

CAPE TOWN E-COMMERCE HUB OF SA!



Photo: City of Cape Town - Photo Credit: Diriye Amey

Although South Africa may attribute a small proportion of total retail sales to e-commerce, the industry is growing quickly and Cape Town can increasingly lay claim to being the e-commerce hub of the country.

According to the City of Cape Town's Economic Performance Indicators (EPIC) Report for the third quarter of 2016, to benefit fully from the shift toward online retail in Africa, cities need to establish themselves as seedbeds for emerging e-commerce companies.

Cape Town has done exceptionally well in this regard and is widely considered to be a tech and e-commerce hub within South Africa.

This is not because the city boasts the largest number of online buyers, but more as a result of Cape Town's well established tech landscape which makes it an appealing destination from which to run an e-commerce business.

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Cape Town e-commerce Hub of South Africa (Continue from Page 1)

While Gauteng contributes a much larger proportion of the country's online buyers, Cape Town accounts for the lion's share of the headquarters of the most well-known e-commerce companies in South Africa. The city is also the birthplace for the majority of new tech start-ups operating in the e-commerce ecosystem.

Factors that have underpinned Cape Town's attractiveness to e-commerce companies include an appealing lifestyle; an extensive network of supporting companies and institutions, including payment gateways, software developers and tech incubators; a strong supply of ICT skills among the workforce; and better availability of venture capital than in other areas of the country.

In terms of the latter, 75% of all venture capital deals in 2015 were located in the Western Cape according to the Southern African Venture Capital and Private Equity Association. The diagram illustrates the e-commerce landscape in Cape Town. Cape-Town based companies accounted for all 10 of the most visited e-commerce websites in South Africa in 2014.

"The digital space is increasingly disrupting the way in which we watch and listen to content and how we keep in touch or communicate. The way we shop can no longer escape our digitally connected world. A greater number of consumers are today choosing to shop online, using one of their favourite digital devices from the comfort of their homes or at their desks."

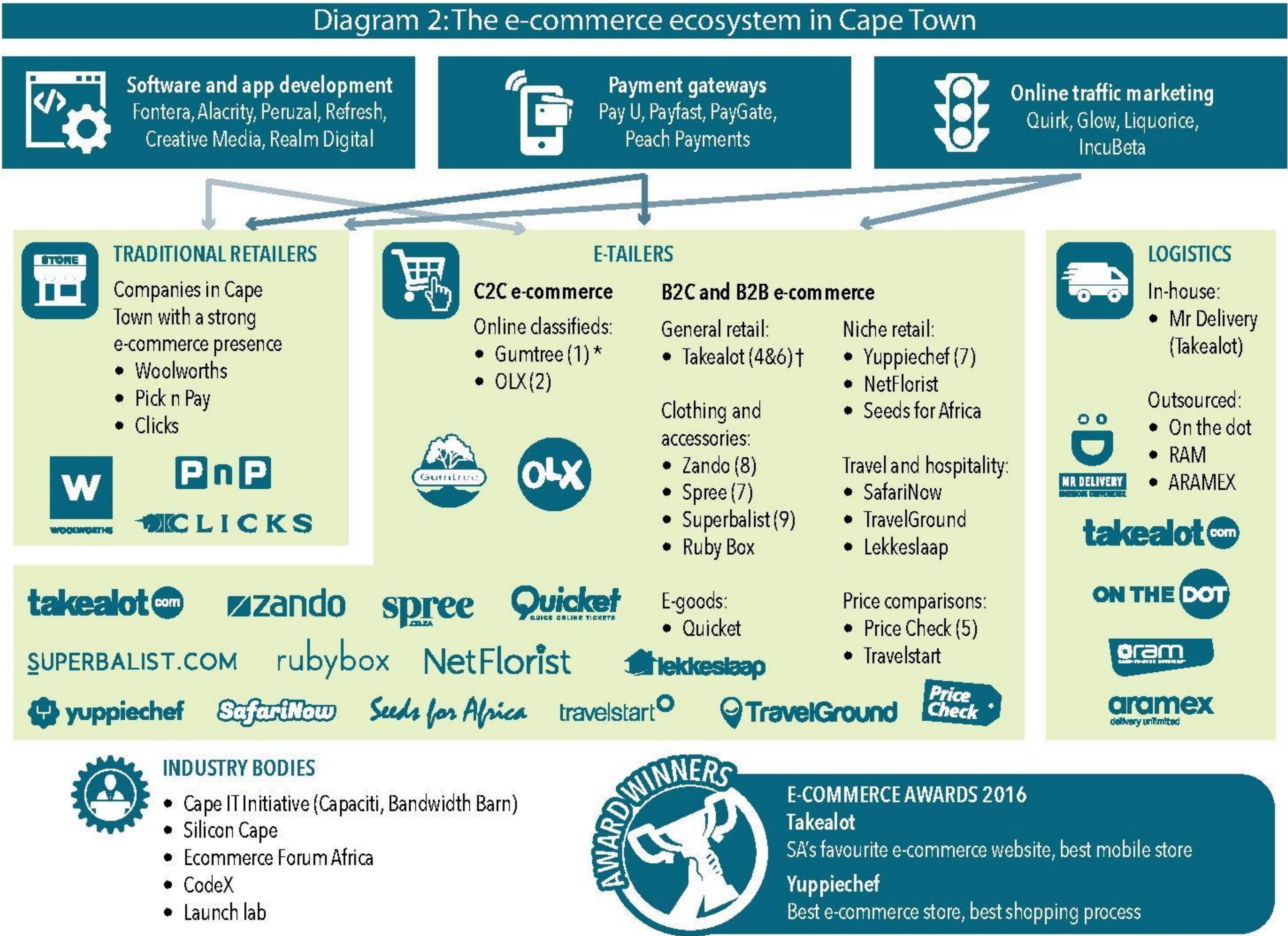
"The current online purchasing numbers may be small in comparison to traditional buying habits, however, there is an increasing shift to online purchasing. A disruptive evolution in the retail industry is under way," said the City's Executive Deputy Mayor, Alderman Ian Neilson. Today, consumers are spoilt for choice. Retail store and brand loyalty may no longer be the deciding factor when contemplating where to shop. Therefore, online purchasing gives a consumer the option to choose from a much larger variety of products that are available online, when compared with a traditional retail outlet. The added benefit is being able to shop after traditional store hours at a more convenient time for the individual.

There is huge untapped potential for e-commerce in Africa and South Africa in particular. Currently, only 14% of South Africans with access to the internet have shopped online (source: UNCTAD 2016). This industry provides huge opportunity for strong future growth as internet penetration increases and consumers increasingly choose digital options over traditional shopping patterns.

While estimates of the size of the local e-commerce industry may vary, forecasts for its future growth are quite similar. World-wide Worx (2016) recently predicted a doubling of online purchasing between 2016 and 2020. Deloitte (2015) shares the same sentiment with estimates that the industry will more than double its share of retail sales by 2020.

This is further backed up by a PWC study that polled emerging companies. A total of 55% of the emerging companies surveyed indicated that they are expecting to sell more than half of their goods online in the next five years. The majority believe that this upward trend will continue and in the longer-term they will sell between 75% and 100% of their products online.

"The City has set itself the goal of establishing Cape Town as a forward-looking, globally competitive business city. The strides that the e-commerce sector has made in our city are helping to boost our international reputation in the tech space. I am confident that more tech companies and start-ups will establish a presence in Cape Town going forward, wanting to tap into the synergies of the local tech ecosystem, the high standard of local infrastructure, and the high quality of local talent," added Alderman Neilson.



* Numbers in brackets indicate the company's ranking among the most-visited e-commerce websites in South Africa.
† Prior to the Takealot/Kalahari merger, Kalahari's website was ranked 4th, and Takealot's 6th.