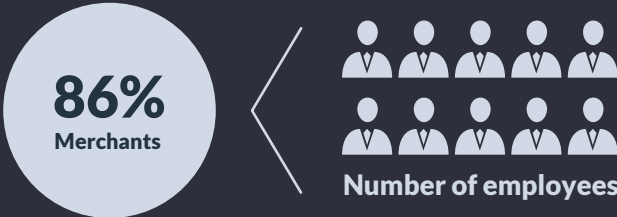
In September 2020, PayFast released a survey to our merchant database to understand the impact that COVID-19 and the nationwide lockdown has had on the ecommerce sector in South Africa.

This is what we discovered:

The majority of respondents have been running their businesses for **five or more years (41%)**, while 20% of respondents started their ecommerce businesses in 2020.

As a result of online shopping being widely adopted throughout lockdown, 45% merchants who were negatively impacted by COVID-19 were able to cater to changing customer needs by making minor changes to their business models.

86% of respondents had fewer than 10 employees, falling within the SME sector – the hardest hit by COVID-19.



In line with international industry trends, **64% of merchants** noticed an increase in mobile shopping over lockdown.

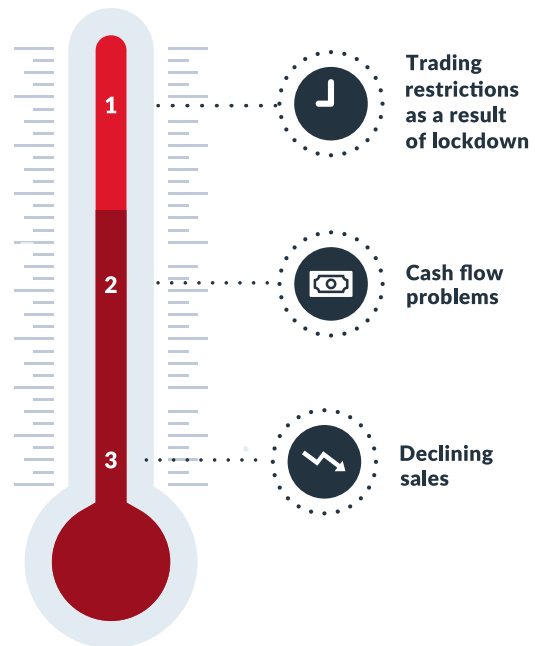


While ecommerce was one of the most consistent industries during the COVID-19 pandemic, **46% of merchants saw a decrease in revenue over lockdown**. 42% of merchants saw an increase in revenue.

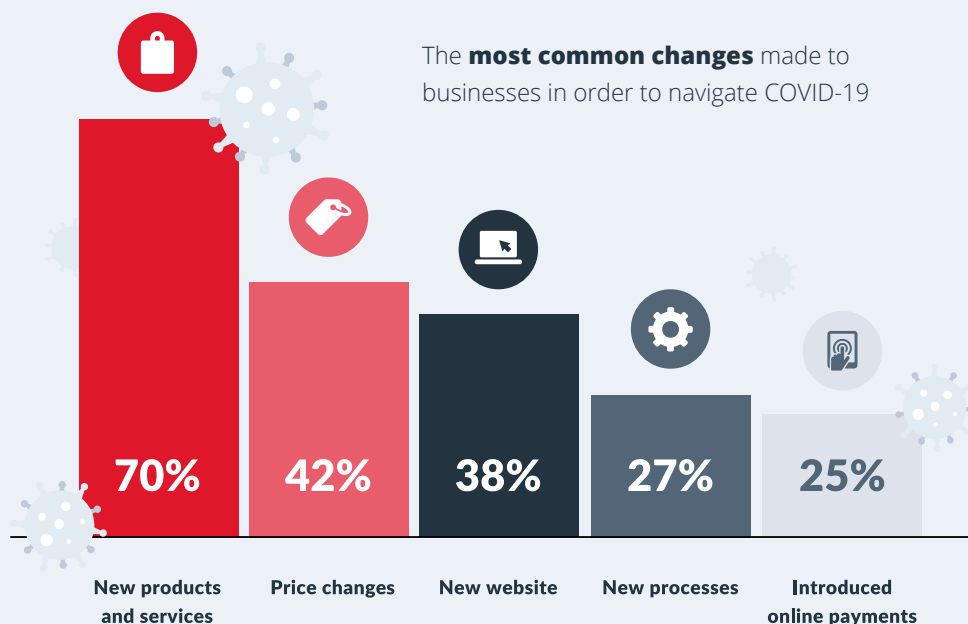
**60% of merchants** noted a shift in sales from physical outlets to online stores.

For 70% of merchants this occurred between April and June; and for 21% of merchants this occurred between July and September.

**Top three challenges** faced by merchants:



**57% of merchants ran their stores purely through their online channels**, while 31% of respondents have both a physical outlet and an ecommerce store. This omnichannel approach has been favoured by local businesses as a way to integrate ecommerce into existing businesses at a steady pace.



# Logistics industry shifts gears to navigate COVID-19

From a logistics perspective, the ecommerce boom spurred by the pandemic is driving the way forward for local courier services. Anita Erasmus, Business Manager for uAfrica, offers her insights into the difficulties posed by the lockdown on the logistics industry and the impact of the ecommerce boom on the future of local courier companies.

## Steep decline in lockdown level 5

Following the announcement by Government to enter the COVID-19 hard lockdown in March, we saw a 50% drop in shipments over April. Restrictions were placed on courier companies to only transport essential goods, and many of our merchants could not ship orders placed before or during lockdown until the opening of ecommerce under level 4.

## Coping with the boom

In May, uAfrica saw about a 120% growth in shipments compared to their initial monthly forecast of 10%. As ecommerce opened, we saw a large backlog across most of our merchants, who needed to ship and distribute orders dating back as far as March and throughout April. This was anywhere between three and four times the amount of their usual business. It helps that courier companies, that focus on online businesses, are used to scaling rapidly over November and December when there is greater demand. Under the circumstances, they have done exceptionally well to manage the backlog and implement all the health and safety procedures.

## Couriers better cater towards ecommerce

In the last two years, courier companies have made a big shift to better cater to the needs of ecommerce businesses. This can be seen in terms of how they change their pricing and business models to service smaller businesses who want to send out a large number of parcels to various customers situated across South Africa.



uAfrica is an ecommerce tool built to streamline order fulfilment and shipping processes for online merchants. The company aims to automate and smooth out order processes for online stores in South Africa. For more information visit [uafrika.com](https://uafrika.com).

**uAfrica together with industry partners** advocated for the early opening of the ecommerce sector, which was initially only allowed under level 3.

“Our data shows that the average purchase size increased by 25% and frequency of shopping online by over 30% during lockdown.”



## Trust in online payments grows for 60+ age group

**Mobicred grew by as much as 50% year-on-year by September 2020. This was spurred by the rapid adoption of online shopping by local consumers looking for alternative online payment methods, which catered to their security needs. Gareth Burge, Head of Sales and Marketing for Mobicred highlights the growing popularity of the payment method and offers some insight into the stay-at-home economy forged by the COVID-19 lockdown.**

### **The stay-at-home economy**

The stay-at-home economy presented an opportunity for businesses to refine their online shopping journey to compete with traditional brick-and-mortar stores. This trend will continue. To capitalise on the shift to ecommerce, retailers will need to streamline the customer's online shopping journey as much as possible.

### **60+ fastest growing age group transacting online**

With a 90% increase in users compared to the same period in 2019, our fastest growing age group of customers signing up for a Mobicred credit facility are over the age of 60. This age group has previously been uncomfortable shopping online, but we often find that once a person has overcome the initial hesitation of making an online payment, they'll become returning online shoppers. Such is the case with this age group.

### **Offer a wide range of payment options**

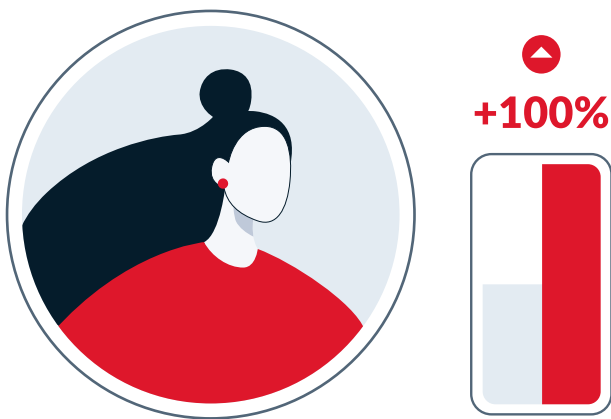
Online merchants are continuing to embrace technology to produce positive online customer experiences and build trust in online payments. By offering a wide range of payment options, consumers are able to make a payment choice that they feel comfortable with. Additionally, merchants who sell products and services at a high price point, are leveraging digital credit facilities to motivate shoppers to make the purchase immediately, and then settle the balance through affordable monthly repayments.



Mobicred is a revolving digital credit facility that allows consumers to shop online. For more information visit [mobicred.co.za](https://mobicred.co.za).

# Online shopping behaviour

18-24 years



The fastest growing age group of online shoppers are 18-24 years olds, with 100% increase in users.

25-34 years



Millennials aged 25 to 34 continue to be the largest group of online shoppers and are most likely to shop online using their smartphone.

Online shopping volumes are relatively stable during the week, dipping by about 25% on weekends.

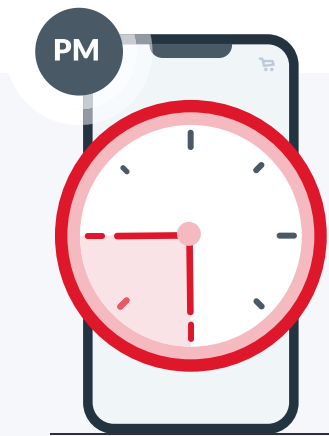
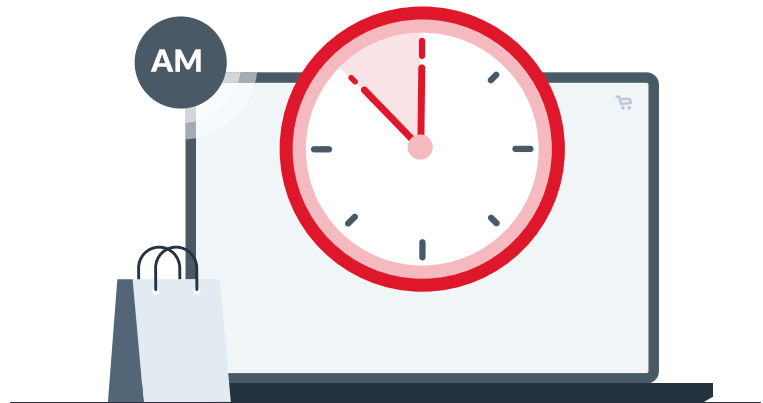


Based on data from 1 September 2019 to 31 August 2020, compared to the same period from the previous year.

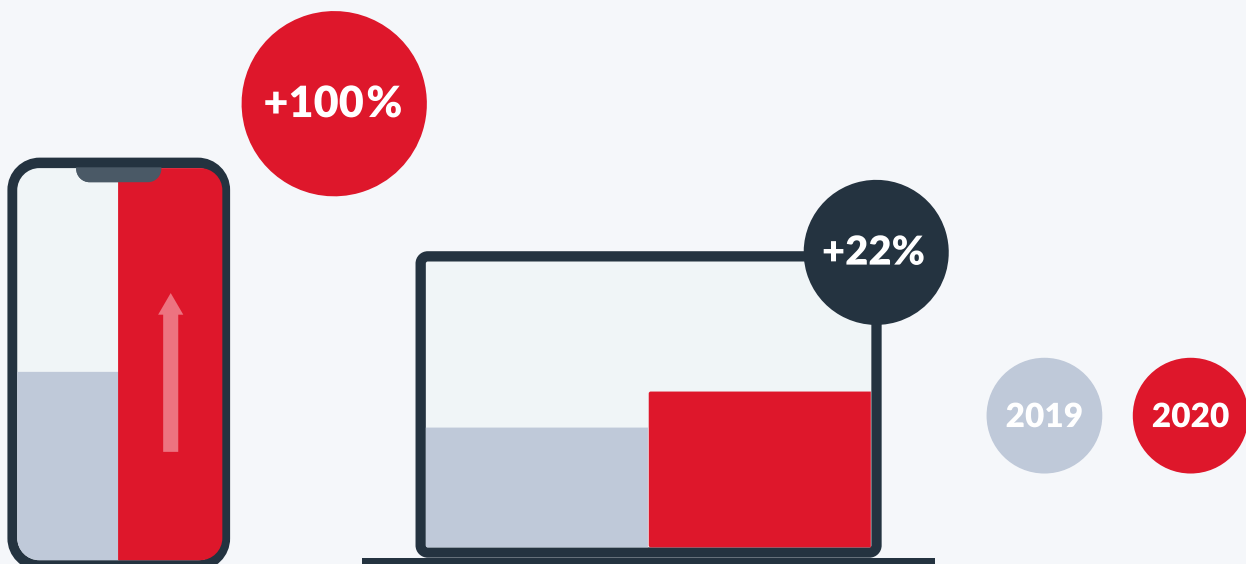


## Online shopping peaks between 11am and 12pm

Most desktop purchases are also made during this period.



In contrast, **mobile usage peaks at 7pm**, with majority of mobile payments taking place between 6pm and 9pm.



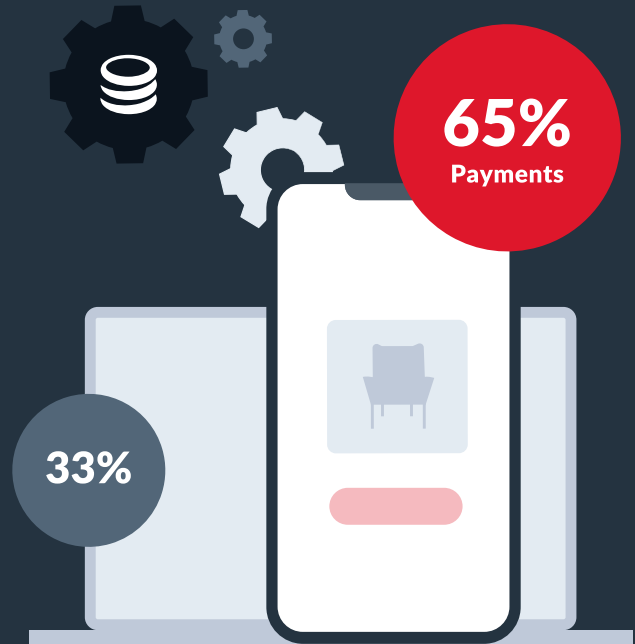
## Mobile vs desktop growth:

Mobile usage for online shopping has grown by **100% year-on-year**, compared to desktop which has only grown by 22%.

Based on data from 1 September 2019 to 31 August 2020, compared to the same period from the previous year.

### Mobile vs desktop payments:

Most shoppers have made purchases using a mobile device, with **65% of all sessions registered on the PayFast engine** coming from a smartphone or tablet, versus 33% from a desktop.



### Shoppers by gender:

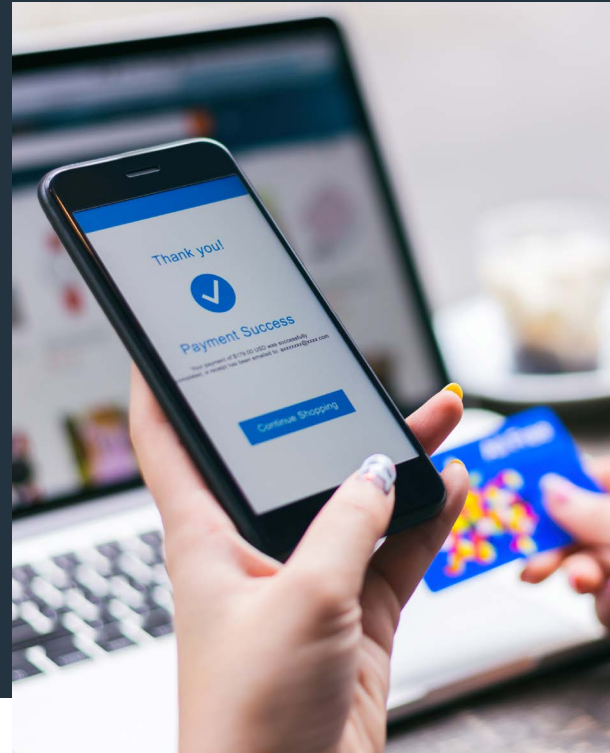
Women shop more online than men, with 62% of all shoppers being female vs 38% male.



Based on data from 1 September 2019 to 31 August 2020, compared to the same period from the previous year.

# Impact of COVID-19 on merchants

Dirk van Greuning, Director of online marketplace Snatcher, shares his insights into the shift in the ecommerce market and the importance of keeping tabs on global supply chains.



## Preparing for COVID-19

Due to the nature of our business, we source the bulk of our products from suppliers in China. As a result of this, we were able to prepare for the anticipated disruption to our supply chain caused by COVID-19. We purchased excess stock in January and February to mitigate any shortages or delays in imported supplies. Despite the initial impact on our cash flow, this put us in a good position for the spike in online sales over lockdown.

## Leveraging the flexibility of ecommerce

To continue trading under lockdown level 5, we pivoted our online offering to cater only towards essential goods. We were able to adapt to the change in market demands for essentials such as PPE and sanitiser much quicker than any brick-and-mortar business could.

## Moving out of metros

As a result of lockdown restrictions, we saw a greater demand in smaller towns with less access to brick-and-mortar retailers. Before lockdown, the bulk of our business was centred around the major metros: Cape Town, Johannesburg and Durban, this has now changed to meet the needs of a broader, more spread out customer base.



Snatcher is an online marketplace catering for South African businesses. For more information visit [snatcher.co.za](https://snatcher.co.za).

# South Africa one of top performing ecommerce markets in 2020

As one of the world's leading ecommerce plugins for WordPress, WooCommerce has enabled merchants to grow their businesses online, despite the pandemic. Mechiel Couvaras, Director of Business Development for WooCommerce, looks at the impact of COVID-19 on local and global adoption rates, as well as some emerging payment trends for 2021.

## Impact of COVID-19 on local and global ecommerce growth

WooCommerce has observed accelerated growth both in our existing clients, as well as an increase in the number of new merchants signing up to use our services. Since the world entered lockdown in February / March, we've seen several thousand new merchants sign up to use WooCommerce each month. In some cases, merchants have seen as much as five years' worth of growth in online transactions over a three-month period, this is due to the pandemic and the lockdown measures that were put in place.

## Emerging trends for 2021

At the start of 2020, we predicted an increase in the adoption of Buy Now Pay Later solutions, as well as various other contactless payment options such as mobile wallets. Going into 2021, we'll continue to see an influx in alternative payment methods offered by merchants, accompanied by improved and refined checkout flows for online stores. As merchants continue to grow their ecommerce stores, it will be important for them to maintain a user-friendly customer journey throughout their website.



WooCommerce is a customisable, open-source ecommerce platform built on WordPress. For more information visit [woocommerce.com](https://woocommerce.com).

**South Africa remains one of the top-performing emerging ecommerce markets**, with local adoption rates being similar to international trends.

# An overview of payment data

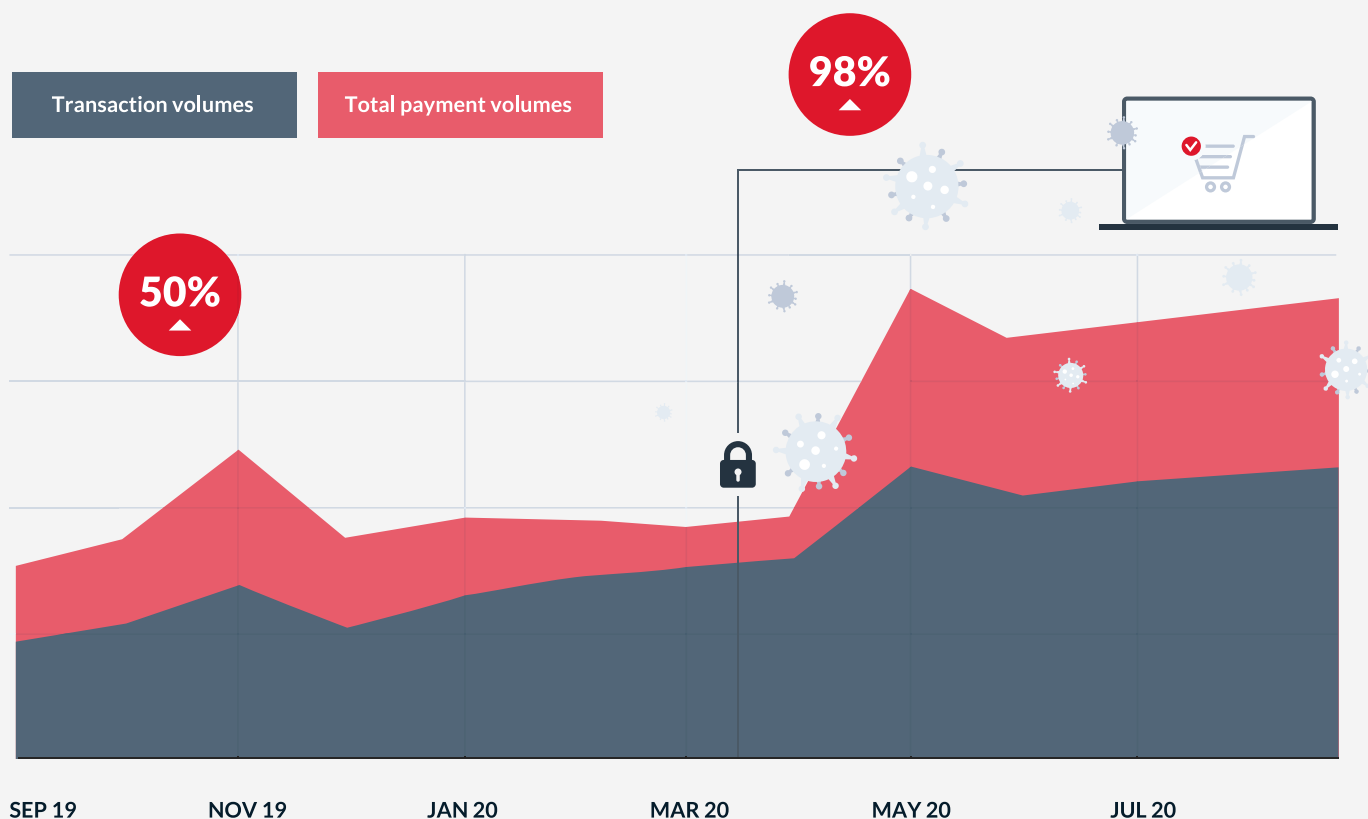
In October 2019 to November 2019 payment volumes increased by 50%. This was as a result of Black Friday / Cyber Monday.

April to May 2020 volumes almost doubled, 98% while the number of transactions increased by 59%. Overall people were spending more with each transaction compared to the month before.

Although there was a slight dip in June from the May spike, the post-lockdown transaction volumes sustained at a significantly higher level than they were in the months leading up to May.

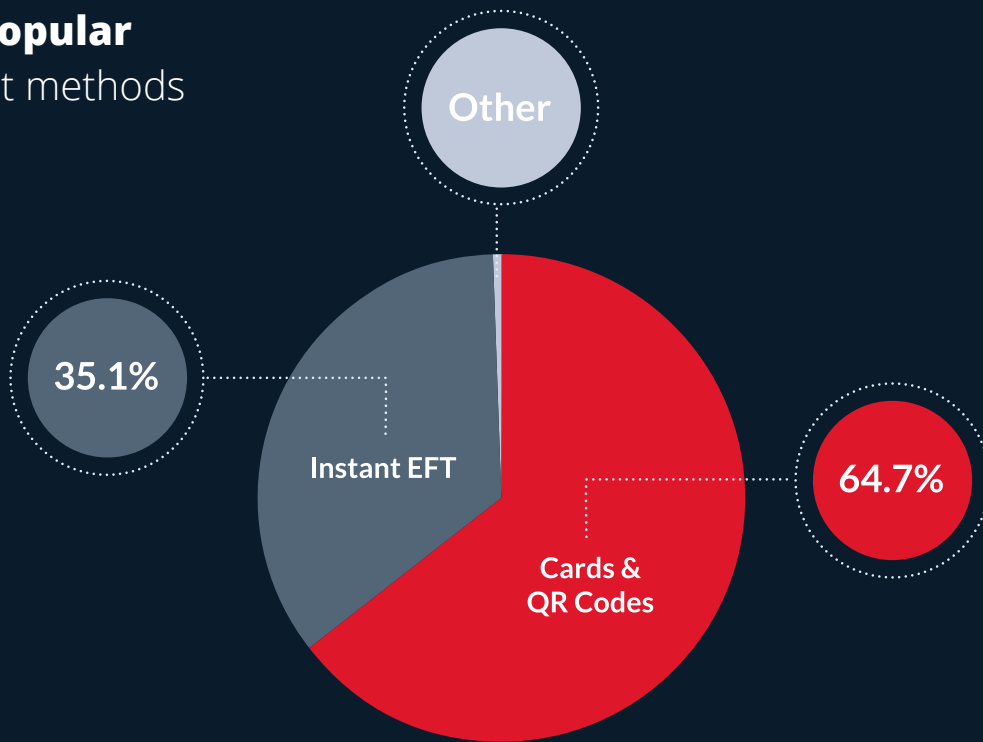
A spike in November 2019 was seen, before payment volumes returned to their normal baseline. Although lockdown started at the end of March, ecommerce only spiked in May. This was because of limitations placed on the delivery of essential goods during level 5 of lockdown.

The growth in May (when ecommerce opened up) was sustained throughout June to August 2020. This indicates a change in behaviour with people practicing social distancing and shopping online. More users were seen on the PayFast payment engine from May, which indicates that people who previously were not shopping online, are now making online purchases.



Payment data based on transactions processed on the PayFast Engine from 1 September 2019 to 31 August 2020.

## Most popular payment methods



## Average basket size for 2020



## Highest transaction value in 2020

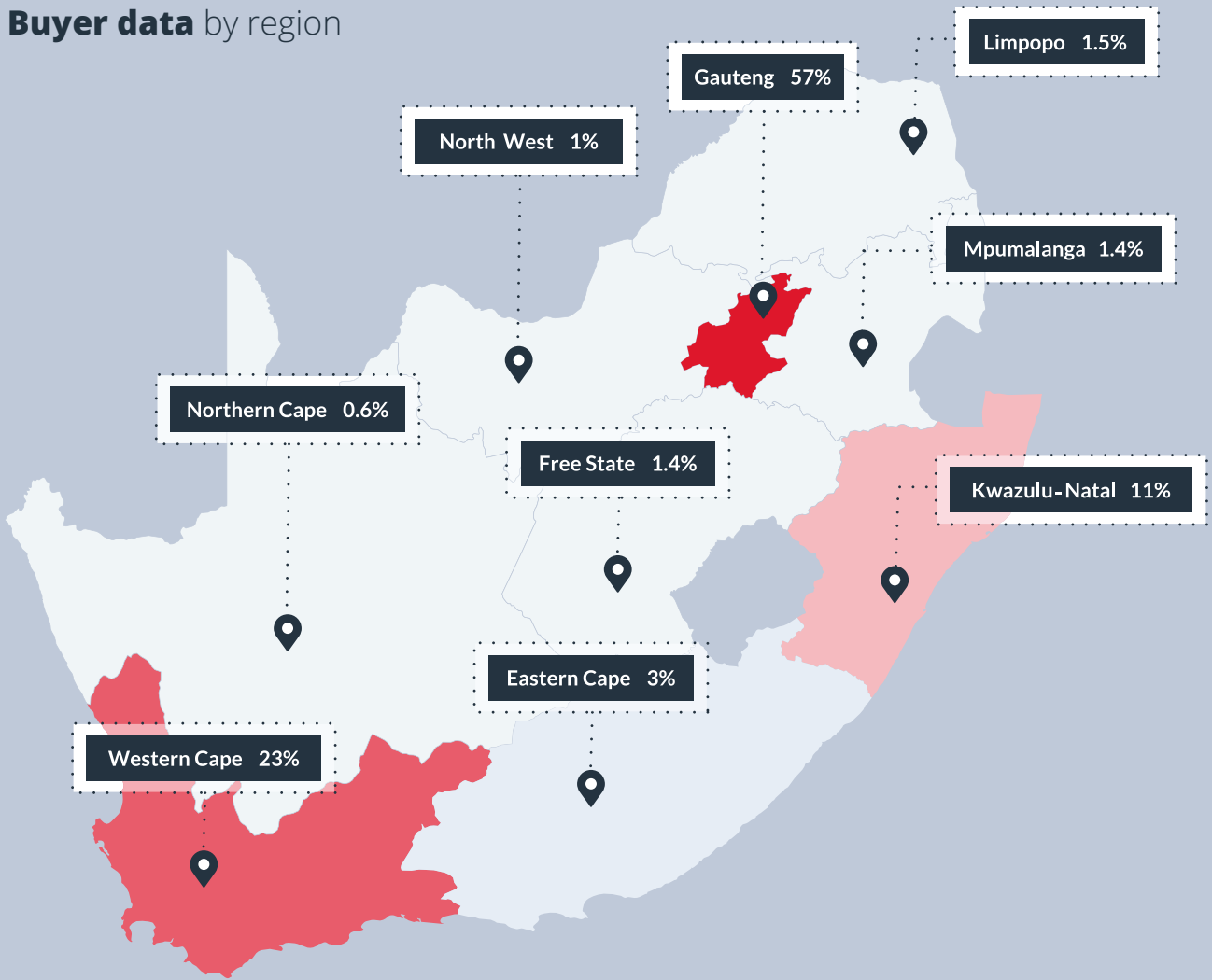


## Lowest transaction value in 2020

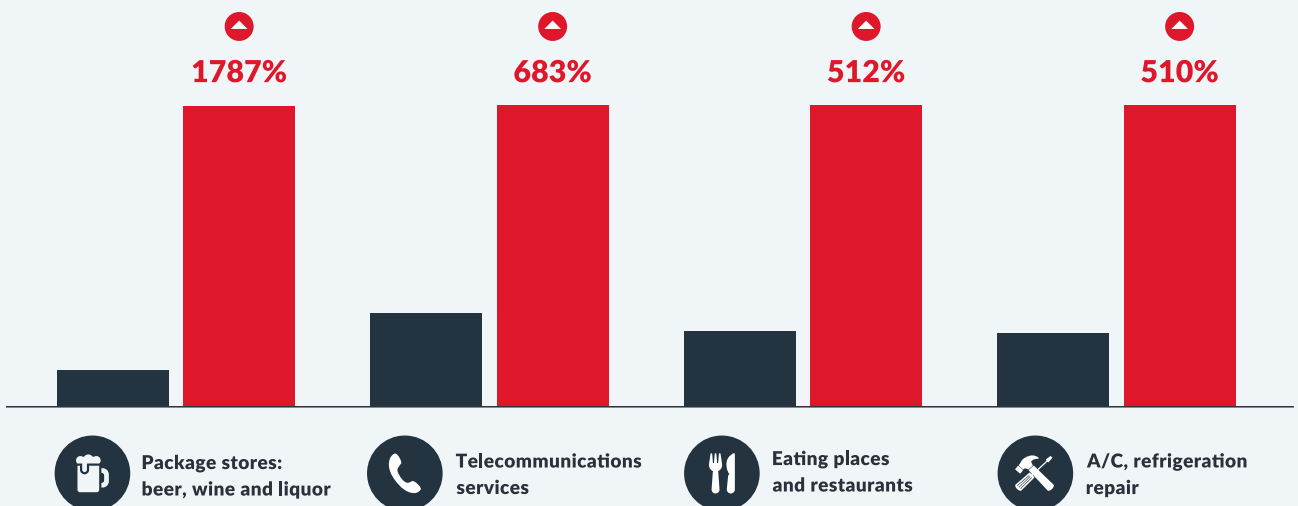


Payment data based on transactions processed on the PayFast Engine from 1 September 2019 to 31 August 2020.

## Buyer data by region



## Top year-on-year growth industries based on total payment volumes in August 2020 versus August 2019



Payment data based on transactions processed on the PayFast Engine from 1 September 2019 to 31 August 2020.

“Ecommerce was an opportunity long before COVID-19, however lockdown has been the push that many entrepreneurs needed to get started.”



## COVID-19 drives ecommerce communities online

**Warrick Kernes, CEO of The Insaka eCommerce Academy, gives his insight into how the pandemic was the final push that many hesitant entrepreneurs needed to start their online businesses. As a leading coaching expert, Kernes offers an on the ground perspective to how merchants have leveraged online spaces to grow their businesses during lockdown.**

### **Online sales boom**

A newspaper headline on New Year's Day on William Nicol Drive predicted that online sales would boom in 2020. What we didn't anticipate, was that the COVID-19 pandemic would boost local adoption rates by as much as three to five years.

### **Acceleration on both sides**

The ecommerce boom has impacted both sides of the coin. Consumers have become more comfortable with the idea of shopping online, this is largely as a result of ecommerce businesses, who've worked hard to rectify concerns with regards to secure online payments, and the logistics around delivery. Additionally, the ability to start selling online has been accelerated. Merchants can build a new online store with products and payment portals in under three hours – it's become a popular side hustle for people with a passion for ecommerce.

### **Forming online communities**

In the beginning of 2020, the Insaka eCommerce Academy online community had about 4 000 members, but as a result of the massive surge of interest in ecommerce, we grew to over 16 500 during lockdown. Our community is one of the few virtual spaces in the country which focuses on selling online, giving people the practical knowledge and teachings they need. It's always been my goal to impact and serve a bigger community and through this experience, this has been possible.



Insaka is an ecommerce coaching company founded in 2017 to help local entrepreneurs start and grow their businesses online. For more information visit [www.insaka.co.za](http://www.insaka.co.za).



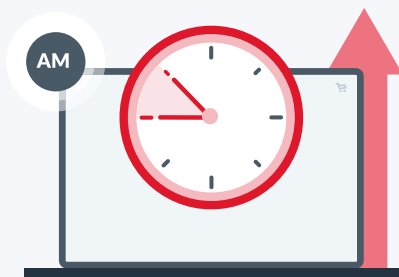
# Black Friday and Cyber Monday

In the lead up to the Black Friday / Cyber Monday weekend (27-30 November), PayFast reflects on some of the data gathered over the past few years:

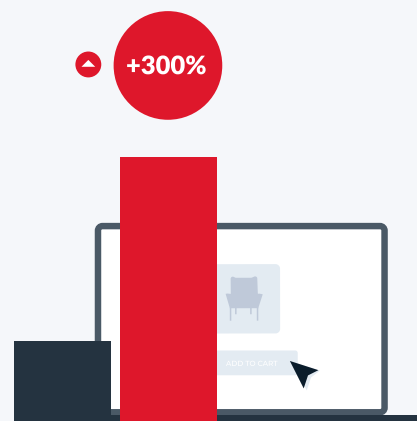
## 2019 in numbers



Average **basket size** for 2019



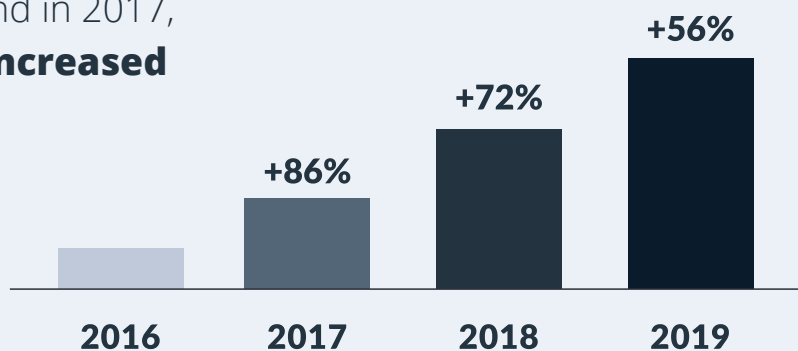
Transactions peaked between **09:00 and 10:00am**



Almost **300% increase** in number of transactions processed, compared to a normal day following payday

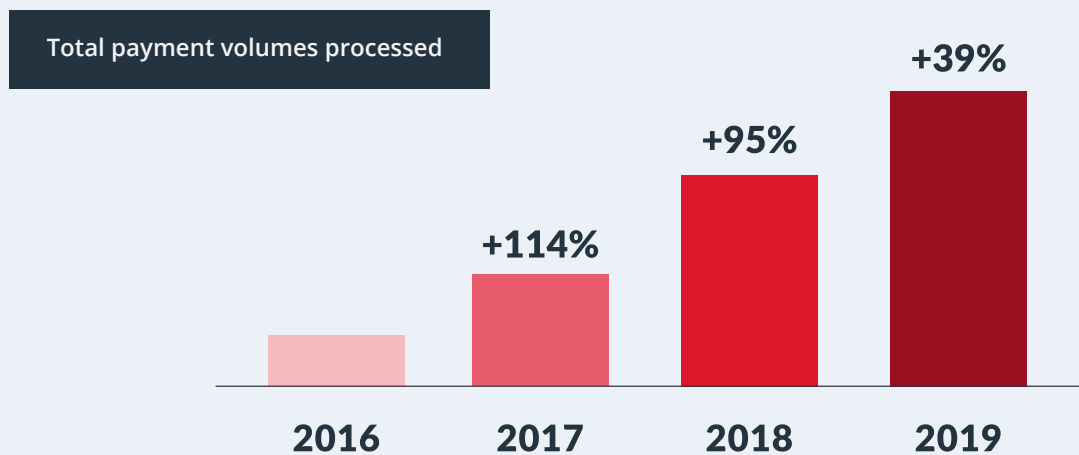
Over the Black Friday weekend in 2017, online transaction volumes **increased by 86%** compared to 2016.

## Number of transactions processed



The graph below depicts the total payment volumes seen over the Black Friday / Cyber Monday weekend from 2016 until 2019. This illustrates the increase in the number of rands processed year-on-year. A significant spend increase is seen in 2017, with **114% growth** compared to 2016. This is in line with the wider adoption of the American holiday by South African retailers.

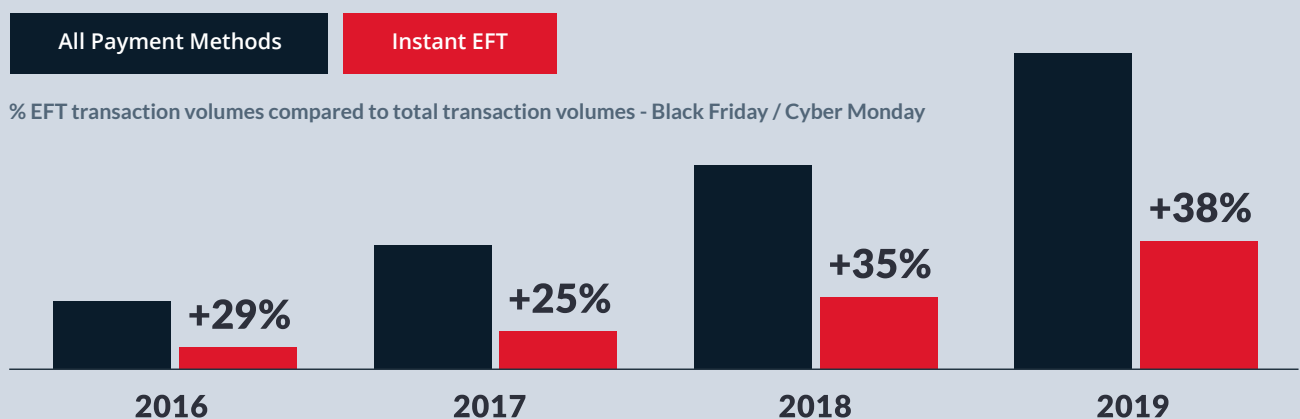
Further increases are seen in 2018, whereby more online retailers began to offer deals during this period in addition to brick-and-mortar stores. This increased by 39% in 2019 with expectations being that 2020 will follow a similar baseline.



## PayFast recorded a **56% increase** in transactions made using Instant EFT in 2019.

This follows on from a significant boom in 2018, when the automated feature was launched. Immediate EFT solutions are more convenient than traditional credit card transactions and the steady increase shows it is growing in popularity as an online payment method.

This graph further illustrates the **continued increase in uptake of Instant EFT** as a preferred payment method. With contactless payments dominating 2020, we should see further increases this coming Black Friday / Cyber Monday.



# Key Index Findings

- New merchants registered in 2020 at time of writing: 29 193 (versus 22 823 in 2019)
- Top year-on-year growth industry in 2020: Package stores: beer, wine and liquor (1 787%)
- Fastest growing age group of online shoppers: Generation Z 18 to 24 years old (100% increase compared to 2019)
- Peak time for online shopping: Weekdays between 11:00 and 12:00
- Average basket size for 2020: R803
- Highest online transaction in 2020 at time of writing: R850 668
- Merchant sentiment going into Black Friday 2020: 63% positive

