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Applied Research Project

ANALYSIS OF KEY SA MARKET DYNAMICS IN THE B2C E-COMMERCE SECTOR

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A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master in Business Administration.

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EXECUTIVE SUMMARY

The global e-commerce industry has seen remarkable growth, with South Africa (SA) emerging as a key player. However, the dominance of local companies in SA's e-commerce market has led to monopolistic practices and limited competition, particularly from international players. This study aims to address this gap by comprehensively analysing the factors influencing international interest in the SA e-commerce market and recommending strategies for attracting and preparing for foreign entrants. This capitalisation on opportunities is crucial for sustainable growth and economic development.

Data for the analysis was sourced from secondary sources including reports, publications, and datasets from authoritative bodies such as the Competition Commission, Statistics SA, the Department of Trade, Industry, and Competition, and the National Consumer Commission, along with market research from Euromonitor, Market Research Foundation and Payfast by Network State of Pay reports. The study applies quantitative analysis to assess market trends, competition, regulatory factors, technological infrastructure, and consumer behaviour in SA's e-commerce sector. While this approach offers valuable insights into international market entry considerations, it is susceptible to the dynamic nature of the e-commerce market.

SA's B2C e-commerce market presents significant opportunities for foreign entrants, driven by rising digital adoption, an expanding middle class, and growing consumer trust in online shopping. However, barriers such as logistics inefficiencies, regulatory complexities, and market fragmentation limit seamless international expansion. While dominant local players like Takealot and Checkers have set high service benchmarks, the market remains fragmented, allowing space for international competitors to establish a foothold before full market maturation. The success of Shein and Temu, leveraging competitive pricing and digital engagement, demonstrates SA consumers' openness to global brands and signals a favourable market for international investment.

Despite these opportunities, SA is only partially prepared for large-scale foreign entry due to gaps in logistics, payment systems, and regulatory clarity. Targeted investments in infrastructure, simplified cross-border trade policies, and incentives such as SEZ tax benefits can enhance SA's appeal to global players. Additionally, standardising digital payment systems, promoting omnichannel retail strategies, and fostering consumer trust will strengthen local market resilience.

Keywords: E-commerce, Market dynamics, Internationalisation, Strategy, Multinational Corporations, Secondary data, Quantitative analysis

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GLOSSARY

Term	Description
3P	Third party
4G/5G	Fourth generation/Fifth generation
AfCFTA	African Continental Free Trade Area
B2C	Business-to-Consumer
BCG	Boston Consulting Group
CAGR	Compound Annual Growth Rate
CPA	Consumer Protection Act
DTIC	Department of Trade, Industry and Competition
E-commerce	Electronic commerce
ECTA	Electronic Communications and Transactions Act
EFT	Electronic Funds Transfer
FBA	Fulfilment By Amazon
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GHS	General Household Survey
ICASA	Independent Communications Authority of South Africa
ICT	Information Communication Technology
ITU	International Telecommunication Union
NCC	National Consumer Commission
NPA	National Ports Authority
NPS	Net Performance Scores
OECD	Organisation for Economic Co-operation and Development
OLI	Ownership, Location and Internalisation
PASA	Payments Association of South Africa
POPIA	Protection of Personal Information Act
RO	Research Objective
RQ	Research Question
SA	South Africa
SARB	South African Reserve Bank
SARS	South African Revenue Service
SEZs	Special Economic Zones
SKU	Stock Keeping Unit
SMS	Short Messaging Service
Stats SA	Statistics South Africa
UAE	United Arab Emirates
USD	United States Dollar
VAT	Value Added Tax
ZAR	South African Rand

1 CHAPTER 1: INTRODUCTION

1.1 Background of the study

The global e-commerce industry has experienced unprecedented growth, driven by digital technologies and widespread internet access – reshaping traditional retail paradigms, transcending geographical borders, and fostering new economic opportunities to become a cornerstone of the modern economy. In Africa, South Africa (SA) emerges as a frontrunner in e-commerce adoption, boasting robust digital infrastructure and a growing middle class (Mthembu, Kunene, & Mbhele, 2018). Digital transactions in SA have surged past traditional brick-and-mortar retail channels; PayFast's digital payment volumes saw a remarkable 101% growth during the COVID-19 pandemic, followed by impressive rates of 36% in 2021 and 20% in 2022 (Hartzenberg, 2022).

Against this backdrop, it is imperative for companies seeking sustainable growth and competitive advantages to understand the market dynamics shaping the e-commerce sector's trajectory, including drivers of market growth, the competitive landscape, and strategic opportunities and challenges. The existing literature primarily highlights general market dynamics and competitive factors but lacks an in-depth analysis specifically addressing the strategic approaches and unique factors that make or could make the SA e-commerce market appealing to international companies.

This research gap presents an opportunity to gain a comprehensive understanding of the distinct factors influencing international interest in the SA e-commerce market, such as the regulatory environment, consumer behaviour trends and market positioning strategies, and to develop targeted strategies for enhancing competitiveness and market growth in this context.

1.2 Context of the study

There are three main mechanisms for growth in the e-commerce space: new startups, established local businesses venturing into e-commerce, and established international businesses entering the market.

Academics such as Thakoor (2020) and Naape (2023) argue that even before the pandemic, the SA economy suffered from poor growth, stagnant investment and a shrinking tradable sector; the pandemic worsened these economic and social woes. Growth-boosting reforms are critical for economic recovery and social inclusion (Thakoor, 2020), but new startups and local businesses entering the e-commerce space are insufficient to provide the necessary boost. 'Established international businesses entering the market' remains an untapped source of value for the SA e-commerce market and economy.

Economic analysts highlight the critical role of e-commerce in driving economic activity and fostering a digitally inclusive environment (SA Government , 2023). Growth and competitiveness in this sector could have an impact on SA's economic growth, Foreign Direct Investment (FDI) and the overall dynamism of SA's business landscape. Evidence suggests that unlocking the full potential of the SA

Business-to-Consumer (B2C) e-commerce sector requires a comprehensive understanding of the market dynamics and implications of global players in the sector (Department of Communications of South Africa, 2010).

SA's importance derives from its role as a strategic hub for international and multinational corporations aiming to establish a presence in the African market; the SA context can therefore shape broader strategies for entering the continent. Finally, the impact of the entry of global giants like Amazon on SA market dynamics will be explored as it is vital to the growth of this sector to understand the implications and evaluate the adaptability of local players.

1.3 Problem statement

The SA B2C e-commerce sector has grown significantly, reflecting a shift towards online shopping (Mthembu, Kunene, & Mbhele, 2018). Domination by a few local companies leads to monopolistic practices, limited choice for consumers, and a hostile environment for new local entrants. The only remaining significant source of competition is established international companies, yet their entry and expansion remain limited. This suggests underlying challenges linked to market structure, regulatory constraints, technology infrastructure, and evolving consumer behaviour. While SA offers potential as an emerging digital economy, international firms face uncertainties around competition dynamics, trade barriers, and localisation requirements. There is a need to identify how these mediating and independent factors influence foreign entry decisions, to better understand what facilitates or hinders internationalisation into SA's B2C e-commerce space.

1.4 Research objectives

Through a comprehensive exploration, the research objectives are to:

i. Analyse the SA e-commerce market dynamics and identify key factors influencing its attractiveness to international competitors.
ii. Identify the key factors considered by companies during internationalisation to identify gaps that could hinder the entry and expansion of international competitors.
iii. Evaluate SA's readiness for foreign entrants into the B2C e-commerce markets.
iv. Recommend strategies to attract and prepare for the entry of foreign companies effectively, and to mitigate the risks associated therewith.

1.5 Research questions

These objectives establish the following research questions:

i. What are the market dynamics and key factors shaping the SA e-commerce market that influence its attractiveness to international competitors?

ii. What key factors do companies consider during internationalisation, and are there structural gaps in the SA market that hinder their entry and expansion?
iii. Is SA prepared for foreign entrants in the B2C e-commerce market?
iv. What strategies would attract their entry, and how can SA prepare and mitigate any risks?

1.6 Rationale of the study

This research is crucial for SA's e-commerce sector and economy because:

- It will develop targeted strategies for sustainable market growth.
- The increased presence of foreign companies will attract FDI, signalling confidence in the local business climate.
- Multinational entrance to SA influences strategies for entering the wider African market.
- The arrival of global e-commerce giants like Amazon in early 2024 emphasises the urgency of understanding the market dynamics involved and adequate preparation.

1.7 Delimitations of the study

Certain delimitations are necessary to maintain focus and relevance as shown in Table 1:

Table 1: Delimitations of the study

Focus	Analysis
Time frame	Historical data up to the knowledge cutoff date of September 2024.
Sectoral focus	Focus on the B2C segment of the e-commerce market in SA.
Company specificity	The analysis of competitive forces is limited to major industry stakeholders.
Regulatory environment	The study may evaluate regulatory impacts on the SA e-commerce market but won't extensively cover legal issues beyond market dynamics and competitiveness. Detailed legal analysis or policy recommendations will be outside the scope of the study.
SA's infrastructure	The study will not cover non-e-commerce technological infrastructure issues like telecommunications or energy infrastructure.
External economic factors	Economic factors such as exchange rates, inflation, or geopolitical events may influence the e-commerce market but will not be the primary focus of the study.

1.8 Assumptions of the study

The assumptions of this study are:

i. Data sources used for the study, such as industry reports, financial statements, and government statistics, are accurate, reliable, and representative of the SA e-commerce market.
ii. The e-commerce market in SA is characterised by competition among both local and international players.
iii. A certain level of regulatory stability exists within the SA e-commerce sector, with regulations conducive to market growth and competition.

iv. A generic foreign e-commerce company serves as a model to assess common considerations for entering the market according to internationalisation frameworks.

1.9 Structure of the study

This structure of this study is show in Figure 1 below:

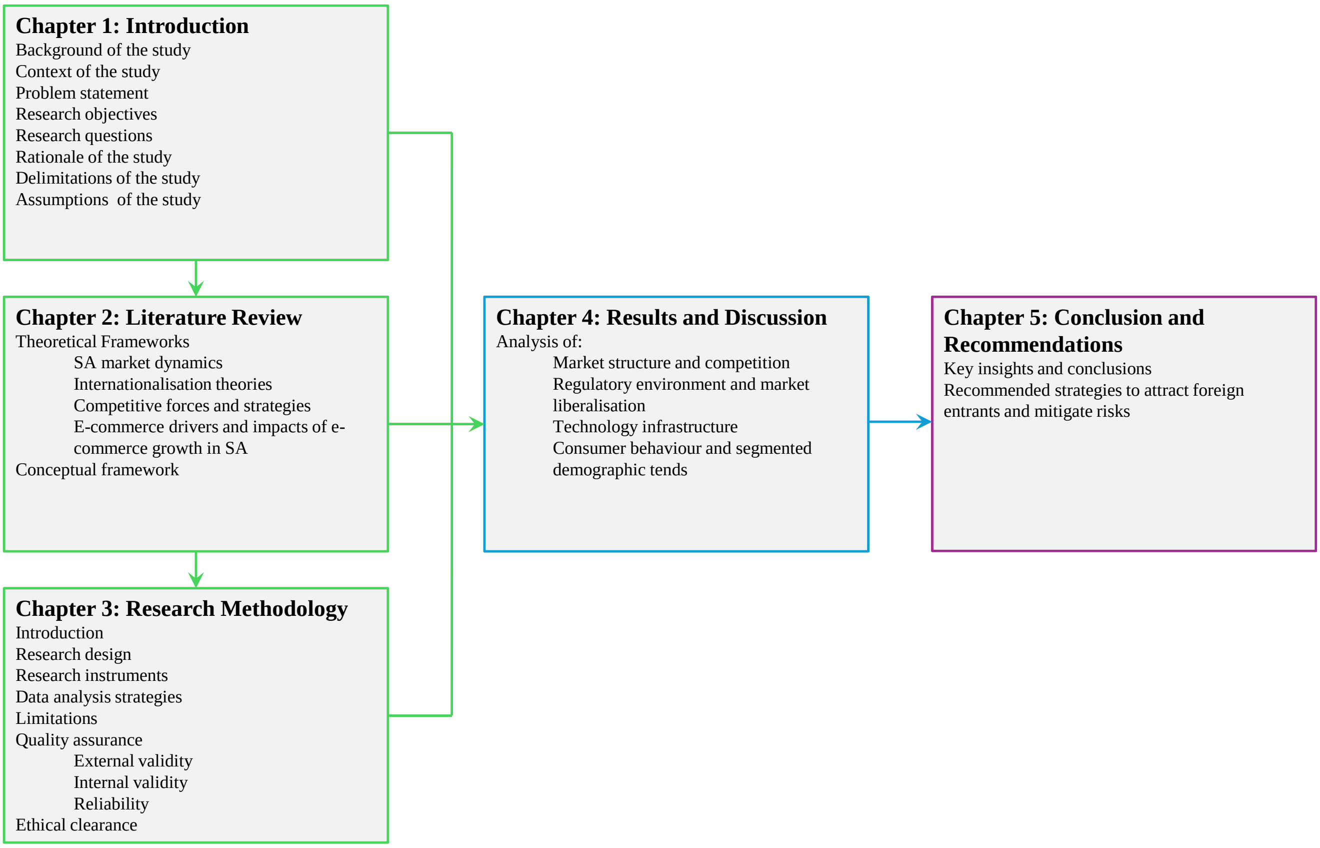


Figure 1: Structure of the study

For a detailed Theoretical Framework see Appendix A: Theoretical Framework. For a detailed research instrument analysis see Appendix B.1: Detailed Research Instrument.

2 CHAPTER 2: LITERATURE REVIEW

This literature review examines the theoretical frameworks of market dynamics, internationalisation, competitive forces, and drivers and impacts of growth in SA's B2C e-commerce industry. See Appendix A: Theoretical Framework.

2.1 E-commerce in SA

E-commerce, shorthand for electronic commerce, is the trade of goods and services over the internet (Moodley, 2014). Pereira, Dias and Lopes (2021) explain that widespread adoption of secure digital and online payment systems have bolstered trust in e-commerce and advanced cross-border commerce. Pereira et al. (2021), Ndonga (2012) and Mthembu et al. (2018) agree that the e-commerce characteristics of accessibility, scalability and global reach make it uniquely conducive for international competitors to capitalise on opportunities to expand their presence, capturing new markets worldwide.

E-commerce in SA has witnessed significant growth (International Trade Administration, 2024), driven by factors such as increasing internet penetration and smartphone adoption. Government reports like the SA E-Commerce Report (2024) and Green Paper on E-Commerce in SA (2010), emphasise its role in economic development and job creation and indicate that SA consumers are increasingly open to international online retail, presenting both opportunities and challenges. The National Development Plan 2030 (2023) identifies e-commerce as a key enabler of inclusive economic growth and emphasises the need for favourable policies and infrastructure.

2.2 SA market dynamics

Market dynamics are the factors influencing a market's behaviour and performance (Corporate Finance Institute, 2024), including market structure, competition, consumer behaviour and government regulations (Department of Communications of South Africa, 2010). Understanding market dynamics is crucial for business and investors to make informed decisions, identify opportunities, and mitigate risks. The dynamics in Table 2 selected based on their proven impact in internationalisation literature, their relevance to strategic market entry decisions, and their alignment with the challenges and opportunities currently facing SA's digital economy:

Table 2: Market dynamics key factor analysis of the SA e-commerce sector

<table>
<tr><th>Market dynamics</th><th>Analysis of the SA e-commerce sector</th></tr>
<tr><td>Market structure and competition</td><td>Market structure refers to how different industries are classified and differentiated by competition for goods and services (Corporate Finance Institute, 2024). Ebrahim (2016) and Thakoor (2020) identify the presence of dominant players and the nature of competition as major influencers of market structure. The Department of Communications (2010) Green Paper on SA e-commerce describes the market structure as a diverse mix of local and international players across different segments. It is characterised by an oligopolistic structure, with a few dominating retailers (The Competition Commission of SA, 2024) who dictate market trends and influence consumer behaviour through extensive reach (Naape, 2023) and a wide range of products, efficient logistics, strong brand recognition and marketing strategies (Mthembu, Kunene, & Mbhele, 2018).
The following constitute SA’s e-commerce competition:
Dominant players: Large platforms like Takealot.com exert significant influence on the market (The Competition Commission of SA, 2024). Takealot.com’s robust logistics network and aggressive strategies have solidified its dominance.
International giants: Global players like Ikea and Alibaba have not yet made significant inroads into SA, with only limited satellite operations (Hartzenberg, 2022). Recent entrant Shein has rapidly gained significant market share through competitive pricing (Statista, 2024).
Brick-and-mortar retailers: Established retailers like Checkers, Woolworths, Pick ‘n Pay and Clicks have launched online platforms to complement their physical stores and expand their reach to digital consumers (Statista, 2024). This convergence of offline and online retailing intensifies competition (Hartzenberg, 2022).</td></tr>
<tr><td>Regulatory environment and market liberalisation</td><td>The regulatory environment shapes market dynamics and competition. Literature by Mthembu et al. (2018) reveals that regulatory uncertainty, compliance costs, and legal complexities can pose significant barriers to market entry and expansion. Recent regulatory reforms aimed at promoting competition, the relaxation of trade barriers and the implementation of pro-business policies have encouraged FDI and market entry (SA Government , 2023). Implementation of the Protection of Personal Information Act (POPIA) and Consumer Protection Act (CPA) (SA Government , 2023) mandates compliance for e-commerce platforms and instils consumer confidence in online transactions.</td></tr>
<tr><td>Technology Infrastructure</td><td>Research by Ndonga (2012) suggests that investments in connectivity, digital literacy and e-payment systems are essential for expanding access to online markets and promoting inclusive economic development. A study by Kibuacha (2021) found that adequate telecommunications networks, reliable internet connectivity and secure online payment systems are pivotal for facilitating online trade. The Centre of Competition, Regulation and Economic development (Goga & Paelo, 2020) suggests that investments in technological infrastructure positively correlate with increased e-commerce activity, driving market expansion and enhancing competitiveness.</td></tr>
<tr><td>Consumer behaviour and segmented demographic trends</td><td>Hartzenberg (2022), Ebrahim (2016) and Ndonga (2012) argue that businesses must understand consumer behaviour to tailor their strategies and offerings effectively. Hartzenberg (2022) further explains that in SA, factors like income levels, urbanisation, and cultural preferences influence e-commerce. Research by Mordor Intelligence (2024) identifies the growth of online shopping due to convenience, pricing and product range. Thakoor (2020) notes a shift in younger demographics towards international platforms, indicating an appeal beyond domestic options. The rapid success of Shein reflect SA consumers’ openness to alternatives, driven by product availability and perceived value (Naape, 2023). Understanding consumer preferences and behaviour is critical for anticipating demand. Research by Warden and Motjolopane (2014) emphasises convenience, affordability, and trust as crucial for SA’s online consumers. Firms must address product quality, delivery reliability and after-sales support to gain a competitive edge.</td></tr>
</table>

2.3 Internationalisation theories

Internationalisation involves expanding a company's operations beyond its domestic borders into international markets (Fasanya, Ingham, & Read, 2022). Sanam (2012), Ebrahim (2016) and Van Dongen (2015) explain that entry into emerging markets like SA is crucial for market growth, revenue diversification, access to valuable resources, competitive advantage through early entry, higher profit potential and the opportunity for African and later global expansion. Hartzenberg (2022) suggests that online internationalisation[1] is an important factor in the SA e-commerce market's attractiveness to international competitors.

Various theories have been developed to explain internationalisation through frameworks for understanding the motivations, strategies (Pereira, Dias, & Lopes, 2021) and challenges encountered by companies as they expand into foreign markets (Ebrahim, 2016). Table 3 discusses two theories:

Table 3: Key internationalisation theories

Theories	Analysis
Eclectic paradigm	The eclectic paradigm, proposed by Dunning (1988) highlights the importance of Ownership, Location, and Internalisation (OLI) advantages. Mucheka's (2020) analysis explains that this framework considers the interplay between firm-specific advantages, market attractiveness and location-specific factors in shaping internationalisation decisions, depending upon the motives driving each enterprise's expansion strategy. Mucheka (2020) and Ebrahim (2016) illustrate that international competitors possessing proprietary technologies, managerial expertise, or brand reputation (ownership advantages) that can be leveraged effectively may choose to enter the market through FDI. SA's strategic location (Ebrahim, 2016), growing consumer base, and improving infrastructure may offer locational advantages to international competitors seeking to expand.
Uppsala model	The Uppsala Model is a framework for internationalisation which emphasises its incremental and experiential nature whereby firms gradually increase their commitment to foreign markets over time as they accumulate knowledge and experience (Johanson & Vahlne, 1977). Ebrahim (2016) and Mucheka (2020) observed the sequence of market exploration, presence establishment and expansion. Firms may initially enter a market through low-risk modes such as export and online sales platforms (Mucheka, 2020), testing the waters and gaining insights into local preferences and market dynamics (Ebrahim, 2016). As firms accumulate experience and confidence, they may expand their operations through partnerships, alliances or direct investment (Johanson & Vahlne, 1977).

2.4 Competitive forces and strategies

Competitor entry and expansion involves critical choices regarding entry modes and timing, which are influenced by market conditions (Ndonga, 2012), competitive dynamics, and organisational capabilities.

2.4.1 Timing: First mover vs Latecomer

Research by Fasanya et al. (2022) examines the importance of timing in capturing market opportunities and mitigating risks; early movers enjoy advantages like brand recognition, customer loyalty and market

[1] Online internationalisation refers to the conduct of business transactions across national boundaries in the virtual domain. This approach allows businesses to reach a global audience, overcome geographical limitations, and tap into diverse markets without the need for physical presence in each location.

share dominance but face higher risks and uncertainties; latecomers benefit from lower entry costs (Van Dongen, 2015), reduced uncertainty, and the opportunity to learn from the experiences of early movers (Fasanya, Ingham, & Read, 2022), but face challenges in catching up and capturing market share.

2.4.2 Entry modes: Partnership vs. Ownership

Research by Ebrahim (2016) and Fasanya et al. (2022) provides insights into the choice between partnership and ownership as entry modes for international competitors. They suggest that strategic alliances offer advantages such as risk sharing (Ebrahim, 2016), local market knowledge, and access to distribution networks (Fasanya, Ingham, & Read, 2022), making them attractive options for entry into unfamiliar emerging markets like SA. However, ownership provides greater control and autonomy, allowing firms to implement their strategies more effectively. Warden and Motjolopane (2014) and Mthembu et al. (2018) analyse this choice to show that it depends on factors such as market complexity, regulatory environment and long-term strategic goals.

2.4.3 Adaptation of business strategy to local markets

Locally tailored strategies better address consumer preferences, regulatory frameworks and socio-economic conditions (Van Dongen, 2015). Through empirical studies and theoretical frameworks, scholars like Sanam (2012), Moodley (2014), and Ndonga (2012) have extensively discussed the significance of adaptation in gaining competitive advantage in emerging markets. While some argue for a standardised approach to achieve economies of scale, others emphasise localisation to foster differentiation and responsiveness to local needs.

However, a nuanced understanding is required to strike a balance between standardisation and adaptation, as over-adaptation may lead to inefficiencies and dilution of global brand identity (Sanam, 2012), while excessive standardisation may overlook critical market-specific factors. Therefore, a strategic blend of global integration and local responsiveness, as proposed by Pereira, Dias, & Lopes (2021) in their seminal work on internationalisation, is deemed essential to thrive in diverse and dynamic emerging markets like SA.

2.5 Economic drivers and impacts of e-commerce growth in SA

Research by Warden and Motjolopane (2014) suggests that international competitors could contribute to job creation and skills development, driving economic activity and productivity gains. They stimulate consumer spending, improve logistics infrastructure, and enhance connectivity (Ndonga, 2012). A critical literature analysis by Mthembu, Kunene and Mbhele (2018) recommends that firms consider the socio-economic implications and engage in responsible business practices to maximise positive outcomes for local communities.

Ndonga (2012) suggests that e-commerce platforms offer convenience, choice, and competitive prices, which increase consumer spending and market expansion. Infrastructure investments improve efficiencies and reduce costs, benefiting both businesses and consumers. Enhanced connectivity through digital and mobile platforms facilitates access to markets, information, and financial services (Warden & Motjolopane, 2014), empowering individuals and businesses to participate effectively in the economy.

2.5.1 Foreign Direct Investment (FDI)

The growth of the e-commerce sector has implications for FDI (Corporate Finance Institute, 2024). Research by Pereira, Dias, and Lopes (2021) and Ndonga (2012) suggests that FDI inflows contribute to capital formation, infrastructure development, and technology diffusion, enhancing the country's competitiveness and long-term growth prospects. However, a critical analysis cautioned against interpreting FDI inflows as a measure of economic development. While FDI brings benefits, it may also cause dependency on foreign capital and undermine domestic industries. Competitors must strike a balance between promoting FDI and safeguarding national interests to ensure sustainable and inclusive growth (Department of Communications of South Africa, 2010).

2.5.2 Implications of increased competition for existing players

Research by Sanam (2012) observes that while multinational entry can stimulate efficiency and consumer choice, it may also squeeze profit margins and force smaller players out of the market. Local businesses must develop strategies for survival and growth by adapting to changing market conditions, leveraging their strengths (Mthembu, Kunene, & Mbhele, 2018), identifying niche opportunities, and differentiating themselves (Sanam, 2012).

Research suggests that diversification, and digital transformation are key to staying competitive (Warden & Motjolopane, 2014). Successful firms build brand loyalty, enhance customer experiences, and optimise operational efficiency to sustain long-term growth (Hartzenberg, 2022) and may partner with other businesses, technology providers, and industry associations (Ndonga, 2012).

2.6 Conceptual framework

The research focuses primarily on the market dynamics of SA's B2C e-commerce sector with a brief inclusion of internationalisation theory which aims to highlight any gaps in the market dynamics analysis. This quasi-external perspective better prepares SA to attract international companies by aligning with their potential needs. The research will further evaluate SA's readiness for foreign entrants and suggest strategies to prepare for their entry effectively. Figure 2 is the conceptual framework of this study.

The rate of new international competitors entering SA's B2C e-commerce market (dependent variable) is influenced by five independent variables: market structure and competition, regulatory environment, technology infrastructure, consumer behaviour, and internationalisation considerations. Each of these is shaped by underlying mediation factors, which provide context-specific insights into how these broader categories operate in practice: market structure is shaped by competition levels and entry modes; regulatory environment is influenced by trade barriers, lobbying potential, and consumer protection legislation; technology infrastructure depends on digital access and logistics; consumer behaviour is guided by preferences for price, convenience, and trust; and internationalisation is informed by market familiarity, saturation, and growth potential. Together, these relationships explain how structural, regulatory, technological, and behavioural elements either encourage or deter foreign e-commerce players from entering the SA market—addressing the research problem.

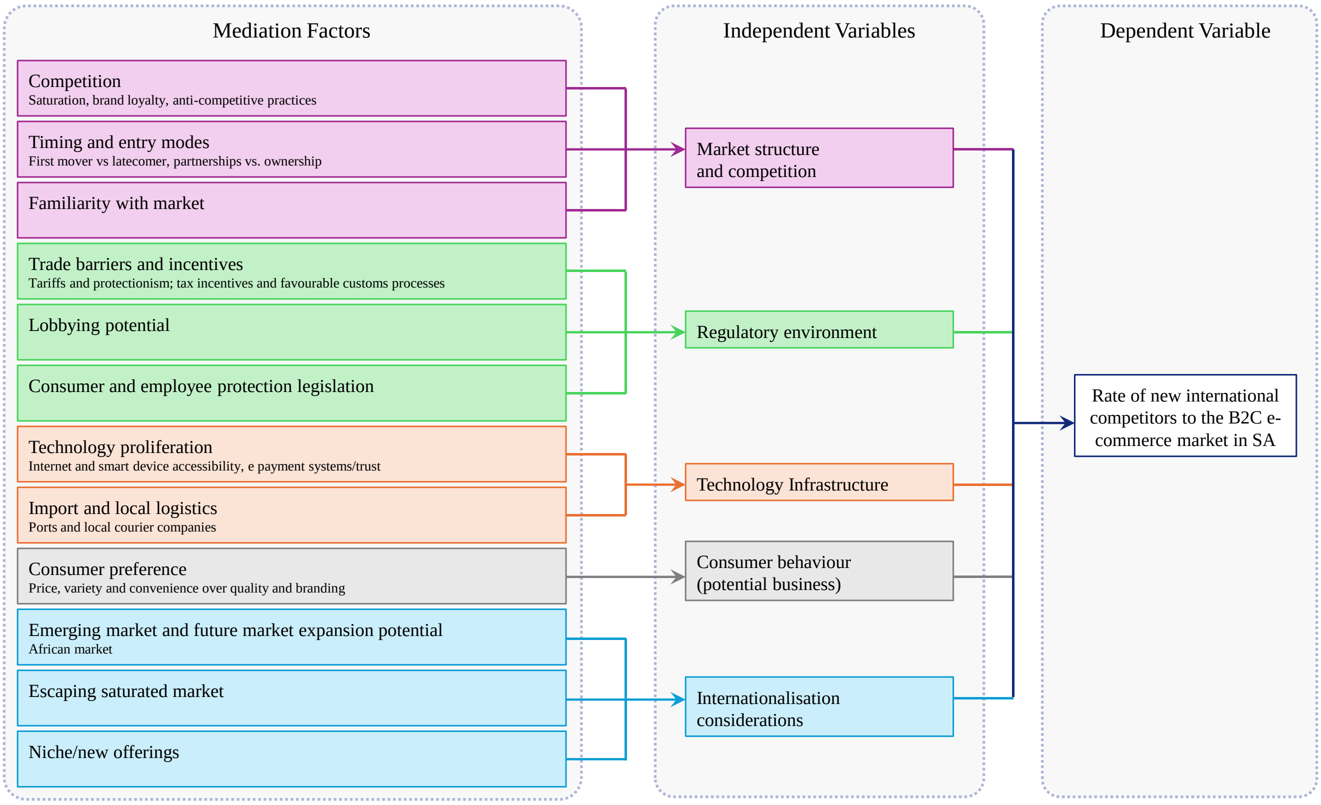


Figure 2: Conceptual framework of the study

3 CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the methodology for addressing the research objectives from Chapter 1 (See Appendix A: Theoretical Framework for more information). It provides a comprehensive framework for data collection, analysis, and interpretation to gain insights into the SA e-commerce sector's dynamics and its readiness for international competition.

3.2 Research design

The research design adopts a quantitative approach to identify key growth enablers and barriers, offering actionable insights for market entry and expansion strategies (Indeed, 2023). Comparative quantitative analysis (Taylor, 2024) will evaluate critical market dynamics, including competition, market share distribution and growth trends. Trend analysis such as internet and smartphone penetration rates and e-payment adoption, will provide insights into technological infrastructure efficiency.

3.3 Data collection methods

Data will generally be collected from secondary sources, including reports, publications, and datasets from authoritative sources such as the Competition Commission, Statistics SA (Stats SA), and other relevant governmental and non-governmental organisations. These sources will provide valuable insights into market dynamics, competitive forces, regulatory frameworks, and economic indicators pertinent to the research objectives. A purposive sampling method will be used to select case studies that include and possess relevant information and experience in the SA e-commerce sector. Sampling criteria include industry expertise, organisational positioning, and geographic location to ensure diversity and representation.

3.4 Research instrument

Table 4 describes the research tools which will be used to collect and analyse data. For a detailed research instrument analysis see Appendix B.1: Detailed Research Instrument.

Table 4: Research instrument

Market dynamics	Instruments and available secondary data
Market structure and competition	Market saturation: Herfindahl-Hirschman Index and Gini coefficient for SA, trend analysis and industry specific reports by the Competition Commission.
Regulatory environment and market liberalisation	Analysis of publications by Department of Trade, Industry, and Competition (DTIC), and National Consumer Commission (NCC).
Technology infrastructure	Analysis of data from SA Reserve Bank (SARB), Payments Association of SA (PASA), Independent Communications Authority of SA (ICASA) and surveys by Bloomberg, Nielsen and Ipsos.
Consumer behaviour and segmented demographic trends	Analysis of market research reports from Bloomberg, Euromonitor International, Nielsen, Deloitte and McKinsey.
Internationalisation considerations	Cross case study analysis

3.5 Data analysis strategies and interpretation

Various analytical techniques will be utilised to analyse the secondary data sources, including thematic analysis to identify key themes, content analysis to explore textual data, quantitative analysis to examine economic indicators and trends, and cross-case analysis to identify patterns and relationships within the data. Appendix B.2: Secondary Data Sources, Analysis Strategies and Interpretation.

3.6 Limitations

Limitations include that may impact the depth and scope of the analysis are:

- Potential sampling bias,
- Reliance on and limits of secondary data sources, and
- Limited generalisability of findings beyond the study context.

Additionally, the dynamic nature of the e-commerce sector may pose challenges in capturing real-time market dynamics and trends.

3.7 Quality assurance

Appendix B.3: Secondary Data Validation

3.7.1 External validity (or transferability)

To enhance external validity, research instruments will be selected from reputable sources closely aligned with the specific context and capture a range of experiences and perspectives within the SA e-commerce sector. This will enhance the transferability of the findings to similar contexts.

3.7.2 Internal validity (or credibility)

Triangulation of data sources such as cross-referencing information from multiple sources or comparing findings with existing literature, will validate the accuracy and consistency of the data.

3.7.3 Reliability (or dependability)

A systematic approach to data analysis will be employed to enhance dependability, following predefined theoretical and conceptual frameworks to ensure consistency in data interpretation. By adhering to rigorous methodological standards and transparent reporting, the research aims to enhance the dependability of the analysis and provide a reliable basis for drawing conclusions and making inferences.

3.8 Ethical considerations

Full transparency regarding any conflicts of interest and adherence to ethical standards set by relevant professional associations or regulatory bodies are imperative to maintain the credibility and trustworthiness of the research outcomes. Other ethical considerations include ensuring data security, respecting cultural sensitivities, and adhering to ethical guidelines set by Wits Business School.

4 CHAPTER 4: RESULTS AND DISCUSSION

The SA B2C e-commerce market is growing rapidly, though still small compared to global markets. It comprises approximately 6% of SA's total retail sector (World Wide Worx, 2024)[2]. In 2023, online retail in SA surged to ZAR 71 billion, marking a 29% increase from 2022. This upward trajectory is expected to continue, with projections indicating that it will surpass the ZAR 100 billion mark by 2026 (World Wide Worx, 2024), potentially capturing up to 10% of SA's total retail market (Nedbank, 2024). This is driven by key market dynamics such as increasing internet penetration, growing consumer trust, and a diverse mix of players in the market (Competition Commission SA, 2021).

This chapter presents the data collection and analysis of key market dynamics in the SA B2C e-commerce market, with a focus on market structure and competition, regulatory frameworks, technological infrastructure, consumer behaviour, and factors related to internationalisation. Additionally, it explores how these elements shape the attractiveness of this space for international entrance and expansion.

4.1 Market structure and competition

The Department of Communications Green Paper on SA E-Commerce (2010) describes the SA e-commerce market structure as a diverse mix of local and international players across different segments. It is characterised by an oligopolistic structure, with a few dominating retailers (The Competition Commission of SA, 2024) dictating market trends, setting benchmarks for service levels and shaping consumer expectations (Kindal, Handson, & Nkosi, 2021).

4.1.1 Dominant players in SA

A 2024 study by BCG (Kingombe, Wadher, & Vishakha, 2024)[3] shows that the SA e-commerce market is dominated by the top four players – Takealot.com, Checkers, Woolworths and Superbalist – who hold a combined approximately 50% market share, characterised by multi-category offerings and marketplace models, including fashion (35%), electronics (25%) and groceries (20%), seen in Figure 3 below with more detail and a full analysis in Appendix C. According to this research, Takealot.com and

[2] The 2024 report by World Wide Worx, titled 'Online Retail in SA 2024', was developed in collaboration with Mastercard, Peach Payments, and AskAfrica. Drawing on detailed sales data, transaction data, payment trends, market analysis, and consumer surveys, the report provides a comprehensive view of SA's e-commerce sector. It employed a multi-source methodology, integrating sales data from e-commerce platforms with consumer behaviour insights and market reports for contextual depth. This methodology provides a reliable foundation for understanding e-commerce's growing contribution to SA's Gross Domestic Product (GDP) and its potential to drive broader economic transformation.

[3] The 2024 study by BCG, titled 'Foreign e-tailers are here! Is South African e-commerce ready?', draws on data from the Euromonitor Retail in SA dataset (extracted in April 2024). This dataset provides detailed insights into the retail landscape, including market sizes, company shares, and growth forecasts across various retail channels. It utilises data from official statistics, company reports, and in-country research, processed through advanced data science techniques for accuracy. This rigorous methodology ensures reliable insights, supporting studies like BCG's 2024 report on SA e-commerce readiness.

Checkers are emerging as leading players, holding a combined market share of approximately 30% (Kingombe, Wadher, & Vishakha, 2024):

- Takealot.com operates as a marketplace and retailer, offering a wide range of products across various categories. Its user-friendly interface and frequent promotions have cultivated strong customer loyalty, making it a household name in e-commerce. Its acquisition of Mr Delivery established a robust logistics network, supported by warehouses and courier partnerships, ensuring timely deliveries, even in high-demand periods, meeting SA's demand for convenience. Takealot.com's growth accelerated after its 2015 merger with Naspers' Kalahari.com, leveraging scalability and early adoption of market-leading practices.
- Checkers' Sixty60 platform, launched in 2019, has expanded beyond groceries, offering fast, affordable delivery with in-store pricing and promotion integration (Rajgopaul, 2024). Increased demand during the pandemic caused rapid growth (My Broadband, 2025), and by 2024, Sixty60 added 73 stores. Shoprite's latest annual report (2024) revealed that with 80% of SA consumers living within five kilometres of a Checkers store, the company has capitalised on its proximity to customers, using its store footprint and in-store picking to efficiently cover last-mile delivery (Shoprite, 2024). The introduction of 'dark stores' further enhances its capacity, reinforcing Sixty60's position as a cornerstone of Checkers' digital strategy (My Broadband, 2025).

					Approximate share of e-commerce market[1]					
Player[2]	E-comm market share	Online only?[3]	Multi-Category?[4]	3P Market-place?[5]	35% Fashion (apparel, shoes, accessories)	25% Electronics, toys and games	20% Groceries and Alcohol	13% Home & Electronics	5% Beauty and personal care	2% Others (pet, books, etc.)
Takealot.com	15 - 20%	✓	✓	✓	●	●	●	●	●	●
Checkers	12 - 15%		✓			●	●	●	●	●
Woolworths	8 - 10%		✓		●	●	●	●	●	●
Superbalist.com	5 - 6%	✓	✓	✓	●			●	●	●
Amazon		✓	✓	✓		●		●	●	●
Shein	45 - 55%	✓	✓		●	●		●		
Temu & others		✓	✓	✓	●	●	●	●	●	●

1. E-commerce Retail Sales Value (excl. tax) by category
2. Excluded brands with less than 1% market share
3. Brand is online only if their branded goods are only available online
4. Brand is considered multi-category if they offer 2+ categories
5. Brand is a marketplace i.e. if it has 3rd party sellers on platform

Source: Euromonitor Retail in South Africa dataset (extracted Apr 2024), Local companies reports, BCG Analysis

Figure 3: SA e-commerce landscape showing dominant players

4.1.2 Dominance and market maturity

Mature e-commerce markets, valued over USD 50 billion, feature high consumer adoption, strong digital infrastructure, and dominant generalist players with significant market share, reflecting a well-established, competitive online retail landscape (Kingombe, Wadher, & Vishakha, 2024). Examples are illustrated in Figure 4 below, and explained in Table 5:

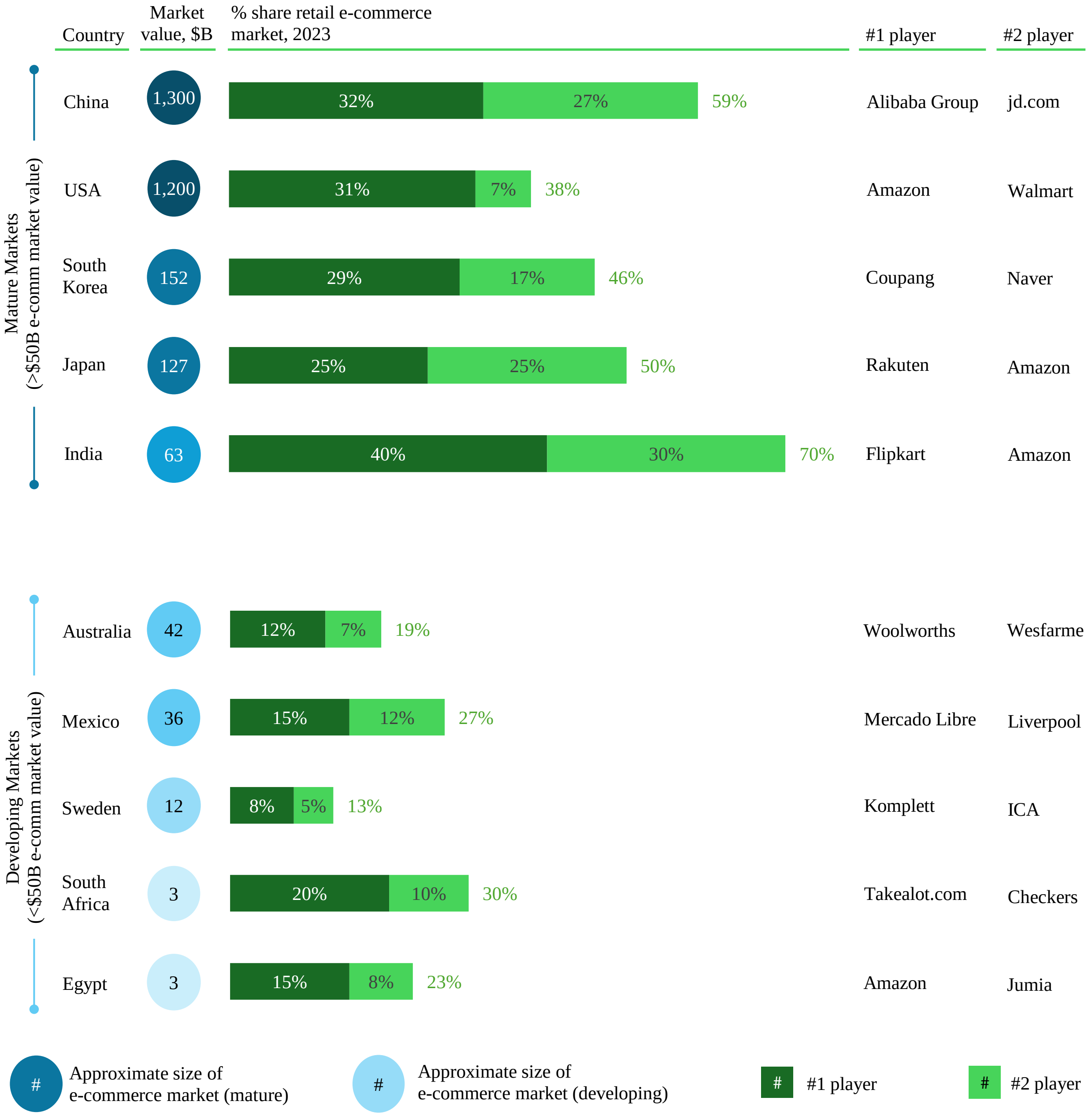


Figure 4: Mature e-commerce markets typically dominated by two strong generalist players

Table 5: Mature e-commerce dominant players market analysis

Mature Markets	Analysis
China	Alibaba Group and JD.com dominate China's e-commerce market with 59% share, driven by extensive product ranges (CKGSB Knowledge, 2022), robust logistics (Cainiao, JD Logistics), same-day delivery, and integrated services like marketplaces, Alipay (Goba, 2024), and user-friendly interfaces, ensuring scale and efficiency.
USA	Amazon and Walmart dominate with a 38% combined market share. Amazon excels through its unmatched product portfolio, advanced logistics, and AI-driven personalisation (Goba, 2024), while Walmart leverages its omnichannel strategy and physical stores to cater to both online and offline shoppers (Grills, 2025).
South Korea	Coupang and Naver dominate 46% of the market. Coupang's Rocket Delivery ensures overnight delivery for late orders (Coupang, 2022), while Naver integrates search engine capabilities with e-commerce, offering seamless consumer journeys from product discovery to purchase (Forbes, 2025).

In contrast, the SA e-commerce structure is considered a developing market (USD 3 billion). As SA's e-commerce grows, similar consolidation trends are anticipated[4] (Rajgopaul, 2024), with a few players potentially emerging as dominant leaders, creating opportunities for international competitors to enter:

- Unlike mature markets, the absence of fully consolidated market leaders creates space for international entrants to establish a foothold (Rajgopaul, 2024). This market fragmentation allows new or niche platforms to gain traction if they effectively address specific consumer needs effectively, (as seen with the low-price strategy of Shein and Temu, in Section 4.1.3 Entry of international giants).

- International competitors can exploit operational gaps – such as underdeveloped supply chains, last-mile delivery inefficiencies, limited warehousing, and insufficient rural penetration – to enter and dominate, by leveraging established logistics expertise and delivering superior customer experiences. As the market matures and consolidates, early entrants have the potential to shape its evolution, replicating successful strategies observed in mature e-commerce markets globally (as seen with Amazon, in Section 4.1.5 Competitive forces and strategies).

4.1.3 Entry of international giants

The entry of foreign marketplaces such as Shein, Temu, and Amazon marks a new phase of digital competition in SA (Competition Commission SA, 2021), with these global giants positioning the country as a strategic entry point for their expansion into Africa.

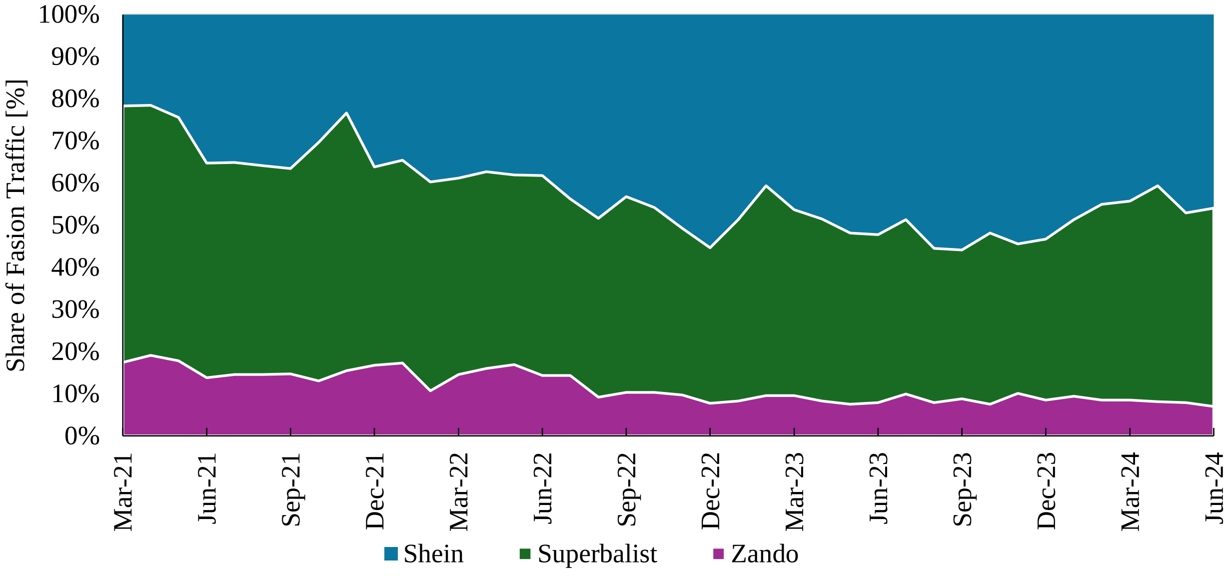
[4] Evidence of SA's e-commerce market growth lies in its increasing market size, reflected in a CAGR of over 10% (Rajgopaul, 2024). This growth mirrors global trends where early-stage markets consolidate around dominant players as they mature, driven by technological advancements, rising internet penetration, and shifting consumer behaviours (Smith et al., 2023). Such structural evolution can attract international entrants seeking to collaborate with or compete against emerging local leaders. These developments align with market maturation theories, such as that proposed by Levitt from the Harvard Business Review (2015), emphasising the importance of scale economies and strategic alliances in developing markets.

Shein, valued at ZAR 1.2 trillion, disrupted SA's online fashion market since 2020 with affordable pricing of vast product ranges (Gibon, 2024). Shein targeted price-sensitive, young, fashion-conscious consumers active on social media, where approximately 50% of its web traffic is driven by users under the age of 34 and 65% of its customer base are female (Gibon, 2024). According to a report by the Marketing Research Foundation[5] (2024), Shein leveraged advanced digitalisation and AI-driven supply chain management, to capture a commanding 35% market share in women's clothing, outpacing Mr Price (7%) and Superbalist (3%), along with notable shares in children's (10%) and men's clothing (8%), as illustrated in Figure 5. Their ability to respond swiftly to consumer trends while keeping costs low, partly through tax system loopholes, has positioned Shein as a dominant force in SA's fragmented e-commerce landscape.

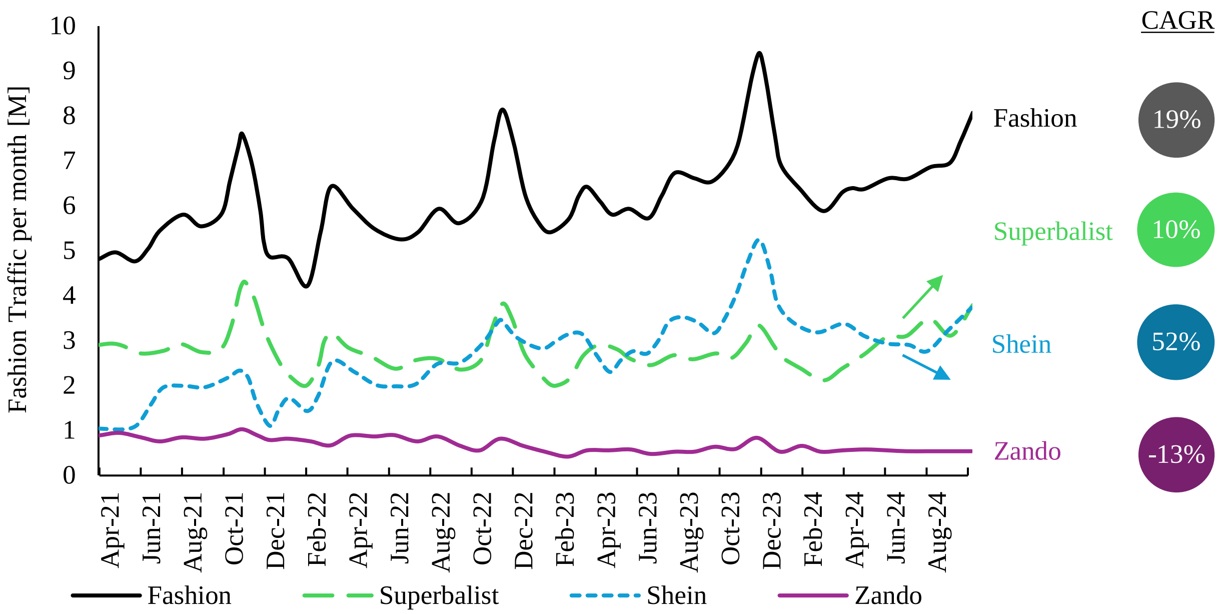
Figure 5: Top e-commerce clothing retailers by category

Shein's aggressive growth has reshaped consumer expectations and pressured local players to innovate (Suleman, 2024). While Shein drove a 52% increase in web traffic, Superbalist responded with a 40% growth (Figure 6 below), signalling attempts to reclaim market share (Kingombe, Wadher, & Vishakha, 2024). Additionally, the rise of stores in SA reselling Shein products is increasing competition by targeting customers who prefer in-person shopping.

[5] The Market Research Foundation's SA report on top e-commerce clothing retailers was developed using a robust multi-source methodology to analyse consumer preferences across categories such as women's, men's and children's clothing. The research drew on a combination of online sales data, consumer surveys, and market share analysis to capture the performance of key players. By integrating insights from transaction data with demographic segmentation, the foundation ensured a comprehensive understanding of shopping behaviours. This approach provided actionable insights into market dynamics, including brand preferences and category leaders, offering a reliable framework for understanding consumer trends in SA.



(a)



(b)

Figure 6: Shein growing total fashion traffic

Temu entered the SA market in January 2024 and rapidly became the most downloaded app of the year, experiencing an initial surge in website traffic, as seen in Figure 7 below (Kingombe, Wadher, & Vishakha, 2024). Temu's strategy leverages a personalised and engaging app interface, including gamification features, offering discounts to create an entertaining shopping experience (Suleman, 2024). Temu's expansive product catalogue spans home goods, electronics, and more, with over one million items. This broad offering and aggressive pricing enabled Temu to capture market share rapidly, challenging local players whose traffic growth remained modest.

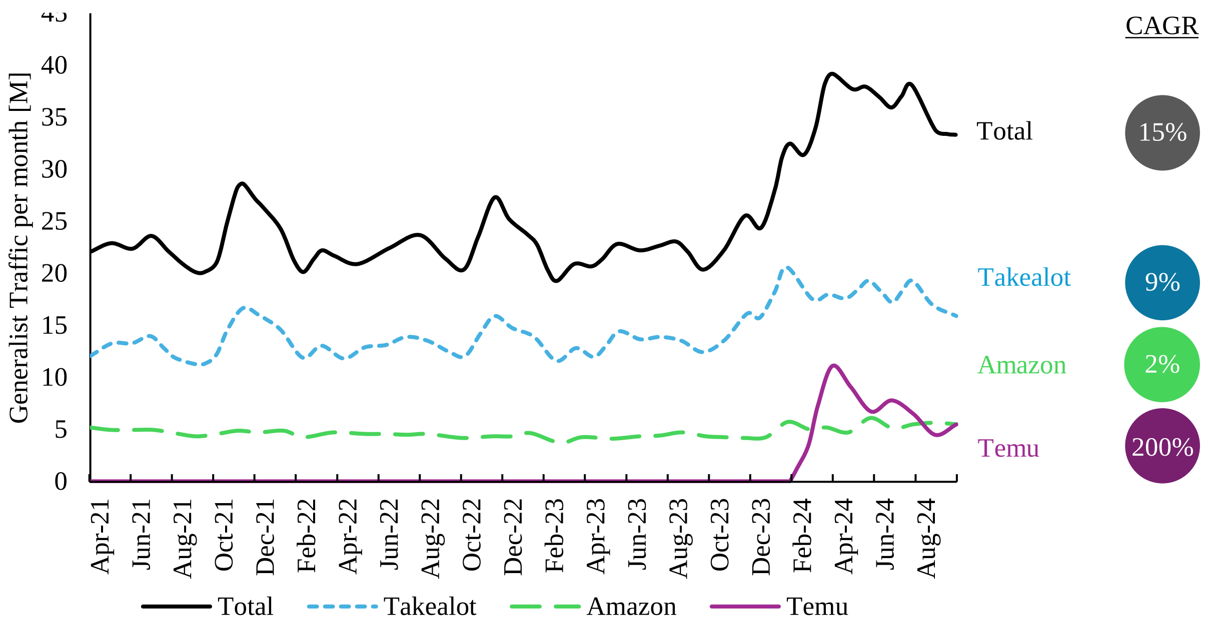


Figure 7: Temu site visits increased largely due to their marketing blitz

Amazon soft-launched in SA in May 2024 with its time-tested launch playbook (see Appendix E). According to a 2024 report by Euromonitor International (2024)[6], 68% of SA online shoppers expressed interest in shopping on Amazon once it entered the market, citing trust in the brand and the convenience of its services as key drivers. Amazon's soft-launch approach resulted in a mild increase in traffic when compared to Temu's aggressive launch campaign, also seen in Figure 7.

International giants' entries into SA's e-commerce market show both opportunities and challenges within the sector:

- While these platforms attract consumers with their extensive product ranges, Temu's financial strain, for example, (marked by a -27% net margin per order due to high customer acquisition and air-shipping costs shown in a recent report by Goldman Sachs[7]) highlights the inefficiencies of relying on cross-border supply chains. Operational hurdles, including underdeveloped logistics networks, inconsistent last-mile delivery, and cumbersome customs processes, hinder their ability to meet consumer expectations for speed and reliability.
- In contrast, Amazon's approach of establishing local inventories is a step toward overcoming these hurdles, enabling faster deliveries in major urban areas and setting a new benchmark for

[6] The report by Euromonitor International is based on an analysis of consumer surveys, market data and brand perception studies. The study highlights key drivers of Amazon's anticipated success in SA, including consumer trust in the brand's global reputation and the perceived convenience of its services. Data was collected using stratified sampling to ensure a diverse representation of SA's demographic and economic segments, thereby providing insights that reflect the country's varied consumer landscape.

[7] The Goldman Sachs report incorporates financial modelling, industry benchmarking, and supply chain cost analysis. The data sources include proprietary market studies, logistics cost assessments, and a detailed examination of operational expenditures.

service standards in the market[8]. This strategy demonstrates that SA's readiness for international competitors depends significantly on how these entrants adapt to local conditions and expectations. The ability to localise operations – whether through building inventory hubs, partnering with local logistics providers, or investing in technology – will be a decisive factor for success.

4.1.4 Adaptation of brick-and-mortar retailers

The convergence of traditional brick-and-mortar stores with e-commerce platforms has emerged as a critical trend in SA's retail landscape. The 2024 Payfast by Network State of Pay report (2024)[9] reveals a rise in merchants reporting increased online sales (50% of all e-payment transactions in 2024, up from 38% in 2023), with 68% of consumers preferring online shopping over traditional retail methods. This growth is attributed to the following top key strategies:

i. Establishing e-commerce platforms to complement physical stores
ii. Enhancing payment systems
iii. Adopting omnichannel retailing approaches.

By adopting this hybrid retail model, SA merchants are balancing competitive pressures from online marketplaces while meeting modern consumer demands for convenience and flexibility. Global players like Amazon and Alibaba demonstrate this strategy by integrating online and offline retail, with Amazon planning local fulfilment centres and Alibaba leveraging omnichannel models like Freshippo (Hema) in China, which combines physical stores with digital shopping experiences (Ryan, 2019). For foreign companies wishing to internationalise this way, SA's growing digital adoption and the potential to implement proven omnichannel strategies make it a lucrative and strategically significant market.

4.1.5 Competitive forces and strategies

International giants are reshaping SA's e-commerce sector, leveraging competitive pricing and trend-driven products to challenge local players. Table 6 illustrates their disruptive potential.

[8] Amazon plans to offer both same-day and next-day delivery (on select first-party products), with similar rates as Takealot.com - along with 24/7 customer service and a 30-day return policy. Amazon has also implemented its A-Z Guarantee, which offers customers a full refund if they are not satisfied with a purchase made from a third-party seller, thereby setting the service bar high from the start.

[9] The fourth annual Payfast by Network State of Pay report provides an extensive overview of SA's payments landscape heading into 2025. The State of Pay report is based on the following: Payment data collected from the Payfast by Network engine from 1 August 2023 to 30 September 2024, Online surveys conducted with Payfast by Network merchants and consumers in September 2024, In-depth interviews, and with industry experts within the Payfast by Network ecosystem conducted in September 2024**.**

Table 6: Competitive strategies of past international entrants

International entrant	Competitive strategy
Shein and Temu	Shein and Temu have rapidly gained market share through aggressive pricing and exploiting tax loopholes to bypass import duties (Yang, Li, & Gong, 2023). Their asset-light models and high-impact marketing (spending approximately USD 1.5 billion on Meta ads[10] globally in 2023 (Kloren, 2025)) appeal to Millennials and Gen Z, who drive 60% of SA's e-commerce spending (Puchert, 2024). By prioritising affordability and trend-driven product offerings, they have positioned themselves as key players in a highly price-sensitive market, leveraging consumer patience for lower prices, to bypass logistical challenges that burden local competitors reliant on same-day delivery (Buthelezi, Mtani, & Mncube, 2018).
Amazon	Amazon soft-launched in SA using its proven market entry strategy (see Appendix E), taking a gradual approach by expanding its seller base and improving the shopping experience over time. Facing logistical challenges due to SA's isolation from other Amazon markets, it has partnered with DPD Laser, The Courier Guy and Pargo to navigate issues like unmapped addresses, congested ports and high crime rates (Mwamanda, 2024). A key strength is Amazon's dynamic pricing analytics, adjusting prices every 90 seconds to match competitors—crucial in SA's price-sensitive market. It offers same-day and next-day delivery on select products, with pricing similar to Takealot.com, alongside 24/7 customer service, a 30-day return policy, and its A-Z Guarantee, reinforcing strong consumer trust from the outset (Brederode, 2024).

Trend analysis of data from Euromonitor International (2024) shows local giants like Takealot and Checkers increasing their investments in their supply chain and digital marketing to maintain competitive footing. Their reactive strategies are summarised in Table 7 below.

Table 7: Reactive strategies of local competitors

Local competitor	Competitive strategy
Checkers	Checkers has reinforced its market position with Sixty60 Xtra Savings Plus, offering free delivery on orders over R350 and 10% in-store savings (capped at R200) for R99/month. By 2024, it achieved a 90% customer satisfaction rate, reducing delivery times to under 60 minutes in key cities. In 2023, Checkers invested R1 billion to enhance its app functionality and delivery tracking, ensuring a seamless shopping experience (Shoprite, 2024).
Takealot	Takealot has strengthened its market position with TakealotNOW, a competitor to Sixty60, offering rapid delivery via MrD. Additionally, TakealotMORE, its subscription service, provides free delivery for R79/month, enhancing customer retention and countering Amazon's growing presence (Takealot, 2025). To improve logistics and efficiency, Takealot has expanded its dark store network to 30+ locations, and has also implemented AI-driven pricing models, enabling discounts of up to 15% to stay competitive. Its marketplace operations have scaled significantly, with 7,000+ third-party sellers onboarded in 2023, broadening its product offerings (Daily Investor, 2025).

SA presents significant opportunities, but its readiness for international competition remains mixed. However, demand for trends and affordability makes it ripe for innovation and expansion. The growing

[10] Meta ads are digital advertisements on Meta's platforms like Facebook and Instagram, leveraging advanced targeting to reach specific audiences. These ads leverage Meta's advanced targeting capabilities, using user data such as demographics, interests, and online behaviour to reach specific audiences effectively. Companies like Shein and Temu use these ads to enhance brand visibility, engage with consumers, and drive traffic to their platforms.

presence of global players is driving innovation, raising service standards, and gradually transforming SA into a more competitive and dynamic e-commerce market.

4.1.6 Trend projections and market penetration

SA's e-commerce market is set for strong growth, with a 12.5% Compound Annual Growth Rate (CAGR for 2022 – 2027) (Mordor Intelligence, 2024). According to data by Statista (2024), Mordor Intelligence (2024) and Payfast (2024), it is expected to exceed ZAR 400 billion by 2025, driven by rising internet access, improved payment security, and growing digital adoption in urban and semi-urban areas.

Data further illustrates the e-commerce penetration rate[11] reached 25% in 2023, surpassing the 18% global average (Statista, 2025). This growth trajectory reflects significant progress in a market that has historically been heavily reliant on cash-based transactions. The penetration rate is expected to reach 34.3% by 2029 (Statista, 2025), marking the increasing adoption of digital commerce among SA consumers. As explained by Hartzenberg (2022), these trends are indicative of SA's broader shift toward a digitally integrated economy, characterised by the rising acceptance of online shopping as a mainstream consumer activity.

Dominant players in this sector will drive future growth:

- Takealot.com aims to enhance its logistics network, expand local supplier partnerships, and improve delivery speeds to stay competitive (Mordor Intelligence, 2024). Similarly, Checkers Sixty60 Hyper extends its 60-minute delivery promise to larger appliances, reinforcing innovation in rapid-delivery e-commerce.
- Amazon will leverage its global flywheel strategy[12] (see Appendix E), adapting to local market conditions through regional infrastructure investments and tailored services. It is expected to expand fulfilment centres and strengthen its Prime membership program to attract SA consumers[13].

[11] SA's e-commerce penetration rate refers to the proportion of the population or retail market engaging in online shopping compared to traditional shopping methods. It measures the extent to which e-commerce has been adopted within the country, expressed as a percentage of total retail sales.
[12] The flywheel leverages an important feedback loop: an expansive product selection feeds into a great consumer experience driving traffic to the website, hence attracting more sellers, who in turn drive a broader product selection. This flywheel drives growth that enables Amazon to maintain its low-cost structure and therefore offer low prices to further fuel growth. See Appendix E for detailed structure of Amazon's global flywheel strategy.
[13] The likelihood of Amazon establishing more fulfilment centres and investing in its Prime membership program for SA consumers is supported by its global market entry strategy (Hartzenberg, 2022). Studies on Amazon's international expansion, such as those by Johnson and Kwok (2021), highlight the correlation between regional investment and accelerated market penetration. Moreover, the growing SA e-commerce market, projected to reach USD 3 billion by 2024 (Rajgopaul, 2024), provides a strong economic incentive for such investments. This aligns with resource-based theories suggesting that firms invest in physical and digital assets to gain competitive advantage in emerging markets (Barney, 1991).

- Shein and Temu will continue aggressive pricing and marketing, with Shein focusing on fast fashion and Temu on affordable general merchandise (Payfast by Network, 2024). However, sustainability concerns and local consumer preferences will be key challenges for long-term growth.

Trend forecasting models like the S-curve (depicted in Figure 8 (Statista, 2025)), effectively illustrates the non-linear growth of e-commerce adoption. This framework effectively captures the non-linear growth of e-commerce adoption, illustrating phases of steady penetration prior to 2018, rapid acceleration during the pandemic (2020 – 2022), and the current transition toward maturity. This can be used to contextualise the market's dynamic growth stage and provide a framework for anticipating its eventual plateau as the market stabilises and approaches maturity.

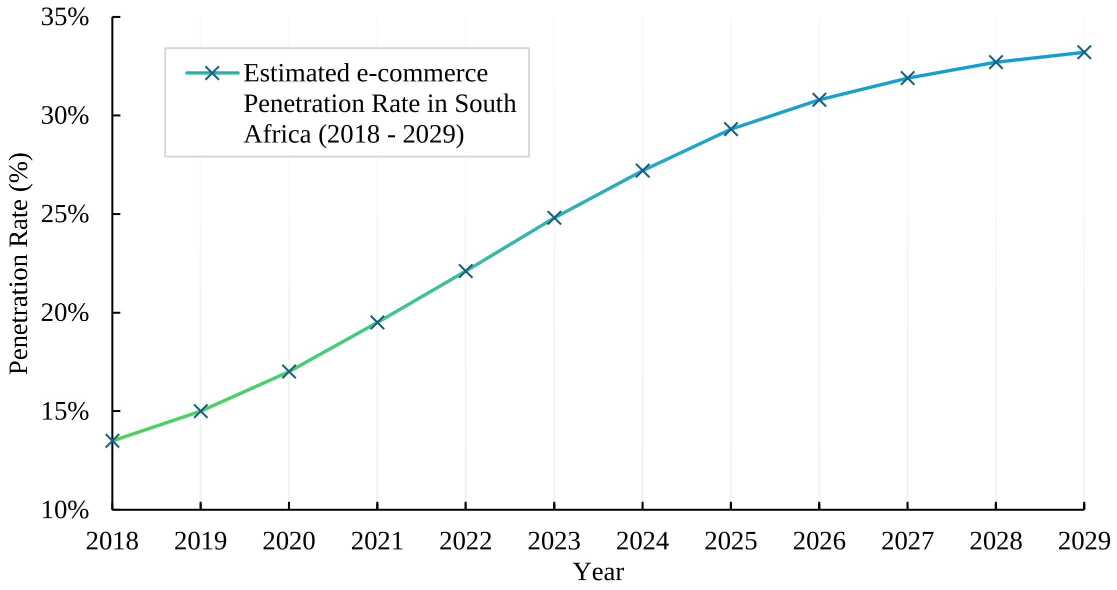


Figure 8: Estimated -commerce Penetration Rate in SA (2018 – 2029)

Exponential trend smoothing provides a reliable method for short-term forecasting, helping to mitigate market volatility caused by external disruptions and shifting consumer behaviour. Current trends suggest that SA’s e-commerce market is in its most dynamic and growth-intensive phase, requiring stakeholders to prioritise scalability and infrastructure expansion. As the market moves toward maturity, competition intensifies, driven by the tendency of mature markets to consolidate around a few dominant players.

4.2 Regulatory environment and market liberalisation

SA's e-commerce sector operates within a developing regulatory framework aimed at ensuring fair competition, consumer protection and secure transactions. Market liberalisation efforts, including streamlined processes and international alignment, aim to attract investment and bolster the sector's growth.

4.2.1 Electronic transaction regulations

The Electronic Communications and Transactions Act (ECTA) (2002) establishes legal recognition for electronic contracts, requiring businesses to disclose terms and conditions upfront, mandating transparent terms, encryption, and digital signatures to enhance trust in digital transactions (Hartzenberg, 2022). Similarly, the Cybercrimes Act (2021) strengthens security by addressing fraud, identity theft, and data breaches, boosting consumer confidence in e-commerce. This increased trust has accelerated digital commerce growth, but challenges remain. Cross-border e-commerce lacks regulatory clarity (Kibuacha, 2021) as rapid technological advancements require ongoing regulatory updates to address emerging risks, complicating market entry for international players.

4.2.2 Consumer protection

Consumer protection is a critical enabler of e-commerce growth. The POPIA enforces international data protection standards by mandating lawful processing and secure storage of personal data (Information Regulator South Africa, 2021). According to Payfast by Network (2024), compliance with POPIA has significantly enhanced consumer confidence in online platforms. Additionally, reports from the NCC (2025) reveals how the CPA through transparency in pricing, clear terms and conditions and dispute resolution mechanisms, promotes a fair, accessible, and sustainable marketplace. However, as noted by Statista (2025), the rising incidence of cyberattacks and growing consumer expectations for faster grievance redressal require robust enforcement mechanisms. This aligns with Kibuacha's (2021) claim that effective consumer protection not only builds trust but also creates a competitive advantage for businesses in the digital economy.

4.2.3 Trade markets and taxes

The increasing demand for parcel services, evidenced by a 30.82% rise in volumes between 2022 and 2023 as reported in the State of the ICT Sector Report by ICASA[14] (2024)**,** indicates the expanding market for shipping goods both domestically and internationally. However, as highlighted by Mordor

[14] The ICASA ("the Authority") released the 9th annual State of Information Communication Technology ("ICT") sector report. The data used in compiling this report was obtained through a comprehensive questionnaire distributed to key stakeholders covering the period from 1 October 2022 to 30 September 2023. Pricing data for voice, SMS, prepaid bundles, and post-paid bundles utilised in this report pertains to the year 2024. Additionally, data was sourced from various reputable sources, including the International Telecommunication Union's (ITU) 2023 report, OOKLA's 2024 data, and Stats SA's 2022 report.

Intelligence (2024), achieving a balance between protectionist policies and market openness remains crucial to sustaining this growth while encouraging both local innovation and international participation.

The DTIC (2024) has implemented trade facilitation initiatives, including Special Economic Zones (SEZs), which offer incentives like a reduced corporate tax rate and allowances for building expenditures. These incentives, as explained by Payfast by Network (2024), support SA's broader trade liberalisation efforts, reinforced by bilateral and multilateral agreements, encouraging an enabling environment for international market entry.

SA is aligning with global tax frameworks, including the Organisation for Economic Co-operation and Development (OECD) digital economy guidelines, reinforcing its commitment to international best practices (OECD, 2024). According to Mordor Intelligence (2024), participation in regional agreements such as the African Continental Free Trade Area (AfCFTA) offer market expansion opportunities, but logistical barriers such as customs duties and infrastructure limitations may hinder seamless trade.

According to the SA Revenue Service (SARS), the application of Value-Added Tax (VAT) to digital goods and services ensures parity between online and traditional retailers (South African Revenue Service , 2024). As of September 1, 2024, imports previously exempt under the ZAR 500 de minimis rule now face a 15% VAT plus customs duties, levelling the field for local retailers but raising operational costs for international e-commerce firms.

Despite these barriers, SA can expand its e-commerce sector and attract global competitors by:

- Revisiting trade tariffs to balance protectionism and openness, with SARS and DTIC collaborating on simplified customs procedures and clear guidelines.
- Enhancing trade facilitation through pre-clearance systems and bonded warehousing.
- Positioning SA as a safe and transparent market by leveraging consumer protection legislation to attract reputable international players.

4.3 Technology infrastructure

SA's technological infrastructure is key to market accessibility and digital business scalability.

4.3.1 Internet penetration rates

According to the ICASA and the General Household Survey (GHS) by Stats SA, there has been a steady increase in internet penetration reaching 72% in 2023, driven by 4G expansion and initial 5G rollout in metro areas (ICASA, 2024). Mobile broadband dominates connectivity, with 96% of users relying on mobile devices, reinforcing SA as a mobile-first e-commerce market[15]. Internet access is expected to exceed 80% by 2030, supported by high-speed network investments and affordable data (Statista, 2024).

Widespread connectivity enhances market accessibility and e-commerce scalability, making mobile optimisation essential for local and international players (Hartzenberg, 2022). However, rural connectivity gaps persist, limiting inclusivity. Targeted infrastructure investments could bridge this divide and strengthen SA's global e-commerce readiness.

4.3.2 Mobile subscriptions and smartphone ownership

ICASA data indicates that mobile subscriptions in SA surpassed 100 million in 2024, equating to a penetration rate of over 170% (ICASA, 2024). Smartphone ownership has risen to 60% of the population, fuelled by the availability of affordable devices tailored for developing markets. As Payfast by Network (2024) explains, this trend lowers barriers to digital participation, especially for middle- and lower-income groups, broadening the e-commerce customer base. Projections suggest smartphone penetration will reach 75% within five years, driven by price reductions and financing options.

Despite this growth, 40% of the population still lacks smartphones, representing a significant untapped market, particularly in rural and low-income areas. According to Kibuacha (2021), affordability and infrastructure remain barriers, but partnerships with device manufacturers or mobile-first interactions (Takealot's app-only deals) could help global e-commerce players tap into these underserved markets.

4.3.3 Adoption rates of e-payment systems

Data from the SARB (2024) and the PASA (2024) reveals robust growth in electronic payment adoption, with over 1.2 billion card-based transactions processed in 2023 – marking a 15% year-on-year increase. Mobile payment solutions such as SnapScan, Zapper, and PayPal are gaining popularity,

[15] A mobile-first e-commerce market focuses on mobile devices as the primary platform for online shopping. Competitive advantage in this space requires lightweight mobile apps, mobile-friendly websites, and seamless mobile payment integrations to cater to diverse user needs. Foreign entrants could tailor their strategies to align with local mobile usage patterns, mitigating risks of technological misalignment. However, digital inequality in rural areas poses challenges, highlighting the need for inclusive infrastructure development. Success depends on bridging these gaps while delivering optimised mobile experiences.

with mobile transactions growing 20% annually (Payfast by Network, 2024). The increasing preference for alternative digital payment solutions reflects evolving consumer payment behaviours.

However, the fragmentation of SA's e-payment market creates inconsistent user experiences across platforms, leading to consumer hesitation in fully transitioning to digital payments affecting adoption rates. With multiple providers offering varied solutions, as shown by the number of popular payment methods in Figure 9, users may face complex onboarding processes and lack of interoperability which can slow adoption rates. Mordor Intelligence (2024) suggests that a unified regulatory framework could improve compatibility and trust, making digital payments more seamless. Bridging solutions, such as vouchers or prepaid cards, can help ease this transition, allowing cash-based consumers to participate in e-commerce without needing traditional banking services.

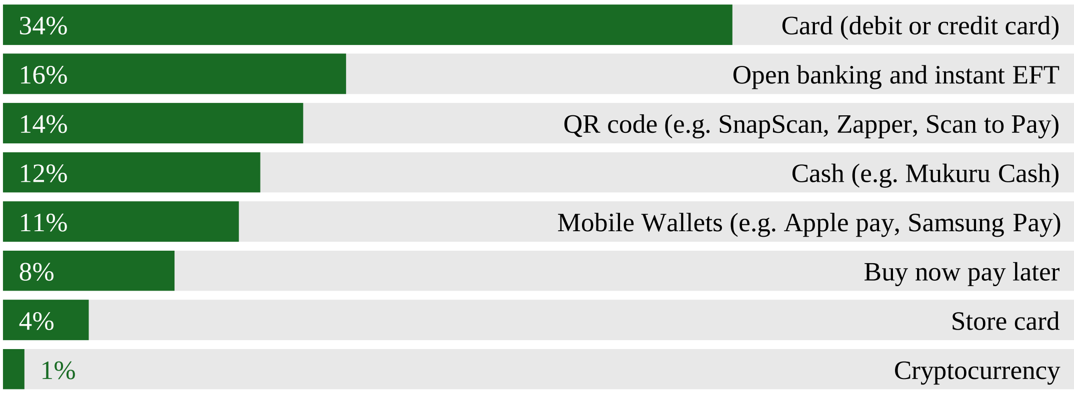


Figure 9: Most popular payment methods offered at online stores

4.3.4 Import inefficiencies and last mile delivery

Efficient last-mile delivery is critical for ensuring consumer satisfaction, as it represents the final step in the e-commerce supply chain and has a direct impact on delivery timelines, costs, and overall customer experience. The local courier industry, led by companies like The Courier Guy, Aramex, and DHL, has experienced significant growth, supported by ICASA's regulatory initiatives to expand private courier networks (ICASA, 2024). While urban areas benefit, rural regions remain underserved due to high costs and infrastructure challenges, limiting market inclusivity. Investments in rural infrastructure and cost-effective delivery solutions such as the SA Post Office (Illidge, 2024) are essential to bridging this gap.

SA's port infrastructure is another critical component of the e-commerce supply chain but is plagued by inefficiencies such as delays, high handling fees, and outdated systems. According to the National Ports Authority (NPA) (2024), these issues increase operational costs and disrupt delivery timelines, reducing the attractiveness of SA as a market for international e-commerce players. Modernisation efforts, including the adoption of smart logistics solutions and automation, are expected to reduce delays by 20 – 30% over the next five years, enhancing the competitiveness of the e-commerce sector (Department of Trade, Industry, and Competition, 2024).

4.4 Consumer behaviour and segmented demographic trends

The rapid growth of e-commerce in SA reflects a shift from a historically cash-based market to digital transactions. Stitch Money (2024)[16] consumer perspectives, highlights the rising consumer trust in online shopping through key trends shaping the market:

- According to a similar study done in 2023, 71% of shoppers were regularly purchasing food and beverage items online (Stitch Money, 2023), which has increased to 84 – 91% in 2024. This trend aligns with the growing adoption of grocery delivery apps such as Checkers Sixty60 (a 63.1% increase in the latter half of 2023) and Pick n Pay ASAP (76% for the same period).
- Apparel purchases surged from 60% to 83%, fuelled by fashion-focused platforms, mirroring how SA consumers increasingly trust online platforms for quality and convenience.
- The most dramatic growth occurred in household goods, jumping from 43% to 77%, highlighting the rising consumer confidence in purchasing high-value items online.
- A notable trend is the rise of social commerce, with 78% of online shoppers having made purchases through social media platforms. This trend indicates that consumers are increasingly comfortable buying directly through social channels and may even be influenced to make purchases by these channels.

These changes indicate a maturation of the market, where online shopping is now perceived as a reliable and convenient retail channel rather than a novelty.

4.4.1 Purchase frequencies and integration into daily life

Behavioural data collected from Stitch Money (2024) reveals that online consumption patterns are closely aligned with offline habits, reflecting the integration of e-commerce into daily life.

- Grocery and alcohol purchases are made multiple times per week or 2 – 4 times a month, mirroring typical offline consumption patterns.
- Clothing, beauty products, and pharmaceuticals are bought approximately once a month, while appliances remain occasional purchases, typically once or twice annually.

4.4.2 Spending habits and income dynamics

The survey revealed that SA consumers spend approximately 10% of their income on online purchases. Demographic segmentation provides additional context, with mid-income households emerging as the

[16] See Appendix D. The methodology of data collection for Stitch Money Report: Consumer Perspectives South Africa – e-commerce, involved partnering with a SA research firm, Yazi, to conduct a survey of approximately 350 SA men and women. The participants represented a diverse range of ages, income levels, locations, and lifestyles. All respondents reported having made at least one online purchase in the last six months. The survey was designed to capture their preferences and behaviours regarding shopping and paying online.

primary drivers of online spending due to their access to digital infrastructure and disposable income (Statista, 2025).

As shown in Figure 10, while high-income earners spend the most in absolute terms (ZAR 5,978), they dedicate only 6% of their disposable income to online shopping, suggesting a preference for in-store experiences. In contrast, low-income earners spend less overall (ZAR 564) but allocate 19% of their disposable income to e-commerce, demonstrating its growing accessibility even among financially constrained consumers. This indicates a strong demand for affordable digital shopping solutions, making SA an attractive market for new entrants looking to tap into underserved segments. Addressing barriers through affordable access, mobile-first platforms, and localised delivery solutions could expand e-commerce adoption across all income levels.

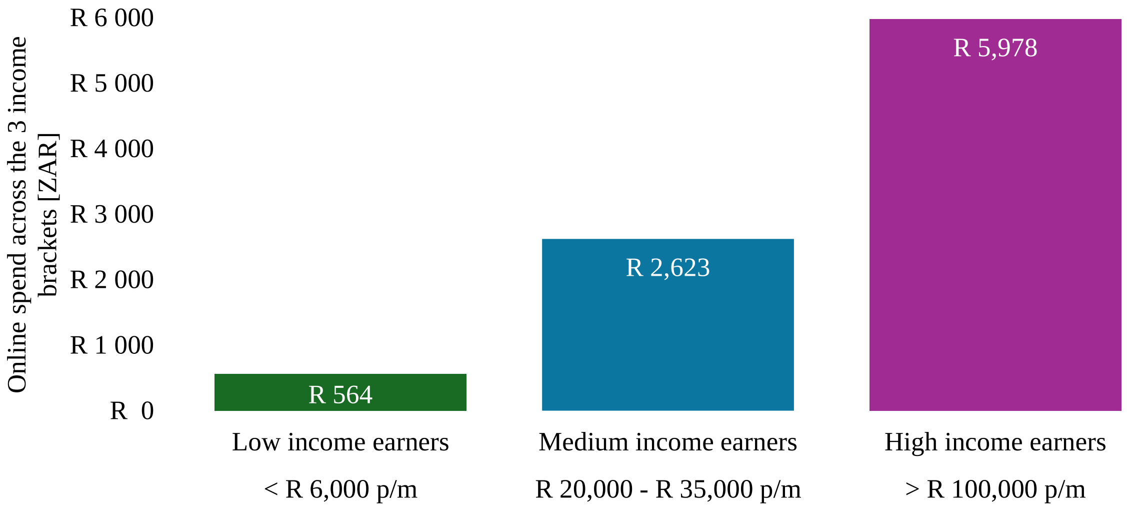


Figure 10: How much do South African consumers spend online?

4.4.3 Connected strategy

A connected strategy involves shifting from isolated, single customer interactions to continuous, integrated, and tailored customer engagements (Siggelkow, 2019). Competing effectively in the online space requires creating a high-quality, trustworthy, and frictionless user journey, supported by flexible and seamless payment options to boost conversion rates.

The State of Pay report (2024) identifies four key consumer journeys, as shown in Figure 11:

- The dominant trend (41%) is consumers browsing and purchasing online, reinforcing e-commerce's growing adoption.
- 18% browse online but purchase in-store, suggesting that trust and tactile experiences still influence buying decisions.
- Conversely, 10% browse and purchase in-store, reflecting a segment still reliant on traditional retail.
- The smallest group (3%) browses in-store but ultimately purchases online, likely driven by price comparison and convenience.
- 28% use both online and in-store channels equally, emphasising the need for omnichannel strategies that integrate digital and physical retail.

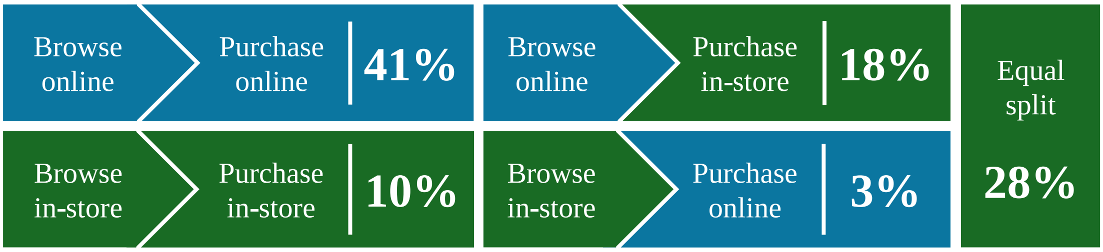


Figure 11: Most common consumer journey

According to a survey conducted by Stitch Money (2024), the payment experience is a key driver of willingness to pay from customers, with three of the six most common reasons for choosing one retailer over another directly tied to payment ease and security (as seen in Figure 12). This trend surpasses even traditional considerations like price or product selection, emphasising the growing importance of secure and seamless payment processes in fostering customer loyalty.

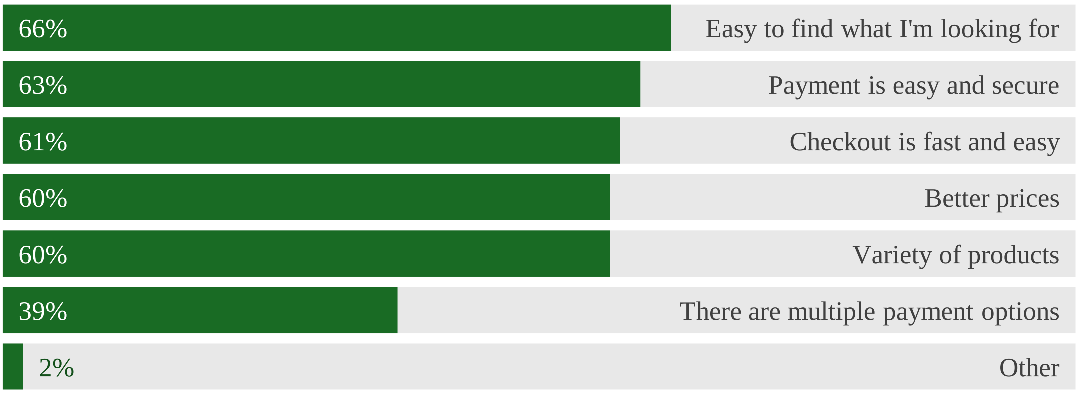


Figure 12: Most common reasons for choosing one online retailer over another

These findings have significant implications for merchants: Offering a range of fast, easy, and secure payment options is a decisive factor in driving conversions, particularly for first-time customers. For instance, in 2023, 49% of respondents preferred card payments, while 36% opted for Instant EFT/Pay by Bank, and 7% relied on manual transfers. By 2024, these preferences shifted significantly, with 72% choosing card payments and 44% selecting Pay by Bank (as shown in Figure 13 below), reflecting an increasing adoption of innovative payment methods. Additionally, Capitec Pay's 26% adoption rate not only highlights SA consumers' willingness to embrace new payment technologies but also highlights the importance of understanding the local context: Capitec is a major force and a valuable tool for reaching lower-income earners in SA.

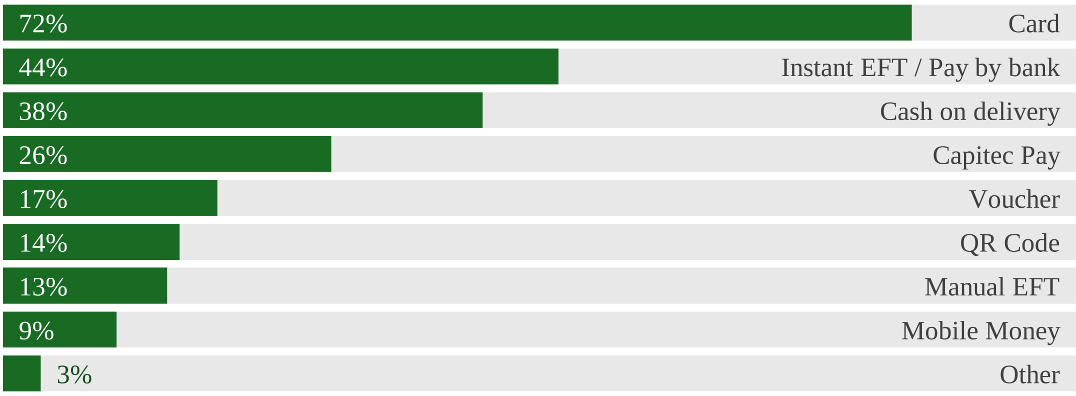


Figure 13: South African consumers preferred online payment methods

Two key trends emerge: new e-commerce users prefer familiar payment methods (cards, cash on delivery) due to their perceived safety and reliability, while experienced shoppers adopt newer options that offer speed, security, and convenience. This shift presents opportunities for innovative payment solutions, especially among tech-savvy consumers. Businesses can leverage omnichannel strategies and payment orchestration platforms to efficiently manage multiple payment methods, enhancing transaction performance and meeting evolving consumer needs.

5 CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

E-commerce's rapid growth driven by digital innovation is reshaping global retail. SA leads in Africa's adoption, supported by strong digital infrastructure and a rising middle class. Understanding market dynamics, such as growth drivers, competition, and strategic challenges, is crucial for companies seeking sustainable success.

The entry of international giants is transforming SA's B2C e-commerce, reshaping consumer expectations through advanced and innovative digital strategies, robust logistics networks, and aggressive pricing models which elevate service quality and product variety. Platforms like Shein and Temu have capitalised on SA's price-sensitive, fashion-conscious market, with Shein securing 35% of the women's clothing segment within three years. Amazon's trusted brand and localised inventory cater to rising demand for reliability and convenience.

While SA's fragmented market, growing internet penetration, and value-driven consumers present fertile ground for international competitors to enter and expand, infrastructure gaps in logistics, last-mile delivery challenges, regulatory hurdles, and supply chain integration remain significant barriers and hinder market maturity. Local players will struggle to compete, requiring significant investment in infrastructure, efficiency, and customer experience to keep pace with global competition.

5.1 Key insights and conclusions

Table 8 below provides a summary of the comprehensive analysis of the SA e-commerce market, addressing the research objectives by highlighting critical opportunities and gaps. It synthesises the collated key market dynamics *(RO i*[17]*)* like infrastructure, consumer behaviour, and competition that shape SA's attractiveness to international players, outlining challenges—such as regulatory hurdles and logistics inefficiencies—that could hinder market entry and expansion *(RO ii*[18]*)*. Additionally, the table assesses SA's readiness for foreign entrants *(RO iii*[19]*)* by analysing existing capabilities and the strategic adjustments needed for successful internationalisation as presented in this report. Together, it offers valuable insights for global competitors exploring SA's B2C e-commerce sector.

[17] *RO i:* Research objective i: Analyse the SA e-commerce market dynamics and identify key factors influencing its attractiveness to international competitors.
[18] *RO ii:* Research objective ii: Identify the key factors considered by companies during internationalisation to identify gaps that could hinder the entry and expansion of international competitors.
[19] *RO iii:* Research objective iii: Evaluate SA's readiness for foreign entrants into the B2C e-commerce markets.

Table 8: Summary of SA's readiness for foreign entrants based on the research

RO i	RO ii and RO iii	
Key factors	Opportunities	Gaps
Market structure and competition	The fragmented nature of the market, with no single player dominating, offers opportunities for new entrants to carve out niches. While Takealot and Checkers set high benchmarks, international players can refine and enhance these models. Platforms like Shein demonstrate the potential for specialisation, while rising digital adoption fuels demand for convenience. As giants focus on urban consumers, determined international entrants can gain early traction in underserved sectors through robust last-mile delivery, micro-fulfilment, and partnerships with informal retail networks. Acting swiftly could secure market dominance before full maturation.	The oligopolistic nature of the market, with top players holding approximately 50% of the market, creates high barriers for smaller competitors or new entrants to scale quickly. Rural areas remain underserved due to limited infrastructure and logistics networks, making last-mile delivery a significant challenge for any new player. Entrenched customer loyalty to established brands like Takealot and Checkers further complicates the ability of newcomers to disrupt the market without significant pricing or differentiation strategies.
Regulatory environment and market liberalisation	SA's regulatory framework is designed to enhance consumer trust, with robust laws such as ECTA mandating transparency in transactions and POPIA ensuring data protection. Participation in international trade agreements like AfCFTA facilitates cross-border business, creating a more integrated trade environment. Incentives like reduced corporate tax rates and allowances for building and equipment expenditures in Special Economic Zones (SEZs) make SA attractive for foreign investment.	Gaps in cross-border transaction regulations make it challenging for international entrants to navigate operations efficiently. Protectionist policies, such as new VAT reforms and additional import duties, increase operational costs for foreign companies. The regulatory framework must be continually updated to keep pace with modern e-commerce's rapid evolution; otherwise, it risks leaving exploitable gaps that undermine consumer trust in these systems.
Technology infrastructure	With 72% internet penetration and projections exceeding 80% by 2030, the market is becoming increasingly digital. Mobile broadband dominates connectivity, and smartphone penetration is projected to reach 75% in five years. 4G and 5G high-speed networks enhance scalability, while urban areas benefit from affordable data packages.	Rural connectivity gaps persist, limiting inclusivity and access to e-commerce platforms for lower-income households. Digital inequality is evident, with 40% of the population still lacking smartphones. These challenges restrict the potential customer base and slow digital adoption in underserved regions.
Consumer behaviour and demographic trends	Consumer adoption of e-commerce is growing rapidly, with significant increases in key categories such as groceries (84%[20]), apparel (83%), and household goods (77%). The rise of social commerce, with 78% of online shoppers making purchases via social media platforms, highlights the adaptability of SA consumers to new digital shopping experiences. Younger, tech-savvy demographics drive these trends, making the market particularly attractive for innovative and tech-focused platforms.	Rural and lower-income consumers remain heavily reliant on cash transactions due to limited access to payment infrastructure and digital platforms. Logistical and infrastructural challenges in these areas further exacerbate the divide, limiting their participation in e-commerce. This reliance on traditional shopping methods creates barriers to widespread e-commerce adoption in less urbanised regions.

[20] Percentage of consumers regularly purchasing online in these categories in 2024

Spending habits and payment systems	SA consumers increasingly adopt secure payment options such as Capitec Pay, which achieved 25.9% penetration in one year. Mobile wallets and Instant EFT have gained traction, reflecting a shift from traditional cash payments to digital solutions. Payment systems like Payfast offer seamless integration with e-commerce platforms, ensuring trust and convenience.	The payment market remains fragmented, with varying user experiences across providers, creating adoption barriers. Rural areas lag significantly in adopting advanced payment methods, further widening the gap between urban and underserved regions. Certain demographics, particularly older consumers, still demonstrate hesitancy in adopting newer payment methods due to concerns about trust and security.
Connected strategy	Omnichannel strategies are gaining momentum, with 41% of consumers browsing and purchasing online. Retailers like Checkers and Takealot are integrating online and offline platforms to provide seamless shopping experiences, including faster delivery and enhanced customer satisfaction. Payment orchestration platforms are enabling businesses to manage diverse payment options efficiently, optimising user journeys and driving growth.	Omnichannel retailing remains underdeveloped in some segments, limiting the ability to cater to diverse consumer preferences effectively. The reliance on traditional retail models in certain areas indicates a slow transition toward fully integrated digital ecosystems. Without broader adoption of omnichannel strategies, some retailers risk falling behind in meeting the expectations of tech-savvy and convenience-focused consumers.

SA's e-commerce market presents a strategic entry point for Africa, driven by rising digital adoption, an expanding middle class, and growing consumer demand for online shopping *(RQ i*[21]*)*. These market dynamics shape SA's attractiveness to international competitors, offering opportunities for investment and expansion.

However, structural gaps in infrastructure, logistics, and regulatory frameworks create barriers to seamless market entry and scalability *(RQ ii*[22]*)*. International companies assessing expansion into SA must consider operational efficiency, regulatory clarity, and logistical capabilities – areas where SA requires significant improvements to support and benefit from global competition effectively.

While the market holds strong potential, SA is not yet fully prepared for foreign entrants *(RQ iii*[23]*)*. To enhance market readiness, targeted investments, streamlined customs processes, and consumer trust-building initiatives are essential. SA's ability to address these gaps will determine its success in e-commerce growth and its readiness for increased international competition.

[21] *RQ i:* Research question i: What are the market dynamics and key factors shaping the SA e-commerce market that influence its attractiveness to international competitors?

[22] *RQ ii:* Research question ii: What key factors do companies consider during internationalisation, and are there structural gaps in the SA market that hinder their entry and expansion?

[23] *RQ iii:* Research question iii: Is SA prepared for foreign entrants in the B2C E-commerce market?

5.2 Recommended strategies to attract foreign entrants and mitigate risks

Research objective iv *(RQ iv[24])* explores strategies to attract foreign entrants into SA's e-commerce market by tackling existing barriers while capitalising on the country's unique opportunities.

Viewing SA through an international lens can uncover market gaps and inefficiencies; international companies with experience in emerging markets can introduce proven solutions to challenges that may not yet be fully addressed in SA – for example, firms specialising in rural penetration strategies could apply their low-cost distribution models and mobile-first commerce to underserved areas in SA. International entrants can leverage global best practices to help refine policy frameworks, modernise industry regulations, and bridge structural gaps in the SA market. This would boost employment, enhance technology transfer, and strengthen local supply chains. Increased FDI in e-commerce would stimulate economic growth, improve trade competitiveness, and integrate SA more deeply into global digital markets, driving long-term industrial and economic benefits.

To attract foreign entrants, SA must invest in rural infrastructure and logistics networks to improve last-mile delivery and expand market access, especially in underserved areas. Public-private partnerships can facilitate the development of affordable internet and smartphone accessibility, bridging the digital divide and enabling more inclusive participation in e-commerce. Simplifying cross-border transaction regulations and aligning customs processes with international best practices would enhance operational efficiency for foreign companies, making SA a more attractive destination for investment. Additionally, incentives such as tax reductions and subsidies in SEZs could encourage foreign players to establish localised operations, manufacturing hubs, and regional distribution centres.

To mitigate risks, SA must focus on strengthening its cross-border e-commerce policies. Standardising payment systems to provide seamless, secure experiences would reduce fragmentation and foster trust among consumers. Rural adoption of digital payments could be incentivised through targeted subsidies or partnerships with financial institutions. Promoting omnichannel retailing by integrating digital and physical platforms would help local businesses remain competitive, while also satisfying preferences for both in-store and online shopping. By adopting these strategies, SA can create an enabling environment for international entrants while minimising potential disruptions to the domestic market.

A balanced approach that fosters market liberalisation while safeguarding local interests will be key to achieving sustained growth and integration into the global digital economy. Proactive analysis of key SA market dynamics can accelerate digital transformation and strengthen competition and consumer value within SA's e-commerce landscape.

[24] *RQ iv:* Research question iv: What strategies would attract international entry, and how can SA prepare and mitigate any risks?

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Appendix A: Theoretical Framework

Topic	Chapter 1			Chapter 2	Chapter 3
	Primary problem statement	Research objective	Research questions	Literature review/Theories	Research methodology
Analysis of key SA market dynamics in the B2C e-commerce sector	SA's B2C e-commerce has grown fast, with a few local giants dominating, limiting consumer choice and stifling new entrants. International players are the only real competition, but their presence remains limited.	Analyse the SA e-commerce market dynamics and identify key factors influencing its attractiveness to international competitors.	What are the market dynamics and key factors shaping the SA e-commerce market that influence its attractiveness to international competitors?	Market dynamics analysis	Exploratory, holistic study, qualitative and quantitative (mixed methods) including thematic analysis (Finding patterns in the data)
		Identify the key factors considered by companies during internationalisation to identify gaps that could hinder the entry and expansion of international competitors.	What key factors do companies consider during internationalisation, and are there structural gaps in the SA market that hinder their entry and expansion?	Internationalisation theories (Eclectic paradigm, Uppsala model) Strategic decision-making	
		Evaluate SA's readiness for foreign entrants into the B2C e-commerce markets.	Is SA prepared for foreign entrants in the B2C e-commerce market?	Market dynamics analysis Competitive analysis	
		Recommend strategies to attract and prepare for the entry of foreign companies effectively, and to mitigate the risks associated therewith.	What strategies would attract their entry, and how can SA prepare and mitigate any risks?	Economic drivers and impacts of e-commerce growth in SA Implications of increased competition for existing players	

Appendix B.1: Detailed Research Instrument

Market dynamics	Outcomes needed	Instruments and available secondary data that could be used
Market structure and competition	**Market Dynamics Data:** Competition (saturation, brand loyalty, anti-competitive practices) Timing and entry modes (first mover vs latecomer, partnerships vs. ownership) Familiarity with market Market share and sales data of various e-commerce companies operating in SA.	**Reports on market saturation:** These could include studies and analyses conducted by the Competition Commission or industry-specific reports in SA, including data indicating the number of players in the market, market concentration ratios (e.g., Herfindahl-Hirschman Index), and trends over time. **Research on entry modes and strategies:** Academic studies that examine the timing and entry strategies adopted by e-commerce companies. Look for data on the success rates of different entry modes (e.g., first mover advantage vs. latecomer strategies) and the prevalence of partnerships/ownership models. **Consumer surveys or market research reports:** Analyse Net Performance Scores (NPS) on brand recognition, consumer preferences, and factors influencing trust and familiarity with different players in the market.
Regulatory environment and market liberalisation	**Regulatory Framework Data:** Information on trade barriers, tariffs, and customs processes. Analysis of consumer protection legislation and its impact on e-commerce. Data on tax incentives and other regulatory incentives for international businesses.	SARS provides data and publications related to trade tariffs, customs processes, and import/export regulations. (Analyse trends in tariff rates, changes in trade policies, and updates on customs procedures that may affect international e-commerce transactions). Publications from the DTIC: The DTIC releases reports and updates on trade barriers and regulations affecting various industries, including e-commerce. Look for insights into trade agreements, trade facilitation measures, and initiatives to reduce trade barriers. Consumer Protection Legislation and Impact on e-commerce: Reports from the NCC detail consumer protection laws relevant to e-commerce, such as the CPA.
Technology Infrastructure	**Technology Infrastructure Data:** Internet and smartphone penetration rates. Availability and usage of e-payment systems.	Data from financial regulatory authorities such as the SARB or PASA provide statistics on adoption rates and electronic payment transactions. Reports from the ICASA offer data on internet penetration rates, mobile subscriptions, and smartphone ownership. Surveys conducted by market research firms like Nielsen or Ipsos provide insights into digital usage trends and internet access patterns among SA consumers.
Consumer behaviour and segmented demographic trends	**Consumer preference** (price, variety and convenience over quality and branding) Consumer behaviour during/after various introductions of international companies' entry/growth of e-commerce in SA	Market research reports from firms like Bloomberg, Euromonitor International or Nielsen provide data on consumer preferences, shopping behaviour, and factors influencing purchase decisions in the e-commerce sector. Academic research examining the trade-offs consumers make between price, variety, convenience, quality, and branding in online shopping environments. Market research reports analysing the impact of new market entrants on consumer choice, competition, and market dynamics.
Internationalisation considerations	Emerging market and future market expansion potential (African market)	Case studies or business analyses of successful and unsuccessful international e-commerce ventures in SA. Reports from consulting firms like Bloomberg, McKinsey or Deloitte provide insights into emerging market trends and growth opportunities in the African e-commerce sector. Studies on cross-border e-commerce and regional trade dynamics within Africa.

Appendix B.2: Secondary Data Sources, Analysis Strategies and Interpretation

Conceptual framework variables		Data sources	Type of data	Data analysis method	Expected outcome for Chapter 4
Independent variable	Mediating factors				
Market structure and competition	Competition and market saturation, Timing and entry modes, Familiarity with market	Competition Commission reports, Stats SA market, e-commerce sector studies, WorldWide Worx, Department of Communications Green Paper on SA E-Commerce, BCG Analysis reports, Market Research Foundation e-commerce reports, Euromonitor International reports, Goldman Sach's report, Payfast by Network State of Pay report.	Quantitative: market share, entry trends, saturation levels	Descriptive statistics, comparative graphs: Market concentration ratios, entry mode patterns, and market saturation levels were plotted to identify dominant players, rate of saturation, and market contestability.	To understand barriers to entry, dominance of companies, and timing strategies of foreign firms
Regulatory environment and market liberalisation	Trade barriers, tax incentives, consumer protection, lobbying	DTIC publications, NCC policies, customs data, legal reviews, Payfast by Network State of Pay report, ICSA reports,	Policy documents, regulations	Thematic analysis and classification by regulatory type: Legal and policy documents were analysed to highlight patterns in trade barriers, incentives, and consumer protection measures. Policies were categorised into "enabling," "restrictive," or "neutral" clusters to evaluate ease of doing business.	To assess how SA's regulatory climate affects foreign company entry and operations
Technology Infrastructure	Internet/device access, e-payment systems	ICASA reports, SARB payment data, PASA publications, courier logistics reports	Quantitative: internet penetration, mobile access, transaction data	Descriptive statistics, comparative graphs, trend charts: Broadband/mobile penetration, transaction data, and payment infrastructure trends were plotted over time to show growth, stagnation, or disparity.	To measure infrastructure readiness and accessibility for digital platforms and e-commerce scaling

Consumer behaviour and segmented demographic trends	Preferences (price, convenience), spending behaviour	Stitch Money report: Consumer perspectives SA-e-commerce, Competition Commission reports, Stats SA household surveys	Survey-based, behavioural data (quantified)	Data aggregation, cluster comparison by demographic/region: Data was grouped by consumer preferences, region, and spending habits. Comparisons were made between secondary data sources to show e-commerce affinity.	To evaluate demand-side readiness and segments most attractive to foreign entrants
Internationalisation considerations	Market expansion potential, saturated markets abroad, niche offerings	International case studies (India, Brazil, SEA), e-commerce strategy reports	Quantitative secondary data	Comparative case method, Data aggregation	To explore the strategic rationale behind international expansion and determine whether SA's ecosystem reflects conditions that attracted global firms elsewhere helping inform entry strategy recommendations.

Appendix B.3: Secondary Data Validation

Market dynamics	Secondary data validation analysis leading to in-body analysis
Market structure and competition	Market share, number of active players, and entry timelines were analysed using descriptive statistics (e.g., percentages, growth rates) to identify dominance patterns and monopolistic tendencies. Comparative graphs and benchmarking with other emerging markets (such as those in Asia and USA) helped assess SA's openness to international entrants. The analysis highlighted the presence of competitive concentration and revealed key factors of market structure and competition.
Regulatory environment and market liberalisation	Policies and regulatory frameworks were categorised into key themes (e.g., trade restrictions, tax policies, compliance complexity, consumer rights) and assessed for their impact on e-commerce in SA. Thematic sorting and policy scoring revealed both enablers and friction points that impact market entry. Key findings highlighted challenges such as import duties and regulatory complexities under the DTIC guidelines, which create barriers for international businesses.
Technology Infrastructure	Descriptive statistics, comparative graphs, trend charts and benchmarking analyses were used to evaluate the readiness of SA's digital infrastructure, including key metrics like smartphone adoption, internet penetration (urban vs. rural), and digital payment system usage. The study identified gaps in mobile network coverage and last-mile delivery services, highlighting areas where foreign investment or partnerships could bridge these barriers and improve digital access for a wider population.
Consumer behaviour and segmented demographic trends	Secondary data was collected through survey data which was grouped by consumer demographics and analysed to identify behavioural trends (e.g. preference for mobile vs desktop shopping). Cluster analysis was used to segment the market and evaluate which groups are more open to international platforms. This supported the identification of untapped or underserved segments.
Internationalisation considerations	By reviewing international expansion cases (e.g. India's Flipcart, Brazil's Mercado Libre), common strategies and success factors were extracted and mapped against the SA context. This inferential approach helped assess whether similar market-entry success could be replicated in SA and what conditions are necessary.

Appendix C: SA e-commerce landscape dominating players

The table is extracted from the 2024 study by BCG, titled 'Foreign e-tailers are here! Is South African e-commerce ready?' and draws on data from the Euromonitor Retail in SA dataset (extracted in April 2024) (Kingombe, Wadher, & Vishakha, 2024). This dataset provides detailed insights into the retail landscape, including market sizes, company shares, and growth forecasts across various retail channels. It utilises data from official statistics, company reports, and in-country research, processed through advanced data science techniques for accuracy. This rigorous methodology ensures reliable insights, supporting studies like BCG's 2024 report on SA e-commerce readiness.

Player[2]	E-comm market share	Online only?[3]	Multi-Category?[4]	3P Market-place?[5]	Approximate share of e-commerce market[1] 35% Fashion (apparel, shoes, accessories)	25% Electronics, toys and games	20% Groceries and Alcohol	13% Home & Electronics	5% Beauty and personal care	2% Others (pet, books, etc.)
Takealot.com	15 - 20%	✓	✓	✓	●	●	●	●	●	●
Checkers	12 - 15%		✓			●	●	●	●	●
Woolworths	8 - 10%		✓		●	●	●	●	●	●
Superbalist.com	5 - 6%	✓	✓	✓	●			●	●	●
Amazon		✓	✓	✓		●		●	●	●
Shein		✓	✓		●	●		●		
Temu		✓	✓	✓	●	●		●	●	●
Pick n Pay			✓		●	●	●	●	●	●
Bash			✓		●	●		●	●	
Makro			✓	✓		●	●	●	●	●
Mr Price			✓		●			●		
Incredible	45 - 55%					●				
Truworths					●				●	
Builders								●		
HomeChoice								●		
Exclusive Books										●
Sportsmans Warehouse					●	●				
Others (non-exhaustive)					Cotton On Aldo	Samsung Toys R Us	Food Lovers Market	Home etc. Coricraft	Estée Lauder Companies	Absolute Pets

1. E-commerce Retail Sales Value (excl. tax) by category
2. Excluded brands with less than 1% market share
3. Brand is online only if their branded goods are only available online
4. Brand is considered multi-category if they offer 2+ categories
5. Brand is a marketplace i.e. if it has 3rd party sellers on platform

Source: Euromonitor Retail in South Africa dataset (extracted Apr 2024), Local companies reports, BCG Analysis

Figure 14: SA e-commerce landscape showing dominant players (extended)

The SA B2C e-commerce market is dominated by a few key players, with the 4 largest platforms holding a 45 – 55% market share. Several other competitors maintain shares ranging from 5% to 20%, reflecting a fragmented yet competitive landscape, as seen in Figure 14. Notably, all major platforms have an online presence and offer a multi-category shopping experience. A significant portion also functions as third-party (3P) marketplaces, demonstrating the increasing role of marketplace models in driving e-commerce growth. This shift suggests that third-party sellers are becoming integral to SA's digital retail space, fostering a broader selection of products and more competitive pricing (Kingombe, Wadher, & Vishakha, 2024).

In terms of category distribution, fashion (35%) and electronics, toys, and games (25%) are the largest segments, followed by groceries and alcohol (20%). While home and electronics (13%) and beauty and personal care (5%) contribute smaller shares, they remain essential for market diversification. The dominance of fashion and electronics aligns with global e-commerce trends, where discretionary spending remains a primary driver of online retail. The presence of grocery and alcohol sales indicates a growing consumer shift towards purchasing essential goods online, reflecting an expansion beyond traditional e-commerce categories. This trend is likely to continue as logistics infrastructure improves and last-mile delivery solutions become more efficient.

Additionally, the relatively small share of "other" categories (2%), which includes pet products, books, and miscellaneous items, suggests that niche markets remain underdeveloped in SA's e-commerce ecosystem. This presents an opportunity for specialised online retailers or existing platforms to expand their offerings and capture underserved segments. The increasing adoption of e-commerce, driven by rising internet penetration, digital payment solutions, and enhanced consumer trust, will likely support further diversification and growth across all categories in the coming years.

Appendix D: Secondary data collection analysis of Stitch Money

The Stitch Money Report: Consumer Perspectives SA – e-commerce utilised secondary data collection through a survey conducted by Yazi, a SA consumer research firm (Stitch Money, 2024). The survey included approximately 350 SA men and women, representing diverse age groups, income levels, locations, and lifestyles. All respondents had made at least one online purchase in the past six months, providing insights into their shopping preferences and online payment behaviours.

The gender distribution of respondents showed that 61% were women and 39% were men, suggesting that female consumers play a significant role in SA's e-commerce market, as seen in Figure 15 (Stitch Money, 2024). Age segmentation revealed that 38% of respondents were between 18-30 years old, followed by 34% in the 30-40 age group, 21% between 40-50 years old, and 8% over 50 years old. This distribution shows the dominance of younger consumers in online shopping, aligning with broader global e-commerce trends where younger demographics show higher digital adoption rates.

Income levels among respondents varied, with the majority earning between ZAR 6,000 and ZAR 50,000 per month. Higher-income brackets (ZAR 50,000+) constituted a smaller percentage, indicating that middle-income earners are the primary drivers of e-commerce growth in SA. These insights suggest that affordability, convenience, and trust in digital payment systems are critical factors influencing consumer behaviour in the local online retail sector.

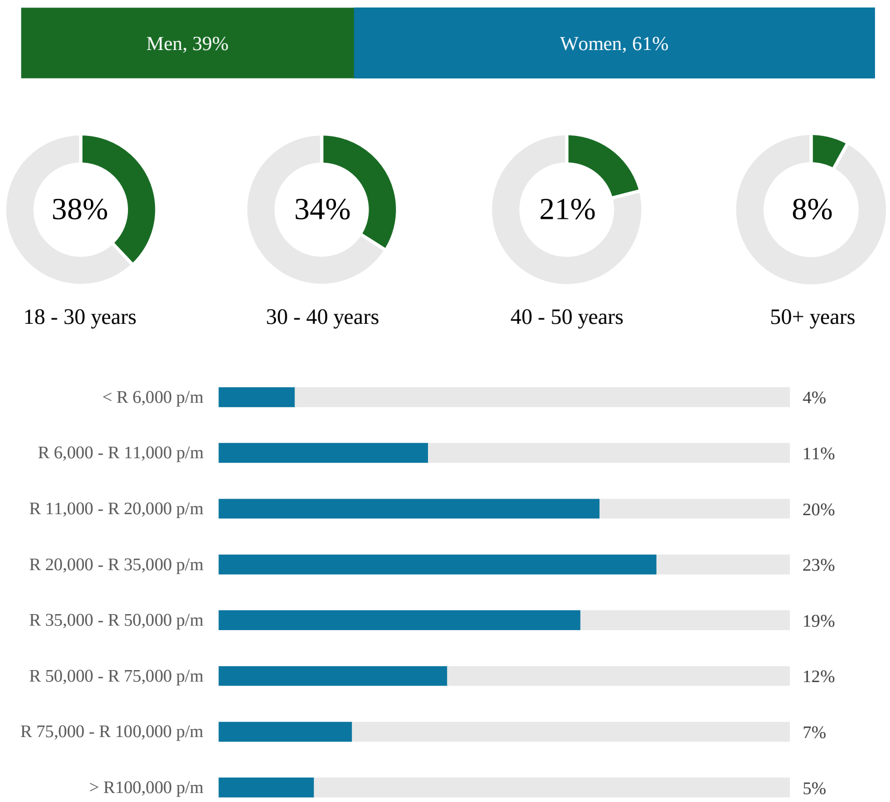

Figure 15: Demographic and income distribution of SA Online Shoppers

Appendix E: Amazon's market entry strategy and global e-commerce trends

Amazon's entry into SA in 2024 followed its time-tested expansion playbook (Figure 16), emphasising seller onboarding, fulfilment infrastructure and multi- category expansion (Kingombe, Wadher, & Vishakha, 2024). It launched with a diverse product range while leveraging local logistics partnerships with The Courier Guy and DPD Laser for deliveries. Amazon's strategy includes the gradual introduction of Prime services, advertising solutions, and private-label brands, similar to its previous expansions in Australia and India. The company's ability to integrate into local ecosystems, enhance logistics capabilities, and attract independent sellers is crucial to its long-term success in SA.

1. marketplacepulse.com
2. Fulfilment By Amazon
3. Pudo is a locker delivery system offered by The Courier Guy
4. Pargo is a logistics company that offers parcel delivery services and operates a network of pick-up sites
5. mybroadband.com
6. App now available on App stores since support extended to South Africa

Source: Amazon.co.za, BCG Experience, BCG Analysis

Figure 16: Amazon used its time-tested playbook to launch in South Africa

Amazon’s flywheel strategy in emerging markets, such as India, United Arab Emirates (UAE), Brazil, and the Netherlands, demonstrates its adaptability to local competition and consumer behaviour, as seen in Figure 17 (Euromonitor International, 2024). In India, Amazon launched in 2013, aggressively investing ZAR 24 billion (USD 284 million) in 2014 to compete with Flipkart. In the UAE, Amazon acquired Souq.com in 2019, leveraging an existing customer base and supplier network to accelerate market penetration. However, in Brazil and the Netherlands, strong incumbents (Mercado Libre and Ahold, respectively) managed to defend their market share by reinforcing fulfilment networks and customer value propositions, limiting Amazon’s growth (Kingombe, Wadher, & Vishakha, 2024). These cases highlight that Amazon thrives in fragmented markets but faces challenges against well-established regional leaders.

Figure 17 (Euromonitor International, 2024) illustrates Amazon’s varying success across different e-commerce markets. In SA, where players like Takealot and Checkers Sixty60 hold strong positions, Amazon may need to adapt its pricing, logistics, and category expansion strategies to gain traction. The company's long-term growth will depend on its ability to localise services, enhance convenience, and build trust with SA consumers.

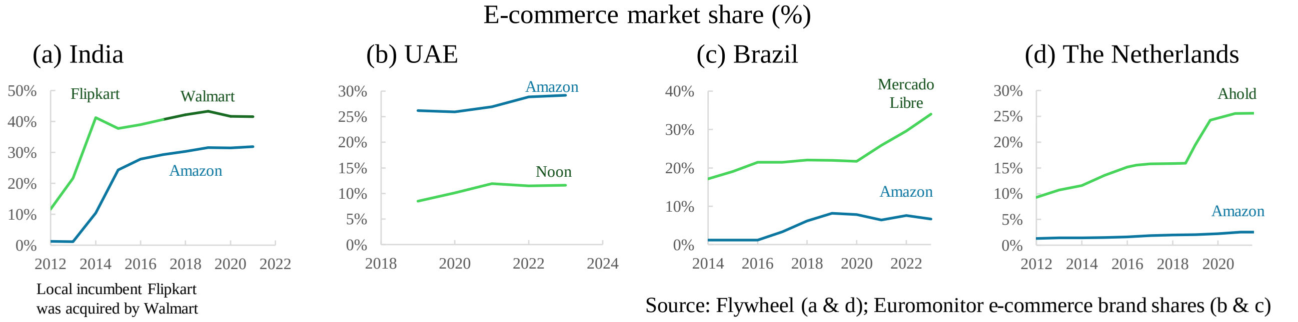

Figure 17: Amazon's success entering e-commerce markets