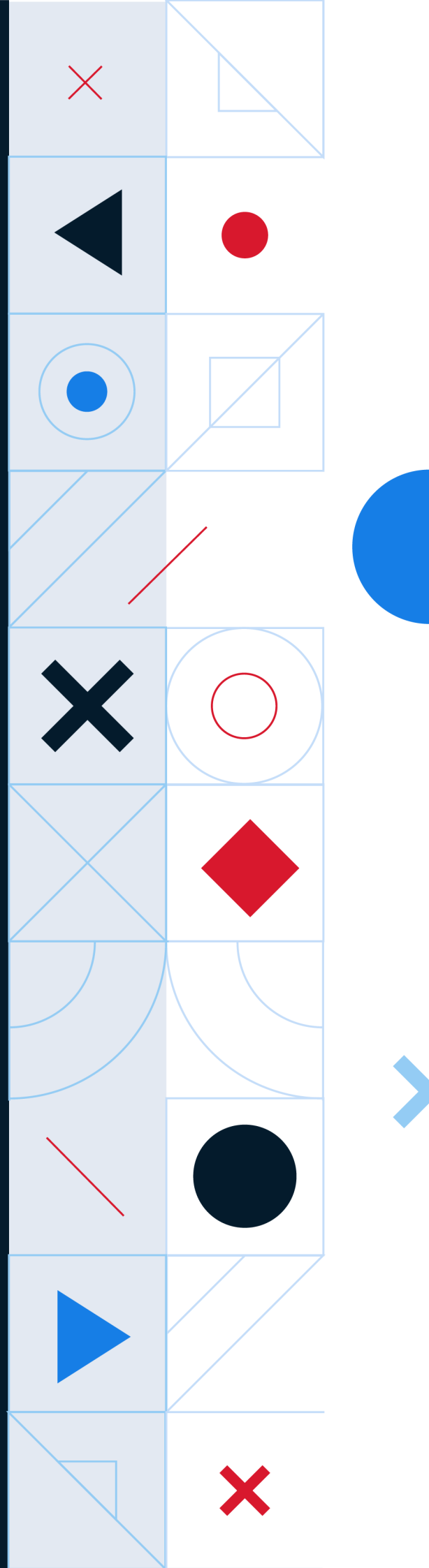
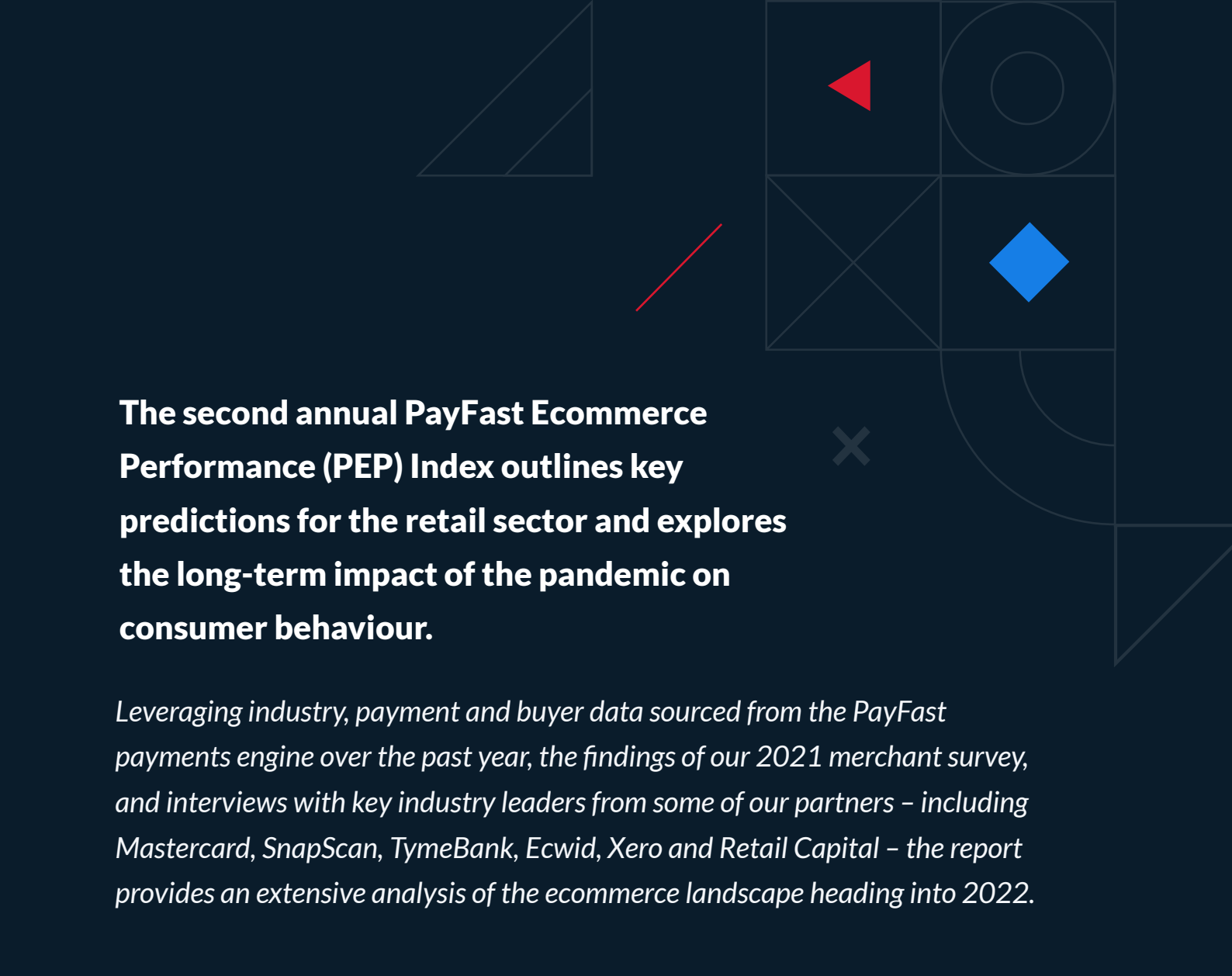


# Ecommerce Performance Index

# 2021





## The second annual PayFast Ecommerce Performance (PEP) Index outlines key predictions for the retail sector and explores the long-term impact of the pandemic on consumer behaviour.

*Leveraging industry, payment and buyer data sourced from the PayFast payments engine over the past year, the findings of our 2021 merchant survey, and interviews with key industry leaders from some of our partners – including Mastercard, SnapScan, TymeBank, Ecwid, Xero and Retail Capital – the report provides an extensive analysis of the ecommerce landscape heading into 2022.*

## Methodology

The PayFast Ecommerce Performance Index is based on the following:

- 1 Payment data collected from the PayFast payments engine from 1 September 2020 to 31 August 2021
- 2 Buyer data collected from the PayFast payments engine from 1 September 2020 to 31 August 2021
- 3 An online survey conducted with PayFast merchants in September 2021
- 4 In-depth interviews with industry experts within the PayFast ecosystem conducted in September 2021

# Preparing for the age of ecommerce

By Colleen Harrison, Head of Marketing at PayFast

**Following a watershed year in 2020, South Africa's ecommerce industry has sustained continued growth over 2021. In our second annual PayFast Ecommerce Performance (PEP) Index, we evaluate the legacy of COVID-19 and highlight key trends that have emerged, as a result of accelerated digital adoption in the retail sector.**

At the start of the year, one of the biggest questions for those in the ecommerce industry was whether the habits picked up by consumers in the face of hard lockdown would stick. With QR code payments increasing by 178% and mobile usage for online shopping up by 55% – it's safe to say that they have. This is great news for those businesses who have invested time and money into their ecommerce strategies over the past two years. For those who haven't – there's no better time than right now to do so.

One of the key takeaways of this year's PEP Index is that payment innovation is removing barriers for consumers to transact online, allowing more people to participate in the growing digital economy. From social commerce to contactless payments, the pandemic has opened the doors to convenience – and consumers are embracing the change. The rise of alternative, instalment-based payment methods like buy now, pay later, have also made certain products accessible to those who previously may not have been able to afford them.

Between 2019 and 2020, the online share of total retail sales increased to 2.8% in South Africa – exactly double the total share of 2018. Globally, this percentage has increased from 16 to 19% in the same period. This highlights that while ecommerce accounts for a small percentage of overall retail locally, we are seeing an impressive growth rate compared to the rest of the world. Looking forward, we expect to see total online retail sales of around R42-billion, increasing the share to 4% by the end of 2021, and R54-billion (5%) in 2022 – a positive post-pandemic outlook for local businesses.\*



To provide analysis on the data collected and insight into the future of ecommerce, we've curated input from a collection of PayFast partners – each of them experts in their respective fields. Our philosophy is to work with those whose values align strongly with our own purpose and goals, namely supporting local SMEs to drive economic growth in South Africa.

The explosion of South Africa's ecommerce industry is attracting significant amounts of international attention and investment. This year, DPO Group, of which PayFast is a subsidiary, was acquired by Network International, a globally renowned enabler of digital commerce across the Middle East and Africa. In addition to providing a boost to ecommerce opportunities and capabilities for our own merchants, we believe this represents the potential for the local industry to scale and innovate at an international level.

**“From social commerce to contactless payments, the pandemic has opened the doors to convenience – and consumers are embracing the change.”**

*\*Data sourced from Online Retail in South Africa 2021, a study conducted by World Wide Worx*

# The impact of South Africa's ecommerce boom on merchants

In September 2021, PayFast released the second annual PEP Index survey to our merchant database to understand the impact of ongoing lockdown restrictions and the subsequent boom in digital adoption on South Africa's ecommerce sector.

## Here's what we discovered:

Despite a difficult year spent overcoming the third wave of COVID-19, 48% of merchants saw an increase in revenue during 2021, compared to 2020.



The majority of survey respondents (44%) have had an online store for one to three years. Highlighting the surge in local ecommerce uptake due to the pandemic, **25% of respondents launched their online store in 2021.**

87% of respondents had fewer than 10 employees, falling within the SME sector.



Less than 10 Employees

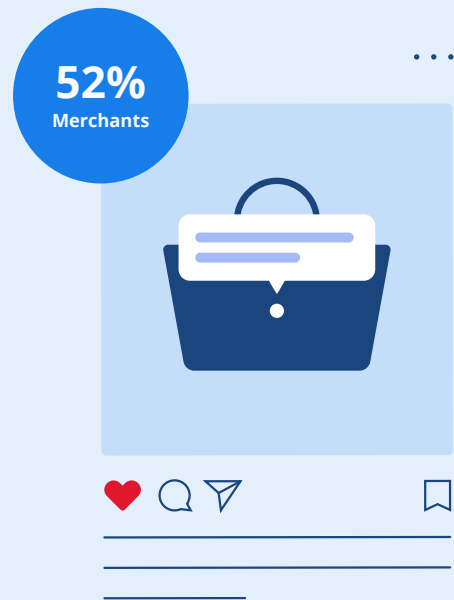
50% of merchants saw an increase in online sales this year. With more consumers shopping online than ever before, 81% of respondents say an online payments offering is absolutely essential for a successful business.



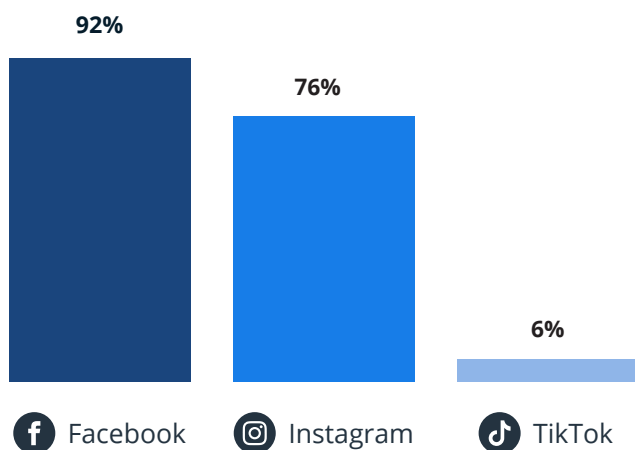
- 76% of businesses have **optimised their ecommerce stores for mobile.**
- 56% of merchants saw an **increase in mobile shopping over 2021.**

Social commerce is being recognised as a crucial tool for businesses growth, **with 52% of respondents selling their goods or services directly within a social media platform.**

41% of merchants who do not currently use social commerce, expect to do so within the next year.



Top three social media platforms used by merchants to sell goods or services:



Taking a multichannel approach, **70% of businesses sell or advertise products on multi-vendor marketplaces.**

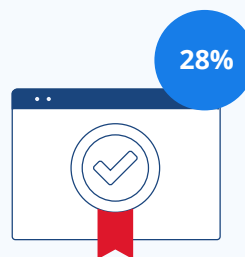
### Best ways to build consumer trust



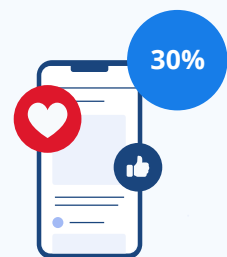
Testimonials and customer reviews



Transparency about costs and return policy

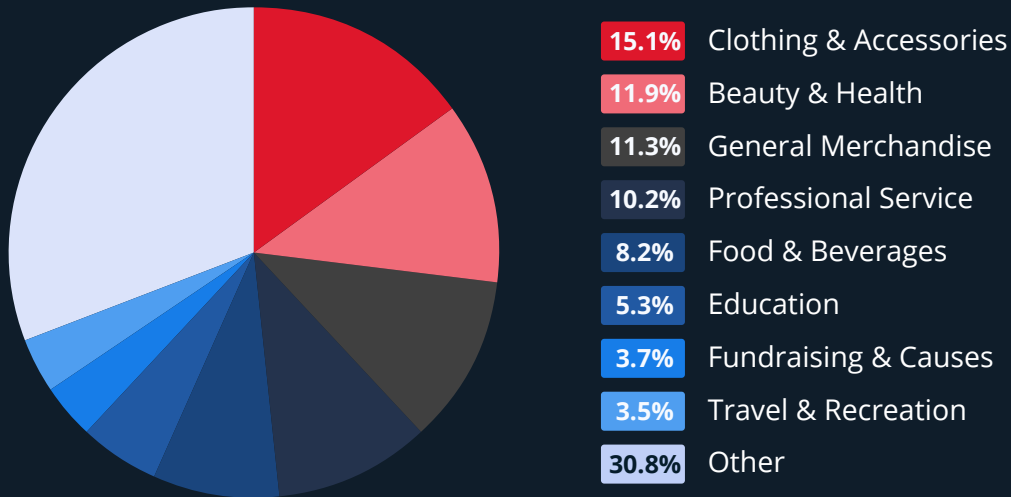


Trust badges on the website

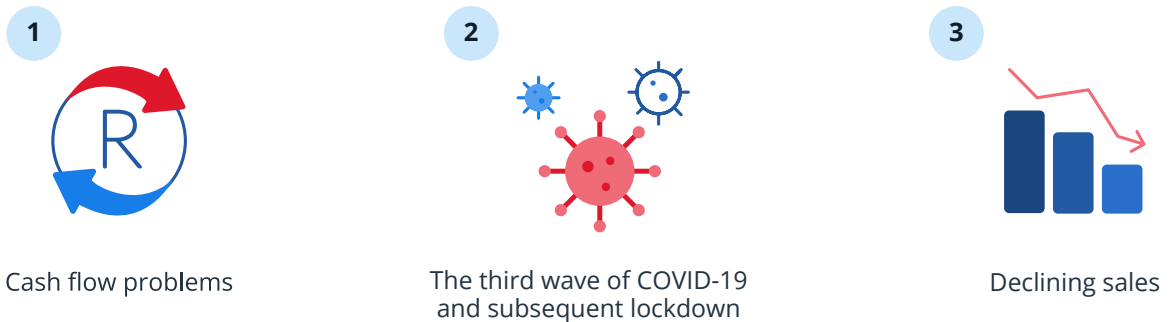


Strong social media presence

## Merchants across industries

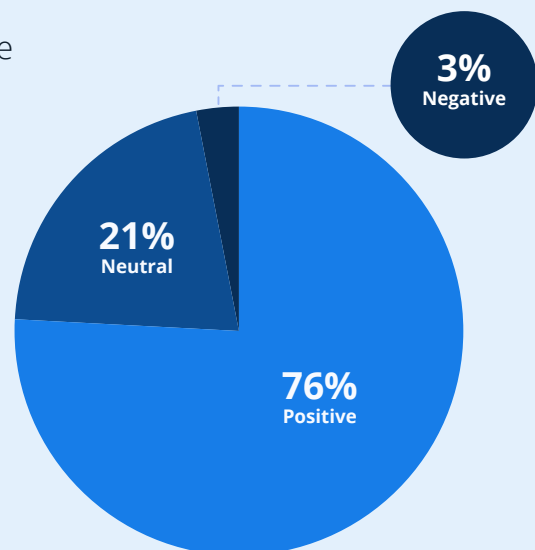


## Top three challenges faced by merchants



As we head towards Black Friday and the festive season, 40% of businesses say their business has picked up, in comparison to 2020.

**With the vaccine rollout underway, and a slow return to business-as-usual on the horizon, sentiment is overwhelmingly positive at 76%, versus neutral at 21% and negative at 3%.**



# Contactless payments are the legacy of COVID-19

Now that merchants and consumers have become accustomed to the convenience of one-click checkouts that are safe and efficient, both online and in face-to-face environments, contactless payments are here to stay. Chris Zietsman, CEO at SnapScan, offers his insight into the future of cashless transactions.



## The rise of mobile payments

For payment regulators and industry leaders, the pandemic provided proof of just how big mobile payments are going to be in the future – they may well even replace cash in the not too distant future. While mobile payments have been possible since 2013, the successful launch of Apple Pay and our own peer-to-peer payment option this year, highlights the fact that this is no longer a gimmick – it's already a preferred payment method for many South Africans.

## COVID-19 boosted consumer trust in online payment platforms

The spread of COVID-19 accelerated the need for safe contactless payment options. As a result, brands like SnapScan and PayFast that support these types of transactions, with consistently positive results, have come to represent online security in the eyes of consumers. They know that on the backend, these providers are doing the work of vetting businesses who are using their platforms – and this empowers consumers to be confident when spending their money online.

## Definitions of consumer and merchant are evolving

Traditionally, platforms like ours have facilitated payments between a consumer and a merchant. With the rise of social commerce and other non-traditional transactions, knowing whether a transaction has taken place between a merchant and a merchant, a merchant and a consumer, or a consumer and a consumer, is going to become increasingly difficult. We see this as a positive thing, because it means more people are participating in the digital economy, which means safer payments, less fraud, and higher sales rates across the board.

## Taking advantage of the ecommerce movement

Heading into 2022, it's critical for every single business to adopt some form of ecommerce moving forward. This doesn't mean that businesses necessarily need to have a digital storefront and sell products or services online, but they certainly need to give customers an opportunity to find their product digitally, and to pay for it in a non-face-to-face environment.



*SnapScan is a contactless payment platform that enables users to make payments using their smartphone. Launched in 2013 as one of the first mobile payment apps in South Africa, SnapScan is used by over 60 000 merchants nationwide.*

“With the rise of social commerce and other non-traditional transactions, knowing whether a transaction has taken place between a merchant and a merchant, a merchant and a consumer, or a consumer and a consumer, is going to become increasingly difficult.”



“Our data shows that while businesses who were able to pivot online have seen the most success under lockdown, those who really invested in the ecommerce evolution, reaped the biggest rewards.”



## SMEs step into the future with ecommerce

Mastercard saw a 66% rise in the number of consumers wanting to shop online, reaching an estimated R30.2-billion in total in 2020. This comprises about 2.8% of total retail sales – double of what we saw just two years prior. For local SMEs, this highlights the critical role of ecommerce adoption in meeting customer expectations. Suven Kander, Division Lead of Core Products, Processing, and ACH at Mastercard South Africa, looks at how digital payments are helping small businesses step into the future.

### The role of COVID-19 in driving innovation

The pandemic has been a top driver for innovation in the SME sector. Our data shows that while businesses who were able to pivot online have seen the most success under lockdown, those who really invested in the ecommerce evolution, reaped the biggest rewards. Since online shoppers are always looking for similar things – an easy returns process, a great user experience, secure payments, and competitive prices – SMEs have had to get increasingly creative when it comes to differentiating themselves from competitors in the same sector.

### Consumers want instant gratification

Before the pandemic, it was acceptable to wait five to seven days for an online delivery. Now, with the emergence of apps like CheckersSixty60, Woolworths Dash, and Pick n Pay's ASAP, consumers expect instant gratification, be it through immediate delivery or contactless payments. Smaller businesses can leverage the power of ecommerce to refine their user journey and ensure that customers enjoy a seamless shopping-to-delivery experience, regardless of the size of the businesses they're buying from.

### The digital wallet revolution

With the rise of contactless payments, consumers are ditching physical wallets for digital ones. Digital wallets offer a safer and more efficient way to pay than cash and provide consumers with additional convenient payment methods – including QR transactions. Businesses can take advantage of growing consumer trust in digital payments to streamline their own accounting processes and put their resources towards growth instead.



*Mastercard is a technology company in the global payments industry. The company operates the world's fastest payments processing network, connecting consumers, financial institutions, merchants, governments, and businesses in more than 210 countries and territories. Mastercard products and solutions make everyday commerce activities – such as shopping, traveling, running a business, and managing finances – easier, more secure and more efficient for everyone.*

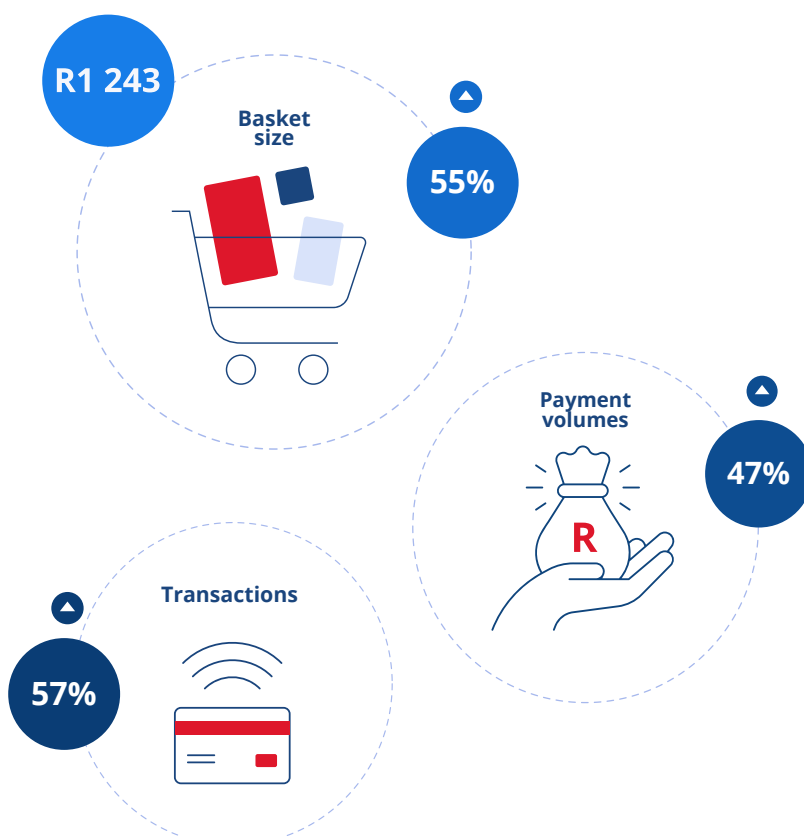
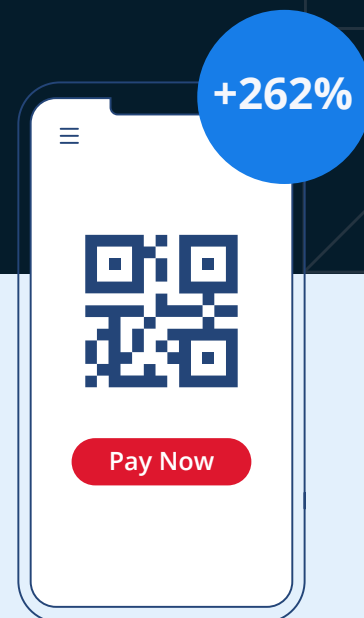


# Black Friday and Cyber Monday

In the lead up to the Black Friday / Cyber Monday weekend (26-29 November 2021), PayFast reflects on some of the data gathered over the past few years:

## Increase in contactless payments

Payment via QR codes increased by 224% on Black Friday in 2020 compared to the year before. **This total increases to 262% when Cyber Monday transactions are also included.**



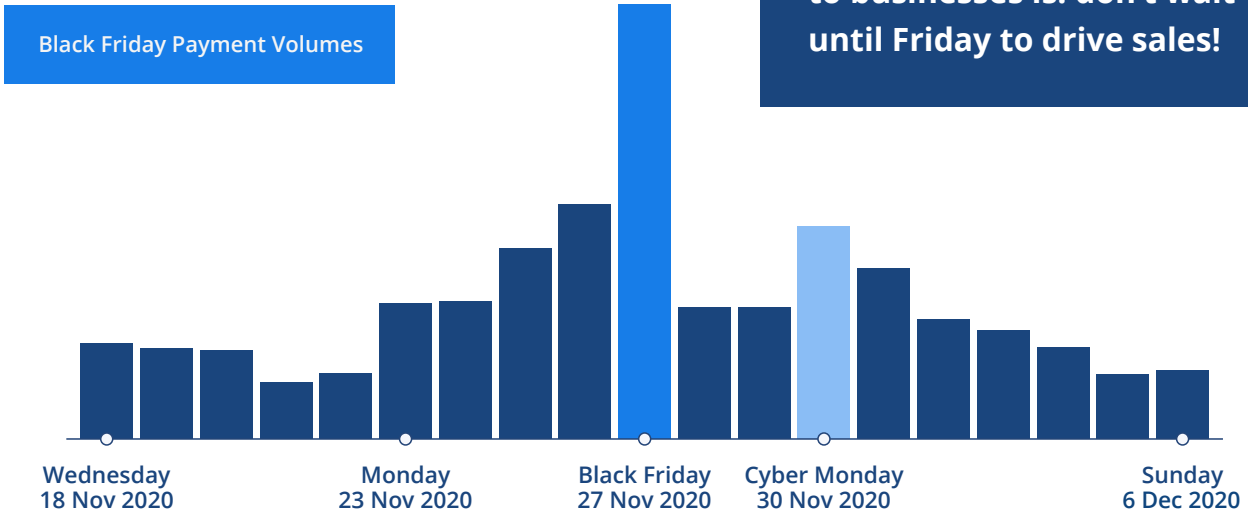
## 2021 in Numbers

- The total average basket size for 2020 was R1 243. **This is a 55% increase in average basket size compared to the rest of the year**, which demonstrates that consumers are spending more per transaction.
- Total payment volumes **increased by 47%**, while the total number of transactions **increased by 57%**.

The graph below indicates total payment volumes **10 days before and 10 days after Black Friday**, based on data collected in 2020.

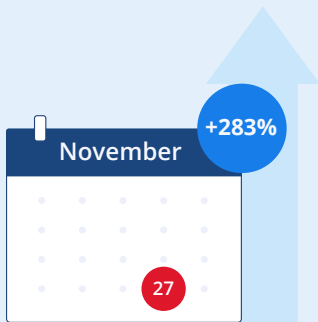
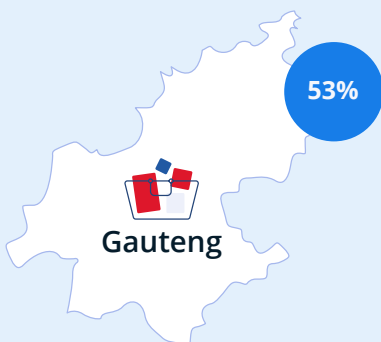
Last year, Black Friday fell on 27 November, which is two days after payday for most people. Despite this, sales started to increase on the Monday ahead of Black Friday, peaking on the day itself, as well as on Cyber Monday.

With big online retailers like Takealot launching campaigns such as the Blue Dot Sale, the interest among shoppers for deals is piqued at the start of the week already. **The lesson to businesses is: don't wait until Friday to drive sales!**



### Additional 2020 Black Friday Data

- The highest recorded Black Friday transaction value was R299 950
- 66% of payments were made using a mobile device
- 30% of payments were made via Instant EFT



- 53% of transactions were made by shoppers based in Gauteng
- Total payment volumes increased by 283% on Black Friday, compared to other high-volume days, such as payday

# The future of finance is in the cloud

**Combining technology and human skill is the key to building back stronger and faster from the COVID-19 crisis. Colin Timmis, South Africa Country Manager at cloud-based accounting software platform Xero, looks at how digital tools are giving small businesses better control over their finances as they plan for the future.**

## **Digital tools require digital skills**

The adoption of digital tools by small businesses has surged from 13% in 2017, to 61% in 2020 – with cloud accounting software showing the most robust growth over the past year. Despite this, 41% of SMEs feel they are only just keeping up with the latest tech, and 67% say they struggled to find the right talent to execute digital strategies, according to research conducted by Xero. Upskilling staff in key digital skills should be a top priority for small businesses looking to take advantage of ecommerce trends, work remotely, and stay agile.

## **The future of data collaboration**

The digitisation of manual processes frees SMEs up to focus on scaling and improving their offerings. This year, Xero launched a first-of-its-kind fully digital bank feed in South Africa, which allows small businesses to automate the flow of financial data from their bank account to their accounting platform. This free movement of data between platforms streamlines processes like applying for loans – and improves small businesses' chance of securing one. Moving forward, we'll see more banks, financial institutions, and fintechs creating similar integrations to support small business growth.

## **Accounting acumen remains in high demand**

Now more than ever, accountants have a vital role to play in supporting small businesses. Our research shows that 40% of SMEs said working with an accounting adviser meant they could keep employees on the payroll during the last year. As small businesses start to rebuild, they'll increasingly turn to accounting advisors to help them to integrate automated accounting software and processes, project cash flow, plan for the future, apply for finance, and much more.



**“The digitisation of manual processes frees SMEs up to focus on scaling and improving their offerings.”**



*Xero is a cloud-based accounting software platform for small businesses with over 2.7-million subscribers globally. Through Xero, small business owners and their advisors have access to real-time financial data anytime, anywhere and on any device.*



# Digital banking gives consumers more choice

**“With the rise of mobile and internet banking, physical bank branches are no longer considered a necessity – in fact, most people would rather avoid them.”**

**As South Africa’s first fully digital bank, TymeBank has been uniquely placed to support the boom in contactless banking and online transactions over the past two years. David Pfaff, Chief Financial Officer at Tyme, shares his insights on local adoption rates, as well as some emerging payment trends for 2022.**

## **The future of banking is hybrid**

With the rise of mobile and internet banking, physical bank branches are no longer considered a necessity – in fact, most people would rather avoid them. In South Africa, low levels of digital literacy and high data costs mean that a hybrid approach is necessary to bridge the gap. At TymeBank, 85% of bank accounts have been opened at retailer kiosks in Pick n Pay and Boxer stores, while only 15% were opened online. The convenience of being able to bank at their local supermarket is a big draw factor for consumers wanting to avoid waiting in long queues, but who don’t have the resources to bank online.

## **The rise of buy now, pay later**

The pandemic accelerated the buy now, pay later (BNPL) ecommerce trend – particularly among online shoppers who want to make purchases now, but who don’t have the immediate funds. Following this year’s launch of MoreTyme, TymeBank’s interest-free BNPL offering, our data shows that the average transaction of a BNPL customer is significantly higher in value than immediate payments. This highlights the attraction BNPL holds for customers looking to avoid high-interest credit card fees, as well as its potential to benefit businesses catering to customers with various spending habits and budgets.

## **Multi-banking on the rise**

Over 50% of TymeBank’s customers are older than 35, which means many of them have had an existing banking relationship for at least 20 years – but are willing to give new banks a try. We’ve also observed the rising trend of people who are multi-banked, which is made possible by account aggregation technology that allows customers to safely see all their bank accounts on a single screen. Multi-banked consumers are utilising the ability to compare banking fees and benefits in order to tailor their own banking experience.



*TymeBank is South Africa’s first fully digital bank, with over 3.8-million customers. With no branches and its core banking system hosted securely in the cloud, TymeBank is able to reduce overheads and deliver significant cost-savings, which are passed on to its customers.*

# An overview of our payment data

**As a result of ongoing lockdown restrictions, and the acceleration of digital transformation among businesses, together with increased digital adoption among consumers, online retail in South Africa has doubled in just two years\*.**

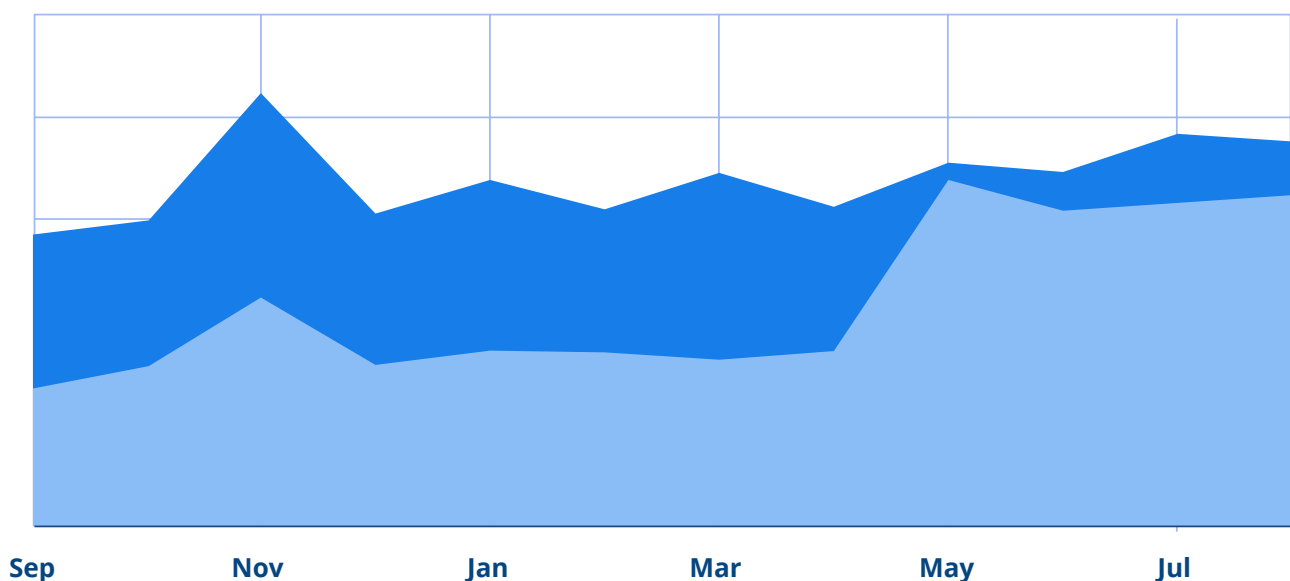
With 71% of South Africans set to continue shopping online post-pandemic, the ecommerce industry will continue to grow despite the reopening of traditional brick-and-mortar stores.

\*Data sourced from Online Retail in South Africa 2021, a study conducted by World Wide Worx

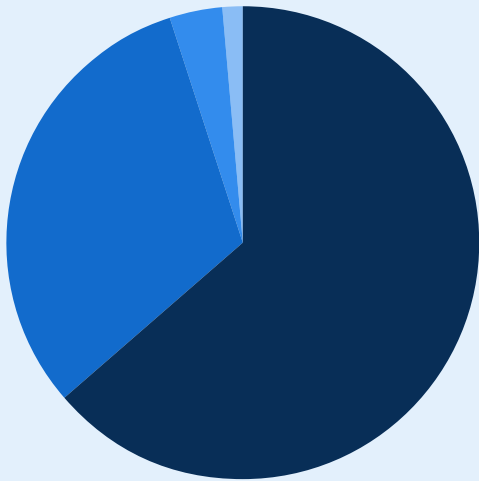
## Ecommerce growth rates at PayFast

2020 / 2021

2019 / 2020



PayFast payment data from 1 September 2020 to 31 August 2021 compared to previous period



## Most popular payment methods

- 63.7%** Card Payments
- 31.5%** Instant EFT
- 3.5%** QR Payments

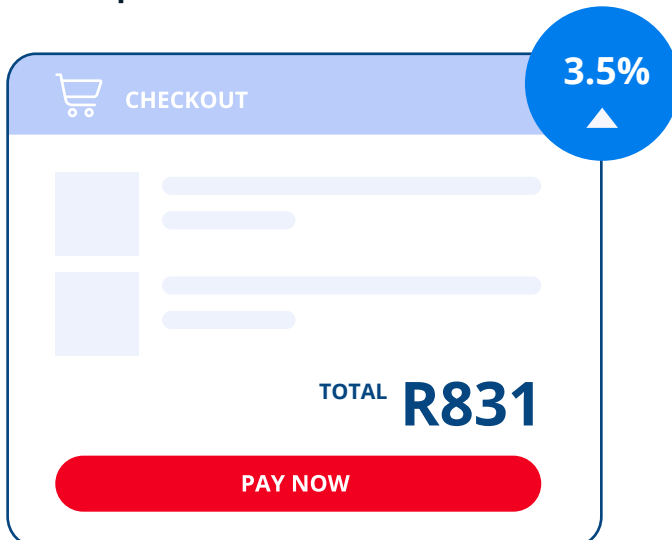
### Insight:

QR code payments increased by 178% in 2021, and now make up 3.5% of all methods – a significant increase from the year before.



178% ↑

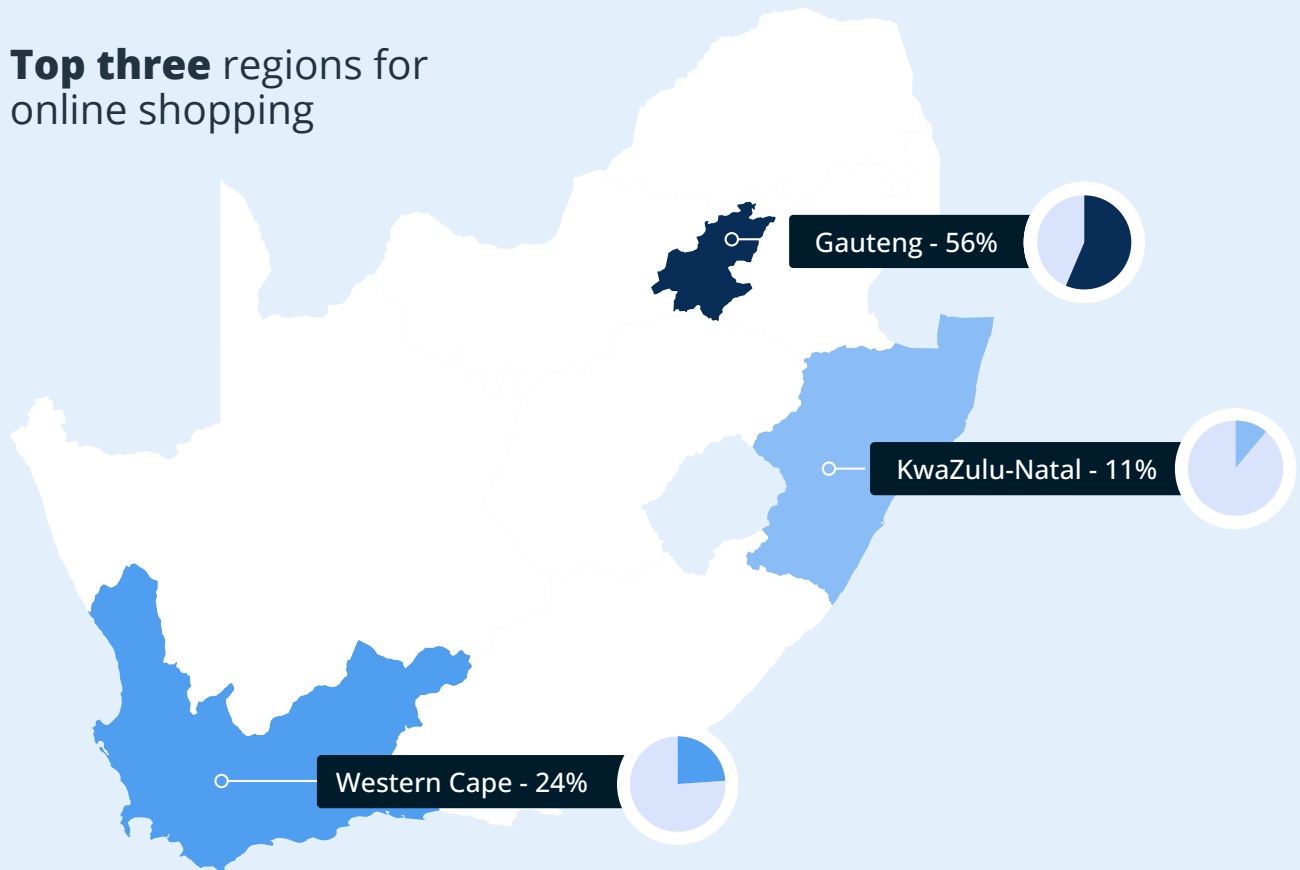
- Average basket size remained stable in **2021 at R831, with a 3.5% increase compared to 2020**



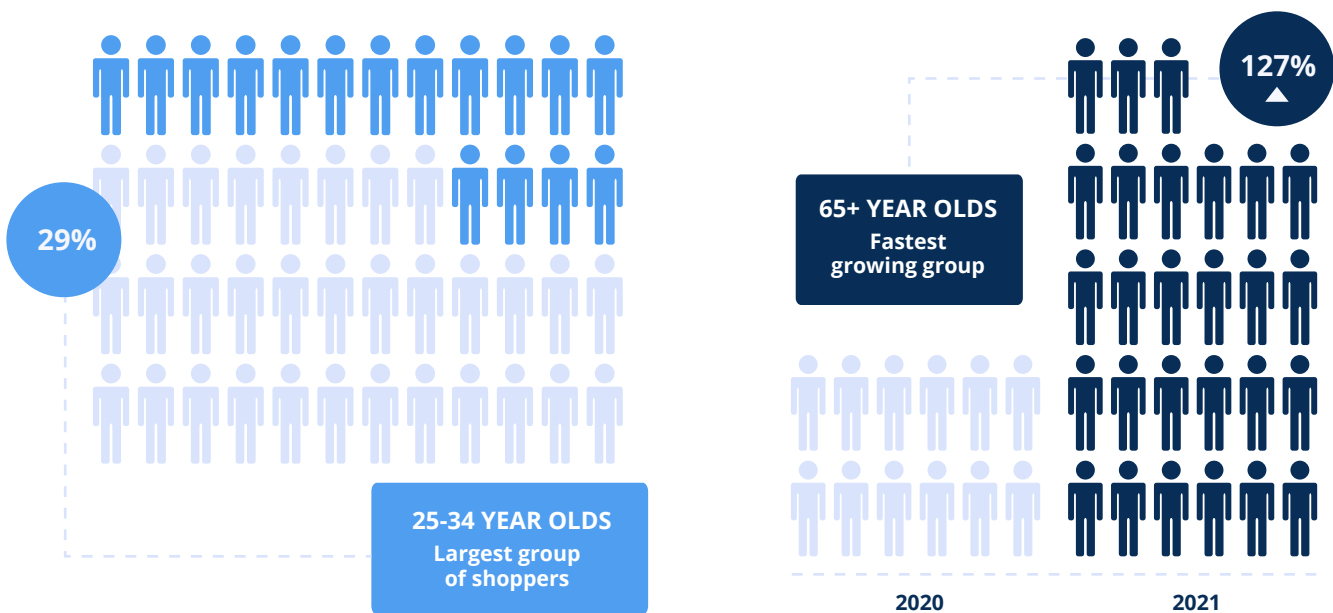
- Highest transaction value in 2021 was **R372 600**

Online credit facilities such as Mobicred and, more recently, MoreTyme, have notably higher average basket sizes. The average basket size for these types of online credit facilities was R1 850 in 2021, an increase of 123% compared to the average basket size of all payment methods.

## Top three regions for online shopping



## Average age of shoppers checking out with PayFast



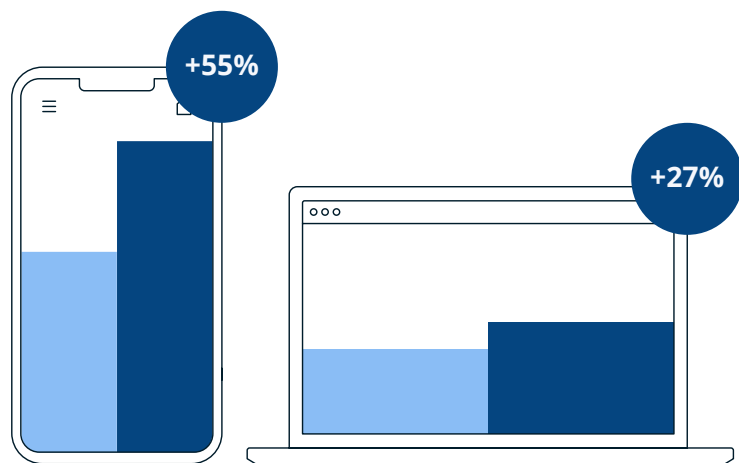
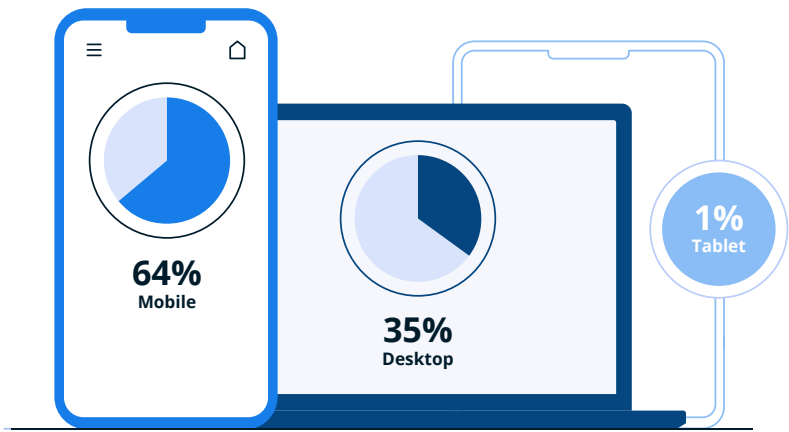
- Over 29% of all online transactions were made by millennials, who continue to be the largest group of online shoppers.

- The fastest growing age group of online shoppers is 65+, with a 127% increase in users. This indicates that younger shoppers have reached higher penetration levels overall, which results in a lower growth rate among younger shoppers.



## Most popular devices used for online shopping

Mobile - **64%**  
 Desktop - **35%**  
 Tablet - **1%**

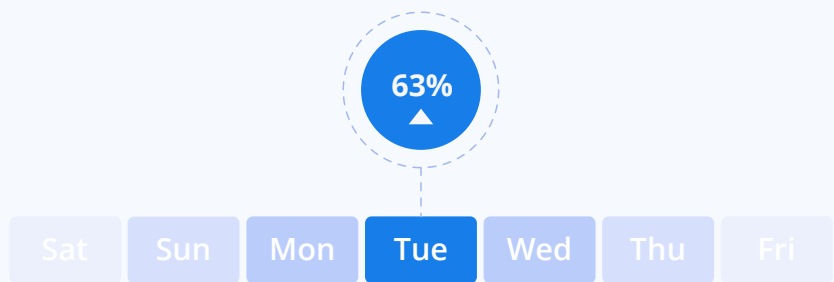


2020    2021

Mobile usage for online shopping has grown by **55%** year-on-year, compared to **desktop** which has grown by **27%**.

## Online shopping behaviour

- Tuesday has become the most popular day for online transactions, with a **63% year-on-year increase in the number of online transactions on Tuesdays.**
- Online shopping peaks between **9am and 1pm.**
- The biggest year-on-year increase **is between 5am and 7am**, indicating that more consumers are shopping before work in the morning.



*PayFast payment data from 1 September 2020 to 31 August 2021 compared to previous period*

# Social commerce unlocks omnichannel era

With the rise of social commerce under lockdown, consumers now have access to all the convenience and variety of a shopping mall via their mobile phones. Jon Stribling, Head of Business Development at international ecommerce platform Ecwid, offers his insight into the benefits of an omnichannel approach for merchants looking to one-up their competition.



## The shift to omnichannel commerce

One of the major legacies of the pandemic is the convenience of shopping at home, from the app you're already browsing through – whether it's Facebook, Instagram, TikTok, or Twitch. For businesses, the explosion of social commerce is an opportunity to adopt an omnichannel approach, which means serving customers where they are and where they like to shop. Omnichannel selling is about generating exposure and reaching customers who would otherwise have been ignored. Businesses who neglect social media, or who only focus on the specific channels they prefer, are leaving customers out in the cold and their money on the table.

## A new way of shopping

With the vaccine rollout well underway, consumers are looking to get back to in-person shopping – with a twist. The necessity of online shopping under lockdown has permanently shifted the way customers make purchasing decisions. Moving forward, the majority of purchase decisions will start on the web, although customers will still seek out the tangible experience of buying in-store. Additionally, with businesses investing in creating streamlined, value-added online offerings, many customers now see online shopping as more consumer friendly. Businesses will need to find innovative ways to mirror and merge their digital and physical shopping experiences.

## Understanding your audience

One of the huge benefits of social commerce is the ability for businesses to zone in on and understand their core audiences. As the omnichannel market grows more competitive, businesses can use tools like Google Analytics, as well as the Facebook, Pinterest, and Snapchat pixels and tags displayed on the Ecwid platform's marketing section, to niche down and target consumers who are most likely to be interested in their product or service.



*Ecwid is a leading ecommerce solution powering online selling for small businesses and enterprise organizations around the world. Launched in 2009, Ecwid is now part of the Lightspeed family of global commerce solutions.*

“The explosion of social commerce is an opportunity to adopt an **omnichannel approach**, which means serving customers where they are and where they like to shop.”

“Not only does the shift from cash to digital payments help small businesses to scale faster and more efficiently – it actually makes them more fundable.”



## Ecommerce streamlines SME funding

**Retail Capital supported small businesses through the lockdown period by providing turnover-based funding, ensuring they did not have any additional fixed costs during trade restrictions. Rean Bloem, Funding General Manager at Retail Capital, shares his insights into the benefits of ecommerce for SMEs looking to secure funding.**

### Digital payments make SMEs more fundable

Not only does the shift from cash to digital payments help small businesses to scale faster and more efficiently – it actually makes them more fundable. For example, this year we launched our Easy Advance feature with PayFast, which uses cloud technology to assess anonymised, online transactional data to assess a business's turnover and provide pre-approved low-risk funding offers that don't require any security. This is a gamechanger for small and less-formal businesses, who can rely on access to funding as and when they need it.

### Investing in the customer journey

Securing funding is only the first step in supporting the growth of a successful business. To really achieve new heights and compete with larger companies, SMEs need to invest in the parts of their business that are guaranteed to generate returns. This includes having a strong digital footprint, which enables customers to choose your product among thousands of others, as well as a seamless customer journey. From the checkout page to tracking, delivery, presentation, and personalisation – every aspect should be considered and improved on an ongoing basis.

### Cash flow is king

General cash flow is one of the biggest obstacles to accessing funding, particularly following the implementation of lockdown trade restrictions. By making different types of transactional datasets accessible, the shift to ecommerce has given small businesses in need of funding values less than R30 000 the boost they need to get off the ground again.



*Over the past decade, **Retail Capital** has partnered with over 38 000 SMEs, providing funding of more than R4-billion to date. As the market leaders in business funding, they have provided the industry with innovative, flexible, and convenient alternatives to traditional loans.*

# Key Index Findings

- QR code payments increased by 178% in 2021, and now make up 3.5% of all methods
- Top social media platform used by merchants to sell goods or services: Facebook (92%)
- Fastest growing age group of online shoppers: 65+ (127% increase compared to 2020)
- Average basket size for 2021: R831 (a 3.5% increase since 2020)
- Highest online transaction: R372 600
- Merchant sentiment going into Black Friday 2021: 76% positive

