

Entrepreneurs and e-commerce are a smart match

The rise of e-commerce has changed the way in which the South African business landscape operates and this is increasingly leading to many opportunities for local entrepreneurs and businesses.



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Christo Botes of the Sanlam/Business Partners Entrepreneur of the Year competition says that with this sector experiencing rapid growth both locally and globally, South African entrepreneurs have a chance to capitalise on the opportunities, which will arise, as the industry is still in its infancy on the African continent.

He says that the e-commerce sector in South Africa accounts for a very small percentage of the retail industry, and overall GDP contribution, when compared to developed markets. He points to a report by McKinsey & Company, which states that Africa's iGDP, the measure of the Internet's contribution to overall GDP, remains low at 1.1%. South Africa reported 1.4%, which is significantly below that of global players such as the UK (5.4%), the US (3.8%) and China (2.6%).

The rise in access to internet and mobile services, coupled with a growing middle class, will however see South Africa's e-commerce figures rise in years to come. Earlier this year Google South Africa stated that the country's e-commerce industry is expected to continue its growth in 2015, having seen a 37% increase in query volumes during 2014. The McKinsey & Company report also recently revealed that e-commerce could account for 10% of retail sales in Africa's largest economies by 2025.

"With the future of e-commerce looking bright in South Africa, local entrepreneurs should seek to establish themselves online. While business-to-consumer transactions are growing rapidly, with South Africans increasingly turning to online platforms to purchase goods and services, the growth of online business-to-business (B2B) transactions offers major opportunities for entrepreneurs as customers increasingly seek business services online."

Low barriers to entry

"New online ventures offer a relatively low barrier to entry, and entrepreneurs can establish themselves on a playing field with larger competitors as in many cases the customer isn't able to tell the difference between a small and large company."

Highlighting the rising opportunities for smaller players, PayGate CEO, Peter Harvey, revealed that five years ago the company would upload 10 start-ups onto its payment gateway for every established business, but that the ratio is currently 100:1.

"Opportunities are abound for local businesses. The rise of e-commerce includes various opportunities for small businesses ranging customer services, technical support or security and payment offerings for businesses e-platforms. It isn't just limited to the selling of goods or e-tailing, and entrepreneurs should think out of the box when considering potential business ideas."

While the e-commerce phenomenon offers entrepreneurs an opportunity to establish a business in this flourishing market, Botes says that entrepreneurs with an established business should also be looking at growing their online presence if they have not already done so.

"Entrepreneurs also need to adapt the way in which they communicate with their customers. Having an online presence has the ability to affect marketing and sales efforts positively and entrepreneurs should be embracing these channels to discover how the Internet can transform and grow their businesses. A local bakery, for example, who may be predominately servicing its surrounding community, could expand its customer base across the city by introducing an online platform for their business in the form of social media platforms or a website.

"The development of a business website is no longer an expensive cost to the business, but instead can be designed affordably with easy to use, do-it-yourself website builders such as Woza and WordPress."

It is important for entrepreneurs to gauge where their traffic is coming from, and what is the best platform to reach their target audience is. "Entrepreneurs need to ensure their communication channels are matched to their audience's preferences, as there isn't a one size fits all approach to online channels," he concludes.

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