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Enabling capabilities and the performance of SME e-retailers in South Africa

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Enabling capabilities and the performance of SME e-retailers in South Africa

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 of Management in Entrepreneurship and New Venture Creation

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Abstract

The continuous evolution of the retailing industry, consumer behaviour and the advent of the Fourth Industrial Revolution have resulted in a shift towards electronic retailing (e-retailing). Although the South African e-retail sector is in its nascent phase, multiple retail Small and Micro Enterprises (SMEs) have embraced the digital economy through e-retailing. This research explores the fundamental capabilities required to enable SME e-retailers for the purposes of informing South African SME e-retailers, the State and current academic literature.

SMEs steer economic development in South Africa, majority of the early-stage entrepreneurs in South Africa who operate SMEs are found within the wholesale and retail sector. These wholesale/retail SMEs provide employment and generally improve the livelihoods of South African citizens through their contributions. The high failure rate of SMEs is to the detriment of the South African economy and the livelihoods of its citizens. SMEs are said to fail because of funding and access to markets, e-retailing provides a cost-effective solution for these SMEs. This research aims to aid retail SMEs that have embraced or are embracing the digital economy by providing insights into e-retailing, ensuring their sustainability.

The main research question that will be addressed: "What are the enabling capabilities that lead to a successful e-retail SME in South Africa?"

Purpose and aim of the study: the aim of this study is to identify enabling capabilities that lead to SME e-retailing success. The purpose of this study is to assist retailers embarking on their e-retail journey by providing key insights on which capabilities are essential and those that could require additional resources allocated them to ensure their venture is a success. This study also aims to provide State policymakers with insights on areas which require additional support when developing policies and State interventions for SMEs, especially e-retail SMEs.

This study utilised a post-positivism paradigm, and the research is quantitative. A cross-sectional methodological approach was deployed through a closed question survey, and the study collected primary data from e-retail SMEs within South Africa.

The main findings that were deciphered from the study, a negative relationship is demonstrated between operational capabilities and the financial performance of SME e-retailers. Marketing capabilities and technological capabilities exhibited a positive relationship however the relationship was not significant. E-retailers should elect an e-marketplace approach to e-retailing instead of establishing an online storefront in silos because e-marketplaces provide significantly better financial rewards. Social commerce takes precedence in South Africas e-retail market due to the high level of mobile penetration in South Africa.

The main inhibitors of growth for the e-retail market in South Africa are access to funding, infrastructure (financial technology and Information and Communications Technology -ICT-), lack of innovation, logistical issues (high delivery costs, geographical dispersion and many other issues) and the digital divide (caused by affordability, digital literacy and accessibility of ICT devices). The sustainability of an e-retail SME is dependent on consistently providing exceptional customer experiences. Therefore, to ensure consistency, e-retail SMEs should invest in capabilities that integrate well into their e-retail ecosystem.

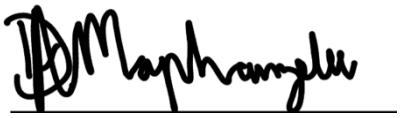
The South African government has to address issues related to e-retailing laws, taxation, infrastructure, funding and international trade to improve the South African e-retail ecosystem in order for e-retailing to become profitable in South Africa.

E-retailing offers a solution that could alleviate many socio-economic issues through the employment opportunities it provides and its economic contributions. E-retailing could also mitigate the high failure rate of retail SMEs resulting in more significant economic development. This research provides practical solutions that will support South African SME e-retailers and aid in ensuring their sustainability.

Key words: Digital market; E-commerce policy; E-retail; Influencers; Online shopping; Social commerce

Declaration

I, Dineo Abigail Maphanzela, declare that this research report is my own work except as indicated otherwise in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the Field of Entrepreneurship at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.



(Dineo Abigail Maphanzela)

Signed at: Waterfall, Johannesburg

On the: 25th of May 2020.

Dedication

To Abba

Your grace is truly sufficient, thank you.

Acknowledgements

This journey has indeed been one of great difficulty, immense growth and self-discovery. What is found in these pages is an embodiment of multiple lived experiences. To my family, I cannot thank you enough for the support you have given me throughout my master's journey. A special thank you to my mother Ms MG Mapanzela who has made numerous sacrifices and carried me to this juncture in my life, from where you have taken may God increase and bless you ten times more. To my biggest cheerleader in heaven, Mr TS Malumbete, your memory is ever so vivid, thank you for the gift of life and your unfathomable love which lives on through the opportunities your seeds have yielded. To my great-grandmother, Ms Abigail Maphanzela, thank you for teaching me the actual value of education. It is your imparted love for academia which has brought me to this far in my academic career, and the journey has truly been empowering. To my spiritual father who consistently held me up in his prayers, thank you ever so much. The completion of this masters has genuinely been an answered prayer. My unreserved gratitude goes out to my uncle Mr R Masango, when my biological father passed away you ensured that I never lacked a father figure. To my brother Kennedy who often got the backlash of stress and pressure from my Masters, thank you for your support.

To the budding e-retailers who gladly participated in this study, thank you ever so much for contributing to my research and the wealth of knowledge it will create. I would like to acknowledge and thank every entrepreneur who inspired this journey, more especially the young talented, innovative and dynamic women who have so much to offer. The world is truly your oyster. I would also like to acknowledge and honour Uyinene Mrwetyana who lost her precious life in 2019 due to gender-based violence. Your story broke my heart, but it also inspired me to live a life filled with purpose, a life that would help empower others, especially women. I hope that this research will enable not only entrepreneurs but also the most vulnerable by helping them create a sustainable stream of revenue that will unlock their financial freedom.

I would like to express my gratitude to all my friends who stood by me throughout this journey, to my virtual friends especially Nana Nodada who proved that distance is not a barrier with the support of ICT. To Realeboga Maseko, my partner in many things. Thank you for holding down the fort, especially in business, you provided an enormous amount of support for me in business whilst I focused on this Masters. I am grateful. To the University of the Witwatersrand and Wits Business School staff who made this journey bearable, thank you. To every single one of you, from the security guards who always greeted me with a smile even on my worst academic days to Ms Meisie Moya who always kept us on our toes. To everyone in the MMENVC class of 2019, thank you for making this journey one to remember. Thank you to Nokuthula Mahlangu has always supported me. To my supervisor, Professor B Urban, thank you ever so much for the support and guidance you provided. I have truly learned so much from you both inside the MMENVC classroom and throughout this research process. I would also like to thank you for allowing me to express myself without boundaries. We truly stand on the shoulders of giants.

I genuinely hope and pray that this research helps sculpture the future of e-retailing in South Africa and brings about immense economic development whilst emancipating, aiding and enabling entrepreneurs from different walks of life. May this research contribute to the greater good of our people.

Savita,

Shalom

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Chapter 1: Introduction

1.1 Introduction

The orthodox retail industry has been altered in multiple ways. The industry that was once known for its ability to generate revenue based on prime geographical locations is now characterised by its participant's ability to operate from physical and virtual locations. The retail industry has always been competitive in nature; retailers profit margins of retailers have always been determined by their ability to operate cost-effectively. The pursuit of profitable operational methods resulted in the evolution of the retail industry. Over the years, various factors such as web 2.0, globalisation, changes in human behaviour and many others. have aided in creating operational models that increase the profit margins of retailers. An inevitable consequence has been electronic retailing (e-retailing), retailers who wanted to evade the financial burden of operating from a physical location/s selected an e-retailing approach to retailing. These retailers are referred to as e-retailers, e-retailers leverage off of the opportunities presented by the increasing interconnectedness of web 2.0, information and communication technology (ICT), globalisation, innovation and various other factors through electronic commerce (e-commerce) (Lim & Winkenbach, 2019; Xu & Quaddus, 2010).

E-commerce is a significant subset of the digital economy, the number of operating e-commerce sites is continually fluctuating due to the relative lack of regulatory authorities assigned to monitor e-commerce businesses especially in developing countries like South Africa (Milenkovic, 2020). A concise list of e-commerce enterprises especially e-retailers cannot be obtained due to the lack of regulations however according to Milenkovic (2020), in February 2020 there were approximately 24 million e-commerce sites across the globe (Ecommerce Foundation, 2018; Milenkovic, 2020). Retailers have rapidly adopted the e-retailing operational approach due to the advancements in ICT that have made it relatively easy to set up an e-commerce business at a fraction of the cost of a brick and mortar store (Milenkovic, 2020).

The South African e-retail market has lagged behind its counterparts for several years; however, it is gaining traction due to the advancements of technology, increased access to the internet and the relative ease of setting up an e-retail business. Some retailers have leveraged off the power of e-commerce and the decision to utilise e-commerce approaches have manifested themselves in two ways. Firstly, some retailers have wholly abandoned the traditional brick and mortar operational business model by becoming pure-play e-retailers. Other retailers have elected an omnichannel (also known as dual approach) approach by maintaining or scaling down their brick and mortar storefront while integrating an e-retail into their business model (Pozzi, 2013). Secondly, many retailers that have adopted the e-retail approach have seen a rapid increase in their consumer reach, their ability to understand their consumers and a significant increase in revenues (Pozzi, 2013).

According to prior research, digital transformation within the retail industry can be attributed to three fundamental factors, namely: revenues, consumer reach and overheads. These factors are interconnected; all of these factors stem from a retailer's need to maximise their profits. The retailer's pursuit is to model their business in a profitable manner (United Nations Industrial Development Organisation, 2017). A combination of these factors and the relative ease of establishing an online storefront makes e-retailing the ideal approach to retailing; however, like any other retail business, e-retail stores encounter challenges. Although the South African e-retail market has made significant strides and has grown, it has not been at the rapid and disruptive rate at which the American, European and Asian markets have caught ablaze. South Africa lags behind its counterparts because of the lack of infrastructure and capabilities. The e-retail approach is mainly dependent on these two elements (United Nations Industrial Development Organisation,

2017). These two elements have resulted in only 1% of South Africa's retail industry transactions occurring online (Higgins, 2017).

The lack of ICT and logistical infrastructure has been a constant issue experienced across South Africa. The issues related to infrastructure can only be resolved through State intervention and the disruption of the oligopoly that is manifest within the telecommunications industry within South Africa (United Nations Industrial Development Organisation, 2017). This study will focus extensively on the lack of capabilities as an impeding factor to the adoption of e-retailing in South Africa. This study will also focus on enabling and fostering an ecosystem conducive to e-retailing as opposed to focusing on both the lack of infrastructure and capabilities. References are made to infrastructure, however, in relation to capabilities.

The South African e-retail market is in its nascent phase and demonstrates exponential potential. E-retailers that are currently operating in the e-retail market are faced with numerous challenges due to the lack of adequate capabilities, improving these capabilities could lead to the increased adoption of e-retailing (Muller, 2018). The e-retail market in South Africa is said to have great potential and is expected to grow significantly within the next few years. Transactions are expected to more than double, resulting in figures of up to R42.1 billion (which would translate to 3.3% of retail transactions being conducted online) by 2023 (Muller, 2018).

The United Nations Industrial Development Organization (2017) emphasizes the relative importance of infrastructure and capabilities when operating an e-retail business. Retailers cannot heavily influence the development of infrastructure; however, they can ensure that they do not miss the e-retail gold rush by developing their internal capabilities (United Nations Industrial Development Organisation, 2017). The success of an e-retail business depends on the e-retailers ability to provide an excellent customer experience, and this can only be done by optimally utilizing internal capabilities. This paper seeks to identify the capabilities that retailers are required to not only possess but also master to ensure the success of their e-retail business.

This paper will provide insights related to the capabilities that influence the performance of e-retailers whilst providing investment directives related to capabilities for e-retailers to ensure continuity and sustainability, especially for SME e-retailers in South Africa. This paper will exclusively focus on SMEs because of their contribution to economic growth and development in South Africa. SMEs have a significant role in economic growth; however, their survival rate of SMEs declined due to issues such as market access and funding (The Small Enterprise Development Agency, 2018).

E-retailing provides a solution to the decline of SMEs. E-retailing is considered an inexpensive approach to retailing because of its relatively low capital requirements and its relatively low operational costs. Therefore, excessive funding is no longer a significant inhibitor. E-retailing also provides access to markets at a level that no physical store could provide as its virtual presence ensures that e-retailers are omnipresent.

E-retailing could be a solution for many SMEs if SMEs are equipped with adequate capabilities. This paper intends to not only aid current and aspirant SME e-retailers. This paper also intends to aid the State by providing critical insights as to how the State can support SME e-retailers in South Africa. This paper aims to provide essential insights that should be used by the State when creating State interventions aimed at meaningful nurturing the e-retail ecosystem in which SME e-retailers can operate. Fostering and nurturing an e-retail ecosystem could potentially result in increased economic development. This research will provide insights into the nature and magnitude of the gains that could be yielded by adopting and nurturing the e-retail approach in South Africa.

1.2 The background and context of the study

South Africa is a developing country with an array of potential, but unfortunately, South Africa is haunted by the inequalities of its past. The remnants of Apartheid are manifest in the nations socio-economic landscape. The Chairman of Accenture Africa, William Nzimba captured the essence of South Africa's current socio-economic landscape when he said, "South Africa faces key challenges such as poverty, low levels of education and employment, as well as an urgent need for economic growth. We still have more than seven million people in this country that go to bed without food. We have kids today that are not in the education system. We have adults and youth with no opportunity for employment. The status quo cannot prevail" (Accenture, 2018). The status quo continues to prevail and manifests in the cycle of poverty that has continuously been transmitted from one generation to another (Oxford University Press, 2020).

Throughout apartheid majority of South African citizens were subject to poor quality education, inferior living conditions and poorly paid employment based on their racial profiles. As a result, their livelihoods were severely affected. Having no or limited access to good quality education affects an individual's employability. An individual's employability affects their livelihoods by determining the access that an individual has to necessities such as housing, essential services, food and security, to name a few. Individuals that were exposed to these deprivations gave birth to the following generation, which was also exposed to similar conditions and encountered similar livelihood outcomes. Although South Africa obtained democracy in 1994 which resulted in the liberation of the majority of disenfranchised and economically deprived South Africans, the cycle of poverty and deprivation is difficult to break out of especially when the remnants of apartheid are still manifest in the South African socio-economic landscape.

South Africa encounters an array of multifaceted socio-economic challenges. South Africans experience high levels of unemployment, lack of quality education, corruption, unequal access to multiple resources, poor living standards and conditions. A combination of these socio-economic challenges has resulted in low and unsustainable economic growth which has translated into deprivation for many citizens. We have seen the inter-generational transmission of poverty from one generation to another generation, the cycle of poverty is one that cannot be easily broken especially in a country where it has been deeply ingrained into the DNA of many citizens. Breaking this cycle has proven to be challenging especially in a developing country like South Africa where the unemployment rate remains relatively high (29.1% as of the fourth quarter of 2019) and a false literacy rate of 94.37% (Trading economics| Statistics South Africa, 2020). In 2015, South Africa was said to have a literacy rate of 94.37%, and this rate insinuated that almost 95% of the South African population could read and write (Plecher, 2019). These statistics, however, do not detail the competency level and could be misleading, upon further investigation one will uncover statistics that reveal that only 65% of grade 5 learners in the country at the time could not add and subtract whole numbers (Davids, 2019).

The quality of education that scholars have access to influences their employability and to break the cycle of poverty, employment and education are fundamental issues that need to be addressed. The public and private sector cannot provide employment opportunities for all individuals. Entrepreneurs form an integral part of the economy because they are required to find innovative ways of creating employment through their SMEs to bridge the unemployment gap. As SMEs steer economic growth and development, they need to leverage ICT to create sustainable enterprises. Many entrepreneurs in South Africa choose to enter the retail industry because of the low barriers to entry from a resources perspective (Herrington & Kew, 2019).

According to the South African Global Entrepreneurship Monitor (GEM) 2017/2018 report, the wholesale/retail sector accounted for over half of the early-stage entrepreneurs (52.5%) in South Africa (Herrington & Kew, 2019). The oversaturation of entrepreneurs within this sector has resulted in high levels of competition and price sensitivity. The oversaturation means that entrepreneurs are required to be extremely innovative to differentiate themselves from other entrepreneurs that operate within the industry

(Herrington & Kew, 2019). According to the GEM report, this industry is also characterised by a few dominant large retailers who have the ability to compete leveraging their buying power which stifles entrepreneurs who operate SMEs with less financial resources (Herrington & Kew, 2019). The financial constraints have resulted in a high discontinuance rate of SMEs within the whole/retail sector. SME wholesale/retailers can mitigate this issue by increasing their level of innovation (Herrington & Kew, 2019). E-retailing offers SME retailers a cost-effective solution to operations whilst providing a source of clean data that can be used to innovate. The section that follows will provide insights into the e-retail industry in South Africa. Thereafter, the next section explains the current market overview, which contextualises South Africa's current ICT situation and the current digital divide. The regulatory frameworks that regulate e-retailing in South Africa are discussed in the final sub-section.

1.2.1 Current market

The e-retail market is still in its nascent phase in South Africa with only 1% of South Africa's retail transactions occurring online; the e-retail market presents growth potential SME retailers in South Africa (Pozzi, 2013). Multiple retailers have identified the growth potential e-retailing (selling their goods and services online) has presented and have decided to digitise their stores due to the cost reduction benefits and the increased market reach provided by e-retailing (Pozzi, 2013). E-retailers have an additional competitive advantage due to the infinite market reach offered by the advancements in ICT. The improvements in ICT have enabled e-retailers to fulfil the needs of consumers that are not only in close proximity to the retailer but also those that are in multiple other geographical locations (Pozzi, 2013).

The ability to service consumers not only within a close proximity has increased the reach of e-retailers and given them a competitive advantage that traditional brick and mortar retailers do not have access to from their physical stores. The additive financial benefits of e-retailing have repositioned e-retailers and given them the ability to scale at a pace that outperforms retailers who have elected the brick and mortar approach (Pozzi, 2013). Within the South African context retailers such as Woolworths, Makro, Yuppiechef to mention a few, have elected an omnichannel approach to retailing. Incumbent retailers like Woolworths and Makro have capitalised on the opportunities presented by e-retailing. These retailers, however, have not done away with their physical location stores. Instead, these retailers have incorporated e-retailing solutions into their business models ensuring that they cater to both consumers who value the convenience of shopping online and those that enjoy the intimacy of an in-store shopping experience (Thulo, 2019).

Three forms of retailing characterise the South African retail market. These forms of retailing are known as pure play, omnichannel/ dual and electronic marketplaces (e-marketplace). Although the transition from a completely brick and mortar operating model has yielded enormous benefits for retailers such as Woolworths and Makro, there are other retailers like Yuppiechef have had the opposite experience. Yuppiechef was launched online in 2006, and the retailer quickly became one of South Africa's pioneering e-retail stores (Groenewald, 2017). The retailer had elected a complete e-retail approach. In 2017 however, Yuppiechef decided to pivot their business by modifying their business model (Groenewald, 2017). In 2017, Yuppiechef introduced their first physical store which was a decision they made to modify their business model from a pureplay e-retail approach to an omnichannel approach (also referred to as the dual approach within this report). Their altered strategy is said to have been a decision they made after they realised that the South African consumer retail culture is still deeply ingrained in the orthodox mall culture (Yuppiechef, 2020).

The examples cited above demonstrate the effectiveness of e-retailing for larger enterprises and SME e-retailers should also be able to reap the rewards of e-retailing within the South African context. The adoption of a digital approach to retailing could be a solution to South Africa's SME failure rate. According to the former Minister of Trade and Industry Rob Davies, over 70% of new businesses fail in less than two years (Vuba, 2019). South African SMEs are said to be facing operational challenges due to a lack of funding and access to markets, e-retailing offers a cost-effective approach to operations and an enormous

amount of consumer exposure increasing potential revenue (Omerbegović-Bijelović, Rakićević, & Lečić-Cvetković, 2016).

E-retailing is a solution; however, the approach does not guarantee success. SMEs that digitise their operations could mitigate the risk of failure by honing their internal capabilities. These retailers could be on their path to success if digitalisation is done correctly, the success of these SMEs would be beneficial to the South African economy and the welfare of many South Africans who depend on the jobs provided by wholesale/retail SMEs. SMEs are considered the driving force of economic development in South Africa and the South African State has acknowledged SMEs ability to propel the South African economy. Hence the States constant attempts to ensure adequate provisions and support is offered to SMEs (Shapshak, 2019). The South African State has launched an SME fund of US$95 Million to ensure SMEs have the support required to succeed and retail SMEs are encouraged to capitalise on the support and opportunity (Shapshak, 2019).

SME retailers attempting to digitalise their store encounter challenges with the digital divide and regulatory frameworks in South Africa constitute the biggest e-retail inhibitors in South Africa. The following section will provide an overview of these inhibitors and their effects on SME e-retailers.

1.2.2 Information and communication technology, and the digital divide

South Africa is considered a developing country; however, the complexities of its economic landscape and infrastructure are far ahead of many of its African counterparts and other developing countries (United Nations Industrial Development Organisation, 2017). As mentioned above the adoption of e-retailing by South African SMEs could be a solution to advancing economic development. The current infrastructure and capabilities are well advanced; however, one could say the extreme digital divide in South Africa is one of the main inhibitors of exponential e-retail growth (United Nations Industrial Development Organisation, 2017).

Hefty data costs heavily restrict access and the usage of ICT. South Africans are subject to extremely high data costs because of South Africa's telecommunications market structure exacerbating the digital divide (Competition Commission South Africa, 2019). The South African telecommunications market is an oligopoly with excessive barriers of entry, one of these barriers is the extremely high capital investment required to operate within the telecommunications realm (Competition Commission South Africa, 2019). Consumers y have to bear the brunt to ensure that telecommunications companies are profitable (Competition Commission South Africa, 2019). Infrastructure is considered another key contributor to South Africa's digital divide, due to apartheid, the distribution of ICT infrastructure was dependent on race and class resulting in a lack of ICT infrastructure in remote and rural areas. Access to fixed-line and broadband is readily accessible in regions that were previously reserved for more privileged areas (Allen, 2018; Hawthorne & Grzybowski, 2019).

The digital divide in South Africa affects how SME e-retails access their consumers and the manner in which they operate. By the time this research report was concluded in May 2020 the South African States goal of universal connectivity by 2020 would not have been realised (Allen, 2018; United Nations Industrial Development Organisation, 2017). The digital divide still poses a threat to the digital inclusion of the disenfranchised and affects the economic inclusion of many whilst impacting the socio-economic development of the economy (Allen, 2018). Individuals who do not have access to broadband through fixed-lines use mobile broadband to supplement their lack of fixed-line connectivity; however, the cost of data is exorbitant (Hawthorne & Grzybowski, 2019).

These hefty costs impact how e-retail businesses operate. South Africa is an extremely unequal country, in 2015 South Africa reported a Gini-coefficient of 0.63 and an alarming proportion of its population were reported to living below the lower-bound poverty line (R785 as of April 2018) (Statistics South Africa,

2018; World Bank, 2018). Some individuals do not have the means to access e-retailers because they do not have access to fixed-line broadband and cannot afford data. These individuals can barely afford the necessities required to maintain a healthy lifestyle and therefore, cannot access e-retailers (Mbatha & Ngwenya, 2018; Hannah, 2019). Although e-retailers target millennials and middle to high-income bracket individuals, there is an enormous market that is unexplored due to the digital divide (Mbatha & Ngwenya, 2018; Hannah, 2019). The digital divide also affects the operational expenses of e-retail SMEs. Access to broadband is essential when operating an online business and the financial burden created by broadband impact the profit margins of e-retailers(United Nations Industrial Development Organisation, 2017)

1.2.3 Regulatory frameworks

Access to the internet is not the only challenge encountered by SME e-retail businesses in South Africa. The high crime rates in South Africa have not only affected the "Ease of Doing Business" but have also diminished the level of trust between e-retailers and their potential consumers (World Bank, 2018). The e-retail business model depends immensely on trust, in most transactions' consumers do not immediately have access to the products or services they are paying for online (United Nations Industrial Development Organisation, 2017). Consumers need to trust these retailers to provide their products and services within the parameters of the agreed terms and conditions; therefore, e-retailers need to be credible and reliable. Consistently meeting consumers expectations contributions to the reputability of an e-retail enterprise (United Nations Industrial Development Organisation, 2017).

E-retailers like any other business have to abide by the rules and regulations of the country that they operate within. In many instances, they must comply with the laws of the countries where their products or services will be consumed or utilised. South Africa like many other countries, does not have extensive regulatory restrictions on e-retailing except for their taxation regulations. The lack of regulations may be attributed to the fact that the South African e-retail industry is still within its nascent phase and because the State is still in the process of creating more regulatory guidelines (Budree, 2017). The lack of regulatory restrictions can be interpreted as a threat to consumers and to e-retailers alike (consumers may choose to physically visit another retailer which provides the same or similar products resulting in a lost sale). Strengthen regulatory policies and procedures has been a suggestion made by many scholars who have explored the e-retail diaspora in the South African context (Budree, 2017).

In terms of regulations, the South African e-retail industry is not heavily regulated. However, the Department of Communications released a green paper in October 2000 (was a subsequent result of the discussion paper gazetted in July 1999 when e-retail first gained traction in South Africa). A white paper was meant to be released in the second quarter of 2001 and a "specific legislation" was expected to follow in the third or fourth quarter of 2001 however the subsequent paper and legislation had still not been published when this research report was concluded in May 2020 (Budree, 2017).

The green paper advocated for four forms of e-commerce (Business to Business -B2B-, Business to Consumer -B2C-, Government to Business and Government to Consumer), the paper also outlined the main benefits of e-commerce according to The Republic of South Africa's Department of Communications (2000) as:

- An extended market reach equated to increased revenues
- Easier conclusion of transactions and financial transactions
- Improved competitive positioning
- Improved customer service
- Improved response times
- Increased consumer convenience and choice
- Reduced prices

Although the State acknowledged the importance of e-commerce, they still have not legislated rules and regulations that will govern the e-retail industry. Other industries that provide the necessary support for e-retail transactions to occur are regulated. For an e-retail transaction to be successfully concluded, multiple systems and processes (such as ICT systems, marketing systems, financial systems and logistical systems) need to facilitate the transaction interactively. Their respective regulations govern each of these systems and processes. The ICT systems which aid in facilitating e-retail transactions in South Africa are primarily governed by (Budree, 2017):

- the Broadcasting Act of 1999;
- the Independent Communications Authority of South Africa Act of 1999 (ICASA);
- the Electronic Communications and Transactions (ECT) Act of 2002;
- the National Cyber Security Policy Frame approved by the Cabinet in 2012;
- the ICASA Amendment Act

The marketing systems are regulated by the ECT (sections related to consumer protection) and the Protection of Personal Information (POPI) Act of 2013 (Budree, 2017). The financial systems are regulated by the VAT Act of 1991; the Act was amended in 2014 to ensure that electronic transactions were accounted for within the Act (Budree, 2017). Although the State has put in place taxation regulations to govern e-retail transactions, it is not difficult to evade taxation. Products and services purchased online are taxed based on factors such as the geographical location of consumption, because e-retail transactions occur online one cannot accurately pinpoint the exact location (Budree, 2017). Customs regulations have also caused an enormous upheaval when e-retail transactions are concluded. The hefty financial burden affects e-retailing in South Africa (Budree, 2017).

The payment systems used to conclude e-retail transactions are strictly regulated by the host financial institutions (Budree, 2017). Unfortunately, South Africa is not as advanced as many other countries with regards to financial technology, and this has hindered the progress of multiple e-retailers (Budree, 2017). The logistical systems are governed by the National Road Traffic Act of 1996, importation and exportation laws (The Department of Transportation, 2014).

South Africa has been characterised by its severe inequalities, calls for economic growth and innovation, e-retail provides a solution to unemployment, economic growth and innovation. This research will contribute to the literature focused on e-retailing in South Africa in order to aid SME retails (current and aspirant e-retailers). There has also been a large body of work focused on e-retail transactions but mainly of the B2B e-commerce nature neglecting the B2C sphere of e-commerce (Mbatha & Ngwenya, 2018). E-retail studies that have focused on B2C operations have primarily been focused on the tourism and the hospitality industry leaving other industries out of the body of literature within South Africa (Mbatha & Ngwenya, 2018). A gap can be identified in research focused on e-retailing in South Africa and the capabilities deficit encountered by SME e-retailers. This study will contribute by bringing about a different perspective to the literature by identifying the capabilities required by e-retail SMEs and deficits within e-retail SMEs on South Africa. Further, this study will provide entrepreneurs who are or would like to pursue e-retailing with insights on which capabilities to invest in to ensure their e-retail store's continuity and sustainability. This research also attempts to contribute to constructive interventions by the State to foster SME growth and sustainability, especially within the e-retail market.

1.3 Theoretical foundation of the study

This study is theoretically grounded in the resource-based view (RBV). According to Yu, Ramanathan and Nath (2014), RBV describes how the resources (e.g. tangible and intangible assets and organisational capabilities) of any enterprise affect its financial performance. According to RBV, enterprises should be

perceived as bundles of resources and capabilities; these resources and capabilities are used to extract financial rewards. The resources and capabilities are utilised to identify, explore and exploit single or multiple opportunities to decipher financial gains from the identified opportunities (Yu, Ramanathan, & Nath, 2014). For this study, capabilities will be the only element of RBV that will be explored extensively. This study will focus on the four main capabilities utilised by e-retailers, namely: dynamic capabilities, marketing capabilities, operational capabilities and technological capabilities.

According to Ju, Fung and Mano (2013), a firms key internal drivers of performance are their marketing capabilities, technological capabilities and production capabilities (production capabilities will be referred to as operational capabilities for the purposes of this report) (Ju, Fung, & Mano, 2013). These capabilities will be considered the independent variables that affect the performance of e-retailers; this study attempted to identify a relationship between these capabilities and the financial performance of e-retailers. The variables for this study are as follows:

Independent variables:

- **Capabilities**- accumulated knowledge and skills that enable a firm to coordinate its activities and advantageously deploy resources, capabilities ensure that a firm is able to perform value-creating tasks effectively and efficiently whilst transforming organisational resources into a valuable offering for the marketplace. These capabilities could result in the firms' competitive advantage and lead to superior performance (Ju, Fung, & Mano, 2013)
- **Dynamic capabilities (DC)** - According to Jurksiene and Giniuniene (2015) "dynamic capabilities can be conceptualised as higher-order strategy processes that integrate, recombine and generate new technological and marketing capabilities which in turn shape firm performance. DC are conceived as the capacity of an organisation to purposefully and systematically create, extend or modify its operational capabilities". Ju et al. (2013) may not mention dynamic capabilities in their research on internal drivers of performance; however, it is imperative that firms use multiple combinations of their resources for optimal gains
- **Marketing capabilities -** "marketing capability enables firms to accumulate market knowledge, build customer relations and respond to customer needs" (Ju, Fung, & Mano, 2013)
- **Production capabilities –** "production capability helps in reducing costs and increasing efficiency" (Ju, Fung, & Mano, 2013). Production capabilities will be used interchangeably with operational capabilities because production capabilities are an integral part of operational capabilities. According to Yu et al. (2014), "operations capability" is defined as the integration of a complex set of tasks performed by a firm to enhance its output through the most efficient use of its production capabilities, technology and flow of materials. Superior operations capability increases efficiency in the delivery process, reduces the cost of operations and achieves competitive advantage
- **Technological capabilities** - "technological capability enhances the ability to employ technology and manage product innovation" (Ju, Fung, & Mano, 2013).

Dependent variables:

- **Financial performance** – financial performance is used as an indicator of firm performance (Galawe, 2017)

1.4 The significance of this study and the problem it is attempting to resolve

Due to the advancements of technology, enterprises have multiple channels that they can use to conduct their business. Enterprises no longer have to conform to the conventional retail business model which operates from a single/ series of location/s. Running a business online can prove to be challenging, especially without numerous resources such as a physical location, human capital and funding (United

Nations Industrial Development Organisation, 2017). Choosing to embark on the e-retail journey might seem cost-effective and relatively straightforward; however, multiple challenges are associated with e-retailing. Despite the simplicity and efficiency of an online store, SME e-retail enterprises fail to operate efficiently and consistently. The inability to operate efficiently has impacted consumers (their perceptions of online stores in South Africa) and the customer retention levels of e-retail enterprises (Higgins, 2017). Inadequate capabilities contribute significantly to the problems encountered by SME e-retailers; this study investigated the entire process from customer attraction to the conclusion of a transaction by quantitative research to provide insights that will aid in the optimization of e-retail capabilities.

This quantitative study collected primary data from current e-retail SMEs in South Africa. A combination of the critical insights deciphered from the primary data collected and secondary data amassed from prior research are used to give guiding insights. These insights should be used by current and aspirant SME e-retailers to inform their decisions on resource allocation and investment related to capabilities. For the purposes of ensuring operational effectiveness, consistency and e-retailing success.

E-retail SMEs require a high level of innovation because of the competitive nature of the retail market. The products sold by e-retailers are not necessarily unique; therefore, e-retailers need to differentiate the customer experience they offer through innovation. Inherently by the amount of innovation required, the study is entrepreneurial, which is one of the key attributes that distinguish entrepreneurial enterprises from businesses that require a manager (Venter et al., 2015). The current literature on e-retailing within the entrepreneurial sphere neglects B2C e-retail businesses more especially e-retail SMEs. The current literature available does not provide a perspective that focuses on the deficit of capabilities encountered by SME e-retail.

1.5 Research purpose, research question and aims of the study

Research question: "What are the critical enabling capabilities that lead to a successful e-retail SME in South Africa?"

Purpose and aim of the study: This study aims to identify enabling capabilities that lead to SME e-retailing success. The purpose of this study is to assist retailers who are on their e-retail journey by providing key insights as to which capabilities are essential and could require additional resource allocation to ensure their venture is a success. This study also aims to provide State policymakers with insights on areas which require additional support when developing policies and State intervention programmes for SMEs, especially e-retail SMEs

1.6 The conceptual definitions of terms

The following terms will be utilised throughout this report; the definitions associated with these terms are defined follows:

Table 1: Definition of terms

Keyword	Definition	Source	Page
Capabilities	Accumulated knowledge and skills that enable a firm to coordinate its activities and advantageously deploy resources. Capabilities enable the firm to perform value-creating tasks effectively and efficiently whilst transforming organisational resources into valuable products or services for the marketplace. These capabilities could result in the firms' competitive advantage and lead to superior performance	(Ju, Fung, & Mano, 2013)	88
Classifieds	An online website or platform that provides the infrastructure required for multiple sellers to place adverts for goods and services	(Goga, Paelo, & Nyamwena, 2019)	16
Digital divide	"A division between people who have access and use (prerequisite being digital literacy) of digital media (ICT devices)	(van Dijk, 2020)	1
Digital economy	This term emerged in the 1990s when the internet significantly started impacting businesses and the manner in which they operated, the term has evolved and now encompasses a multitude of technologies and their applications. "This includes artificial intelligence, the internet of things, augmented and virtual reality, cloud computing, blockchain, robotics and autonomous vehicles"	(Armstrong, 2020)	1
Dynamic capabilities (DC)	"Dynamic capabilities can be conceptualised as higher-order strategy processes that integrate, recombine and generate new technological and marketing capabilities which in turn shape firm performance… DC are conceived as the capacity of an organisation to purposefully and systematically create, extend or modify its operational capabilities"	(Jurksiene & Giniuniene, 2015)	986
E-Commerce	Electronic Commerce	(Venter, et al., 2015)	

Keyword	Definition	Source	Page
E-retail (E-tailing)	Selling goods and services online	(Xu & Quaddus, 2010)	
Entrepreneurs	"Are innovators who carry out new unique combinations or integrate resources by introducing new products or processes to generate profit"- (Schumpeter, 2000)	(Galawe, 2017)	16
Financial performance	Financial performance can be seen as an indicator of firm performance measure	(Galawe, 2017)	25
Fourth industrial revolution (4IR)	"4IR is an umbrella term for 3D-printing, artificial intelligence, big data, industrial internet of thing and robotics"	(Sutherland, 2019)	233
Human capital	Education, experience, knowledge and skills that a human embodies and utilises to perform tasks	(Unger, Rauch, Frese, & Rosenbusch, 2009)	342
ICT	Information and communications technology	(Lim & Winkenbach, 2019)	132
Marketing capabilities	"marketing capability enables firms to accumulate market knowledge, build customer relations and respond to customer needs"	(Ju, Fung, & Mano, 2013)	88
Omnichannel retailers	Retailers with a combination of an online and brick and mortar presence, consumers can shop online or instore. Many of these retailers offer the "click and collect" option and the shop online and delivery option	(Goga, Paelo, & Nyamwena, 2019)	15
Online marketplace	An online website or platform that provides the infrastructure required for multiple sellers to sell their goods, this e-retail model can be manifest in multiple forms. For some marketplaces' retailers must ship their goods to a central warehouse where orders are fulfilled from whilst other models only provide the infrastructure, but sellers must ship goods to buyers	(Goga, Paelo, & Nyamwena, 2019)	15
Operational capabilities	"Operations capability is defined as the integration of a complex set of tasks performed by a firm to enhance its output through the most efficient use of its production capabilities, technology and flow of materials. Superior operations	(Yu, Ramanathan, & Nath, 2014)	

Keyword	Definition	Source	Page
	capability increases efficiency in the delivery process, reduces the cost of operations and achieves competitive advantage"		
Production capabilities	"Production capability helps in reducing costs and increasing efficiency"	(Ju, Fung, & Mano, 2013)	88
Pure play	Retailers who only offer online shopping	(Goga, Paelo, & Nyamwena, 2019)	15
SME	Classification of small, medium and micro enterprises according to annexure F	(The Small Enterprise Development Agency, 2019)	Appendix
Social commerce	A form of online business which combines e-commerce with social media. Essentially the buying and selling of products and services facilitated by social networking sites such as Facebook and Instagram. Social commerce differs from other forms of e-commerce because stakeholders can engage with each other via social media. Social commerce is considered a subset of electronic commerce	(Esterhuizen, 2018)	1, 14
Social networking site	Sites (platforms) accessed using ICT, sites such as Facebook, Instagram, Twitter and other platforms	(Esterhuizen, 2018)	1
Technological capabilities	"Technological capability enhances the ability to employ technology and manage product innovation"	(Ju, Fung, & Mano, 2013)	88
Technopreneurs	Individuals with technical skills who are potential entrepreneurs	(Wits Business School, 2010)	1
Web 2.0	"Second generation of web development and design that facilitates communication and secures information sharing, interoperability, and collaboration on the World Wide Web. Web 2.0 concepts have led to the development and evolution of web-based communities, hosted services, and applications; such as social-networking sites, video-sharing sites, wikis, blogs, and folksonomies"	(Harris & Rea, 2019)	137

1.7 The studies contribution

This research intends to contribute to four main stakeholders, namely the State, academia, SMEs and entrepreneurs (that are currently operating an e-retail SME or aspire to operate an e-retail SME in South Africa). This research intends to provide practical contributions for policy development by providing insights as to how the State could create a conducive e-retail ecosystem that will support e-retail SMEs and ensure their sustainability.

This research also intends to contribute to academia by contributing to the limited entrepreneurial literature that has been produced in the South African context, specifically within the technopreneurship sphere. The current literature on e-retail enterprises in South Africa neglects the B2C sphere and is focused on the taxations laws in industries such as tourism. This study contributes to the retail B2C perspective; SME e-retail enterprises are the focal point. The study explored the capability deficits e-retailers encounter in the South African context encounter (Groenewald B. H., 2017; Mbatha & Ngwenya, 2018).

This research contributes to entrepreneurs and SME owners or managers on their path to digital adoption and transformation of their businesses using e-retail as a channel to reach new markets and consumers whilst being financially savvy.

This study deepens the holistic understanding of the deficit of capabilities and challenges encounter by SME e-retail enterprises in South Africa. The study provides practical insights. The study is based on RBV as its theoretical discipline. This study has identified the capabilities required to operate an efficient e-retailer storefront. SME e-retailers in South Africa should be able to use this report to incubate and accelerate their e-retail enterprise whilst avoiding the usual stumbling blocks e-retailers encounter on their journey to being a successful e-retail enterprise.

1.8 Delimitations of the study

Due to the current phase of the e-retail market in South Africa, this research focused on e-retail SMEs within the South African context. All retail enterprises which did not embody an e-retail approach within their business model were excluded from the study. The data collected for the study focuses solely on SMEs excluding large enterprises, multinational enterprises and other forms of enterprises which did not fall into the SME category. This study was conducted within a developing country. The only references that will be made to enterprises that are not South African, e-retailers or SMEs will be for the purposes of comparison, projections and context however the gathering of analysed data for the purposes of this research was strictly from South African e-retail SMEs.

Chapter 2: Literature review

2.1 Introduction of literature review

This literature review will begin by exploring the theoretical underpinning of this study, Resource-Based Theory (RBT) followed by an overview of the five pillars of retailing which are said to be relevant regardless of the retailing model a business applies. The literature review will then proceed to provide an overview of the e-retailing models that are currently found in the available literature. The following section will provide an overview of the relationships between a firms (financial) performance and capabilities; the study will then go on to provide an overview of South Africa's current e-retail landscape. Within section 2.5 the South African e-retail landscape will be explored focusing on the current state of e-retailing, section 2.5.5 within this section will provide cases of successful e-retailers for comparative purposes and to ensure greater understanding. The following subsection will explore existing methods of measuring the effectiveness of e-retailing. The section that follows will outline the four hypotheses of this study before the conclusion of the literature review.

According to Pozzi (2013) the brick and mortar approach to retailing will soon face its demise, firms that have adopted the e-retailing approach can service more consumers (resulting in an increased ability to scale) because their physical location does not constrain them. These individuals can provide products and services to individuals not only in urban areas but also in peripheral areas, within their province, their country and regions that are beyond their borders (Pozzi, 2013).

The adoption of e-retailing according to Pozzi (2013) could be beneficial to retailers because it ensures low operational expenditures (having a physical location is not required -physical storefronts are considered one of the most substantial overheads for retailers-), broader and increased market reach (resulting in increased revenue). According to Pozzi, either a dual (omnichannel) approach or a strictly e-retail approach should be considered as a retailer. The adoption of e-retail could improve the performance of retailers especially retailers (entrepreneurs) who operate SMEs, however for optimal performance to be obtained retails are required to have adequate capabilities similar to those that brick and mortar retailers have to possess in their context (Pozzi, 2013). The following sections will explore e-retailing literature.

2.2 Resource-Based Theory

The theoretical underpinning of this research is Resource-Based Theory (RBT) also referred to as Resource-Based View (RBV), there has been a plethora of research conducted by scholars on RBV. Scholars have often conceptualised RBV as the firm's ability to utilise and leverage off of its internal organisational resources such as assets, capabilities, processes, managerial attributes, information and knowledge to create a competitive advantage and by extension ensure ideal financial performance (Gregory, Ngo, & Karavdic, 2017; Yu, Chavez, Jacobs, & Feng, 2017). According to RBV, the common understanding amongst scholars is that firms that would like to gain a competitive advantage and ideal financial performance should poses "resources that are valuable, rare, inimitable and non-substitutable" - Yu et al. Studies conducted by scholars like Yu et al. have further validated the fundamental principles of RBV by stating that the "basis for competitive advantage in firms lies primarily in the application of bundles of valuable resources at the firms' disposal" (Yu, Chavez, Jacobs, & Feng, 2017). Resources are intended to be an enabler for businesses, they are meant to not only ensure a vantage point they are also meant to ensure the sustainability of the business.

The nature of the resources described by RBV can be both tangible and intangible, the value of these resources are only considered valuable if they reduce a firms cost or increase a firms revenues (Gregory, Ngo, & Karavdic, 2017). Firms utilise these resources differently depending on their business model and desired outcomes we, therefore, cannot explore RBV across all industries and businesses. Instead, this study will focus on RBV literature and its applicability within the South African e-retail sphere, focusing on SME e-retail enablers. Before discussing e-retail enabling capabilities and their adverse effect on the e-retailers financial performance this literature review will discuss how e-retailing to provide an extensive contextual backdrop for this study.

2.3 The five pillars of retail: similarities in electronic retail operating models and physical brick and mortar retail operating models

One could argue that the only significant difference between online retail stores and physical stores is the actual physical presence of the store, the governing principles and practices of operation remain the same. Leonard L Berry demonstrates this point in his literary work titled "The Old Pillars of New Retailing", in this piece the writer is adamant that the retail industry will forever remain the same, regardless of the context (time, geographic location and target market), the writer is of the belief that the pillars that uphold any retail empire (whether big or small) sustainably will always be the same (Berry, 2001). The writer describes the pillars as follows: solutions, respect, emotions, pricing and convenience (Berry, 2001).

To briefly elaborate on these pillars (these pillars are not in order of significance, and according to the writer all of them are of equal significance), Berry refers to "solutions" in his literary piece. The writer is referring to the ability to identify and fulfil customer needs better than competitors (Berry, 2001). By "respect" the writer is referring to how members of the enterprise treat consumers of the organisation (Berry, 2001). By emotions the writer is referring to the ability to identify with consumers' emotions in order to deliver exceptional service, this may be in terms of marketing, service received or even delivery lead times (Berry, 2001). The writer mentions pricing as the fourth pillar; in this section, the writer refers to fair pricing and the psychological effects of pricing (Berry, 2001). The last pillar is convenience; convenience refers to valuing the consumers time by giving them the ability to easily access products when it is convenient for them and in a convenient location, this could be done by merely arranging the store in a particular layout that consumers would find easier to navigate through (Berry, 2001).

Brick and mortar retailers were initially the dominant retailers in the early 1990s however in the late 1990s there was an emergence of online retailers, advancements in e-retail were strides towards making the consumers shopping experience more convenient (in terms of time, geographical positioning and delivery responsiveness) (Lim & Winkenbach, 2019). Initially, e-retailers could not reach the same operational scalability and efficiency as their brick and mortar counterparts however the same five pillars described by Berry could be used to develop a successful e-retailing operation model (Lim & Winkenbach, 2019).

According to Lin and Shuang-Shii, an organisations brand image influences a consumer's purchasing attitude and intention. The critical elements of developing a positive brand image according to their study are convenience, price, control and communities (Lin & Shuang-Shii, 2018). Their study illustrates four key factors that influence consumer decisions; however, once unpacked a clear correlation is made between these critical factors and the five pillars of successful retailing, which are discussed by Berry.

Lin et al. concluded from their study that the following four factors are essential in developing a positive brand image that will result in sales:

Convenience- the ability to make purchases from anywhere and have them delivered to a particular location when they are required, convenience could be associated with the solution. The convenience pillars in Berry's study is defined as the consumers desire to receive products from retailers without having to leave their location and wasting their valuable time (Berry, 2001). E-retailing has fulfilled this desire by giving consumers the ability to receive their products in a more streamlined manner. E-retailers have given consumers easy access to information on products and services online, and once a sale has been concluded they give them the option of collecting items at their leisure or consumers can have them delivered to their desired location (Lin & Shuang-Shii, 2018). In doing so, e-retail enterprises respect and value the time of their consumers.

Price- Within the current economic climate consumers shop extensively for competitive prices, the web has made comparing prices easier; therefore, consumers purchasing behaviour is influenced by pricing (Lin & Shuang-Shii, 2018). Berry also acknowledged the importance of fair pricing as it could have a positive or negative psychological effect on consumers' perception of the enterprise and the products they are offering (Berry, 2001).

Control- Lin et al. describe control as the ability to make the consumer experience unique (tailoring their experience to consumers' desires and appealing to their decision-making triggers) (Lin & Shuang-Shii, 2018). Berry refers to the respect pillar in terms of customising the consumer experience and ensuring that it makes the customer experience more pleasant (Berry, 2001).

Communities- Lin et al. refer to positive integrated real and virtual communities where information sharing and exchange is encouraged in order to develop better solutions to problems (Lin & Shuang-Shii, 2018). Berry also speaks of creating a conducive community where the organisation and consumers can interact. Customer's experiences can be captured in order to customize their shopping experience, making their experience more pleasant and resolving any of the problems consumers might experience in future (Berry, 2001).

As demonstrated above regardless of the context of the operation model the basic operational principles remain the same, therefore, the conceptualized framework of the five pillars of successful retailing illustrates that the core capabilities (marketing, technological and production- operational-) are essential in delivering products and services to consumers.

E-retailing may also gain traction in South Africa because it offers consumers convenience (cost reduction benefit of not being required to travel to the stores and less effort required to source products and services), the ability to search for lower prices whilst viewing multiple different options (Goga, Paelo, & Nyamwena, 2019).

South Africa is faced with multiple socio-economic issues, e-retailing offers a solution that could result in a marginal level of socio-economic alleviation however enterprises cannot and should not modify their business models or build new business models without adequate supporting material to motivate their decisions. The following section will review e-retail models to demonstrate the models that have been deployed in South Africa.

2.3 E-retail models

Over the years, we have seen the e-retail industry evolve. Enterprises have altered their business models to keep abreast of the rapid changes that have occurred in retail and the extensive

advancements in ICT. Table 2 outlines the e-retail models that have emerged in the South African e-retail market.

Table 2: E-retail models

E-retail model	Explanation	Example	Advantages	Disadvantages	References
Classifieds	Similar to the online marketplace model with an additional advertising function	• OLX • Gumtree	• Depending on the internet companies business model, these enterprises could provide central warehousing and shipping options • Risks related to inventory are evaded • Advertising option creates an additional source of revenue • Customized shopping experience • Convenience	• Marketing costs • Perceptions dependent on the market • The administrative burden belongs to the internet company (data collection, data storage and multiple other administrative burdens) • Infrastructural overheads (ICT and physical infrastructure like warehousing and logistical vehicles) • Does not have access to consumers that are affected by the digital divide	(Goga, Paelo, & Nyamwena, 2019)
Electronic Marketplace (e-marketplace)	An internet company that provides an online platform with the required infrastructure for sellers to sell their goods	• Takealot • Bid or buy • UberEATS	• Depending on the internet companies business model, these enterprises could provide central warehousing and shipping options	• The administrative burden belongs to the internet company (data collection, data storage and various other administrative burdens)	(Goga, Paelo, & Nyamwena, 2019)

E-retail model	Explanation	Example	Advantages	Disadvantages	References
			• Risks related to inventory are evaded	• Infrastructural overheads (ICT and physical infrastructure like warehousing and logistical) • Does not have access to consumers that are affected by the digital divide	
Omnichannel retailers, also known as two-channel retailers	Retailers who have both a physical and online presence which they utilize to generate revenue The hybrid omnichannel is known as the "click and collect" option	• Makro • Woolworths • Pick n Pay • Incredible connection • YuppieChef • Takealot	• Caters to both the time-deprived consumer and those who prefer the in-store shopping experience • Customers who come in to collect their purchases may be drawn to purchase other items • Easier returning processes and systems because consumer can walk into the store. Decreasing the cost of return parcel collections and admin	• Higher overheads because both the physical and online stores require staff • Physical stores are an added expense	(Goga, Paelo, & Nyamwena, 2019; Raizada & Raizada, 2013)

E-retail model	Explanation	Example	Advantages	Disadvantages	References
			• Consumers can browse online before coming into the store • Customized shopping experience • Convenience		
Virtual retailers are also known as pure-play retailers and online-only retailers	These retailers have no physical stores; their presence within the retail market is purely online. These retailers often purchase or create their inventory and add a mark-up before displaying it online for consumers to purchase. These retailers rely solely on their online presence to generate their revenue; they, therefore, operate out of a warehouse or facility that consumers do not have access too.	• Spree • Superbalist • TrendySecrets by Ipssy	• Reduced overheads • Standardized shopping experience • Customized shopping experience • Convenience	• Consumers cannot physically access retailers products or services before purchasing them decreasing their purchasing intention • Brand development takes longer and may cost the enterprise a significant amount of money	(Raizada & Raizada, 2013; Goga, Paelo, & Nyamwena, 2019)

To sustainably operate any of the e-retail models outlined in Table 2 several factors should be considered, such as the macro-environmental environmental factors. For the purposes of this research, micro-environmental factors will be the focal point, specifically the e-retailers ability to service consumers for financial gains based on their capabilities (Oxford College of Marketing, 2020). The following section will explore the multiple capabilities required to establish and ensure the sustainability of an e-retail from a RBV theoretical perspective; the section will also explore the effects of these capabilities on financial performance.

2.4 The relationship between a firms performance (financial) and the firms' capabilities

A firms capabilities form an integral part of the firms' operations because they ensure that the firms desired outcomes are achieved, according to Gregory et al. "researchers believe that uniquely combining a set of complementary and specialised internal resources and capabilities may lead to value creation" (Gregory, Ngo, & Karavdic, 2017). Ju, Fund and Mano (2013) reaffirm this these findings by stating that, there is a significant relationship between firm performance and firm capabilities, their article cites marketing capability, technological capability and production capability as the core capabilities required for any firm to operate successfully (Ju, Fung, & Mano, 2013). Bennett Alexander emphasises the lack of academic discourse around e-retail within the scientific literature in the study *"Disruption of the Retail Ecosystem: The South African e-Retail imperative"* (Alexander, 2017). Bearing this caveat in mind it is important to note that e-retailing is a fairly new phenomenon more especially in the South African context the literature readily available is extremely limited, however, this study will explore the current literature on the relationship between a firms performance (financial) and capabilities from a RBV perspective in the subsequent sections. Due to not only the scarcity of literature but also the scope of work for this research the following sections will only focus on marketing operational, technological and dynamic capabilities and their relationship with a firms performance.

2.4.1 The relationship between marketing capabilities and firm performance (financial)

For a firm to earn financial rewards for their products or services they are required to have a market that demands what they are supplying. In some cases, a pre-existing market has been established but in others, it has to be created, in both cases for firms to gain access to this market their presence needs to be acknowledged. According to Xiaoyu et al. the market has a specific orientation which creates a culture which necessitates the behaviour of "creating superior value for buyers and even achieving excellent corporate performance" (Xiaoyu & Linzan, 2018). This market orientation is said to have two dimensions, namely customer orientation and competitor orientation (Xiaoyu & Linzan, 2018). Xiaoyu et al. broadly define the two dimensions as "customer orientation refers to the company's focus on providing customers with quality services… customer orientation leads positively influence on firms performance. Competitor orientation refers to the idea that companies collect information from competitors and competitors respond to the company's activities" (Xiaoyu & Linzan, 2018).

According to Gregory et al. the marketing capabilities within e-retailing can be conceptualised as "the ability of an organisation to identify, develop and assimilate e-commerce activities into market value offering that meet desired goals" (Gregory, Ngo, & Karavdic, 2017). The marketing capabilities of a firm form an integral part of not only their business model but it also affects their sustainability because it influences both supply and demand in term affecting the financial performance of the firm. If the marketing capabilities of a firm are adequately capacitated, they should fulfil the following three objectives according to Lee et al.:

- Capacitate the firm in order to approach the market, effectively using the channels of communication and delivery to the consumer
- Ensure firm establishes and fosters relationships consumers that will help the firm reduce uncertainties
- Increase the firms' competitiveness (Lee, Lee, & Garrett, 2017)

An enterprise with excellent marketing capabilities is said to perform better in the marketplace when compared to its counterparts because the capability ensures the firm understands and responds to market changes effectively whilst maintaining customer relations (Ju, Fung, & Mano, 2013). Firms that develop and equip their marketing capabilities are able to use insights from their customer relations to differentiate their products and service offerings giving the firm a competitive advantage (Ju, Fung, & Mano, 2013). Not only do these firms provide customers with products and services that are tailored to their needs and expectations, but they can also charge clients premium prices for meeting these needs fundamentally improving their financial performance (Ju, Fung, & Mano, 2013). These firms are also able to maintain customer loyalty by meeting their clients' needs and expectations which ensures consistency in their financial performance (Ju, Fung, & Mano, 2013). Therefore, it cannot be ignored that the marketing capabilities of a firm form an integral part firms ecosystem, this study seeks to establish the relationship between marketing capabilities and the financial performance of SME e-retailers in South Africa

Hypothesis 1: There is a positive relation between marketing capabilities and the performance of SME e-retailers

2.4.2 The relationship between technological capabilities and firm performance (financial)

To enable e-retailing one cannot evade the basic prerequisite of ICT, to operate electronically both the retailer and the consumer are required to have access to the relevant ICT infrastructure. From a technological perspective, research has been fairly pessimistic about the technological readiness of South Africa for e-retailing (Alexander, 2017). These concerns are raised from an access, infrastructural and security perspective, these concerns are further discussed in detail in subsequent sections (Alexander, 2017). We have already seen the integration of ICT in SMEs in South Africa, a survey conducted by Ndayiziganiye et al. indicates that in South Africa "websites are key contributors to establishing contact with customers, updating inventory, firm sustainability, business growth and competing for market share" (Ndayiziganiye, Khoase, & Jere, 2019).

Ju et al. cite technological capabilities as one of the three capabilities that enhance firm performance. Ju et al. define technological capabilities as the organisational skills and abilities that enable the firm to employ various technologies and develop new products (Ju, Fung, & Mano, 2013). Technological capabilities give firms a competitive advantage by offering them the ability to alter the product and service offerings rapidly in response to customer preferences, to meet their needs and requirements. Technological capabilities, much like marketing capabilities, ensure that the firm can charge premium prices whilst maintaining customer loyalty (Ju, Fung, & Mano, 2013). Technological capabilities also result in operational efficiency, resulting in the firm reducing production costs (Ju, Fung, & Mano, 2013).

South Africa has embarked on its journey towards the fourth industrial revolution (4IR); the advent of this revolution will result in unfathomable advancements in ICT (Govender, 2020). The 4IR will alter the manner in which businesses operate and how individuals live their lives; enterprises will either have to adapt or risk annihilation (Govender, 2020). The retail industry, like many others, is

suspectable to these changes, which is why multiple retailers have embraced digital transformation, retailers that have not embraced digital transformation risk loss of revenues. An example of a retailer who failed to adapt their business model and embrace digital transformation was Stuttafords, the department store which experienced many years of success through its brick and mortar storefronts could not operate optimally with the increased formal and informal on and offline retailer competitors (Govender, 2020; Hill, 2019). According to Govender (2020), if Stuttafords had refined its technological capabilities, it might have been able to use technological solutions like an online storefront customised for an enhanced shopping experience. Big data analytics, cloud computing, artificial intelligence and many other technological tools could have supported the enhanced shopping experience and formed part of their strategic approach (Govender, 2020). A combination of these capabilities could equip retailers that will emerge during the 4IR.

For South African SME e-retailers, their technological capabilities are not only fundamental for their marketing function, their technological capabilities affect their entire business. Their entire business is dependent on the technological capabilities; therefore, this research will explore the relationship between their technological capabilities and the financial performance of the firm.

Hypothesis 2: There is a positive relation between technological capabilities and the performance of SME e-retailers

2.4.3 The relationship between operational capabilities and firm performance (financial)

Operational capabilities are defined as the integration of a complex set of tasks performed by a firm to enhance its output through the most efficient use of its production capabilities, technology and flow of materials. Superior operational capabilities increase efficiency in the delivery process, reduces the cost of operations and increase an enterprise's competitive advantage (Yu, Ramanathan, & Nath, 2014). Production capabilities and technology are seen as integral components of operational capabilities; production capabilities are defined as a set of skills that enable the firm to reduce production costs and utilise resources efficiently (Ju, Fung, & Mano, 2013). Through production capabilities the firm can enhance their financial performance by reducing costs, production capabilities also ensure that firms are able to meet profitability targets leading to their ability to scale at the optimal quality (Ju, Fung, & Mano, 2013). For the purpose of this study production capabilities will include the entire process from turning raw materials into a finished product to the delivery of the product or service (Ju, Fung, & Mano, 2013). Ju et al. believe that these three capabilities (marketing, technological and operational) are related to a firms core function and represent the capabilities that are required to generate superior performance (Ju, Fung, & Mano, 2013).

Numerous processes and systems are integrated for the purposes of production and fulfilment capacitating the operational capabilities of any business, although e-retailing may extensively involve digital technology, human capital resources are still an integral part of the ecosystem from an operations perspective. Research conducted by Davis et al. within the online grocery retail sphere from an RBV perspective demonstrated this, according to Davis et al. "IT infrastructure was only one part of what determined online selling success and that internal human resource capability was more important for the success of online retailing" (Davis & Simpson, 2017).

The greatest contestation within the e-retail sphere is delivery, the delivery of products and services bears the greatest burden due to consumer expectations. An e-retailers supply chain, therefore, has to be efficient, in South Africa, there is a negative perception regarding e-retailers logistical readiness (Alexander, 2017). According to Yu et al. ideally, e-retailers should continuously strive to enhance their supply chain capabilities (SCC) by "using both internal and external resources or information to facilitate supply chain activities. SCC can be used to gain a competitive advantage. Specifically,

to understand customers or market requirements and work with trading partners to create order winning products and services" (Yu, Chavez, Jacobs, & Feng, 2017). Yu et al. then went on to conceptualise SCC as "a multidimensional construct that encompasses four dimensions: information exchange, coordination, interfirm activity integration and supply chain responsiveness. Each of the four dimensions reflects an ability to collaboratively perform cross-functional" (Yu, Chavez, Jacobs, & Feng, 2017).

In comparison to the past when stock keepers had to manually log inventory SCC is becoming relatively easier ensuring that businesses have the ability to match both supply and demand. Due to the advancements of ICT SCC has become relatively easier business owners can access information on stock levels and supply chain efficiency from their fingertips. Access to such information is extremely important because order fulfilment and stock availability affects consumer behaviour and in turn affects the financial performance of a business (Weber & Badenhorst-Weiss, 2018). Data-Driven Supply Chain (DDSC) systems have the ability to influence decision-making processes that will lead to better outcomes (Yu, Chavez, Jacobs, & Feng, 2017). According to Yu et al., DDSC enables firms to increase their supply chain integration and coordination resulting in the reduction of costs (Yu, Chavez, Jacobs, & Feng, 2017).

The operations sphere of a firm is the ideal arena to demonstrate RBV, the amalgamation of resources for the desired outcome reaffirms the fundamental principles of RBV. As Yu et al. have stated, "the fundamental principles of the RBV which suggests that the basis for competitive advantage in firms lies primarily in the application of bundles of valuable resources at the firms' disposal" (Yu, Chavez, Jacobs, & Feng, 2017). This study will therefore examine the relationship between operational capabilities and the financial performance of SME e-retailers.

Hypothesis 3: There is a positive relation between operational capabilities and the performance of SME e-retailers

2.4.4 The relationship between dynamic capabilities and firm performance (financial)

Dynamic capabilities (DC) according to Jurksiene and Giniuniene (2015) could be "conceptualised as higher-order strategy processes that integrate, recombine and generate new technological and marketing capabilities which in turn shape firm performance" (Jurksiene & Giniuniene, 2015). In more understandable terms, DC could be seen as combining multiple capabilities for the purposes of collective synergy, which would result in higher gains as opposed to utilising these capabilities in solitude.

Synergy is often discussed in terms of mergers and acquisitions and how value can be created from the pooling of resources from different organisations (Xiaoyu & Linzan, 2018). For the purposes of this research, synergy will be discussed from an internal organisational perspective, the usage of the firms' collective capabilities to create value. Lee et al. provide an example of internal synergy in their research, according to Lee et al. (2017) "marketing innovation can increase the competitiveness of incremental products through its ability to make customers perceive a new product as being novel, for example, finds manufacturing firms obtain competitive advantages such as product differentiation and cost leadership in the market through marketing innovation activity" (Lee, Lee, & Garrett, 2017).

DC are of paramount importance to the sustainability of any firm, RBV is said to have two flaws according to Sedera et al., the inability to account for context and the inability to account and recognise the role of other resources and complementary resources (Sedera, Lokuge, Grover, Sarker, & Sarker, 2016). Sedera et al. have addressed this flaw by extending their definition of resource-based theory (used interchangeably with RBV) under the term contingent resource-based theory

(CRBT) (Sedera, Lokuge, Grover, Sarker, & Sarker, 2016). According to Sedera et.al's definition of CRBT, the argument is that "complementary resources have a moderating effect on the primary resources". Sedera et al. support this statement by saying "although resources can be operational in isolation to create competitive advantage, the synergistic complementary application of resources is purported to deliver greater benefits' (Sedera, Lokuge, Grover, Sarker, & Sarker, 2016). Leveraging off of the synergy of multiple capabilities translates into the business establishing its own DC which competitively positions the business and most likely yields higher returns.

In the ever-changing fast-paced world that we currently live in agility is of paramount importance more especially for businesses especially SMEs. Larger firms may not have the agility to adapt rapidly enough to seize opportunities like SMEs. The ability to seize opportunities is what sets SMEs apart and could lead to greater financial rewards for them, according to Tjipueja SMEs should refine their DC to ensure that they are able to respond to opportunities that will result in higher performance for their enterprises (Tjipueja, 2019).

It is evident in the literature that DC aid businesses from a strategic and operational perspective, they are considered essential for the purposes of gaining a competitive advantage and ensuring financial performance. therefore, this study will examine the relationship between DC and the financial performance of SME e-retailers in South Africa

Hypothesis 4: There is a positive relation between dynamic capabilities and the performance of SME e-retailers

To provide a deeper contextual understanding of the SME e-retail market in South Africa the following section will explore the South African e-retail landscape.

2.5 South Africas' e-retail landscape

In "Alibaba: the house that Jack Ma built" Jack Ma is quoted saying "if traditional industry and e-commerce successfully merge together there will be no limit to China's next round of economic development" the same could be said for Africa more especially South Africa (Clark, 2016). In a sectoral interview between Sacha Poignonnec (co-found and co-Chief Executive Officer of Jumia) and McKinsey&Company, Poignonnec (2019) is quoted to have said that he is "bullish about e-commerce in Africa because of what is unique in this continent is you have this very big population – over one billion people- and they are very connected. There are more than 400 million internet users in Africa, which is the second-largest internet-user population on the planet, just after China. Yet distribution for goods and services is challenging. And its notorious that in Africa, for consumers, it is more difficult to find goods and it's more difficult to shop. Because of mobile and because of the internet, consumers now have a way to access goods and services in a more efficient way".

The South African e-retail market is in an even better position to exploit e-commerce opportunities, the South African e-retail landscape still has significant room for growth and SMEs in South Africa could benefit extensively from the national and international exposure that e-retailing could provide (Budree, 2017). According to excerpts from the United Nations Conference on Trade and Development, e-commerce gives SMEs "the ability to access a global market, e-commerce creates the potential for new businesses and jobs, as both the export and import markets of that country expand, thereby impacting positively on employment and productivity", this can be true for South Africa (Budree, 2017).

According to Budree in 2016 South Africa was the prime market for e-commerce growth because it had "an estimated 39.3 million citizens aged 15 and over, 50% (19.5 million) of whom were internet

users and only 20% (8.3 million) of whom are e-shoppers". Since 2016 the market conditions have significantly improved (Budree, 2017). Budree even goes on to say that "the growing middle class in sub-Saharan Africa seeks more convenient shopping methods and better-quality products, driving local and international internet retailers to meet needs. With growing internet penetration, improvements in mobile technology and the development of payment and delivery infrastructure, there are opportunities to enhance the adoption of e-commerce in South Africa (Budree, 2017). The number of e-shoppers has increased significantly, in 2019 the Global B2C E-commerce report cited a drastic increase of up to 63%, consequently meaning that more individuals are shopping online (Lone & Ludovica, 2019). The next section will briefly explore the current e-retail landscape in South Africa; the section that follows will outline barriers and challenges encounter by e-retailers and aspiring e-retails. The section that follows thereafter will discuss fostering an ideal e-retail ecosystem in South Africa before exploring South Africas' prime e-retail case, Takealot.

2.5.1 Market analysis

The South African e-retail industry is in its nascent phase due to the gradual adoption by the South African market, but e-retail has been around for over two decades, early e-retail adopters like Kalahari.com were operational in 1998 (Goga, Paelo, & Nyamwena, 2019). The South African e-retail market has taken a significant amount of time to gain traction. The market is only reaching noteworthy milestones of late; the South African e-retail market surpassed the anticipated 1.4% (R14 billion) mark of South Africas total retail market in 2019, the growth projections are estimated to reach the 2% mark in 2022 (World Wide Worx, 2019; Goga, Paelo, & Nyamwena, 2019). The South African online market surpassed the anticipated growth projections and demonstrated a rapid uptake of online shopping.

A survey conducted by Deloitte South Africa revealed that the South African consumer shopping experiences have evolved over the years, South African consumer are now receptive to both online and offline shopping (Budree, 2017). According to Deloitte's study, 30% of South African respondents were likely to engage in what is known as "showrooming" (consumers visit a store to select a product but shop online for the best price), the inverse is also evident in the South Africa (Budree, 2017). Consumers not only showroom they also participate in "webrooming" (shoppers search for products online and then go into a store to purchase it) (Budree, 2017).

The South African e-retail industry may be in its nascent phase, demonstrating low levels of penetration due to the significant accessibility challenges, but the consumers that this industry caters to are relatively unique. The South African e-retail industry caters to higher-income earners who work full time with 35% of these consumers earning more than R30 000 per month, these consumers are characterised by their time constraints. Their time deprivation is the leading cause of online shopping for these individuals (Goga, Paelo, & Nyamwena, 2019).

In 2017 the largest e-retail enterprises in South Africa were Spree, Zando, Takealot and Yuppiechef, large retailers like Pick n Pay, Mr Price and Makro who had an enormous brick and mortar footprint were also switching to an omnichannel approach to retailing by offering home and offices deliveries to cater to consumers who are time-deprived (Budree, 2017). Takealot and Pick n Pay used the logistical infrastructure that Mr Delivery had already established to fulfil their orders which proved to be a strategic decision (Budree, 2017). It is, however, important to note that Spree, Superbalist, Takealot and Mr delivery all fall under the Naspers sable, essentially Naspers has created its own e-commerce ecosystem much like the Alibaba Group (Budree, 2017; Goga, Paelo, & Nyamwena, 2019). The Naspers case is explored in a subsequent section to provide more insight into their e-commerce ecosystem. Table 3 below demonstrates 2017s top 12 e-commerce websites in South Africa, indicating their market share, their delivery channels and the products they deliver.

Table 3: South Africas e-retailers and their market share in 2017

Retailer	Percentage of market share (%)	Retail channels	Categories of products for sale	Reference
Takealot	12.5	Online (added brick and mortar pick up points in 2019 therefore currently omnichannel)	• Home • Fashion • Computers and phones • Electronics • Toys • Movies and music • Alcohol • Sports and outdoors • Books • Health and beauty	(Esterhuizen, 2018; Takealot online (Pty) Ltd, 2020; Goga, Paelo, & Nyamwena, 2019)
Apple App Store	5.5	Omni	• Applications	(Esterhuizen, 2018)
Pick n Pay	5.1	Omni	• Home • Toys • Movies and music • Health and beauty • Alcohol • Fresh food • Non-perishable food	(Esterhuizen, 2018; Goga, Paelo, & Nyamwena, 2019; Pick n Pay, 2020)
Woolworths	2.7	Omni	• Home • Fashion • Alcohol • Non-perishable • Fresh food	(Esterhuizen, 2018; Goga, Paelo, & Nyamwena, 2019)

Retailer	Percentage of market share (%)	Retail channels	Categories of products for sale	Reference
			• Books	
Sportsmans Warehouse	2.2	Omni	• Sports and outdoors	(Esterhuizen, 2018)
Incredible connections	2	Omni	• Computers and phones • Electronics	(Esterhuizen, 2018; Goga, Paelo, & Nyamwena, 2019)
Exclusive books	1.8	Omni	• Books	(Esterhuizen, 2018)
HomeChoice	1.6	Omni	• Home	(Esterhuizen, 2018)
Amazon (shipping to South Africa)	1.5	Online	• Home • Fashion • Computers and phones • Electronics • Toys • Movies and music • Non-perishable food • Sports and outdoors • Books • Health and beauty	(Esterhuizen, 2018; Goga, Paelo, & Nyamwena, 2019)
Mr Price	1.5	Omni	• Home • Fashion • Toys • Sports and outdoors	(Esterhuizen, 2018; Goga, Paelo, & Nyamwena, 2019)
Netflorist	1.5	Omni	• Flowers and gifting • Books	(Esterhuizen, 2018; Goga, Paelo, & Nyamwena, 2019)

Retailer	Percentage of market share (%)	Retail channels	Categories of products for sale	Reference
Spree	1.4	Online	• Fashion	(Esterhuizen, 2018; Goga, Paelo, & Nyamwena, 2019)

World Wide Worx in partnership with Visa and Platinum Seed conducted an online retail and market industry survey, from the 75 companies that participated, the following insights were extracted (World Wide Worx, 2019):

- Apparel is the fastest growing online retail sector (confirmed by the working paper written by Goga et al.)
    - 23% of participants operated within the apparel sector which was the highest number of respondents in a category
    - The apparel sector has the highest turnover of businesses, the survival rates of apparel stores are said to be closely associated with the low barriers to entry into the sector
- The second-largest number of respondents were categorized as general; these stores sold items across multiple categories. Loot was the example given
- According to the study, alcohol, tobacco and vaping were within the fast-growing category

2.5.2 Social commerce: South Africas e-retail phenomenon

The South African e-commerce market has significant room for growth. A subset of e-commerce that is often neglected and was also not accounted for in the World Wide Worx and multiple other studies is social commerce, social commerce evolved from traditional e-commerce and seems to be the most popular form of e-retailing in South Africa (Esterhuizen, 2018). Social commerce enables consumers to browse through a variety of products and services and then purchase a selected product or service online; social commerce is different from traditional e-commerce because it also facilitates communication between consumers on social media sites throughout the customer's journey (Esterhuizen, 2018).

The substantial increase in engagements aids consumers throughout the decision-making process; the engagements facilitated by social commerce have the ability to alter consumers online shopping behaviour (Esterhuizen, 2018). Retailers have noted the impact of social commerce and have integrated it into their business models this is evident in the increase in advertising spend on social media networks, a prime example would be the amount of money spent by enterprises on Facebook advertisements (ads) (Esterhuizen, 2018). In 2018 Forbes listed Facebook as the 77th most valuable public company because it had amassed $44.6 billion in revenue from brand advertising (Esterhuizen, 2018).

Social commerce has proven to be a powerful tool to enterprises because consumers are influenced by other consumers experiences with products and services, 97% of consumers are said to have been influenced by the recommendations and reviews of other consumers who had posted their experiences with particular products and services (Esterhuizen, 2018). Consumers depend on these recommendations and reviews because they decrease the level of uncertainty they may have when trying a product or service, the recommendations and reviews also increase consumers trust levels which in turn translates into an increased level of purchasing intention (Esterhuizen, 2018).

In South Africa, the social commerce approach to e-retailing has shown a significant amount of potential because of the high levels of mobile penetration and the substantial number of individuals who access social networks through their mobile phones. In 2018 30.81 million individuals in South Africa were active online users, the South African population in 2018 was approximately 57.06 million therefore approximately 54% of the South Africans population had access to and utilised the internet (Esterhuizen, 2018). In the same year, 16 million (approximately 52%) of these online users accessed or utilised a social networking site using their mobile phones (Esterhuizen, 2018). An

entirely new industry has also evolved from social commerce; the social media influencer industry has proven to be a unique supporting capability to the social commerce market (Kohler, 2019).

Stores have integrated influencers into their social commerce strategies; influencers are utilised to reach target audiences which may not have been ordinarily reached by a traditional brick and mortar store, e-retail store or even a traditional social commerce store and strategy (Kohler, 2019). Influencers create content for enterprises and share it on their social networking platforms for consumers to engage with, and one could say influencers are a new age walking billboards (Kohler, 2019). Influencers primarily sell the attention they receive on their social networking profiles to enterprises (Kohler, 2019).

The social networking platforms that influencers use vary depending on their content, target audience, niche and the intended effect required, for instance, a beauty influencer may use YouTube instead of Facebook when contracted by a makeup brand (enterprise). The influencer and the brand will choose YouTube as their platform of choice because they would like to demonstrate the application process of a particular product, the selection of a social networking platform will be dependent on the desired effect a brand requires (Kohler, 2019).

The influencer industry is also within its nascent phase in South Africa; however, global influencer marketing data has demonstrated the power of influencer marketing. In 2017 the industry reached the US$2 Billion revenue mark and projections demonstrate that the industry will reach the US$10 billion mark by 2022 if not sooner than anticipated (Kohler, 2019; Humanz, 2019). Like many other industries that are within their nascent phase, the influencer marketing industry is unregulated and remuneration varies depending on several pricing points (Kohler, 2019).

In 2019 South African influencers charged between R500 and R25 000 per post depending on multiple factors such as the five pricing points suggested by Kohler (Kohler, 2019; Magadla, 2019; Thakurdin, 2019) Kohler suggested the following five pricing points be used to calculate pricing schedules for the industry in 2019 (Kohler, 2019):

- Value reach per post – for instance R70 per 1000 impressions
- Audience quality
- Target group accuracy – a demographical pricing point
- Brand alignment/ fit
- Content value – influencers content creation rate per hour/ day/months/year
- The duration that the content will be circuited

There are multiple factors to consider when contracting an influencer, influencers like the multi-award-winning influencer Mihlali Ndamase charged up to R25 000 for a single Instagram post in 2019 (Thakurdin, 2019; Magadla, 2019). Ndamase's' rates were based on the number of Instagram followers she had at the time (730 500 followers), persona, content creation skills and her engagements with her audience (Magadla, 2019). It is important to acknowledge that five categories are used to classify influencers and an A-list influencer like Ndamase will have a different rate card when compared to a Nano-influencer, micro-influencer, B-list influencer or even a superstar influencer (Humanz, 2019). Table 4 below demonstrates the 2019 categories of influencers based on South Africas second edition of the "*Influencer marketing statistics and benchmarks"* report by Humanz (a social data verification and enhancement business):

Table 4: Categorical classifications of influencers based on their number of followers (Humanz, 2019)

Influencer ranking	Number of followers
Nano-influencer	1 000 – 4 999
Micro-influencer	5 000 – 49 999
B-lister influencer	50 000 – 249 999
A-lister influencer	250 000 – 1 000 000
Superstar	+1 000 000

Not all influencers have reached A-lister influencer status and like many other industries, there is a wide variety of potential service providers, Christine Meintjes. Meintjes who would be categorised as a B-list influencer. She manages The Pretty Blog on Instagram, Facebook and Pinterest, Table 5 demonstrates her 2020 rate card for comparison and benchmarking purposes. Table 5 excludes her content creation fee, which starts at R2 000.00, excluding VAT.

Table 5: The Pretty Blogs 2020 rate card (Meintjes, 2020)

Social networking platform	**Number of followers**	**Engagements**	**Demographics of audience**	**Cost (excluding VAT)**		**Anticipated engagements (approximate figure)**	**Suitability of post**
Instagram	132 180	220 000 unique users/ visitors per month 1.5 Million monthly impressions	• 90% - women aged 25-35 ○ 95% - South African ○ 45% - Cape Town ○ 40% - Gauteng ○ 5% - Durban ○ 5% international	A single Instagram story	R1 250.00	2 000 – 6 000 views	Ideal for one-off promotions such as events or sales because it only lasts for 24 hours
				Instagram story unboxing, this includes: • Photos/ videos of packaging. Mentions - of the store, how individuals can access the product and the price	R4 000.00	Not specified	Sharing products especially additions to product ranges
				Instagram story editorial, include the following	R5 250.00	Not specified	Not specified

Social networking platform	Number of followers	Engagements	Demographics of audience	Cost (excluding VAT)		Anticipated engagements (approximate figure)	Suitability of post
				• The influencer will share five images on their story • Mentions – tags store • Provides a link to the store • Provides an easy access swipe up option which redirects the consumer to the store • Added to highlights for a week • Statistical report with engagements feedback			

Social networking platform	Number of followers	Engagements	Demographics of audience	Cost (excluding VAT)		Anticipated engagements (approximate figure)	Suitability of post
				Instagram lives, includes the following: • Mentions - both a tag and a link to retailers Instagram page	R3 000.00	10 000 – 30 000 viewers	Not specified
				Instagram giveaways include the following: • 2-3 Instagram stories	R7 500.00 R4 500.00 per brand on joint giveaways	20 000 – 50 000 viewers and 500 – 10 000 comments	Follower growth, brands receive a minimum of 200 – 400 new followers
Facebook	96 277	140 000 unique users/visitor per month 140 000 unique users/ visitors per month with 1.8 million	• 92% - women aged between 25-35 • 95% - South African, 5% - International ○ 40% - Cape Town ○ 53% - Gauteng	Facebook stories	At the same rate as the Instagram equivalent	Not specified	Not specified
				Facebook story editorials			
				Facebook posts			
				Facebook giveaways			

Social networking platform	Number of followers	Engagements	Demographics of audience	Cost (excluding VAT)		Anticipated engagements (approximate figure)	Suitability of post
		impressions per month	○ 8% - Durban				
Pinterest	75 629		• 10% South African and 90% international	Not specified	Not specified	Not specified	Not specified

Due to the unregulated standards, influencers may charge different rates to different brands for the same services (Kohler, 2019). Rates are entirely up to the influencers discretion, the influencers ability to use their discretion makes it essential for brands to manage their relationships with influencers. It is also vital for influencers to nurture their relationships with their followers/ audience because their ability to leverage deals is dependent on that relationship. These relationships influence negotiations and the amount of effort required to fulfil obligations, the negotiator should be able to convince the influencer or their management team (agency) to work with the brand at a rate that will be fair and adds value to both the brand and influencers profile (Kohler, 2019). The amount of discretion also makes it significantly hard to obtain credible rates that influencers charge as many influencers do not openly share their rates.

As mentioned above the influencer market is unregulated, brands and influencers make use of the 2017 Freelancers guide by the South African Communications Industries Association (SACIA) to determine obligations and manage expectations (South African Communications Industries Association, 2019). According to SACIA the freelancer's guide is meant to assist "freelancers working in the broadcast, content creation, technical production and live events industry in Southern Africa… it is meant to promote the adoption of professional standards and ethical business practices within the industries" (South African Communications Industries Association, 2019). This guide can be used to manage obligations and expectations, especially with regards to behavioural conduct which may affect the brand.

Outlining obligations and expectations is essential; therefore, it is essential to create a content plan which should be used to ensure maximum value is obtained from the content created (Meintjes, 2020).
Integrating a social commerce approach to e-retailing may put a strain on the enterprises' resources, especially if the enterprise does not have the internal capabilities required to manage the social commerce function efficiently. To ease this pressure enterprises can outsource this function to intermediaries such as Beauty Bulletin, BookingsAfrica, Humanz, WebInfluential and many other service providers. These intermediaries specialise in influencer social commerce supporting
by enterprises creating social commerce solutions that are customised to the needs of enterprise whilst bearing in mind the enterprises limitations and constraints. Using these intermediaries may also be beneficial because they are equipped with adequate measurement matrices which reflect the effectiveness of interventions utilised, the return on investment (ROI) over time, they already have the required networks and capabilities required.

Social commerce has become an integral part of South Africas' retail DNA, according to Afolabi all enterprises cannot avoid the integration of social interactions into their business model because it has become impossible to separate business markets from the online world (Adeleye, 2016). Social commerce has been able to use social media marketing as a powerful tool that has proven to be more effective than the traditional modes of marketing (Adeleye, 2016). If done correctly, social commerce facilitates an integral two-way interaction between the business and consumers that can lead to not only a sale but essential insights that can be used by the business to innovate (Adeleye, 2016).

SME retails still have ample opportunity to maximise on the benefits of e-retailing because international e-retailers have not successfully penetrated the market yet due to the trade barriers put in place, the inefficiencies in postal services and the relatively poor integration of transportation in South Africa (Goga, Paelo, & Nyamwena, 2019). The next section will provide an overview of the challenges encountered within the e-retail market by South African e-retailers.

2.5.3 Barriers to entering the e-retail market

The South African e-retail market is, unfortunately, an oligopoly, however, as opposed to other industries, the barriers to entry in the e-retail market are not as challenging to disintegrate. According to Goga et al. (2019), the challenges experienced by SME e-retailers are similar to those experienced by offline SME retailers. The 2017/2018 Global Entrepreneurship Monitor (GEM) report on South Africa states that South Africa is an Efficiency Driven country in which over 50% of the entrepreneurs are in wholesale or retail (Global Entrepreneurship Research Association, 2018). These entrepreneurs are the founders and leaders of the SMEs that drive economic development by fostering innovation and creating job opportunities for South Africans (Global Entrepreneurship Research Association, 2018). Both online and offline SMEs are seen as significant contributors to the South African economy, and this is demonstrated by their 36% (of $313.0 billion in 2015) contribution to the Gross Domestic Product (GDP) in 2015 (Global Entrepreneurship Research Association, 2018).

SMEs that are online are said to be of importance to economic development however in the South African context retail SMEs are not evolving at the appropriate pace and as a result are lagging behind their larger counterparts and international competitors in terms of e-retailing (United Nations Industrial Development Organisation, 2017). E-retailing is said to be in its nascent phase in South Africa when compared to its developed counterpart countries. However, South Africa is making significant strides towards adopting a safer and efficient e-retailing ecosystem and this is demonstrated by the R7.5 billion that was spent on online retailing in 2015 (United Nations Industrial Development Organisation, 2017).

The United Nations Industrial Development Organisation (UNIDO) cites poor access to financial assistance, access to markets, inadequate management skills, inadequate support services and poor physical infrastructure as the challenges faced by businesses that are pursuing or would like to pursue the e-retailing avenue (United Nations Industrial Development Organisation, 2017). Goga et al. support UNIDOs diagnosis in their research, according to Goga et al. the challenges experienced by SME e-retailers are the following:

- Access to finance
    - High marketing and infrastructural (logistical, warehousing and ICT – platforms, computing and payment systems-) costs
- Inadequate physical infrastructure (for warehousing and fulfilment purposes)
- Low levels of research and development (due to skills shortage as well as funding)
- Labour issues
- Skills shortage (especially STEM skills)
- Poorly developed government regulations (especially on taxation)

In light of the challenges that have been cited the following section will explore e-retail inhibitors within the South African context and how these inhibitors could and should be addressed to foster a conducive e-retail ecosystem

2.5.4 Fostering an e-retail ecosystem

a. Connectivity: The digital divide

Limited internet access and the ability to use the internet effectively has hindered the growth of the e-retail industry in South Africa, an excerpt from National Treasury's economic strategy for South Africa document adequately describes South Africas' current connectivity dilemma:

"The cost of communicating is excessively high in South Africa. We rank 126th in terms of prepaid mobile cellular tariffs and 69th in terms of fixed broadband internet tariffs (World Economic Forum 2015). Even out of 17 African states, South Africa is the fourth most expensive in terms of broadband costs. One gigabyte of data costs US$14.10 in South Africa. In Cameroon (the cheapest country), one gigabyte costs US$2.10 (World Bank 2016). At the same time, the quality of broadband is poor. South Africa ranks 119th globally in terms of download speed. Average connection speed in South Africa in 2016 was 6.5 Mbps, ranking it 73rd out of 146 countries (Akamai 2016). South Africa also has extremely low levels of information and communications technology (ICT) uptake and access, especially of broadband, in comparison with other countries (Robb 2017). While South Africa performs poorly compared to its peers in ICT indicators, any progress that has been made to date in price, quality, and access has largely been due to increased competition, through the entrance of challenger firms and regulating for competition (CCRED 2016a)." (National Treasury, 2019).

According to the National Data Commission, the cost of data in South Africa is significantly high in South Africa because of the limited spectrum and infrastructure available, broadband service providers like MTN and Vodacom charge exorbitant amounts of money because of the scarcity of spectrum (Competition Commission South Africa, 2019). These service providers also have to invest an enormous sum of capital to have access to quality spectrum so that they can operate (Competition Commission South Africa, 2019). Releasing additional spectrum and rolling out infrastructure development through Public-Private Partnerships (PPP) seems to be the only solution to South Africas' connectivity dilemma, releasing additional spectrum and rolling out infrastructure would result in better quality broadband at a much more affordable rate (Competition Commission South Africa, 2019).

Resolving the connectivity dilemma has been an issue that the State has struggled to address for many years; however, due to the Covid-19 pandemic additional spectrum has been released temporarily to meet the additional demand for connectivity. The demand is fuelled by citizens who have had to work from home, continue their academic programmes and complete other tasks they would have been able to do under normal circumstances (Omarjee, 2020). The temporary release of the spectrum comes as a response to an order that the Minister of Communications Stella Ndabeni-Abrahams issued to The Independent Communications Authority of South Africa (ICASA), the release of additional spectrum is meant to support telecommunications service providers throughout the current national state of disaster (Omarjee, 2020; Gavaza, 2020). In a statement made by the acting chairperson of ICASA at the time Dr Keabetswe Modimoeng, he acknowledges the necessity of additional spectrum in bridging the communications divide (Omarjee, 2020).

The need for the additional spectrum that has been released will not disappear once the effects of the pandemic have subsided and life normalises, telecommunications service providers will still require it to provide reduced data prices and increased speed bridging the digital divide in South Africa. The pandemic has forced both the State and ICASA into providing access to additional spectrum. It would be beneficial for telecommunications service providers, e-retailers and other enterprises that depend on broadband if the spectrum remained available. The continual availability of this spectrum will also be in alignment with the directives given by the Ministers post the 2019 budget speech by the Minister of Finance Tito Mboweni (Mboweni, 2019). Access to quality broadband is essential to the success of e-retailers; without broadband, consumers cannot reach their online storefronts.

The Covid-19 pandemic has also resulted in the closure of learning institutions', multiple institutions have had to resort to remote e-learning to resume the academic year (Nzimande, 2020). The shift to

e-learning has led to the need to procure and distribute ICT devices such as laptops to students; the devices are meant to support learners throughout the pandemic (Nzimande, 2020). The distribution of these devices puts a device in the hands of students who previously did not have access to one; this means that more South Africans will have access to the internet inevitably decreasing the digital divide and increasing the number of potential consumers that e-retailers could attract (Nzimande, 2020).

Besides the devices provided throughout the pandemic through educational institutions, the State had intended to implement a voucher system in 2020 which would allow households to acquire a digital device (Mboweni, 2020; Nzimande, 2020). The pandemic and the voucher system would result in digital devices being distributed to more individuals increasing revenue opportunities for e-retailers, placing devices in the hands of more individuals and providing more affordable data provides direct access to their online storefronts.

Regarding the rolling out of broadband infrastructure Public-Private Partnerships (PPP) could be the most feasible option, National Treasury has suggested that the State leverage private-sector expertise to ensure that broadband access is made available (National Treasury, 2019). Private-sector has advanced significantly in terms of broadband infrastructure. Fibre has become the preferred infrastructural option for providing broadband; the industry has shifted towards Fibre because of the potential it possesses to support and enable the acceleration of the fourth industrial revolution (4IR) (Govender, 2020)

Vino Govender (2020), an executive at Dark Fibre Africa (DFA), stated that Fibre is the key to digital transformation for multiple businesses in South Africa in an excerpt he emphasised how "entrenched retailers including Stuttafords. Jenny Button and Hilton have closed their doors while online retailers such as Spree, Runway, Superbalist and Zando continue to increase sales volumes, revenue and market share in the retail categories that they operate in" (Govender, 2020). Govender's (2020) statement re-emphasises the importance of connectivity for the retail industry, the growth potential of e-retailing and the necessity to digitise ones' storefront.

In 2018 Telkom was said to have the biggest fibre network in South Africa (covered 157 400 km) whilst their competitors Liquid Telecom (16 000km), Broadband Infraco (15 000 km), DFA (13 000km), Vumatel (8 000 km) and FibreCo (4 000km) only covered approximately 56 000 km's (Vermeulen, 2018). Annexure E depicts the areas covered by these providers; it is important to note that these service providers covered mainly urban areas within the high-density metros (Vermeulen, 2018). Service providers are most likely only servicing these areas due to the profitability of providing connectivity to these areas, the issue then becomes that periphery areas are still neglected not resolving the problems that arise from the digital divide. The State and private-sector need to come together and create profitable PPP that will result in the even distribution of infrastructure as recommended by the Competition Commission (Competition Commission South Africa, 2019).

The alternative to fixed-line broadband is mobile broadband; South Africa has a high penetration of mobile internet usage. South Africa's high mobile internet usage can be attributed to the advancements in ICT which have made it relatively inexpensive for consumers to own a smartphone that has access to the internet, in 2020 any individual in South Africa could purchase a smartphone for as little as R479.00 (Njoki, 2020). The cost of a smartphone is a once-off expense however maintaining the continual usage of it can be expensive especially in South Africa where data prices are exorbitant, after the Commission on data was concluded the incumbents within the market were forced to alter their data costs to ensure more inclusive and affordable access to broadband (Competition Commission South Africa, 2019). The cost of data changed significantly after the commission, histogram depicted in Figure 1 demonstrates the range of the prices charged by service providers for 30-day pre-paid data on the 7th of May 2020 purchased via the FnB banking app:

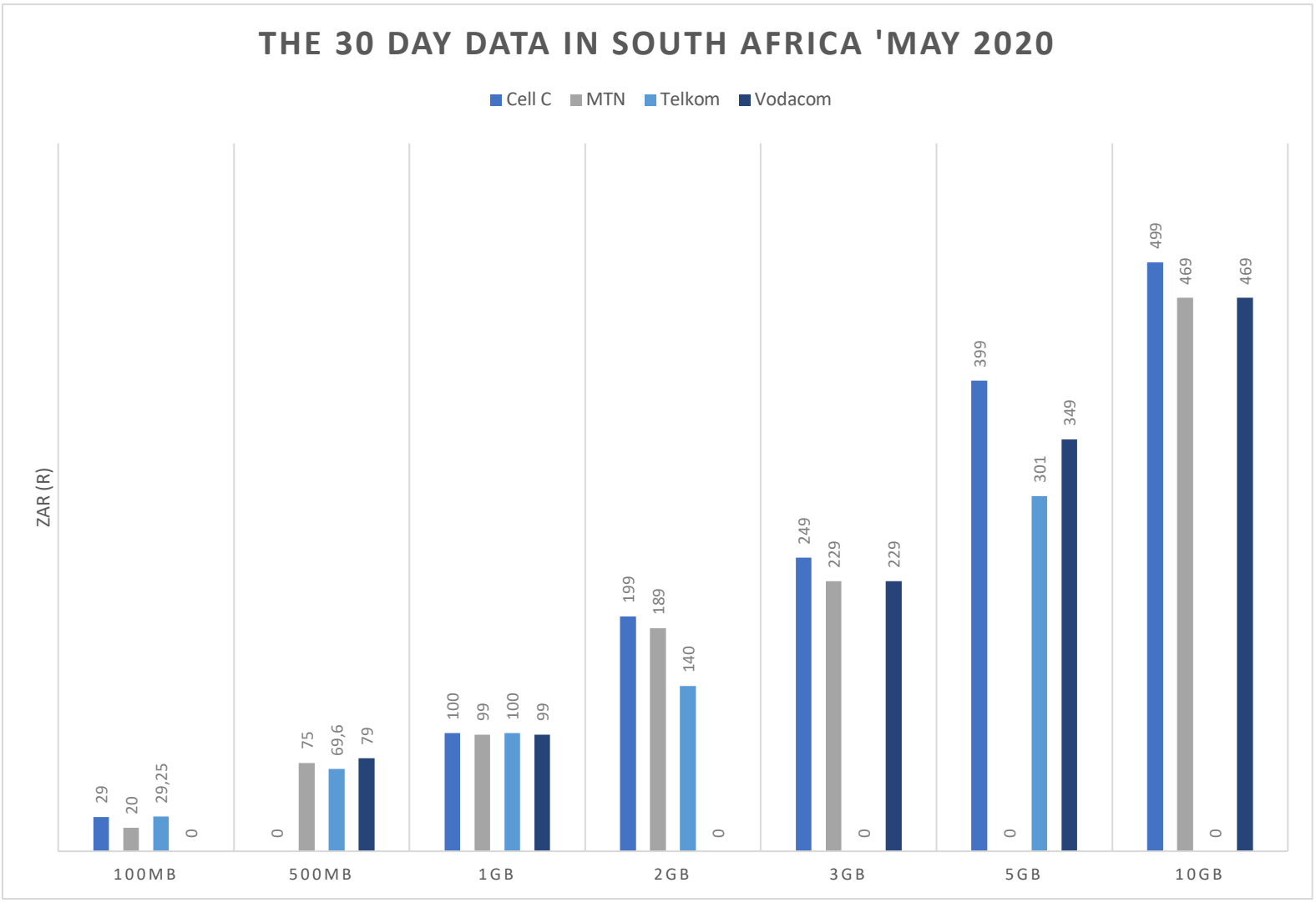


Figure 1: Histogram illustrating the cost of 30-day data in South Africa (First National Bank, 2020)

Although Hawthorne et al. argue that "having access to a computer and access to an internet connection at work or school are more important than reducing mobile data prices by 10% in driving broadband penetration", a combination of both access and infrastructural support through ICT devices will result in bridging the digital divide and result in more individuals having access to e-retail storefronts (Hawthorne & Grzybowski, 2019)

The introduction of zero-rated e-retail platforms could also be a solution that will increase the usage of online retailers, according to research by Romanosky et al. offering zero-rated platforms encourages the usage of the platform amongst users (Romanosky & Chetty, 2018). Users are obliged to spend more time on the platform because they are saving money, the money they could have used on data can be diverted and used to shop online (Romanosky & Chetty, 2018). The introduction of zero-rated e-retail platforms could result in the increased adoption of e-retailing (Romanosky & Chetty, 2018).

The cost of data does not affect consumers only, as an e-retailer, the enterprise's ability to function efficiently is dependent on access to broadband as well. E-retailers may have the ability to operate

their storefront from any device and any location in the world, as long as a stable internet connection is available for the transfer of transaction data in order to conclude transactions (de Villiers, 2019). E-retailers could use pre-paid data options or they could opt for Wi-Fi through ADSL, a router or fibre. Fibre is considered more cost-effective (de Villiers, 2019).

In comparison to ADSL, Fibre provides high-speed stable quality internet connectivity which would be ideal for an e-retailer (de Villiers, 2019). A stable internet connection is a basic necessity for online retailers who would like to harness the full potential of the capabilities at their disposal. Stable connectivity enables technological capabilities such as Artificial Intelligence (AI), the Internet of Things (IoT), cloud computing, big data analytics and several other technological capabilities. These technological capabilities will enhance the retailer's ability to innovate and eventually scale their business, to extract value from these technological capabilities an e-retailer would require quality high-speed broadband (Govender, 2020). South Africa has several fibre providers, but for the comparative purposes of this study, the top five service providers and their price ranges will be tabulated below in Table 6 .

E-retailers should contact service providers and consult on a solution that would be best suited for their enterprise and its needs without overburdening the enterprise financially. Universal fibre coverage has not been achieved; therefore, enterprises may need to opt for ADSL depending on the geographical location. According to Alan Cameron (2016), open access to broadband infrastructure could accelerate broadband infrastructure development, Internet Service Providers (ISP) and telecommunications providers would no longer have to duplicate infrastructure for the purposes of profitability, instead, they would be able to focus on targeting multiple other areas.

Table 6: South Africas top five fibre service providers and the cost of uncapped fibre (de Villiers, 2019)

	Service providers Cost (ZAR)					
Download speed (Megabits per second – Mbps)	Afrihost	Axxess	Mweb	Telkom	Vox	Web Africa
Installation fee	0.00	0.00	1 725.00	Not specified	0.00	0.00 – 1 725.00
Activation fee	0.00	0.00	0.00	Not specified	0.00	0.00
10	647.00	615.00	579.00	807.00	599.00	829.00
20	797.00	815.00	859.00	1 008.00	785.00	819.00
50	1 017.00	915.00	1 069.00	Not available	936.00	1 138.00
100	1 267.00	1 015.00	1 269.00	1 714.00	1 138.00	1 019.00

Table 6 above does not serve as a comprehensive list of service providers and prices may have been altered ***

b. Cybersecurity

Consumers cannot physically touch the products or immediately access the services they are purchasing online consequently resulting in a high level of perceived risk, one of the most frequently cited inhibitors to the adoption of e-retailing in South Africa is the lack of trust in e-retailers because of payment systems, privacy and data security concerns (Esterhuizen, 2018). Providing assurance and secure payment systems could mitigate these negative perceptions of online shopping and encourage South African shoppers to embrace e-retailing as their preferred shopping method, altering the culture of shopping in South Africa (Esterhuizen, 2018). Culture is a social construct which moderates behaviour, behaviour traits are imparted onto others consciously and unconsciously; companies use interventions such as social commerce to increase levels of engagement indirectly positively affecting the levels of trust while altering perceptions and the retail shopping culture (Esterhuizen, 2018).

As mentioned above trust is based mainly on perceptions; therefore, an e-retailer must consider the online appearance of their storefront because design elements are said to have an impact on the consumers' willingness to trust a website, their satisfaction and their e-loyalty (Esterhuizen, 2018). The e-retailers consumer segments culture should moderate the e-retailers design elements. What is considered culturally appropriate in one country may not be acceptable in another; therefore, e-retailers may have to consider multiple online versions of their stores to accommodate cultural preferences (for instance offering different linguistic settings) this level of cultural consciousness could attract and retain consumers (Esterhuizen, 2018).

Esterhuizens (2018) research demonstrated there was a strong positive relationship between trust and purchasing intention of online consumers; the research revealed that purchase intention is influenced by trust at a rate of 38%. The research also goes on to emphasise that in the South African context if trust in online retailers increases the level of online purchasing intention will also increase (Esterhuizen, 2018). Esterhuizens (2018) research also suggests that e-retailers should maintain a high level of consistency when providing excellent service to consumers. Consistency will consequently result in an increased level of credibility for the firm which affects the level of trust that consumers have in the firm and overall shopping experience which is shared with other consumers when recommendations and reviews are circulated online and within society at large (Esterhuizen, 2018).

c. Logistical infrastructure

The logistical function of any e-retail store is essential because it enables the fulfilment of transactions, the logistical function is an enabling capability which cannot be overlooked and is often one of the biggest challenges (Poignonnec, 2019). The logistical function of any e-retail store in Africa encounters challenges with the lack of readily available infrastructure, for instance, e-retailers looking to fulfil deliveries from their internal capabilities would be required to invest extensively in vehicles, ICT tools such as GPS and other infrastructural tools that would enable their operational capabilities. If the e-retailer has the required capital to invest in their logistical function, they would still encounter the infrastructural challenges posed by poor road infrastructure, limited quality connectivity required for ICT gadgets like a GPS to fulfil orders (Poignonnec, 2019). This section will explore the literature on the logistical solutions in South Africa, which e-retailers could utilise. This section will demonstrate how logistical solutions are an e-retail enabler; this section will also provide an overview of the current logistical challenges encountered by e-retailers.

As mentioned above the logistical function of an e-retailer is of significant importance because it forms an integral part of the e-retailing ecosystem; without it, the ecosystem would collapse. E-retailers who cannot afford to develop a fully fleshed logistical function outsource this function of their business to postal and courier service providers, outsourcing this function may be the best option especially when

the region being serviced is widely dispersed and the addressing system has not been standardised or effectively mapped (Poignonnec, 2019). Logistical service providers are better equipped and have the skills and capabilities required to deal with these challenges whilst e-retailers focus on their core business (Poignonnec, 2019).

E-retailers who have elected to outsource this function have created an additional revenues stream for the South African Postal Services (SAPO) and other couriers, SAPO which is owned by the South African State and has had significant challenges. Numerous interventions have been deployed in an attempt to combat these challenges one of these interventions is the strategic partnerships the SAPO has formed with other counterparts like the Universal Postal Union (UPU- the primary forum for cooperation between postal sector stakeholders) (South African Government News Agency, 2016).
In 2016 the South African Department of Telecommunications and Postal Services hosted a meeting with the UPU amongst multiple other agenda items of this meeting was a discussion on the possible ways that the postal network in South Africa could benefit from e-commerce (South African Government News Agency, 2016).

The UPU Director General Ambassador Bishar Hussein emphasised the e-retailing potential and opportunities Africa possesses when he said "Africa is not well represented in the current global e-commerce map. The continent has one billion people who are mostly young and tech-savvy. They represent an exciting market." (South African Government News Agency, 2016). Acknowledging the potential Africa has UPU tabled a proposed postal strategy, the strategy was premised on the South Africas suitability as a regional hub for logistics (Budree, 2017).

South Africa is well ahead of its African counterparts in terms of infrastructure; South Africa is therefore considered an ideal regional hub for logistics not only because of its advanced infrastructure but also because of its geographical location (Budree, 2017). South Africa hosts corridors to other parts of Africa via land, air and sea making it an ideal country to establish the regional hub for sub-Saharan Africa. The director-general of the Department of Telecommunications and Postal Services at the time Robert Nkuna shared the same sentiments and emphasised how UPUs postal strategy would complement the National Integrated ICT Policy white paper and the plans the State had for the South African Post Office (SAPO) (South African Government News Agency, 2016; Budree, 2017).

The SAPO would be an ideal partner for e-retailers because of its extensive infrastructural (vehicles, ICT, warehousing and storage) and enormous footprint; however, SAPO has encountered numerous challenges over the years which would make turning the post office into an e-commerce hub immensely difficult (Budree, 2017). One of the most significant logistical challenges in Africa and more especially South Africa is servicing consumers who are not within urban areas. Poignonnec (2019) stated that a large proportion of their consumers lived in rural areas and chose to shop online because of the limited access they had to a wide variety of products in their periphery regions (rural areas, small villages and small cities). Due to apartheid, South Africa has a relatively unique geospatial landscape, an enormous number of individuals live within periphery regions similar to those described by Poignonnec. The living patterns created by South Africas' historical background have proven to be an inhibitor for South African SMEs who would like to participate in the e-retail market. However, the State invests excessively in road infrastructure, in 2019 the South African National Road Agency was allocated an additional R3.5 billion to improve non-toll roads over a period of three years (Esterhuizen, 2018; Mboweni, 2019). Road infrastructure is still a deterrent for SME e-retailers.

To cater to the widely dispersed population found in South Africa, an e-retailer would either require a large sum of capital to develop their internal logistical capabilities (also known as vertical integration), or they would require an extensive logistical network partner (like a courier services company) (Esterhuizen, 2018). An e-retailers logistical network partner should provide competitively priced logistical solutions that would not profoundly impact the consumers final purchasing price and

purchasing intention (Esterhuizen, 2018). Access to the financial resources required and logistical network partners could be an inhibitor to new entrants who may not meet the prerequisite criteria to access the funding required to develop a vertical logistical integration, one who may not have the required ties or mass orders that could help them bargain for competitive pricing on logistical solutions (Esterhuizen, 2018).

The inability to access the required capital to develop the necessary internal logistical capabilities and logistical networks result in an inconsistent delivery system which is not reliable and costs the enterprise a significant amount of their profit margin (Goga, Paelo, & Nyamwena, 2019). Logistical infrastructure is a significant element in the operational capabilities of an e-retailer; the entire business model depends on the retailer's ability to deliver the goods and services consumers have purchased. E-retailers could opt for an internal logistical integration or outsource the logistical function. E-retailers who opt to outsource this function have multiple logistical solutions they can select from however it is vital to select a solution that will complement the e-retailers enterprise in terms of pricing, delivery options (door to door, duration and other factors) and proximity to your enterprise. In South Africa, the parcel delivery market has numerous service providers that an e-retailer could utilise, in 2019 South Africa had approximately 300 registered courier companies that operated nationwide (Goga, Paelo, & Nyamwena, 2019). Service providers within this industry have also had to continuously innovate providing new dynamic solutions to meet consumer (e-retailers and other clients) needs (convenience through short delivery times, deliveries without damages and other logistical expectations) (Goga, Paelo, & Nyamwena, 2019).

Service providers have had to continuously innovate because of the competitive nature of the logistical industry and the slim profit margins; the logistics industry depends excessively on mass deliveries to keep their operations flowing consistently (Goga, Paelo, & Nyamwena, 2019). If a vehicle does not have an adequate number of parcels to delivery to a particular area the service provider either has to wait for a significant amount of parcels to ensure that the trip is profitable or sacrifice a portion of the profit they could have possibly made if they had sent a full vehicle (Goga, Paelo, & Nyamwena, 2019). The risk involved in waiting for the vehicle to reach the required capacity is the possibility of compromising delivery date obligations resulting in decreased levels of customer gratification for e-retailers who in turn are unsatisfied with the logistical company. One could say that the delivery cost of an express delivery could mitigate this risk; however, the cost of express deliveries is higher and ultimately fall on the consumers, a high cost could make purchasing particular items online too expensive leading to a decrease in consumer purchasing intention.

The one considerable benefit of vertical integration is the ability to manage the cost of delivery, ensuring that delivery costs do not overburden consumers. An e-retailer who has vertically integrated their logistical function has the ability to manage these costs by strategically putting processes in place that optimally utilise the logistical infrastructure. For instance, Takealot invested significantly in the optimisation of their logistical network by employing experts who have the required skills and capabilities to create artificial intelligence (AI) algorithms that match orders dependent on space, consumers location, delivery date and cost efficiency (Goga, Paelo, & Nyamwena, 2019).

A practical example of the value proposition of a vertical integration within the Takealot logistical network would be, if a delivery vehicle is being packed with parcels destined for Waterfall in Johannesburg, the algorithms will configure a delivery solution which is cost-effective and meets consumers delivery date expectations. Orders bound for the Waterfall area with the closest delivery date deadlines will be placed in the vehicle, the dimensions of the parcels will be considered to ensure that as many parcels bound for the area are placed in the vehicle to avoid having another half-empty vehicle travel to the same area. If the vehicle is loaded to full capacity, the algorithm will automatically place parcels that are not urgent on hold for delivery on another vehicle either en-route for an area

within close proximity or schedule the delivery for another day within the delivery date deadline. The logistical function is linked to a consumer's profile and gives live tracking information to consumers.

SME e-retailers who do not have the capital required to invest in a vertical integration of their logistical function can either provide a pick-up location option or opt for the following parcel delivery options. The prices in Table 7, Table 8 and Table 9 are a range of delivery options, their costs and service providers. These prices vary depending on the weight of the package and the delivery location. These lists are not meant to be exhaustive and prices are not static:

Table 7: Delivery options for SME e-retailers and cost of sending a package (Goga, Paelo, & Nyamwena, 2019)

Delivery option	**Cost (ZAR)**
Postal delivery	25.00 – 270.00
Premium/ expeditated delivery	39.00 – 270.00
Standard courier/ door to door	25.00 – 100.00
Collection	0
Counter to counter/ pick up points	25.00 – 270.00
Locker	0
Free delivery thresholds	0 – 450

Table 8: Courier, express and parcel delivery options in South Africa

Delivery service provider	Delivery option	Dimensions	Cost (nationally)	Cost (Internationally)	Delivery period (hours, on business days)	Tracking option	Reference
Aramex	Store-to-door	35 cm x 45 cm	R99.99	N/A	24 -72	Yes	(Aramex South Africa, 2020)
POSTNET (owned by Aramex)	POSTNET-to-POSTNET	5kgs	R99.00	-	48 – 72	Yes	(Postnet, 2020)
	POSTNET overnight (delivery to one of the 12 major centres)	N/A	Depends on the actual weight or volumetric weight	-	24	Yes	(Postnet, 2020)
	POSTNET global express	N/A		Depends on the actual weight or volumetric weight	Not specified	Yes	(Postnet, 2020)
DSV	Locker	5kgs	R120.00	-	24 -144	Yes	(DSV, 2020)
Courier guy	Door to door	Up to 15kgs	R96.00	-	24 – 72	Yes	(The Courier Guy, 2020)
uAfrica	e-commerce integration for shipping	Multiple	R80.00 – R1 999.00	-	Not specified	Yes	(uAfrica, 2019)
Takealot	Marketplace fulfilment option	7kgs – 70kgs	R25.00 – R325.00	-	Not specified	Yes	(Takealot, 2020)

Table 9: Courier, Express & Parcel Services options that did not provide rates online

Delivery service provider	Services offered	Offer e-commerce solutions	Reference
BidAir Cargo	• Same day express • Fleet freight • Normal freight services • Overnight express services • Perishable • Live animals	No	(BidAir Cargo, 2020)
Courier IT (a division of RTT)	• Domestic and international courier service	No	(CourierIT SA (Pty) Ltd, 2020)

DHL	• Domestic and international
	  ○ Air Freight
	  ○ Ocean freight
	  ○ Road freight
	  ○ Rail freight
		No	(DHL, 2020)

DPD Laser (owns Dawn Wings and Time Freight)	• Domestic and international courier service	Yes	(DPD Laser, 2020)
Fastway couriers	• Domestic courier service	No	(Fastway couriers, 2020)
FedEx	• Domestic and international courier service	No	(FedEx, 2020)
Freight Innovations	• Domestic and international courier service	No	(Freight Innovations, 2020)
Globe Flight	• Domestic and international courier service	No	(Globe Flight, 2017)
Group Air	• Air Freight	No	(GroupAir, 2020)
Internet Express	• Domestic and international courier service	Yes	(Internet Express, 2020)

Parcel ninja	• Domestic and international courier service • Warehousing	Yes	(Parcel Ninja, 2020)
Ram	• Domestic and international courier service	No	(Ram, 2020)
Skynet	• Domestic and international courier service	Yes	(Skynet, 2020)
SouthGate Couriers	• Domestic and international courier service	No	(South Gate couriers, 2020)
Speed service couriers (owned by SA Post Office)	• Domestic and international courier service	No	(Speed service, 2020)
TNT	• Domestic and international courier service	No	(TNT, 2020)
UPS	• Domestic and international courier service	No	(UPS, 2020)

The most commonly reported reason for venturing into e-retailing is the relatively high number of potential consumers that retailers can reach. E-retailers may cater to the needs of consumers located within their borders however the external market should also be considered because the retailer has displayed themselves on the world wide web for consumers from across the globe to access. To enable the fulfilment of transactions initiated by consumers beyond the e-retailers borders, e-retailers must consider exportation; the South African exportation industry is said to be performing poorly due to external constraints (Steenkamp F. K., 2018). The struggling performance is however not unusual for developing countries like South Africa who have based their exportation models on their mineral reserves, according to Steenkamp the overarching solution to this problem is through economic diversification of South Africas exportation structure and the growth and expansion of tradable sector (Steenkamp F. K., 2018).

These two issues could be addressed through policies and innovative new products being created by South African SMEs, over the years South Africa has altered policies related to exportation within the confines of the trade agreements that they are bound by in an attempt to improve the industry and extract maximum financial rewards for the economy (Steenkamp F. K., 2018; Primo, 2018). South Africa has also tried actively engaged and increased its participation in trade agreements; the newly rectified African Continental Free Trade Agreement promises to yield enormous economic benefits for South Africa whilst enhancing exportation performance (Tralac Trade Law Centre, 2020). The trade agreements that South Africa is a beneficiary to are listed in Annexure A, Table 35 in Annexure A also details products e-retailers may provide to particular markets because of these trade agreements. E-retailers should leverage these agreements by using data from the markets listed to innovate and create products that are tailored to these markets.

Actively innovating and bridging gaps in potential markets will help diversify South Africas' tradable sector. Within South Africa's exportation market the significant emphasis is being placed on diversifying further away from the traditional commodities that South Africa produced and towards manufacturing of products that are not related to South Africas' mineral reserves, the intention is to bring about economic development (Steenkamp F. K., 2018; Primo, 2018). The shift away from traditional commodities and the opening of borders creates an opportunity that e-retailers could exploit, the African Continental Free Trade Agreement is due to commence on the 1st of July 2020 (Tralac Trade Law Centre, 2020). Due to the Covid-19 pandemic, the commencement of this Trade Agreement may be stifled however regardless of the pandemic the effectiveness of this agreement cannot be guaranteed yet, but it is anticipated to positively affect SME retailers (Tralac Trade Law Centre, 2020).

a. Financial inhibitors: payment methods and funding

From a financial perspective, two key inhibitors have been cited by prior academics, financial infrastructure and access to adequate funding. Access to funding has been an inhibitor for SMEs both online and offline for many years; unfortunately, the slow economic growth and extensive regulations financial institutions are bound by in South Africa make it harder to invest in entrepreneurs (United Nations Industrial Development Organisation, 2017). The limited amount of financial resources made available to SMEs makes it exceedingly hard for SMEs to grow by investing in capabilities that will result in their exponential growth (United Nations Industrial Development Organisation, 2017).

Historically in order to conclude an e-retail transaction a customer was required to make a card payment online, due to the relatively low e-retail penetration and negative perceptions related to internet crime and fraud consumers were hesitant to provide their card details online (Goga, Paelo, & Nyamwena, 2019). Due to ICT advancements and financial technology (FinTech), solutions

have mitigated this challenge significantly; currently, online shoppers in South Africa have access to eleven payment options depending on the e-retailer platform (Goga, Paelo, & Nyamwena, 2019). Table 10 lists the payment options available and their utilisation rates in South Africa.

Table 10: Available online payment options and their utilisation rate (Goga, Paelo, & Nyamwena, 2019)

Payment options	**Approximate percentage of online transactions concluded using this method in 2019**
Credit card	70 - 75
Debit card	
Instant Electronic Funds Transfer (EFT)	30 - 35
Manual EFT	1
Proprietary payment systems (i.e. PayPal)	
Loyalty programme points (i.e. FnB's eBucks, Discovery Miles)	
Counter payments (i.e. SCode, Pay@)	
Cash on delivery	Unspecified – recently introduced

The high credit and debit card utilisation rates indicate that credit and credits are the preferred methods of payment. A large portion of South Africa's population cannot use online shopping because South Africa has a high number of individuals who are unbanked or underbanked due to South Africas' high banking fees and the inaccessibility of banking institutions in remote and rural areas (Urban & Townsend, 2020; Goga, Paelo, & Nyamwena, 2019).

Access to financial products like credit lines (credit cards provide easier access to the line of credit) is heavily regulated, particular individuals and businesses are granted access depending on multiple factors such as their credit behaviour (IOL, 2020). For a country with a high poverty rate like South Africa, the financial stability required for an ideal credit score and low-interest rates is only found amongst the middle and upper class (IOL, 2020). For many South Africans who live under the poverty line maintaining a bank account is relatively expensive, initiating and maintaining a credit line would be significantly burdensome, Table 11 below was adapted from the BusinessTechs credit card analysis. The table demonstrates the credit options available to South Africans the cost associated with them in 2019 (Business Tech, 2019).

Table 11: Credit options South Africans have access to depending on their fees and income requirements (Business Tech, 2019)

Credit Account	Initiation Fee (once-off unless specified in ZAR)	Monthly Fee (ZAR)	Income required (p/m in ZAR)
FNB Private Wealth Credit	175.00	249.00	125 000.00
African Bank Silver Credit (MMI)	115.00	69.00	2 000.00
African Bank Gold Credit (MMI)	115.00	69.00	2 000.00
SAA Voyager Premium Credit (Nedbank)	2 044.00 (pa)	R31.14	25 000.00
Standard Bank Titanium Credit	175.00	69.00	25 000.00
Absa Premium Banking Credit	170.00	80.00	25 000.00
FNB Premier Credit	175.00	87.00	25 000.00
Discovery Platinum Credit	166.45	90.00	29 200.00
Nedbank Platinum/Greenbacks Platinum	189.65	99.00	29 200.00
Capitec Global One Credit	100.00	35.00	3 000.00
Absa Affinity Credit	170.00	50.00	4 000.00
Absa Gold Credit	170.00	50.00	4 000.00
Virgin money credit account	170.00	None	5 000.00
Standard Bank Gold Credit	175.00	54.00	5 000.00
Nedbank Classic Credit	189.65	72.00	5 000.00
American Express Gold Credit (Nedbank)	189.65	75.00	5 000.00
American Express Platinum Credit	189.65	99.00	5 000.00
Standard Bank Platinum Credit	175.00	89.00	58 000.00
SAA Voyager Gold Credit (Nedbank)	700 (pa)	31.14	6 700.00
Absa Private Banking Credit	170.00	99.00	62 500.00
FNB Private Clients Credit	175.00	199.00	62 500.00
FNB Gold Credit	175.00	48.00	7 000.00
Discovery Gold Credit	166.45	59.00	7 000.00
British Airways Credit (Absa)	170.00	80.00	8 000.00
Nedbank Gold/Greenbacks Gold Credit	189.65	75.00	8 400.00
Absa student credit account	170.00	25.00	800.00
Standard Bank World Citizen Credit	170.00	255.00	Undisclosed

Essentially in 2019 individuals who earned less than R800.00 per month did not have access to a credit card, this threshold is R253.00 more than the South African poverty line which was R547.00, these fees intentionally exclude the greater majority of South Africas' citizens (Pretorius, 2019; Business Tech, 2019). TymeBank is a digital bank with a unique purpose that will disrupt the banking industry, according to the business case developed by Wits Business School (WBS) their mission is "to drive significant broader financial inclusion by making banking accessible to all South Africans, to stimulate economic participation" (Urban & Townsend, 2020).

Banks like TymeBank could bridge the gap between e-retailers and the consumer segments they did not cater too before. The partnerships TymeBank has fostered have provided physical accessibility to consumers that banking institutions could reach in remote and rural areas (Urban & Townsend, 2020). The strategic partnership that TymeBank has with Pick n Pay and Boxer Superstores has helped them evade the cost associated with opening and operating physical bank branches whilst providing a network of physical points of presence that already have high footfall (Urban & Townsend, 2020).

Within its first year, TymeBank installed 780 self-manufactured kiosks which they placed in Pick n Pay and Boxer stores (Urban & Townsend, 2020). The bank also had access to 14 000 till points within approximately 1 500 stores in South Africa through their strategic partnerships (Urban & Townsend, 2020). The bank had easy access to an entirely new customer segment that was previously underbanked or unbanked, TymeBank could provide these individuals with banking solutions, more importantly, they provided these individuals with bank cards that they could use to buy items online (Urban & Townsend, 2020).

TymeBank saw their customer base grow to 711 000 within a year because of their competitive and affordable financial solutions (Urban & Townsend, 2020). In 2020 the bank is said to have plans to add "independent, non-survivalist small and medium businesses to their customer base" (Urban & Townsend, 2020). One of the bank's strategies to attract this customer base is to provide unsecured term loans to business owners who would not be given a line of credit by traditional banks because of their limited resources (money and assets) (Urban & Townsend, 2020).

TymeBank would use alternative risk assessment models supported by multiple data points to determine loan terms, and these terms would be determined by the customer's financial behaviour (Urban & Townsend, 2020). The new financial solution will result in increased economic growth because SMEs will be able to operate more efficiently with the increased financial resources made available to them (Urban & Townsend, 2020). TymeBank would offer loans to both individual customers and businesses meaning consumer would also have better cashflow increasing their customer purchasing intention, a combination of their intention and access to a banking card will enable them to shop online. Due to disruptors like TymeBank traditional financial institutions will be forced to introspect through research and development, these institutions are likely to develop more competitive solutions that will further enable the e-retail ecosystem. The Governor of the South African Reserve Bank is also said to be driving a FinTech programme which should result in new financial solutions (Mboweni, Speeches, 2019).

e. Human capital

Technological innovation and ICT advancements have often been synonymous with a decline in the number of employment opportunities that may be available to individuals, in reality, the fourth industrial revolution (4IR) has docked on the South African shores (Sutherland, 2019). The State has already been engulfed with the 4IR and the potential opportunities it presents to South Africa;

the 4IR could accelerate South Africas e-retail participation however the 4IR has been said to have the potential to increase inequality by significantly decreasing the demand for employees with low levels of skills whilst decreasing wages as well (Sutherland, 2019).

The reality is that with the shift towards the 4IR will affect the current way of work, retailers that once hired staff members for multiple tasks will streamline their workforces as they digitize their stores. The potential displacement of retail employees who occupy sales and store roles could be mitigated by the repurposing of skills and capabilities for the required roles within the logistical function of an e-retail enterprise and many other functions. The nature of the logistical function is labour intensive; it is therefore seen as the most significant contributor to employment within e-retail (Goga, Paelo, & Nyamwena, 2019). Enterprises in adjacent industries such as service providers who provide store fittings, retail, commercial rental space and multiple other service providers will be considerably disrupted (Goga, Paelo, & Nyamwena, 2019).

Not only will these retailers decrease their workforce, but these retailers will also require a different calibre of employees resulting in a shift in the job market. The employees required will have to come from an educational background that encompasses science, technology, engineering or mathematics (STEM) (Sutherland, 2019). During apartheid the greater majority of the population had little to no access to good quality education due to the racial divide, the unequal access to education resulted in the high number of individuals with a low level of skills. Unfortunately like many other socio-economic issues, the issues that stemmed from poor education are transmitted from one generation to another and have resulted in an education system that cannot equip students with the necessary skills required to compete within a job market that is dependent on STEM qualifications (Sutherland, 2019).

As a result of the misalignment between the capabilities that the current human capital pool possesses and the job market demands within the 4IR numerous jobs will not only be lost but numerous job opportunities will not be filled. The scarcity of employment poses a threat to the livelihoods of many individuals and the success of many enterprises. Extensive measures need to be put in place to mitigate this threat. We have already seen significant strides being made by the State to combat this issue and the Minister of Higher Education, Science and Technology Dr BE Nzimande highlighted the States efforts in his speech at the Black Business Council (BBC) conference on the 4th of March 2020. According to the Minister, the following mitigating efforts have been put in motion (The Republic of South Africas Department of Higher Education and Training , 2020):

- The President of South Africa, Pres. Cyril Ramaphosa has folded the Ministry of higher education, training, science and technology into a single ministry to ensure a synergy between the ministries and to increase the opportunities made available
- A university of science and innovation will be established in Ekurhuleni, the aim of this university will be to support multiple industries in South Africa and ensure that they are at the forefront of technology and innovation
- The ministry was said to be launching one of the two World Economic Forum's African Centres for the 4IR

Although the State has made commitments to ensuring that they equip graduates and school leavers with the necessary skills to participate in the job market it is worth noting that there is no job market to participate in without sustainable enterprises. Multiple companies may have a lifespan that surpasses centuries; however, there is a need for SMEs to fill the gaps in the market where other companies have not been able to capitalise on the opportunities presented. A significant issue in South Africa which Dr Nzimande noted was the weakness in the PSET system, in his address, he said: "one of the biggest weaknesses is our PSET system is the poor relationship

between industry on the one hand, and the universities and colleges, on the other hand, manifesting in failure in producing work-ready graduates or graduates capable of starting their own enterprises" (The Republic of South Africas Department of Higher Education and Training , 2020).

Essentially the South African education system and the socio-economic environment does not enable entrepreneurs to be successful, entrepreneurs (for the purpose of this report, entrepreneurs will be synonymous with SME owners) are essential in the formation of an enterprise and constitute an integral part of the human capital component required for operations and fostering a sustainable enterprise (Unger, Rauch, Frese, & Rosenbusch, 2009). According to Unger et al. "a correlation of .10 may well translate into a difference of a two times higher success rate in business owners with a high degree of human capital in comparison to those with a low degree of human capital" (Unger, Rauch, Frese, & Rosenbusch, 2009). In the Alibaba Group case, Jack Ma demonstrated a high level of human capital which consequently translated into the success of Alibaba Group as an e-commerce giant (Clark, 2016; Erisman, 2016).

Amazon also demonstrated a high level of human capital, especially within its team of engineers who created the efficient systems and processes that Amazon uses to operate efficiently (Stone, 2014). Unfortunately, South Africa has a concerning human capital deficit that may be an inhibitor for e-retail SMEs. An exceptional entrepreneur is not the only human capital component necessary to ensure the success of an e-retail store or any other enterprise, the supporting staff who ensure that operations, marketing, technological and dynamic capabilities are working efficiently are also essential. Regardless of the shift towards the 4IR, there will always be a need for some form of human capital, and the calibre of that human capital is essential, especially in e-retailing.

f. The State: governing rules, regulations and relations

As mentioned above South Africa does not have a regulatory framework that polices and governs e-commerce however according to Ncube there are multiple other South African sources of law that e-retailers should consider such as (Ncube, 2012):

- The Consumer Protection Act of 2008
- The Electronic Communications Act of 2005
- The Electronic Communications and Transactions Act of 2000
- The Independent Communications Authority of South Africa Act of 2000
- The National Credit Act of 2005
- The Promotion of Access to Information Act of 2000
- The Protection of Personal Information Bill of 2009
- The Regulation of Interception of Communications Act of 2002
- The South African Constitution

E-retailers must be conscious of these laws and should operate within their confines. Economic reform is one of South Africa's priorities; National Treasury released a document which suggestions that South Africa can achieve economic reform by promoting economic transformation, supporting labour-intensive growth and fostering a competitive economy (National Treasury, 2019). Within the document released by National Treasury which is intended to inform South Africas' economic strategy, five fundamental building blocks are identified (National Treasury, 2019). The documents cite the following fundamental building blocks that have been prioritised by National Treasury are (National Treasury, 2019):

- *"Modernizing network industries*
- *Lowering barriers to entry and addressing distorted patterns of ownership through increased competition and small business growth*
- *Prioritizing labour-intensive growth in sectors such as agriculture and services, including tourism*
- *Implementing focused and flexible industrial and trade policy*
- *Promoting export competitiveness and harnessing regional growth opportunities."*

According to Treasury implementing interventions that are targeted at these five fundamental building blocks could result in economic growth of 2% - 3% and the creation of one million job opportunities (National Treasury, 2019). Four of these interventions directly affect e-retailers and would result in a more conducive operational environment if intervention is successful.

In terms of the first fundamental building block *"modernising network industries"* Treasury states that the most significant challenges encountered are "the absence of efficient economic regulation, old and poorly maintained infrastructure, a lack of access to quality services, and poorly managed state-owned companies" (National Treasury, 2019). Treasury had put forward several interventions to mitigate these challenges; however, only two suggestions within this building block significantly affect e-retailers.

Treasury suggested that telecommunications and transportation be prioritised, with regards to telecommunications the following was said "government should release spectrum through an auction with a small set-aside for a government-controlled network, and competition should be allowed in Telkom's infrastructure that connects the local exchange to residential homes and businesses. Rapid deployment guidelines that accelerate the installation of telecommunications infrastructure should be finalised, and open access conditions should be imposed to minimise unnecessary duplication of telecommunications infrastructure. The Independent Communications Authority of South Africa's (ICASA) proposed funded from industry levies, as per international best practice. The state should leverage private-sector expertise in the roll-out of broadband, rather than relying exclusively on state-owned companies (SOCs)" (National Treasury, 2019).

Pertaining to transportation, National Treasury went on to suggest that third-parties should be granted access to the rail network to encourage private sector participation and fuel price regulations should be reviewed (National Treasury, 2019). These two interventions could result in increased revenues for e-retailers, releasing spectrum for auction will result in more service providers entering the market eventually making data and access to the internet cheaper (Competition Commission South Africa, 2019). The decreased cost of data and the installation of telecommunications infrastructure will consequently result in an increased number of consumers that e-retailers can service, the intervention will also aid in decreasing operational expenses for e-retailers. The review of fuel price regulations and access to rail networks will ease the financial burden related to the logistics of fulfilling transactions for e-retailers, this will leave a greater profit margin for them to redirect in an attempt to enhance their enterprise.

The second building block *"lowering barriers to entry and addressing distorted patterns of ownership through increased competition and small business growth"* speaks to supporting new entrants through interventions that address competition and market structures whilst ensuring that development finance is more accessible (National Treasury, 2019). The lowering of barriers to entry speaks to the telecommunications market when it comes to e-retailing and will decrease the digital divide resulting in an increased consumer pool that the e-retailer can attract; it will also decrease operational expenses for e-retailers. Lowering the barriers of entry also implies that the "Ease of Doing Business" will significantly be affected, this will attract foreign direct investment for many e-retailers whilst also simplifying the formalisation processes of a business in South

Africa. The provision of developmental finance will positively affect SME e-retailers because it would be mean they have additional access to funds that they can use to sustain and improve their enterprises by investing in capabilities.

The fourth and fifth building blocks, "*Implementing focused and flexible industrial and trade policy" and "promoting export competitiveness and harnessing regional growth opportunities"* are key tenants in the potential trajectory of the e-retail industry in South Africa (National Treasury, 2019). Treasury suggests that "new and re-negotiated preferential trade agreements with growing markets are required for key export products", the addition of new trade agreements and the re-negotiation of preferential trade agreements could result in an increased number of untapped markets that e-retailers could pivot into unlocking new sources of revenue. Reviewing and implementing new industrial and trade policies could allow e-retailers to help create a business environment that is conducive for them by actively engaging with the State throughout this process. Improved industrial and trade policies will result in the improved "Ease of Doing Business" ultimately altering the global competitiveness of South Africas SMEs, this will make it easier for e-retailers to source funding and operate beyond the South African borders (National Treasury, 2019).

i. Taxation

The South African government's tax regime does not know how to address the taxation of e-commerce transactions effectively; therefore, numerous scholarly papers have been written on the impact of e-commerce on the taxation system within South Africa particularly (Groenewald B. H., 2017). The taxation of these transactions seems to be one of the major concerns for the government as multiple questions arise as to how products or services sold electronically could be taxed accurately (Groenewald B. H., 2017). Another focal point is the aspect of cross-border taxation on purchases made via e-retail platforms (imports and export taxes) (Groenewald B. H., 2017). Strengthening the regulatory frameworks will not only aid in terms of governance, but it will also aid in strengthening consumers trust by creating a safer e-retail ecosystem which will inevitably result in more consumers choosing to shop online consequentially resulting in increased e-retail spend.

The main reason why the South African tax regime does not adequately address the taxation of e-transactions is because many of the regulations were drafted before the advent of e-commerce (Gutuza, 2010). According to Gutuza (2010), the taxation laws were drafted purely with the traditional brick and mortar business in mind which is why cross-border transactions and transactions without a physical location were not considered. The current regulations impose taxations based on jurisdiction which can result in not only double taxation but also no taxation because physical locations cannot be defined; therefore one does not fall under a particular jurisdiction (Gutuza, 2010). A review of these laws is highly recommended and according to Gutuza (2010), the evaluations should consider the following:

- "The allocation of the right to tax the income derived from e-commerce between the state of source and the state of residence in accordance with the Model Tax Convention of the Organization of Economic Cooperation and Development"
- Classification of income derived from e-commerce transactions
- Governments ability to charge and collect taxes effectively on digital transactions
- Indirect taxes like VAT and sales tax
- The concept of source and residence
- Transfer pricing rules

In 2013 South Africas' Minister of Finance, Pravin Gordhan proposed that the State start imposing taxes on foreign businesses which sell e-books, music and other digital goods and services in South Africa (Mahlunge, 2014). The Minister proposed that these businesses should register as VAT vendors; this could increase tax revenues; however, it would affect international e-retailers who are trying to enter the South African market (Mahlunge, 2014). The imposed taxation could also serve to protect the South African e-retail industry; however, the effort associated with the collection of these taxes may be strenuous on the already overburdened system (Mahlunge, 2014).

ii. Unlocking infrastructure development through Public-Private Partnerships

Entrepreneurs and businesses are not islands; therefore, it is vital to foster the right relationship with key stakeholders. Extensive relationships must be nurtured with both public and private stakeholders for any enterprise to operate efficiently. These relationships are essential because they create a conducive operational business environment, public-private partnerships (PPP) are an enabler of e-retailing. PPP are also essential for the continuous growth and development of countries, economic growth and sustained quality livelihoods are dependent on multiple key factors; however, PPP are one of the most prudent factors in South Africa.

Developing countries like South Africa will account for 90% of the global population between 2013 and 2030 (Mofokeng, 2018). South Africa specifically hosted a population of 58.8 million individuals in 2019 according to the census figures; the South African population, therefore, accounts for 0.73% of the world's population (Trading Economics, 2020). To sustain a population of this magnitude, the State is obligated to provide affordable access to basic needs like energy, water and sanitation, telecommunications, education and health (Mofokeng, 2018). Adequate infrastructure is seen as one of the key tenants to a country's competitiveness, economic growth and improved standards of living however the State should not be seen as the sole provider of infrastructure because this approach hinders accelerate economic development and the improved livelihoods of South Africa's citizens (Mofokeng, 2018).

The infrastructure required to meet these needs necessitates access to an enormous amount of capital investment and intermediary service providers with adequate expertise's (Mofokeng, 2018). According to Mapule Mofokeng (2018), the financial resources required significantly outweigh the current financial resources made available to the South African State, the deficit, therefore, needs to be reconciled by mutually beneficial co-dependent relationships between the State (public) and private stakeholders. These relationships should be manifest in PPP models; these relationships will be an enabler for social and economic development and enterprises on and offline. Table 12 below demonstrates how these relationships could be beneficial for e-retailers.

Infrastructure is a critical tenant in the success of any enterprise more, especially for e-retailers, because the operations of e-retailers are extensively dependent on logistical, financial and ICT infrastructure. Fostering PPP will not only improve the countries social and economic circumstance, but it will also enhance the e-retailers ecosystem ensuring that operations are more efficient. The capital invested by e-retailers will eventually yield higher rewards through improved revenues (due to the increased number of consumers) for the e-retailer and decreased expenses. The partnerships may also present additional business opportunities for e-retailers to increase their service offerings, for instance, once an e-retailer has established a network through their partnership, opportunities where the e-retail could fill gaps may be identified (Mofokeng, 2018). An e-retailer who sells ICT devices could pivot their enterprise to provide resources to public sector entities when the need arises.

Table 12: Additive benefits of Public-Private Partnerships

Contribution to PPP relationship	Explanation	Beneficiary	Reference
Trade agreements	South Africa has been a beneficiary and an active participant in multiple trade agreements. These agreements have multiple purposes however their greatest mandate is to advance the developmental agenda in Africa more especially South Africa. Being an active participant in protects the local economy but also enables economic engagements between participants in different geographical areas. These agreements outline the basic regulations that govern these engagements. South Africa is part of trade agreements that fall under four categories. Annexure A provides an outline of the agreements that e-retailers can utilize to their advantage.	The State: • A portion of the States revenue is sourced from the taxes obtained from transactions concluded by businesses. These businesses would not legally be able to conduct transactions across borders without these agreements • Attracts Foreign Direct Investment which can be used to advance economic development E-retailers: • Provides access to a wider market inevitably resulting in higher revenues • Provides guidelines that govern engagements with stakeholders • Protects local markets • Provides access to a greater funding pool that SME e-retailers can utilize to source funding for their enterprise	(Centre of Export Development, 2019; Mofokeng, 2018)

Contribution to PPP relationship	Explanation	Beneficiary	Reference
		Preferential or beneficial taxation options could ease the financial burden SME e-retailers releasing unlocking funds that could be used to enhance the enterprise and increase revenue	
Infrastructure development	PPP will provide a constructive platform for stakeholders to engage in a manner that will be beneficial to both the State and Private enterprises. Both stakeholders will be able to express their needs and discuss solutions that will be beneficial for both. The State requires significant amounts of capital in order to provide adequate infrastructure, Private institutions also require infrastructure for operational purposes. The capital required to develop the infrastructure required by Private institutions can be onerous. Both stakeholders could possibly ease the burden placed on them by investing in infrastructure projects that are mutually beneficial for instance, e-retailers require the internet to operate. The State was set out to provide universal connectivity by 2020 however we still have a significantly low level of connectivity. Constructive	The State: • Decreased financial burden • Additional infrastructure that will bring about social and economic development The e-retailer • Additional customers • Taxation benefits Citizens of South Africa • Digital inclusion unlocks multiple socio-economic benefits. Access to the internet enables the dissemination of information that may not be readily or easily available in any other medium. An example of this would be an urgent temporary job posting placed on Twitter could positively affect an individuals' economic position	(Allen, 2018; Mofokeng, 2018)

Contribution to PPP relationship Explanation Beneficiary Reference

Contribution to PPP relationship	Explanation	Beneficiary	Reference
	engagements could result in proactive solutions that will result in the State accelerating universal connectivity whilst e-retailers gain access to a new market segment. A collaborative project such as the donation of multiple ICT devices to selected State-owned schools' results in the easing of the obligations for the State, such a project could also be beneficial for the e-retailer. They not only have access to new consumers they could use the project to negotiate exemptions of particular taxes	Increased number of jobs due to increased development of infrastructure	

g. A new dawn: recommended solutions found within the current literature available

Numerous suggestions have been made as to the challenges encountered by SME e-retailers could be mitigated, one of these suggestions was the development of an umbrella body for the e-commerce sector that will address common challenges encountered by SMEs within the e-commerce market (United Nations Industrial Development Organisation, 2017). Amongst other suggestions were the active lobbying for broadband policy, increased provision for education, training and mentorship programs as well as an automated online ordering process by courier companies to facilitate better delivery (United Nations Industrial Development Organisation, 2017).

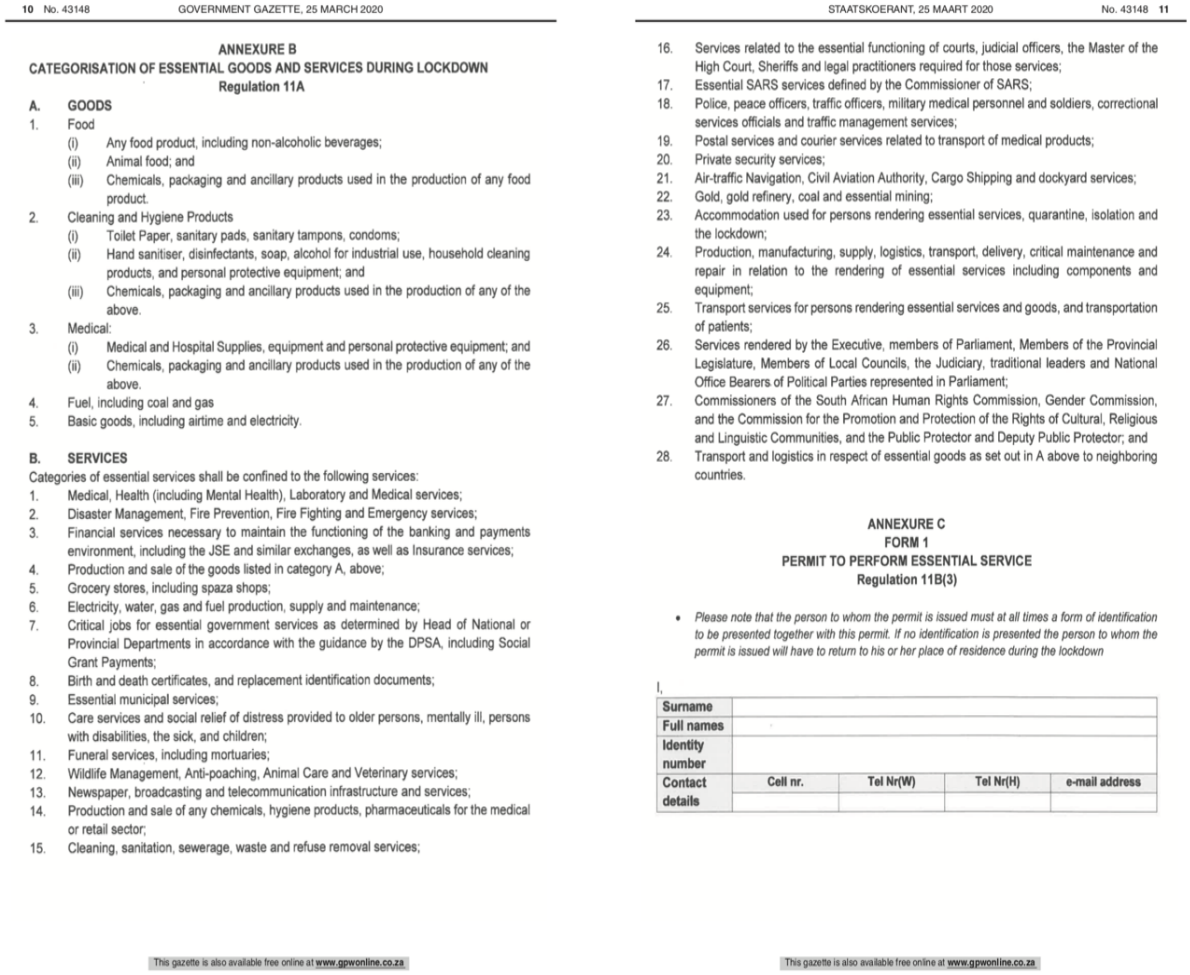
All the above recommendations are essential; however, the horning of the e-retail ecosystem is extremely important especially in the wake of the Covid-19 pandemic. The current South African e-retail industry will be altered significantly by the Covid-19 pandemic. We will see an influx of businesses altering their business models and entering the digital economy by incorporating ICT, eventually transforming their businesses into pure-play storefronts or omnichannel retailers (Armstrong, 2020). In the first quarter of 2020, Professor Armstrong predicted that the digital economy would soon become the ordinary economy in an article he posted. In the same article, Professor Armstrong said: "the digital economy will, soon, become the ordinary economy as the uptake- and application- of digital technologies in every sector in the world grows" (Armstrong, 2020).

Professor Armstrongs' prediction would soon become manifest, especially in South Africa. Due to the Covid-19 lockdown which was declared by the President of the South African Republic, Pres. Cyril Ramaphosa. As of the 26th of March 2020, South Africa was placed under lockdown; the lockdown regulations enforced the restriction of movement for all persons and goods within the republic with the exception of essential goods and service providers (The Republic of South Africas Government, 2020). The restrictions were gazetted on the 25th of March 2020 and implemented from the 26th of March 2020; section 11B altered the manner in which all forms of enterprises operated. A portion of section 11B reads as follows (The Republic of South Africas Government, 2020):

"Restrictions on the movement of persons and goods
11B. (1)(a) for the period of lockdown –

- *Every person is confined to his or her place of residence, unless strictly for the purpose of performing an essential service, obtaining an essential good or service, collecting a social grant, or seeking emergency, life-saving, or chronic medical attention;*
- *Every gathering, as defined in regulation is hereby prohibited, except for funeral as provided for in subregulation (8);*
- *Movement between provinces is prohibited; and*
- *Movement between the metropolitan and district areas, is prohibited*
- *All businesses and other entities shall cease operations during the lockdown, save for any business or entity involved in the manufacturing, supply, or provision of an essential good or service*
- *Retail shops and shopping malls must be closed, except where essential goods are sold and on condition that the person in control of the said store must put in place controls to ensure that customers keep a distance of at least one square meter from each other, and that all directions in respect of hygienic conditions and the exposure of persons to Covid-19 are adhered to*
- *Retail stores selling essential goods is prohibited from selling any other goods"*

Figure 2 below demonstrates annexure B of the government gazette, which defined the categorisation of essential goods and services during lockdown (The Republic of South Africas Government, 2020). These lockdown measures were an attempt to save the lives of many by slowing down the rapid spread of the novel Covid-19 virus by flattening the curve (The Republic of South Africas Government, 2020). The lockdown measures have had significant financial and social consequences, especially in South Africa, according to an excerpt written by Professor Urban "one in ten businesses is less than a month away from shutting down completely and government spending, some businesses will not be able to come back from their current deficit".



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ANNEXURE B
CATEGORISATION OF ESSENTIAL GOODS AND SERVICES DURING LOCKDOWN
Regulation 11A

A. GOODS

1. Food
   - (i) Any food product, including non-alcoholic beverages;
   - (ii) Animal food; and
   - (iii) Chemicals, packaging and ancillary products used in the production of any food product.
2. Cleaning and Hygiene Products
   - (i) Toilet Paper, sanitary pads, sanitary tampons, condoms;
   - (ii) Hand sanitiser, disinfectants, soap, alcohol for industrial use, household cleaning products, and personal protective equipment; and
   - (iii) Chemicals, packaging and ancillary products used in the production of any of the above.
3. Medical:
   - (i) Medical and Hospital Supplies, equipment and personal protective equipment; and
   - (ii) Chemicals, packaging and ancillary products used in the production of any of the above.
4. Fuel, including coal and gas
5. Basic goods, including airtime and electricity.

B. SERVICES

Categories of essential services shall be confined to the following services:

1. Medical, Health (including Mental Health), Laboratory and Medical services;
2. Disaster Management, Fire Prevention, Fire Fighting and Emergency services;
3. Financial services necessary to maintain the functioning of the banking and payments environment, including the JSE and similar exchanges, as well as Insurance services;
4. Production and sale of the goods listed in category A, above;
5. Grocery stores, including spaza shops;
6. Electricity, water, gas and fuel production, supply and maintenance;
7. Critical jobs for essential government services as determined by Head of National or Provincial Departments in accordance with the guidance by the DPSA, including Social Grant Payments;
8. Birth and death certificates, and replacement identification documents;
9. Essential municipal services;
10. Care services and social relief of distress provided to older persons, mentally ill, persons with disabilities, the sick, and children;
11. Funeral services, including mortuaries;
12. Wildlife Management, Anti-poaching, Animal Care and Veterinary services;
13. Newspaper, broadcasting and telecommunication infrastructure and services;
14. Production and sale of any chemicals, hygiene products, pharmaceuticals for the medical or retail sector;
15. Cleaning, sanitation, sewerage, waste and refuse removal services;

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16. Services related to the essential functioning of courts, judicial officers, the Master of the High Court, Sheriffs and legal practitioners required for those services;
17. Essential SARS services defined by the Commissioner of SARS;
18. Police, peace officers, traffic officers, military medical personnel and soldiers, correctional services officials and traffic management services;
19. Postal services and courier services related to transport of medical products;
20. Private security services;
21. Air-traffic Navigation, Civil Aviation Authority, Cargo Shipping and dockyard services;
22. Gold, gold refinery, coal and essential mining;
23. Accommodation used for persons rendering essential services, quarantine, isolation and the lockdown;
24. Production, manufacturing, supply, logistics, transport, delivery, critical maintenance and repair in relation to the rendering of essential services including components and equipment;
25. Transport services for persons rendering essential services and goods, and transportation of patients;
26. Services rendered by the Executive, members of Parliament, Members of the Provincial Legislature, Members of Local Councils, the Judiciary, traditional leaders and National Office Bearers of Political Parties represented in Parliament;
27. Commissioners of the South African Human Rights Commission, Gender Commission, and the Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities, and the Public Protector and Deputy Public Protector; and
28. Transport and logistics in respect of essential goods as set out in A above to neighboring countries.

ANNEXURE C
FORM 1
PERMIT TO PERFORM ESSENTIAL SERVICE
Regulation 11B(3)

- *Please note that the person to whom the permit is issued must at all times a form of identification to be presented together with this permit. If no identification is presented the person to whom the permit is issued will have to return to his or her place of residence during the lockdown*

I,

Surname				
Full names				
Identity number				
Contact details	**Cell nr.**	**Tel Nr(W)**	**Tel Nr(H)**	**e-mail address**

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Figure 2: Categorisation of essential goods and services during lockdown (The Republic of South Africas Government, 2020)

In an attempt to mitigate the detrimental effects of Covid-19 enterprises have had to adopt new strategies, according to Professor Urban, there are four general strategic responses enterprises could adopt during times of crisis. These four strategic responses are (Urban, 2020):

- Retrenchment
  - "a cost-cutting measure that potentially reduces the scope of a firm's business activities, with analysts predicting divestment of businesses, closure of establishments, reductions in employment and expenditure cuts on a wide range of activities"
- Persevering

    - related to “the preservation of the status quo of a firm’s business activities in times of crisis. This can take place in terms of debt financing and/or the utilization of available slack resources. This approach favours medium to large firms, as smaller businesses often do not have such luxuries”
- Innovation
    - “refers to conducting strategic renewal in response strategic renewal in response to crisis and involves the adoption of a new strategy and/or domain redefinition; in essence, the creation of new or existing product categories or market space. Innovating at times of crisis may also involve the business model reconstruction route, which encompasses the design of a new, or redesign of an existing, business model”
- Exit
    - “refers to the deliberate discontinuation of a firm’s business activities and may manifest as bankruptcy and closure”

Professor Urban advocates for the reconfiguration of enterprise strategies within this period through innovation, in order to pursue innovation, enterprises require enabling dynamic capabilities (Urban, 2020). Multiple enterprises did not have mitigating strategies that would aid them throughout a pandemic; these enterprises have had to develop internal dynamic capabilities to help them navigate the current market conditions (Urban, 2020). In order to innovate some firms have had to hone their dynamic capabilities and as Professor Urban had predicted some firms were forced to radically reconfigure their supply chains, an example of this would be how offline retailers had to alter their business model by converting into omnichannel businesses. An excellent example of this would be the Spar supermarkets in Pretoria which gave consumers the option to order goods via WhatsApp and then collect their goods through the drive-thru facility they created because of the pandemic (SABC News, 2020).

Consumers were given the option to pay for their purchases from their vehicle using a card machine; the introduction of this option decreased the physical interactions between consumers and the retailer (SABC News, 2020). The reconfiguration of the enterprises servicing channels helped ensure that consumers were still purchasing items from their local retailer (SABC News, 2020). The reconfiguration demonstrated a shift from being a purely brick and mortar retailer into being an omnichannel retailer.

An online retailer example of this radical reconfiguration would be the alterations made by Takealot to their online website when the lockdown was implemented, Takealot had to cancel orders of non-essential goods that were scheduled to be delivered during the lockdown period issuing refunds to consumers (Takealot online (Pty) Ltd, 2020). Takealot also had to suspend sales on their website for approximately 24 hours to reconfigure their online storefront ensuring that only goods that were listed as essentials were being sold to consumers (Takealot online (Pty) Ltd, 2020). Takealot also had to integrate contactless delivery measures to ensure that it was aligned with social distancing rules and regulations (Takealot online (Pty) Ltd, 2020)

Based on prior experiences, Professor Urban advocates for an ambidextrous, balanced approach between appropriate short-term cost-cutting and long-term resource commitments in response to the Covid-19 pandemic (Urban, 2020). The omnichannel approach could be the best solution for retailers; according to Steenkamp (2020), this is the perfect time for enterprises to accelerate digital transformation and develop e-commerce strategies. Although e-commerce will only be fully operational at level three whilst offline food and retail stores are permitted to be open and selling their full range of products within their existing stock there will still be a sense of relatively high conscious social distancing especially in physical retail spaces and places with high volumes of people in an attempt to avoid contracting the novel virus (Sibanyoni, 2020).

Multiple enterprises have elected to remain closed regardless of the easing of lockdown restrictions. Enterprises cannot operate at their optimal capacity due to restrictions and the anticipated extent of social distancing; these retailers said it would not be feasible for them to operate within the confines of the restrictions, the increased financial burden of protecting all stakeholders would also erode their profit margins (Naidoo, 2020; de Wet, 2020). The reluctance to operate and the inability to return to business as usual will filter into the economy resulting in irrecoverable financial losses for South African businesses and the economy at large (Omarjee, 2020).

Initially, the lockdown was meant to last 21 days. The South African Reserve Bank projected job losses of up 370 000 and 1 600 businesses having to shut down, the lockdown has however been extended with uncertainties related to when industries will be able to return to operations at full capacity (Omarjee, 2020). In a developing country like South Africa where the unemployment rate was reported at 29.1% (fourth quarter of 2019) increased unemployment will only negatively affect the lives of citizens and alter the living conditions of many individuals for the worst (Trading economicsl Statistics South Africa, 2020; Omarjee, 2020).

Companies will have to mitigate these risks by innovating and individuals who lose their jobs will have to find alternative means of generating revenues, luckily for enterprises and entrepreneurs pivoting and entering the e-retail sphere will find it more accessible and more affordable because of platforms such as Shopify, Magento and opensource resources retailers (Goga, Paelo, & Nyamwena, 2019). Through these platforms and resources, retailers can now develop and launch their e-retail storefronts without substantial capital investment or significant coding capability, e-retailing may be the saving grace of many SMEs (Goga, Paelo, & Nyamwena, 2019). An exemplary example of the immense ability of e-retailing in aiding retailers maneuverer through a pandemic would be the case of China through the Severe Acute Respiratory Syndrome pandemic (SARS) which emerged in 2002 and subsided in 2003 (Keogh-Brown & Smith, 2008).

SARS much like Covid-19 is infectious and transmitted between humans, SARS originated in the Guangdong province of China and rapidly spread to Australia, Brazil, Canada, China, Hong Kong, South Africa and the US (Keogh-Brown & Smith, 2008). Fortunately, the number of fatalities throughout the SARS outbreak were not as significant as those related to Covid-19 that have currently been reported (Keogh-Brown & Smith, 2008; World Health Organization, 2020). The SARS outbreak resulted in approximately 10 000 individuals being infected (for comparative purposes as of the 3rd of May 2020 Covid-19 the World Health Organisation -WHO- had reported 3 356 205 cases) resulting in the deaths of 10% of these individuals (238,730 deaths had been reported due to Covid-19, 3rd of May 2020) (Keogh-Brown & Smith, 2008; World Health Organization, 2020).

SARS may not have had as many fatalities however the social and economic conditions could be compared to those being experienced in South Africa currently, SARS also did not have a rapid diagnostic test and health care practitioners had no readily available treatments for the illness (Hanna & Huang, 2004). When the SARS outbreak started posing a threat to the lives of many, WHO issued official travel warnings which resulted in the decline of travel, business engagements and social interactions consequently resulting in social and economic implications (Hanna & Huang, 2004). Throughout the SARS outbreak, the only recourse civilians, enterprises and the State of China had was patient and citizen surveillance and quarantine (Hanna & Huang, 2004). According to Keogh-Brown et al., China and Hong Kong were the most affected by SARS and exhibited significant losses in investment, retail sales, restaurants and tourism, predictions related to the outbreak had predicted a decrease of 1.5% in GDP with no additional stimulus (Hanna & Huang, 2004; Keogh-Brown & Smith, 2008). The predictions were, however, wrong because China managed to control the pandemic by June 2003 halving the anticipated duration of the

outbreak (Hanna & Huang, 2004). Chinas GDP in the second quarter of 2002, however, contracted by over 5% due to the outbreak (Hanna & Huang, 2004).

China could attribute its ability to recover and accelerate growth to the States aggressive fiscal and monetary policies whilst at the forefront of economic growth entrepreneurs like Jack Ma continuously innovate. At the beginning of the SARS outbreak, Alibaba's' B2B e-commerce platform experienced 4 000 new members and 9 000 listings each day (Zheng, 2020). Demonstrating an average of 4 times more growth (Zheng, 2020). As the SARS outbreak affected multiple enterprises Ma decided to capitalise on the opportunities presented by the flaws manifest in the conventional retail models. Alibaba Group, like multiple other enterprises, was affected by the SARS outbreak (Erisman, 2020). A staff member of the Alibaba Group exhibited symptoms of SARS after the individual had returned from a work trip in Guangzhou, the epicentre of the SARS outbreak in China (Erisman, 2020). Alibaba Group's headquarters had to shut down and have its employees quarantined as a control and surveillance measure, and this meant that Alibaba Groups staff members had to run the company from the confines of their homes for ten days (Erisman, 2020).

Fortunately, Alibaba Group innovated throughout the outbreak and emerged better than before the outbreak. During the outbreak, Jack Ma commissioned the founding members of the Alibaba Group to create a new platform that would service a new customer segment for the group (Zheng, 2020). The founding members went into quarantine together where Alibaba Group was established, the members worked out of Jack Mas apartment and created Taobao (Zheng, 2020). Taobao gained traction and within two years went on to become Chinas number one C2C e-marketplace surpassing its predecessor eBay (Zheng, 2020). Alibaba's Groups significant growth within this period could be attributed to Chinas internal culture, citizens were very patriotic, they realised the importance of supporting their local economy by purchasing thing made in China (Erisman, 2016). Due to the restrictions put in place, Chinese suppliers could not operate from their traditional storefronts and had minimal options that would ensure their survival past the outbreak (Zheng, 2020). SMEs ploughed into online marketing on Alibaba Groups platforms resulting in Alibaba Groups platforms growing at a rate of 50% within that year and daily revenues of 10 million RMB, SMEs also reaped generous rewards, over half of the 1.4 million suppliers on their B2B platform saw significant growth in their sales (Zheng, 2020).

Even in times of distress Alibaba Groups team were reaching the pinnacles they had set out to reach when they started, they had built a marketplace that genuinely empowered entrepreneurs and ensured that millions of jobs were being created in China (Erisman, 2016). Even though other industries were experiencing declines, SMEs and other service providers who provided essentials such as food, fast-moving consumer goods (FMCG) and over-the-counter (OTC) pharmaceuticals witnessed a surge in demand as citizens were forced to stay home (Zheng, 2020). Alibaba Group's ability to serve consumers throughout the outbreak is testament to the potential benefits of operating an e-retail enterprise even through times of distress, e-retailers could aid in the survival of multiple industries throughout the Covid-19 pandemic in South Africa. Key participants within the e-commerce industry like Andy Higgins have advocated for the complete lifting of lockdown restrictions on all products sold by e-retailers in South Africa (IOL, 2020)

In an open letter to the Minister of Trade and Industry Ebrahim Patel, over 4 000 companies requested that the restrictions on e-commerce be lifted because they believed that e-retailers did not pose a risk (IOL, 2020). E-retailers had already been granted permission to fulfil shipments of essential goods, the addition of goods that are not considered essential would mean that they could serve more consumers under the condition that they are operating within social distancing parameters whilst remaining profitable (IOL, 2020). The open letter also emphasised the likelihood of many SMEs shutting down because of the financial implications of the pandemic and the lockdown restrictions; the retailers positioned e-retailing as a possible mitigating solution

for retail SMEs (IOL, 2020). Another critical tenant that resulted in the e-commerce boom after the SARS outbreak in China was the States intervention in aiding online companies like Alibaba Group past the SARS outbreak by providing additional exposure for these companies that aided them throughout the outbreak (Erisman, 2020).

The South African e-retail market exhibits similar operational conditions to those that were demonstrated by China during the SARS outbreak, this could be the ideal opportunity for multiple entrepreneurs to enter the market and for others to pivot by innovatively altering their business strategies. Enterprises that do not pivot will find themselves in financial distress and could resort to payment holidays to sustain their enterprises or funding relief; however, funding relief for SMEs will unfortunately not sustain all SMEs in South Africa. For instance, the R230 million that has been set aside by the Department of Small Business Development for SMEs may not suffice especially with the number of SMEs in South Africa (Merrington, 2020). The Minister of Small Business Development Khumbudzo Ntshavheni has raised concerns related to the funding not being sufficient due to the enormous number of SMEs that require relief (Merrington, 2020).

SMEs should not only look to funding as a solution, pivoting and altering enterprise strategy dependent on potential opportunities will help SMEs not only survive but also provide growth prospects that could be the foundation of new business models post the pandemic. As mentioned above, Professor Urban (2020) advocates for increased levels of innovation, the CEO of Raizcorp Allon Raiz emphasises the same approach. Allon Raiz (2020) speaks of the repurposing of enterprise capabilities as a shock absorber for the forthcoming business environment post the pandemic. Allon Raiz also emphasises the need to innovate rather than relying on funding solutions, in his experience with incubating SMEs he has found that funding is not the sole solution to fostering sustainable enterprises (Raiz, 2020). Allon Raiz also advocated for a comprehensive digital approach when SMEs consider tackling future operations of their enterprises, e-retailing could be the sunrise industry for multiple South African retail SMEs. The pandemic will alter the manner in which retailers in South Africa will operate; some retailers will be forced to embrace digital transformation others will be forced to innovate extensively. The next section will provide three practical cases that demonstrate the effectiveness and efficiency that e-retailing provides to retailers.

2.5.5 Successful e-retail enterprises

As mentioned above, the South African e-retail industry is still within its nascent phase and demonstrates significant growth potential. Although this research is intended to aid South African e-retail SMEs, it is of paramount importance to analyse the performance of high-performance e-retailers within the global market and gain insights that could aid in creating a conducive e-retail ecosystem in South Africa and for purposes of best practice benchmarking. The following section of this report intends to go beyond the South African borders and explores the e-retail industry in American and Asian by reviewing two cases of the top e-retail enterprises within these regions (Hasan, 2019).

Amazon and Alibaba Group are considered pioneers within the e-commerce market, especially within their respective continents; the following sections will explore the Amazon case study followed by the Alibaba Group case study. These companies are considered large companies and not SMEs; they will be used in this research to demonstrate how they leveraged e-commerce and their internal capabilities to yield exponential growth. Although Amazon is an exceptional case, this report will not dwell on it Amazon extensively; this report will focus more on the Alibaba case because of the similarities in China and South Africa's socio-economic contexts. Once the Alibaba Groups' case is concluded, the report will return to the South African shores by exploring

the case of Takealot through Naspers as an internet company that has created an e-commerce ecosystem. As mentioned above the case will only be used for practical purposes.

a. Amazon: the online business that changed the delivery process of online businesses

Amazon is distinctly known for its ability to rapidly deliver products that are purchased on Amazon (Stone, 2014). Amazon has uniquely mastered e-retailing by developing systems that harness multiple capabilities to ensure almost instantaneous gratification for consumers (Stone, 2014). Amazon was founded in the United States of America (USA) by Jeff Bezos; Amazon is known as "the everything store" due to its enormous selection of varied retail items and services (Amazon, 2019; Stone, 2014). According to Brad Stone (2014), the initial idea behind Amazon was to create "an internet company that served as the intermediary between customers and manufacturers and sold nearly every type of product, all over the world. One important element in the early vision was that customers could leave written evaluations of any product, a more egalitarian and credible version of the old Montgomery Ward catalog reviews of its suppliers" (Stone, 2014). The evaluations served as a vital tool in developing not only an ideal shopping experience but also one that could be trusted (Stone, 2014).

Bezos had mammoth dreams for his everything store however he had to be realistic in the beginning; Bezos realised he could not build an online store with everything immediately, so he created a list of twenty product categories (Stone, 2014). By process of elimination Bezos reduced the list to a single product, Bezos decided on books as a starting point (Stone, 2014). Bezos value proposition was that his online store would have an exhaustive selection of books (Stone, 2014). When Bezos piloted his model, he discovered that no one had been able to sell books online and ensure that they arrive in perfect condition (Stone, 2014). His revelation led to his pursuit to create the perfect delivery process, ensuring that he stood apart from other e-retailers that would emerge (Stone, 2014). People in remote areas such as U.S troops overseas excessively used the Amazon online store when it launched in July 1995 (Stone, 2014). Customers praised Amazon for its ability to not only delivery but also its forward-thinking evaluations solution which helped them make more informed purchasing decisions (Stone, 2014).

When Amazon started Bezos, his wife Mackenzie and Kaphan would assemble customer orders in the basement of Bezos home at night (Stone, 2014). In the morning, one of them would drive the boxes to UPS or the post office (Stone, 2014). The online store had a 30-day return policy if customers were not satisfied with their purchases; however, Amazon had not configured a process that could facilitate these returns (Stone, 2014). Like every true entrepreneur, Bezos saw an opportunity to develop a logistical system that would later be monetised (Stone, 2014).

Bezos quickly realised the exponential potential of the online store that he was building, perfecting his business model Bezos required additional funding (Stone, 2014). Bezos instigate series A of Amazons venture capital funding process by headed to Silicon Valley (Stone, 2014). Silicon Valley was the perfect place to get funding for his online store (Stone, 2014). Silicon Valley is known for its forward-thinking and optimistic environment, and it is said that it was in this instance that Bezos realised that his idea had so much potential however capital would be an enabler for him and his business (Stone, 2014). After a successful series A, Bezos went back to improve his everything store (Stone, 2014).

Due to the success of Amazons series A round of venture capital funding, Bezos was able to employ the right minds to help him create systems and processes that would prove to be extremely profitable (Stone, 2014). Bezos is known for his knack for engineers, combined with his customer-centric approach Bezos leveraged his ability to access data from each customer visit

and the human capital capabilities he had within the enterprise to create a truly personalised shopping experience for customers (Stone, 2014; Unger, Rauch, Frese, & Rosenbusch, 2009). Being an e-commerce business meant that Bezos could collect clean data with limited to no biases from consumers in a systematic manner (Stone, 2014). The insights gained from the data created a shopping experience that no brick and mortar counterpart could ever create, this led to a competitive advantage that he coupled with the infinite variety creating a truly unique value proposition (Stone, 2014).

Another great advantage that Amazon had as opposed to their competitors who were still operating offline was its negative operating cycle. Brad Stone explains the cycle as follows "customers paid with their credit cards when their books shipped but Amazon settled its accounts with the book distributors only every few months. With every sale, Amazon put more cash in the bank, giving it a steady stream of capital to fund its operations and expansion. The company could also lay claim to a uniquely high return on invested capital. Unlike brick and mortar retailers, whose inventories were spread out across hundreds or thousands of stores around the country, Amazon had one website and, at that time, a single warehouse and inventory. Amazons ratio of fixed costs to revenue was considerably more favourable than that of its offline competitors. In other words, Bezos and Covey argued, a dollar that was plugged into Amazons infrastructure could lead to exponentially greater returns than a dollar that went into the infrastructure of any other retailer in the world." (Stone, 2014).

Additional funds were required to drive "the everything store" dream which Bezos had envisioned which resulted in Amazon instigating their initial public offering (IPO) on the 15th of May 1997, around the same time Amazon filed for their 1-click ordering process patent (Stone, 2014). The patented process would enable customers to execute their purchases with a single click because the system preloaded their credit card details and their preferred shipping address (Stone, 2014). The 1-click ordering system brought new meaning to convenience; regardless of the competitive advantage the 1-click system provided, online competitors like eBay were still outperforming Amazon (Stone, 2014). eBay was outperforming Amazon because it had no inventory which meant that eBay did not require warehousing space; physical infrastructure is considered one of retailers biggest expenses (Stone, 2014). Not only did eBay not have the financial burden associated with physical infrastructure, they also did not have to worry about the logistical aspect of fulfilling purchases because sellers shipped products to customers directly (Stone, 2014).

Bezos thought that increasing their product ranges would result in better performance, so Amazon ventured into the toy market (Stone, 2014). The biggest challenges Amazon encountered when adding toys to their selection of products were that toys are seasonal and at the time there were no third-party distributors who would take back their inventory if it was not sold (Stone, 2014). Bezos and his colleagues at Amazon had nurtured relationships with suppliers who had existing relationships with offline retailers to ensure that they could compete in the toy market (Stone, 2014). Establishing these relationships proved to be a difficult task; however, Bezos and his colleagues conquered and were able to enter the market, this new product stream meant that Amazon had an array of new competitors they had to be cognizant of when strategizing (Stone, 2014).

In 1999 Toys R Us established their internet subsidiary to directly compete with Amazon however by the end of 1999 they had failed dismally due to a lack of expertise and capabilities that would ensure that orders are fulfilled in time (Stone, 2014). The Chief Financial Officer of ToysRUs.com reached out to Bezos and suggested that they outsource this function to Amazon, Amazon would bring the infrastructure, expertise and capabilities whilst ToysRUs would provide industry ties for supply purposes (Stone, 2014). This deal would position Amazon as a highly sort after e-retail partner; they had the expertise to help build online stores whilst providing the capabilities required to ensure the online store's sustainability (Stone, 2014).

Even though Bezos and his colleagues had mastered e-retailing their systems had a fair amount of flaws, Amazon had hired Walmart to create its logistical network (Stone, 2014). What had worked in the traditional brick and mortar stores, unfortunately, did not work for Amazon's business model, the network that Walmart created was not suited for Amazon (Stone, 2014). According to Stone, the network system they created was too "expensive, unreliable and hungry for an emergency influx of employees from Seattle at the end of every year" (Stone, 2014). Bezos and his colleagues came to a conclusion; they realised that "the equipment and software from third-party vendors simply was not designed for the task at hand. To escape from batches and move toward a continuous and predictable flow of orders through the facility, Amazon would have to rewrite all the software code" (Stone, 2014). Once again Amazon drew on the enormous amount of data they had collected over the years and their highly qualified engineers to create algorithms that would aid in predicting stock level requirements and efficient delivery solutions (Stone, 2014).

Their solutions were said to be a combination of Six Sigma and Toyotas lean manufacturing philosophy, and the solutions created an enormous amount of value for Amazon (Stone, 2014). The solutions helped them create better logistical systems that would ensure that they had limited to no bottlenecks and backlogs, limited wasteful expenses and eliminated defects (Stone, 2014). Amazon reinvested in the development of their internal capabilities by re-writing their software codes and rearranging their logistical systems, which was a wise decision because it meant they could manage their supply chain and website indirectly providing additional data for the continuous improvement of the shopping experience they offered their consumers (Stone, 2014).

The data that Amazon possessed was extremely valuable because it also offered critical insights into current trends and customers behaviour patterns (Stone, 2014). If used correctly, these insights could be utilised to create products that would match customer needs and expectations which is why Tim O'Reilly attempted to solicit these insights from Amazon (Stone, 2014). Although Amazon had developed their logistical capabilities, they still used the post office or UPS to fulfil their orders in 2000; they saw the value in maintaining relationships with key intermediaries that supported their internal vertical logistical network (Stone, 2014). Amazon has been piloting the usage of drone technology to deliver smaller packages; this speaks to their impeccable drive to continuously innovate and improve their customer experience through shorter delivery lead times offering even greater convenience (Amazon, 2019).

In 2003 Amazon decided that it wanted to diversify their product offering by letting jewellery retailers enlist their precious jewellery on their marketplace, for this product stream Amazon charged a commission (Stone, 2014). The sales of jewellery online, however, did not take flight because customers still wanted to go into physical brick and mortar stores and feel the articles of jewellery, Bezos also wanted customers to have access to these items at a cheaper price (Stone, 2014). The reduction in the pricing of such precious items did not prove to be a worthwhile pricing model because jewellery is expensive and making it cheaper for consumers was not a viable option (Stone, 2014).

In 2006 Amazon launched the kindle Kindle introduced digital books; selling electronic books was an exceptional idea (Stone, 2014). The introduction of e-books placed offline retailers under an immense amount of pressure and increased Amazon's market power due to the convenience kindle offered (Stone, 2014). E-books may have proven to be profitable; however, the most significant issue was obtaining and maintaining the digital rights of some books (Stone, 2014).

Once Amazon perfected its logistical processes, they started offering shorter delivery times at an express additional cost. They introduced Amazon Prime; Amazon Prime is a paid subscription service that makes access to particular items and functions like same-day delivery available to subscribers (Stone, 2014). These two offerings altered online consumer behaviour; more people

were turning to online shopping on Amazon because it became more convenient, the offerings also created an additional revenue stream for Amazon which came in the form of subscription fees (Stone, 2014). Table 13 below provides a summary of the significant elements of the Amazon business model that led to its success.

Table 13: A summary of the factors that led to Amazons success

Factors that led to Amazons success	References:
The store's ability to guarantee delivery times	(Stone, 2014)
Convenience	(Stone, 2014)
Data-driven solutions	(Stone, 2014)
Negative money cycle	(Stone, 2014)
No inventory	(Stone, 2014)
Trusted – enabled by reviews	(Stone, 2014)
Networks – created relationships that could be leveraged	(Stone, 2014)
Discounted rates especially when on Amazon Prime launched	(Stone, 2014)

b. Alibaba Group: the perfect e-retail ecosystem

One could say Alibaba Group is one of Chinas' unicorn enterprises, not only did Alibaba Group bring about tremendous economic benefits for the Chinese market it is also considered one of the enterprises that positioned China at the forefront of the e-commerce revolution (Erisman, 2016). The journey that led to what is now known as the Alibaba Group outlines many e-retail milestones and demonstrates various e-retail capability requirements. In 1999 when what is now known as Alibaba Group was launched the socio-economic context in which it was born was similar to the current socio-economic context of South Africa. Table 14 below demonstrates the similarities (some of the socio-economic issues overlap and will only be mentioned in one of the subsections, the subset that it is most relevant too).

The vision behind Alibaba Group was quite simple, the team of 19 co-founders wanted to "build a marketplace connecting the world's small and medium-sized businesses engaged in global trade- the widget economy made up of manufacturers, trading companies and wholesalers comprising the global supply chain. And their website – Alibaba.com- was meant to allow these small businesses access to the riches that only the internet could unlock" (Erisman, 2016). Which is precisely what they did; they, however, did not realise the enormous impact the idea they incubated in Jack Ma's apartment would have on multiple economies.

When one thinks of Alibaba, they almost instantaneously think of Jack Ma. Jack Ma is the founder of Alibaba Group which is the largest e-commerce company in China (Bloomberg, 2020). Alibaba Group is home to Taobao (online shopping site), Tmall (facilitator of online stores), Alipay (transferred from the group after Alibaba Group and Yahoo's relationship soured) and multiple other subsidiaries (Bloomberg, 2020). The business model canvas in Figure 4 below provides a snapshot of Alibaba Group's operations.

Table 14: Similarities in China and South Africas' socio-economic contexts

		China	South Africa	References
Social	Education			
	Digital divide	In the nascent stage of China Pages (evolved into Alibaba Group) Jack Ma found it immensely challenging to gain traction because his consumers could not understand his value proposition. At the time, Chinese citizens had limited interactions with the internet and could not fathom the infinite potential it offered. The inability to access and optimally use the internet was an inhibitor	The digital divide in South Africa was brought about by the lack of ICT infrastructure, unequal education (affecting digital literacy), the costs associated with connectivity and multiple other factors	(Clark, 2016; Allen, 2018)
	Welfare			
	Standard of living	Consumer purchasing power was significantly low	South Africa is extremely stratified. In 2015 South Africas' Gini-coefficient was 0.63. An alarming proportion of South Africas' population were reported to be living below the lower bound poverty line of R785 in April 2018. The inequalities and relative deprivation have affected the standard of living of many South Africans	(Statistics South Africa, 2018; World Bank, 2018; Erisman, 2016)
	Crime rates	China has experienced high volumes of scammers and concluding a transaction online	South Africa has high crime rates that have significantly affected the "Ease of Doing Business" and the manner in which e-retailers operate	(Statistics South Africa, 2018; World Bank, 2018; Erisman, 2016;

		seemed to be too high risk at the time	because of negative perceptions. According to crime statistics released by the South African Police Services, throughout the 2018/2019 period, South Africa has 83 823 reported cases of commercial crimes. These crimes include the following categories: • Fraud • All other fraud and related offences • Common law fraud linked to statues • Attempted fraud	South African Police Services, 2019)
	Culture			
	Relationships	In China, business is rarely conducted amongst individuals who have no relationship. Establishing a personal relationship between consumers and retailers is a custom that cannot be neglected. One of the reasons eBay failed in China was because they would not allow buyers and sellers to communicate directly out of a fear that they would avoid paying commissions. eBays inability to compromise and customize their customer experience to accommodate this custom resulted in their failed expansion into the Chinese market	The custom of demonstrating ubuntu (humility) is essential when conducting business in South Africa. The need to engage at a human level is one of the reasons South Africa's consumer culture has not shifted significantly from what is known as the mall culture	(Erisman, 2016; Yuppiechef, 2020)
	Cultural integration	The Chinese market is unique One must immerse themselves in Chinese	Xenophobia – South Africa has had a surge of Xenophobic attacks	(Payi, 2019; Erisman, Alibaba's

		culture to succeed. According to Duncan Clark "eBays biggest mistake was in getting the culture wrong… no matter how skilled the new arrivals, most spoke no Chinese. They faced a steep learning curve to understand the local market."	especially on retailers that are not of South African descent	world: how a remarkable chinese company is changing the face of global business, 2016)
Economic	Employment			
	Employment opportunities	Limited employment opportunities In the nascent phase of the Alibaba Group, the prospects for Chinese graduates were minimal. Many graduates who joined Alibaba Group were attempting to escape the inevitable reality of being assigned a low wage job by the government because of the limited employment opportunities	South Africa has an enormous unemployment issue; the unemployment rate remains relatively high at a rate of 29.1% (fourth quarter of 2019)	(Erisman, 2016; Trading economicsl Statistics South Africa, 2020)
	Political (usually political would be given the same priority as social and economic however for the purposes of this study political will be a subsection of economic because this report will explore how the political climate and constraints affect the economy sphere)			
	Bureaucracy			
	Rules and regulations	Censorship Due to Chinas historical background, customs and norms the content that enters and exits China is heavily censored by the State, the State had ultimate control over the content consumed by Chinese citizens and the content the world had access to on China. The heavy censorship resulted in limited business prospects for Chinese enterprises	Due to the extensive levels of bureaucracy, the ease of doing business in South Africa is impeded. South Africa currently ranks 84th out of 190 countries on the World Banks Ease of Doing business ranking	(Erisman, 2016; World Bank Group, 2019)
	Financial inclusion			

	Citizens ability to access financial products	According to Erisman, "the credit card penetration was negligible" in China in 1999	South African citizens are constantly exposed to relative deprivation; they, therefore, cannot afford financial products that bear high financial costs like credit and debit cards. Resulting in an enormous number of unbanked and underbanked individuals	(Erisman, 2016; Urban & Townsend, 2020)
	Entrepreneurs ability to access to financial products	Entrepreneurship is not recognised and understood by many financial institutions; the Chinese financial market is no exception	South African entrepreneurs find it significantly hard to access financial products due to their relative lack of resources (assets) that can be used as collateral	(Clark, 2016; Urban & Townsend, 2020)
	E-retail financial products	Online payment methods were problematic in China because the Chinese banking sector is heavily regulated and the banks that the State supported created their own standards. Unfortunately, the banks were not willing to collaborate and create clear regulations. What proved to be a problem for Alibaba Group was turned into an opportunity, Alibaba Group's solution was the creation of Alipay. Alibaba Group then took the solution to the banks and signed them on as partners	The payment methods available to e-retailers have been a significant inhibitor; the high levels negative perceptions associated with internet transactions has led to a reluctance to utilize card payment methods. Financial institutions have heavily regulated other payment methods which has directly affected e-retailers and decreased consumers purchasing intention	(Erisman, 2016; United Nations Industrial Development Organisation, 2017)
	Infrastructure			
	Logistical infrastructure	Chinas' infrastructure was still considered primitive according to	E-retailers either have to opt for a vertical logistical integration which	(Erisman, 2016; Goga, Paelo, &

		Erisman, Chinas logistical system posed a risk to the growth of e-commerce and could have resulted in multiple bottlenecks	is capital intensive and often not viable, or they have to outsource their logistical fulfilment function. Outsourcing can also be too expensive and significantly decreases the e-retailers profit margins. South Africa is also fairly geographical dispersed which increases the costs associated with logistics, areas that are in the periphery of urban areas are also poorly mapped affecting the efficiency of deliveries	Nyamwena, 2019; Poignonnec, 2019)
	ICT infrastructure - Digital divide (access to ICT is considered a developmental enabler for many. When utilized correctly, ICT can result in broader developmental gains such as job creation, financial inclusion, increased human capital through gained knowledge and multiple other benefits)	In 1999 when Alibaba started, China only had two million internet users which translated into a total of only 1% of Chinas population having access to the internet. Although China had 1% of its population online, very few individuals at the time would consider purchasing anything online	According to Budree in 2016 South Africa had an estimated 19.5 million individuals who were internet users and only 20% (8.3 million) of these internet users were e-shoppers	(Allen, 2018; Erisman, 2016; Budree, 2017)
	Retail space	The brick and mortar approach to retailing in China is extremely expensive because the State depends expensively on the taxes and fees paid for the land. These rates and taxes are also high because of the high demand for space in China; it is said that for	South African SME retailers encounter significant operational expenses because of the high cost of prime commercial retail space	(Clark, 2016; United Nations Industrial Development Organisation, 2017)

		every person in China there are only six square feet of retail space		

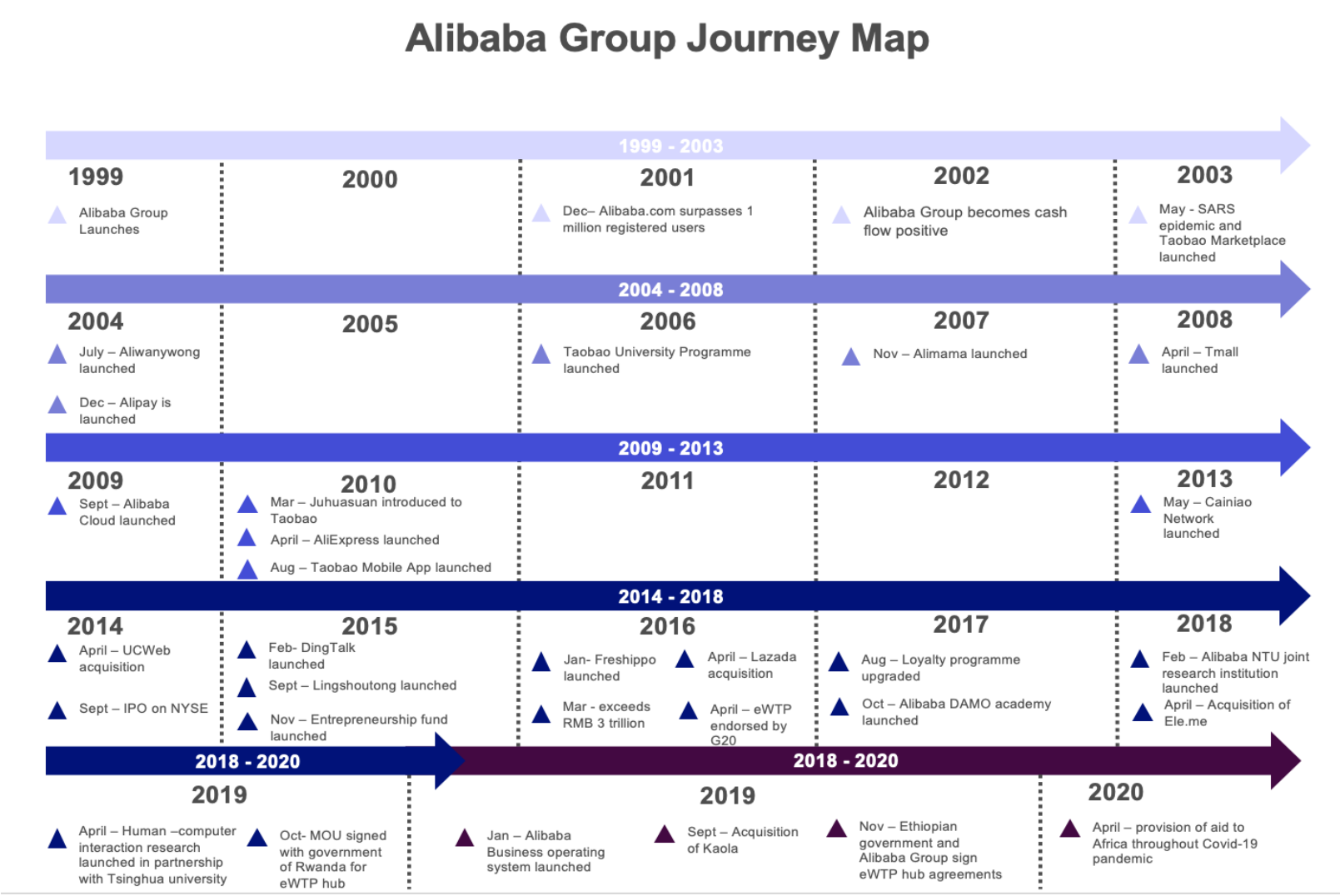

Figure 3: Alibaba Groups Journey Map (Alibaba Group, 2019; Alibaba Group, 2020)

Jack Ma was born in Hangzhou, in his teen years, Ma took a liking to English and literature (Erisman, 2016). In 1978 China launched an open-door door policy which permitted an influx of tourists from the United States of America (USA) and Europe into China, Ma used this opportunity to better his English skills by giving tourists free tours of West Lake (Erisman, 2016). One could say this was the networking opportunity that led to Ma's success, over the years Ma met numerous families that he would keep in touch with once they had departed and they would write to him about their lived experiences in other countries (Clark, 2016).

Jack Ma went on to obtain his teaching qualifications although teaching was not his first option it was his only option, Ma could not gain admission to universities in Beijing or Shanghai due to his academic performance, he then had to settle for the Hangzhou Teachers College (Clark, 2016). Ma grew to love teaching; his expertise would become the basis of his first "failed" venture (Clark, 2016). Ma had a knack for teaching English; many of his students were fond of him and his practical approach to teaching (Clark, 2016). His students became his first employees when he founded Hope (Clark, 2016). Hope was a translation venture Ma started when he realised the gap in translation services market in China; multiple Chinese businesses could not communicate efficiently with their potential clients in other countries due to the language barrier (Clark, 2016).

Through his Hope venture, Ma gained a reputation as an expert translator; a client contracted his services as an interpreter for a business trip in the United States of America (USA), the trip took an awful turn for the worst (Clark, 2016). Although the trip did not go as planned, Ma got an opportunity to explore America and utilise the internet for the first time (Clark, 2016). It was on this trip that Ma met Stuart Trusty; Trusty owned an internet consultancy in the US, he showed Ma the internet and encouraged him to explore it the web (Clark, 2016). To Ma's surprise, he could not find anything on China; Ma saw an opportunity which he grasped with both hands (Clark, 2016). Ma enlisted a website for Hope, and before he knew it, the website had led to his first online business venture called China pages (Clark, 2016).

China pages posed as Chinas first internet version of the yellow pages; China pages proved to be a useful marketing resource for businesses in China (Clark, 2016). In 1995 Jack created a website for the Lakeview Hotel, in the same year the United Nations held its world conference for women in Beijing, The first lady of the USA, Hillary Clinton and many other delegates travelled to Hangzhou after the conference and stayed at the only hotel that they could find online (Clark, 2016). The Lakeview Hotel sold more rooms than they had sold in the previous year, which demonstrated the undeniable power that the internet possesses (Clark, 2016).

China Pages evolved into what is now known as Alibaba Group, the journey map in **Error! Reference source not found.** demonstrates Alibaba Group's road to success and the significant milestones that Alibaba Group encountered (the journey map has been adapted for the purposes of this report and has excluded particular milestones which would not contribute to intended outcomes of this research). The journey that Alibaba Group embarked on led them to the impeccable e-commerce ecosystem they have developed, their ecosystem allows for multiple retailers and consumers to access and conclude transactions in a safe environment. Nine principal subsidiaries have contributed to the ecosystem that Alibaba Group has created to foster e-retailing in China and across the globe. These nine principal subsidiaries are listed in Table 15.

Table 15: Alibaba Groups Key Subsidiaries

Subsidiary	Function/ contribution to ecosystem	Reference
Taobao	• Online marketplace • Offers consumers a personalized shopping experience, this shopping experience is supported by big data analytics • Offers real-time updates from merchants (individuals and small businesses) • Consumers can learn about products and current trends whilst interacting with each other, different merchants and opinion leaders	(Alibaba Group, 2020)
Alibaba.com	• Wholesale marketplace for global trade • Caters to trade agents, wholesalers, retailers, manufacturers and SMEs within the importation and exportation industry • An additional service is the importation and exportation supply chain service. This service caters for customs clearances, trade financing and logistics services	(Alibaba Group, 2020)

Alibaba Cloud	• Infrastructure as a Service (IaaS) and infrastructure utility services provider
	• Offers cloud services which include
	  ○ Database
	  ○ Elastic computing
	  ○ Internet of Things (IoT services)
	  ○ Large scale computing
	  ○ Machine learning platform
	  ○ Management and application services
	  ○ Network virtualization services
	  ○ Security
	  ○ Storage
		(Alibaba Group, 2020)

Tmall	• Tmall is a third party online and mobile commerce platform for brands and retailers. Multiple international and Chinese brands have registered storefronts on Tmall • Caters to the demand for high-quality products and a premium shopping experience	(Alibaba Group, 2020)

1688.com	• Domestic wholesale marketplace which connects wholesale buyers and sellers in China	(Alibaba Group, 2020)
Cainiano Network	• Logistical data platform operator, functions as a global fulfilment network with multiple logistical partners. Provides logistical services and supply chain management solutions • Dedicated to meeting Alibaba Groups logistical vision of fulfilling consumer orders within 24 hours in china and 72 hours anywhere else	(Alibaba Group, 2020)
AliExpress	• Known as a global retail marketplace which enables consumers from around the world to buy directly from manufacturers and distributors in China	(Alibaba Group, 2020)
Alimama	• Known as a monetization platform which uses data to match merchants, brands and retailers marketing demands	(Alibaba Group, 2020)
ANT financial	• ANT offers inclusive financial services to consumers and SMEs. ANT also operates as a digital payment services and financial technology platform service provider. Alipay which is a third-party payment service provider has folded into ANT	(Alibaba Group, 2020)

The business model canvas (BMC) in Figure 4 demonstrates the e-commerce ecosystem they have developed through these nine subsidiaries (the BMC was developed for the purposes of this study and is not intended to demonstrate Alibaba Groups entire business model).

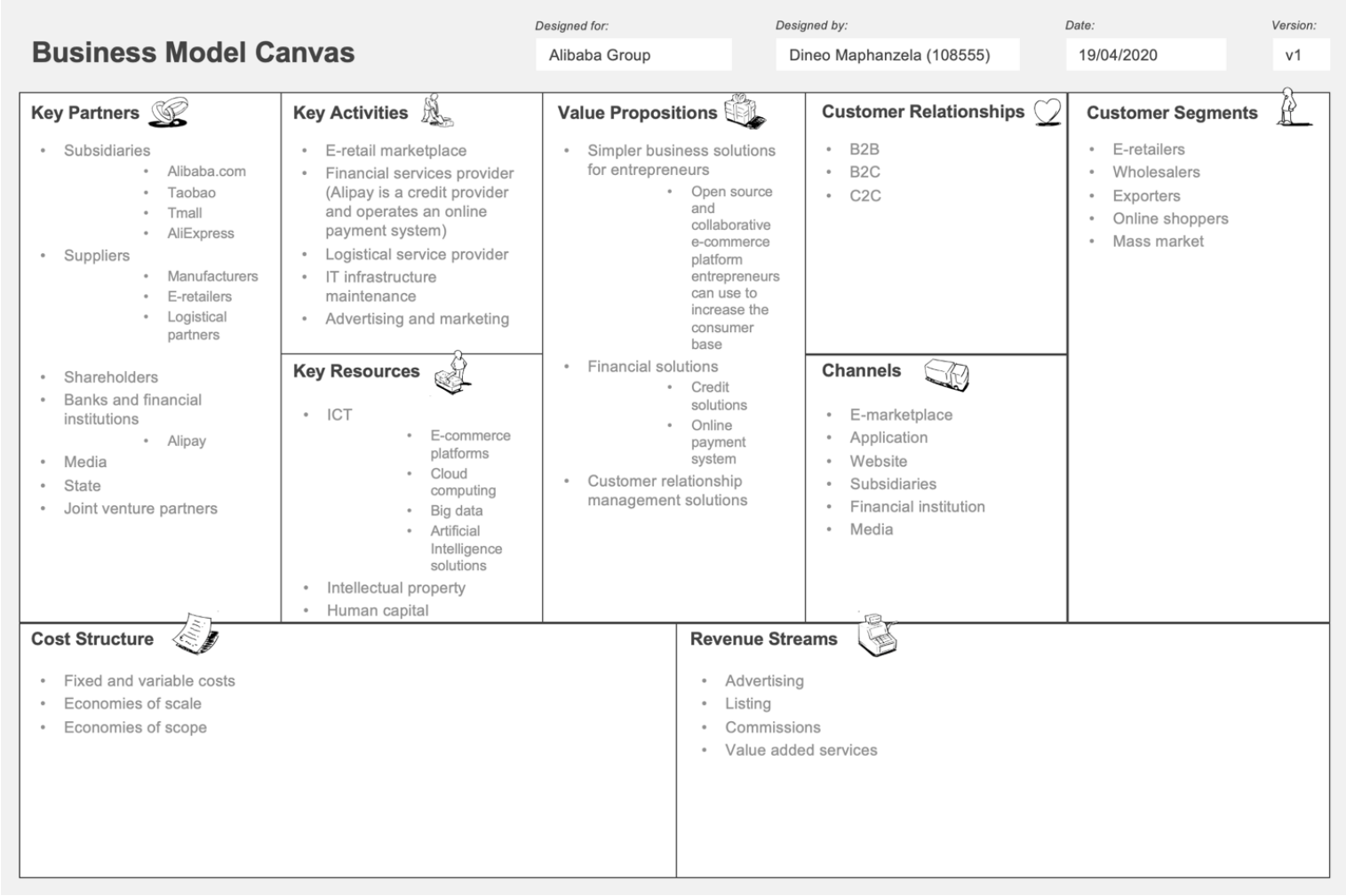

Figure 4: Alibaba Groups Business Model Canvas (Vizologi, 2019; Forbes, 2020; Blystone, 2019)

When Jack Ma recounts the journey to success for Alibaba Group, he believes the group's success was accidental because at inception they had no funds, no technological capabilities and no plan (strategy) (Clark, 2016). When asked what underpins the success of the group today his answer is the "iron triangle", the iron triangle is what Jack Ma describes as the e-commerce edge, logistical edge and the finance edge (Clark, 2016).

The iron triangle is evident in Alibaba Groups current business model, through the e-commerce edge the group has managed to create business solutions for SMEs and individuals dependent on their needs and size(Clark, 2016). Regardless of the enterprise's size, Alibaba Group has managed to create solutions that could easily integrate into any enterprise whilst it offers support and the enabling capabilities required to create a sustainable enterprise (Clark, 2016). Alibaba Group offers not only financial support to e-retailers, but it also offers complete turn-key business

solutions (from security to advertising and logistics), these solutions have all the relevant processes and procedures put in place that any retailer would require if they decided to digitise their brick and mortar store. In reality, all that an enterprise would need to have is inventory to operate on any of their online marketplaces.

The logistic edge refers to the ability to deliver to consumers within the expected period; initially, China had an awful postal service (Clark, 2016). Jack Ma saw an opportunity in his States inability to adequately service not only its citizens but also the e-commerce market (Clark, 2016). In 2005, Jack Ma approached the China Postal services to propose a partnership however he was mocked and told to stick to e-commerce because express delivery solutions would not be a feasible business opportunity (Clark, 2016). Ma did not despair; instead, he was inspired to build Cainiao, half of which is owned by Alibaba Group whilst the remaining shareholding is owned by logistical gurus (Clark, 2016). Cainiao provides logistical solutions, warehousing and distribution centres; their service offering is profitable due to the ability to draw on a synergy of resources and shared capabilities (Clark, 2016).

The final edge is the financial edge which has been catered to by Alipay (now known as ANT), Alipay is Chinas version of PayPal (Clark, 2016). Through Alipay, Alibaba Group has been able to diffuse a sense of trust throughout the Alibaba Group ecosystem; consumers are reassured that they will not be charged for products they do not find satisfactory (Clark, 2016). Alipay only debits consumers once they are satisfied, the funds required to conclude the transaction are frozen in the consumers account and only released to the merchant once the consumer is satisfied (Clark, 2016). Consumers are essentially given seven days to return a product if it is not damaged, products that are not returned are considered satisfactory (Clark, 2016). Alipay was also used to exploit the inefficiencies found in the banking ecosystem; Alipay fills the market gap that was created by banks in China not being online (Clark, 2016). Alipay also provides loans to not only consumers but also to SMEs who struggle to source funding for their ventures (Clark, 2016). It is through the iron triangle that the Alibaba Group has created the e-commerce ecosystem they currently have and has been able to triumph the e-commerce industry in China.

Table 16: A summary of the key insights from the Alibaba Group case

Key insights from the Alibaba Group case	**Reference**
The iron triangle that forms the pillars of e-commerce A holistic ecosystem is essential for the success of any e-retailer, multiple capabilities which fall into the different spheres of the iron triangle are essential. The pillars need carefully integrated to create a synergy that will foster an e-retail ecosystem	(Clark, 2016)
Human Capital As Unger et al. said "there is a positive relationship between human capital and success. Human capital increases owners' capabilities of discovering and exploiting business opportunities. Human capital helps owners to acquire other utilitarian resources such as financial and physical capital and it assists in the accumulation of new knowledge and skills". The entrepreneur plays a crucial role in the success of an enterprise; if Ma was not an expert English translator he would not have travelled to the USA and been able to identify an opportunity for him to exploit upon his return to China. Entrepreneurs need to have the ability to identify opportunities and also innovate where they encounter challenges	(Clark, 2016; Erisman, 2016; Unger, Rauch, Frese, & Rosenbusch, 2009)

Purpose, the enterprise should solve an issue "The message was one of empowerment that the magic of the internet allowed small businesses to compete with the largest multinationals"	(Erisman, 2016)

c. South Africas' internet giant: the Naspers case

Multiple retailers have tried e-retailing but have failed, and multiple retailers are pursuing the e-retail avenue, some of these companies are excelling; however, no company in South Africa has mastered e-retailing like Naspers. Naspers describes itself as a "global consumer internet group and one of the largest and most successful technology investors in the world" (Naspers, 2019). One could say that Naspers has dominated the e-retail industry in South Africa by investing heavily in internet companies that had demonstrated exponential growth and potential (Naspers, 2019). The Table 17 below demonstrates Naspers extensive internet portfolio, the internet portfolio they have created spans ten regions (Africa, China, Russia, Central and Eastern Europe, North America, Latin America, India, Southeast Asia and the Middle East) and has created an e-retail ecosystem that steers their upward trajectory (Naspers, 2019).

The company was founded in 1915 in Stellenbosch; its primary purpose was to produce a newspaper in Dutch (Naspers, 2020). The company has since evolved into the internet company that it is now, Naspers has founded and invested in multiple internet companies that have resulted in the impeccable internet portfolio they currently have, but for the purposes of this report, Takealot.com will be the focal internet company that they have acquired.

Takealot.com (Takealot) was officially launched in June 2011; the business itself was not founded in South Africa (Takealot.com, 2020). Takealot.com emerged from an acquisition of a US-based investment firms e-commerce business called Take2, Take2 was acquired by Tiger Global Management and Kim Reid in October 2010 (Takealot.com, 2020). Takealots' vision has always been "to be the largest, simplest, most customer-centric online shopping destination in Africa", they have taken significant strides into this direction (Takealot, 2020). Takealot currently has warehouses in Johannesburg, Durban and Cape Town, they have also expanded their product range to include goods across 21 different departments, as of 2017 they have been considered South Africas' number 1 e-commerce website (Steyn, 2017; Takealot.com, 2020).

Table 17: Naspers global internet portfolio as of 2019 (Naspers, 2019; Prosus, 2020)

Categorization of portfolio	Ventures within the portfolio		Revenue (US$)	Trading losses (US$)	Number of employees
Classifieds	Aasaan jobs Autorit.ro AutoTrader Avito Avito Domofond.ru Dubizzle Expat wheels Fixly Frontier car group Imovirtual Kiwijobs	Letgo OLX Otodom Otomooto Properati Property24 Selency StandVirtual Storia Tradus Wecashanycar.com	875 000 000	2 000 000	5 614
Etail	Emag	Takealot.com	1 847 000 000	150 000 000	6 259
Food delivery	Delivery hero Ifood	Swiggy	377 000 000	171 000 000	Not specified
Media	Career24 JonathanBallPublishers	News24	326 000 000	14 000 000	3 579
Payments and Fintech	Creditas Lazypay Luno PaySense	PayU Remitly Zest	360 000 000	43 000 000	1 449
Social and internet platforms	Mail.ru group Tencent		Not specified	Not specified	Not specified
Travel	Makemytrip		234 000 000	37 000 000	Not specified
Ventures	Brainly ByJu’s Codecademy DappRadar	Joymode Meesho Movile Similarweb	241 000 000	214 000 000	2 802

	Dott Honor HumanDx	Sololearn Twiggle Udemy			

Their drive to become South Africas' constant number one online shopping destination has built an unimaginable rapport for them, their track record speaks for itself. In 2014 Takealot managed to raise USD$100 000 000 in investment capital from Tiger Global, with the funds they had amassed they acquired Mr Delivery (Takealot.com, 2020). This acquisition provided a vertical logistical network that would support the fulfilment of transactions within their e-retailing core business (Takealot.com, 2020). The acquisition of Mr Delivery (formerly known as Mr D Courier) also provided an additional source of revenue, Mr D had its own app-based on-demand food delivery service function which would be folded into the Takealot sable (Takealot.com, 2020). Within the same year, Takealot acquired Superbalist.com (Superbalist), Superbalist is an apparel e-retail website (Takealot.com, 2020).

2015 was considered another pivotal year for Takealot. On the 1st of May 2015, Takealot merged with Kalahari.com (was founded in 1998 and was previously owned by Naspers) (Takealot.com, 2020). The merger gave Takealot access to Kalahari.com's customers and data; their merger resulted in an increased consumer market and enabled Takealot to build a premier online shopping destination (Takealot.com, 2020). In 2018 Naspers decided to increase their investment in Takealot to 96%, Naspers came along with the ownership of Superbalist.com and Spree (Takealot.com, 2020). The mergers and acquisitions that occurred between 2014 and 2018 resulted in Takealot becoming South Africa's largest e-commerce retailer with over 2 000 direct and indirect employees (Takealot.com, 2020). Mergers and acquisitions have been known to come with multiple challenges, primarily operational ones; however, Takealot has managed to create an environment where the collective synergy is used to generate revenue. The ecosystem created by Naspers also feeds into this synergy and supports multiple functions within the Takealot business model.

The most commonly cited challenges related to e-retailing are finance, infrastructure, low levels of R&D, labour and State regulations (United Nations Industrial Development Organisation, 2017). Naspers and other significant stakeholders have been able to mitigate these challenges by creating an ecosystem that Takealot can operate within. Access to finance is a common challenge for retailers on and offline; fortunately, intermediaries like Tiger Global and Naspers can bridge the gap and provide investment capital to enterprises that demonstrate exponential growth potential like Takealot (Takealot.com, 2020). Takealot leveraged their access to funding to improve their capabilities by investing in functions that would improve their operational capabilities. When they received additional funding from Tiger Global, they invested in enhancing their logistical capabilities by acquiring Mr Delivery (Takealot.com, 2020). This acquisition not only improved their operational capabilities it also provided two additional sources of revenue for the e-retailer, Mr Delivery has an on-demand food delivery service app which is frequently used by multiple South Africans (Takealot.com, 2020). The acquisition also provided the logistical infrastructure and expertise' required to conclude their transactions (Takealot.com, 2020).

The integration of Mr delivery meant Takealot was able to fulfil orders on their terms and within consumer expectations without having to establish an entirely new business and encountering the challenges that are associated with the process. This acquisition resolved their infrastructural and labour challenges because the acquisition gave them access to operational capabilities, the human capital capabilities (expertise) required, credibility and an additional source of revenue.

Through the funds they had amassed they were also able to expand their physical infrastructure, the expansion of their infrastructure also unlocked an additional source of revenue for them. Takealot.com services multiple retail SMEs as an e-marketplace which provides a "comprehensive seller portal and hassle-free end-to-end solutions, including warehousing, reliable delivery, returns and safe payment methods" (Takealot.com, 2020). In order to sell goods

on the Takealot Marketplace, an SME or entrepreneur (retailer) can apply online however they are subject to four fees, the first fee that they are subject to is a subscription fee of R300.00 per month (per account) (Takealot.com, 2020). The retailer has the option to cancel their account at any time and the subscription fee will no longer be charged (Takealot.com, 2020). The second fee is a success fee, this fee is calculated based on the products that the retailer sells on their marketplace, Table 36 in Annexure B provides a comprehensive tabulation of the rates and the categories of items that retailers are permitted to sell on Takealot. Retailers will also be charged a fulfilment fee, Table 37 in Annexure C provides a tabulated adapted version of these fulfilment fees (Takealot.com, 2020). The final fee that SMEs will be charged is the storage fee; this fee is dependent on the rate at which a retailer's stock is purchased (Takealot.com, 2020). Table 38 in Annexure D outlines storage fees (Takealot.com, 2020).

Through Naspers, Takealot also has access to payment and FinTech infrastructure; payment methods were cited as one of the key inhibitors of e-commerce growth in South Africa (United Nations Industrial Development Organisation, 2017). Through PayU and significant networks within the financial industry, consumers are offered a safe and secure payment system which is not bound by borders, individuals from any part of the globe can use PayU or any of the other payment methods offered by Takealot to pay for their purchases (Naspers, 2019). E-retailers who were not on an e-marketplace like Takealot also complained about the significantly high fees they paid for transactions on other payment systems, Takealot considers those fees within their end-to-end solutions (Goga, Paelo, & Nyamwena, 2019).

Looking at the rates charged by Takealot one may think they are too high especially for an SME, the truth is Takealot has positioned themselves as an ideal e-marketplace for SMEs who would like to digitize their stores. They have honed the expertise required to build a system that allows SMEs to focus on their core business whilst they take care of the online business. Their marketplace is said to benefit consumers selection, choice, pricing and profitability (Naspers, 2019). Naspers says that the most significant advantage of Takealot's end-to-end delivery marketplace is that it "enables Takealot to push technology into the business and provide a better customer experience- with notable benefits such as same-day delivery, weekend deliveries, pick-up points and more predictable delivery cycles" (Naspers, 2019).

To mitigate the skills shortage and labour issues, Takealot has established a graduate recruitment programme which attracts talented engineers, the replenishing of their human capital pool from universities provides an affordable source of capabilities in human form; the human capital is affordable because the graduates are eager to learn and gain experience (Naspers, 2019). These graduates also provide unique insights that filter into Naspers research and development (Naspers, 2019).

Naspers believes in PPP that improves not only their operational working environment and ecosystem but also addresses socio-economic issues within South Africa; demonstrated by their significant investment in South Africa (Naspers, 2019). In 2018 the chairperson of Naspers Koos Bekker detailed their commitment to improving South Africa when he said "through Naspers Foundry, we have allocated R1.4 billion to invest in South African start-ups over the next three years. This complements R3.2 billion already committed to our existing South African businesses. In addition, through Naspers Labs, we are piloting an innovative programme designed to help address South Africa's youth unemployment crisis. We also contribute significantly in terms of tax in total, Naspers group paid R6.5 billion in taxes in South Africa during the year" (Naspers, 2019). Through their financial contributions, Naspers has actively supported entrepreneur over the years.

Over the years Takealots mission has been an attempt at being the most customer-centric online shopping destination in Africa (Takealot.com, 2020). They have done just that, according to

Takealot their success as a business “is based on its ability to delight customers with amazing customer service”, they have done just that through their dedication to “improving the customer experience, from the moment you arrive on the website or app and place an order to when it arrives at your door” (Takealot.com, 2020). Takealot may, however, have a rival on the horizon, the South African Post Office (SAPO) has been incubating its own e-commerce hub which is meant to provide an online platform for SMEs and entrepreneurs to showcase their products (Mzekandaba, 2020).

E-commerce has been on the upward trajectory in South Africa; it demonstrates exponential potential for any enterprise and SAPO identified it as a market that hosts multiple opportunities that would help turn its continuous billion rand loss streak into profit (South African Post Office Soc Ltd., 2019). SAPO is infamous for its inefficient delivery services and constantly misplacing packages; however, its mass infrastructure and its logistical network would make SAPO an ideal e-marketplace (Mzekandaba, 2020). SAPO would utilise its footprint to mitigate the challenges it encounters within its core business, SAPO has 2 199 access points within South Africa and delivers to 179 countries, SAPO would also leverage its partnership with the Universal Postal Union to reach multiple other regions (Mzekandaba, 2020; Prior, 2019). SAPOs massive footprint would enable it to service periphery areas where multiple couriers did not reach (Prior, 2019).

The SAPO is also a licensed financial service provider, SAPO intended on using this to their advantage by providing financial solutions to entrepreneurs and SMEs (Mzekandaba, 2020). These solutions would support and enable entrepreneurs to finance their products, fulfil orders and provide insurance for the transactions (Mzekandaba, 2020). SAPO believed that the addition of an e-commerce platform would result in them owning an integrated platform which facilitates the movement of money, data and goods (Mzekandaba, 2020).

SAPO set about their journey and built a website called eMall which was used to pilot the concept, the e-commerce hub (eMall) was meant to be officially launched at the end of March 2020 however when this report was concluded the hub was not yet functional (South African Post Office Soc Ltd., 2019). The e-marketplace promises to enable entrepreneurs in rural areas and provide access to domestic, regional and international markets, entrepreneurs and SMEs will also be allowed to post their products on the platform for free inevitably easing the enterprises' financial obligations (Mzekandaba, 2020). If done correctly, SAPOs eMall could be South Africas’ biggest e-marketplace.

In conclusion of this section, it is evident that the e-commerce success stories are based on e-marketplace structures. According to Parker et al. platforms outperform sole e-retailers because they are able to scale more efficiently by creating a greater pool of consumers whose demands need to be met, the wide variety of products, prices and convenience (e-marketplaces have more products to deliver meaning they can strategically leverage on mass logistical solutions) draws consumers from different consumer behavioural profiles (Parker, Van Alstyme, & Choudary, 2017). Essential e-marketplaces cater to an array of consumers and consumers often select them as their preferred online shopping destination because they are almost guaranteed to find the products they are seeking to purchase (Parker, Van Alstyme, & Choudary, 2017). E-marketplaces have also become the ideal storefronts for many retailers because they eliminate barriers to entry, platforms also create new sources of value creation and supply through the enormous amount of data generated and intermediary functions that are needed to plug into the marketplaces ecosystem (Parker, Van Alstyme, & Choudary, 2017). Table 18 below provides a summary of the core internal capabilities that Amazon, Alibaba and Takealot honed throughout their journey to becoming e-retail gladiators.

All of the capabilities listed in Table 18 are essential; the following elements are enablers that both Amazon, Alibaba Group and Takealot.com utilise:

- Access to funding
- Constant communication and engagements
- CRM
- Data-centric solutions
- Exceptional human capital is important
- Functions that they have not perfected they have outsourced or partnered with experts in that field
- Marketing strategies that speak to different segments
- Research and development for improved, innovative products
- Security is essential

Table 18:A summary of the capabilities utilised by Amazon, Alibaba Group and Takealot

Capabilities	Amazons	Alibaba Group's	Takealot.com	References
Dynamic	• The reviews on products created a level of trust within the businesses ecosystem, enabling reviews required a combination of marketing and technological capabilities • Human capital – enabled a combination of all capabilities at one level or another • 1-click patent – a combination of marketing, technological and operational capabilities • Reinvesting in capabilities – Amazons decision to reinvest in its core capabilities has proven to be a strategic resolution that resulted in improved financial performance • Outsourced particular tasks within the logistical chain	• TrustPass diffusing trust and decreasing the security risks on the Groups platforms • CRM • Real-time updates and high level of engagement • Importation and exportation solutions • IaaS • ANT	• PayU • Graduate programme • Reviews • CRM	(Clark, 2016; Erisman, Alibaba's world: how a remarkable chinese company is changing the face of global business, 2016; Stone, 2014; Takealot.com, 2020)

Capabilities	Amazons	Alibaba Group's	Takealot.com	References
	• Kindle			
Marketing	• Convenience of on-time deliveries which promises almost instant gratification • The everything store" limitless shelf space meaning a wide variety to compare and choose from • The 1-click patent offers additional convenience • Customer relationship management (CRM) • Reviews are used to develop customer relationships • Amazon Prime	• According to Alibaba Groups competitor eBay "free is not a business model" however Alibaba Groups sites which enable retailers and consumers to engage are free (only additional functions are charged) • CRM • The real-time updates function is meant to meet the customers' communication needs • Jack Ma as an expert English translator	• CRM • Reliable and quick delivery methods • Reviews	
Operational	• Data-driven logistical solutions • Negative cash cycle • 1-click patent • Human capital – the engineering teams at Amazon built all the processes required to enable the shopping experience • Outsourced postal and courier services for a long period, still uses these options for deliveries that	• Real-time tracking of products • Importation and exportation solutions • Logistical subsidiary • Payment gate – Alipay	• Vertical integration of logistical network • Sellers fees remove the financial onus associated with inventory • PayU	

Capabilities	Amazons	Alibaba Group's	Takealot.com	References
	are not within the delivery ranges • Kindle – the introduction of the kindle resulted in fewer physical books being ordered because e-books became the preferred reading option			
Technological	• The release of the Kindle demonstrated product innovation • CRM • Data-driven logistical solutions • 1-click patent	• CRM • ICT facilitates transactions between SMEs • ICT facilitates a high level of engagement • ICT enables importation and exportation • IaaS	• CRM • Seller portal	

2.6 Measuring the effectiveness and impact of E-retailing

Adopting an e-retail model in todays ever-evolving business ecosystem could be seen as beneficial due to the potential opportunities of increased revenue (resulting from the convenience and the ability to reach additional markets) and cost-effectiveness of not having a physical establishment however the e-retail model may not be profitable or effective for all organisations depending on their offerings. Entrepreneurs that would like to venture into e-retailing should conduct extensive research and once they have implemented an e-retailing model they should measure how efficient, profitable and the amount of impact the model has on their organisation's wellbeing. DeLone and McLean have developed a model called the "Information Systems" (IS) success framework, the framework measures the effectiveness and impact of adopting an e-retail model (DeLone & McLean, 2004). Figure 14 in annexure G illustrates the framework, a brief elaboration on the elements listed within the framework follows:

Information quality refers to the content that is put on the e-retailing platform this could be on their website or application (app), an example would be the relevance of products sold and indications as to if they are available and in what variances (DeLone & McLean, 2004).

System quality refers to the internet environment in terms of meeting consumers' desires and expectations; this could be in terms of security, usability, availability, response times and reliability (DeLone & McLean, 2004).

Service quality refers to the overall support of the service provider (even if this function is outsourced, consumers will use the service to rate the product and brand associated with it) (DeLone & McLean, 2004).

Use refers to the usage of the e-retailer this could be measured in the number of hits or concluded sales the retailer obtains (DeLone & McLean, 2004).

User satisfaction refers to the consumers' user experience (DeLone & McLean, 2004).

Net benefits refers to the positive and negative impact of e-commerce examples of this would the cost efficiency, better supply chain efficiency/synergy, increased sales, profits, return on investment and other factors that benefit the enterprise (DeLone & McLean, 2004)

DeLone and McLean note that although the elements of the framework are interlinked according to DeLone et al. the most significant element of the framework is service quality because poor service quality negatively impacts sales which in turn affects the entire operational model inevitably affecting customer satisfaction and that the organisations brand image which is meant to be held at high esteem (DeLone & McLean, 2004). All the elements within the framework listed above would relate to one or more of the four capabilities if not all of them (marketing, technological, operations and dynamic capabilities).

2.7 Hypothesis

Hypothesis 1: There is a positive relation between marketing capabilities and the performance of SME e-retailers

Hypothesis 2: There is a positive relation between technological capabilities and the performance of SME e-retailers

Hypothesis 3: There is a positive relation between operational capabilities and the performance of SME e-retailers

Hypothesis 4: There is a positive relation between dynamic capabilities and the performance of SME e-retailers

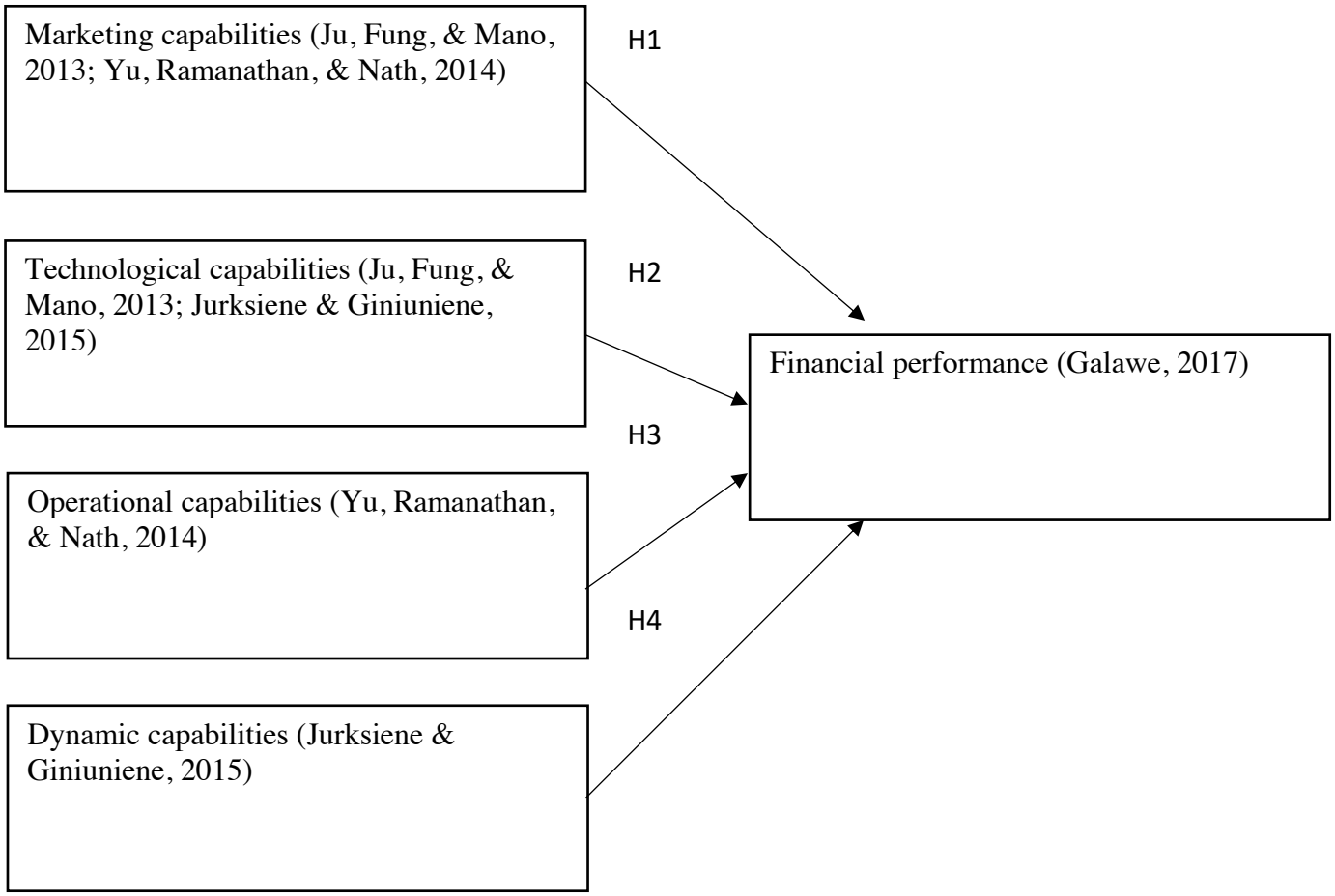

Figure 5: Conceptual framework for this report

2.8 Conclusion of the literature review

The South African economy is driven by SMEs many of these SME do not have access to market or adequate financial resources, those that do have the ability to enter the market find that their survival is heavily reliant on their ability to compete in a profitable manner. Retail SMEs have the option to adopt an e-retailing approach which provides a suitable solution for most these retailers, abandoning the brick and mortar approach provides a cost-effective solution to retailing which is in line with global trends, provides access to market and convenience. In light of the global pandemic, many retailers will have to pivot their strategies and embrace digital transformation.

The same capabilities required for operational efficiency which enable brick and mortar retailers to succeed are considered the enabling capabilities that e-retails require to succeed as well. The top three capabilities (marketing, technological and operational) as mentioned above are essential however utilising them in solitude can be ineffective, a synergy of these capabilities can be seen as more effective and efficient, a synergy of these capabilities consequently results in the utilisation of dynamic capabilities.

Chapter 3: Research methodology

3.1 Research methodology and paradigm

This study will use a post-positivism paradigm; a post-positivism paradigm has been selected because it is the most appropriate paradigm for a quantitative study of this nature, and it is considered the most objective paradigm (Marcella, Maura, & Michelle, 2017). To determine if there is a correlation between capabilities and SME e-retails financial performance, an empirical study has been conducted. The post-positivist approach aided in determining the relationships between SME e-retail enterprises and their financial performance; the approach also verified the theory that a synergy of capabilities leads to higher firm performance.

This study did will not use an experimental design; this study used a survey design methodological approach. The research was cross-sectional in nature because data was collected at one point in time through a survey distributed online via e-mail and direct messages on social media platforms (namely Instagram and Twitter) the responses were then collected through Qualtrics. The study collected primary data from e retailing SMEs within South Africa.

The advantages of the method selected:

- The level of validity and reliability due to the usage of numerical evidence ensuring the research is unbiased (Marcella, Maura, & Michelle, 2017)

- Demonstrates the relationships between the variables adequately leveraging off of data from e-retailers (Marcella, Maura, & Michelle, 2017)

The disadvantages of the method selected:

- It will be challenging to isolate separate theories because they are closely related and often used in pairs to meet organizational capabilities requirements, often the synergy of capabilities is undetected

- Using instruments that were created and tested by other scholars could have validity and reliability issues because they are not being used in the same context and because they are adapted (combined with another instrument altering the scales)

    - Was required to pilot the instrument increasing the time constraints, after the pilot the research instrument was reviewed, a revised version was utilized for the study

3.2 Data collection and sampling

3.2.1 The research population

According to the Small Enterprise Development Agency (SEDA) South Africa was home to 2.44 million SMEs in 2018's first quarter, it is essential to note that the 2.44 million figure only represents registered SMEs (The Small Enterprise Development Agency, 2018). The total number of SMEs in South Africa cannot be quantified accurately because enterprises in South Africa are divided into informal and formal businesses (Galawe, 2017).

The total number of e-retailers within the South African context can also not be adequately quantified due to the ease of establishing an e-retail store, majority of the e-retail SMEs that participated in this survey were informal SMEs. The closest estimate of registered e-retail SMEs in South Africa is seventy-five companies (Tech Central, 2018). The categorisation of SMEs can be found in Annexure F, the categorisation of retail by the Small Businesses Development Agency found in annexure F was used to differentiate between SMEs that participated in the survey. Only retailers who sell their products or services on any electronic-based platform will be included in the study.

3.2.2 The sampling method that will be utilized for this study

Purposive sampling was used for this study; this sampling method was deployed due to the number of e-retailers that are available in South Africa (Ladner, 2019). A database of e-retailers was generated by collecting email addresses from social media platforms (Instagram, and Twitter), WooRank's list of e-retailers and a general search engine search (Google) (WooRank, 2019). The e-retailers were contacted via email or direct message and sent the survey link with a brief message detailing the study and requesting the participation of an individual who has the required insights.

Purposive sampling was deployed because of the limited number of e-retailers within South Africa but also because of it made the data collection process more inexpensive, going to all nine provinces within South Africa would be extremely time consuming, expensive and would not have been feasible. This sampling method was also selected because of limited access to an e-retail database within South Africa; prior requests were made to organisations like the Wholesale and Retail SETA and SEDA however due to restrictions these requests were rejected.

3.2.3 The sampling frame of this study

The sampling frame used: SMEs operating within South Africa who are e-retailers (organisations that sell a product/s or service via an internet-enabled platform). As mentioned The targeted population for this study was e-retail SMEs within South Africa, being registered with the Companies and Intellectual Property Commission (CIPC) will not be a requirement to participate in the study due to the fact that South Africa is a developing economy and a large proportion of businesses are considered informal (Galawe, 2017). E-retail SMEs however, will have to meet the categorical criteria listed in Figure 13

Initially, 250 surveys were meant to be sent out with the anticipation of 150 of these surveys being valid for analytical purposes; however, due to the low response rate, more surveys were sent to e-retailers that were identified. A total of 649 surveys were sent out to e-retail participants (36 of these surveys were sent via direct message on Twitter and Instagram due to the inability to access their email addresses, whilst 613 of these surveys were sent to email addresses that were provided by e-retailers on their social network profiles on online).

Table 19: Profiles of reports respondents

Description of respondent type, e.g. Manager, student	Number that was meant to be sampled
Manager or executive (any individual who will be able to provide insights on key performance indicators on the organisation)	150
Description of obtained respondent type, e.g. Manager, student	Number sampled

SME e-retail owners, managers or executive	188 respondents of which 83 responses were used post data screening

3.3 Measuring instruments

The survey was an online survey; the instrument utilized was a combination of an open-ended and closed-ended questionnaire deployed via Qualtrics. The instrument that was utilized throughout the pilot was a combination of instruments that were used in previous studies however altered for the purposes of this research. Upon conclusion of the pilot, the survey was reviewed and a revised version was deployed for the purposes of this study, please refer to Annexure H for the research instrument.

Table 20: Constructs utilised in the study

Construct	Literature sources	Dimensions	Comment on Instrument
Capabilities	(Ju, Fung, & Mano, 2013; Jurksiene & Giniuniene, 2015; Yu, Ramanathan, & Nath, 2014)	Marketing capabilities Technological capabilities Operational capabilities Dynamic capabilities	The seven-point Likert scale is meant to ensure converging answers are avoided
Financial performance	(Galawe, 2017)	Revenue in Rands Profitability Gross margin Cash flow Financial performance in comparison to competitors	Financial performance was selected as a performance indicator because it is quantifiable

3.4 Data analysis

This study performed three ordinal types of analysis, namely correlation analysis, regression analysis and descriptive analysis. The data collected through Qualtrics was exported onto SPSS and all statistical analyses were conducted using SPSS.

The descriptive analysis is provided in chapter 4 and insights regarding the nature of SME e-retailing in South Africa was also provided. The descriptive analysis provided insights as to where SME e-retailers are located, the levels of employment and the sizes of these organisations.

The regression analyses also aided in deciphering the relationship between core capabilities and SME e-retailers financial performance. The correlation analysis attempted to establish the strength of these relationships. Figure 6 and Figure 7 below, elaborate on the analytical process that was followed to analyse the data collected for this research.



Figure 6: Research Process Diagram

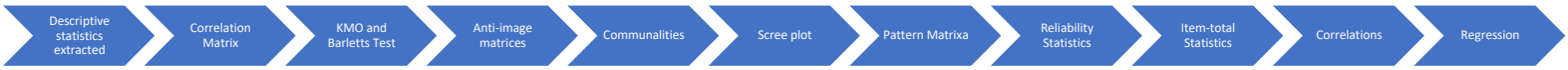

Figure 7: Statistical analysis process

3.5 Ethical considerations

Anonymity and confidentiality: All participants were given a cover letter (please refer to annexure H), within the cover letter volunteer participation was solicited from the participant before they participated. Anonymity and confidentiality was provided by ensuring that participants responses could not be traced back to them; no responses were shared with outside parties.

Other ethical considerations: participants were given the option to decline participating, participants simply ignored the request to participate or selected the no option at the beginning of the survey. Responses were not solicited from participants in a manner that put Wits Business School in any form of disrepute.

Ethical clearance was sought and obtained from Wits Graduate School of Business before the study commences, this studies ethical clearance protocol number is WBS/BA1085555/433. The study was not funded by any organisation, ensuring that no bias from external parties is manifest.

Chapter 4: Presentation of results

4.1 Introduction

The presentation of results will start with an overview of the data screening process that deployed, followed by a presentation of the demographical profiles of respondents. Section 4.4 will present the results related to the validity of this study; the study will then proceed to present the results related to reliability before presenting the results that are related to hypothesis testing. The final two sections will present the findings related to the four different hypotheses and the last section will provide a summary of these results

4.2 Data screening

A total of 649 surveys were sent out to e-retail participants (36 of these surveys were sent via direct message on Twitter and Instagram whilst 613 of these surveys were sent to email addresses that were provided by e-retailers on their social network profiles on online). Unfortunately, the response rate for this report was 28.9%. Only 188 SME e-retailers participated in the survey, of the 188 responses that were received; only 83 responses were complete and could be included in the final sample. In cases where there were missing values on rating questions, the missing value was replaced with the mean of the variable.

4.3 Demographic profile of respondents

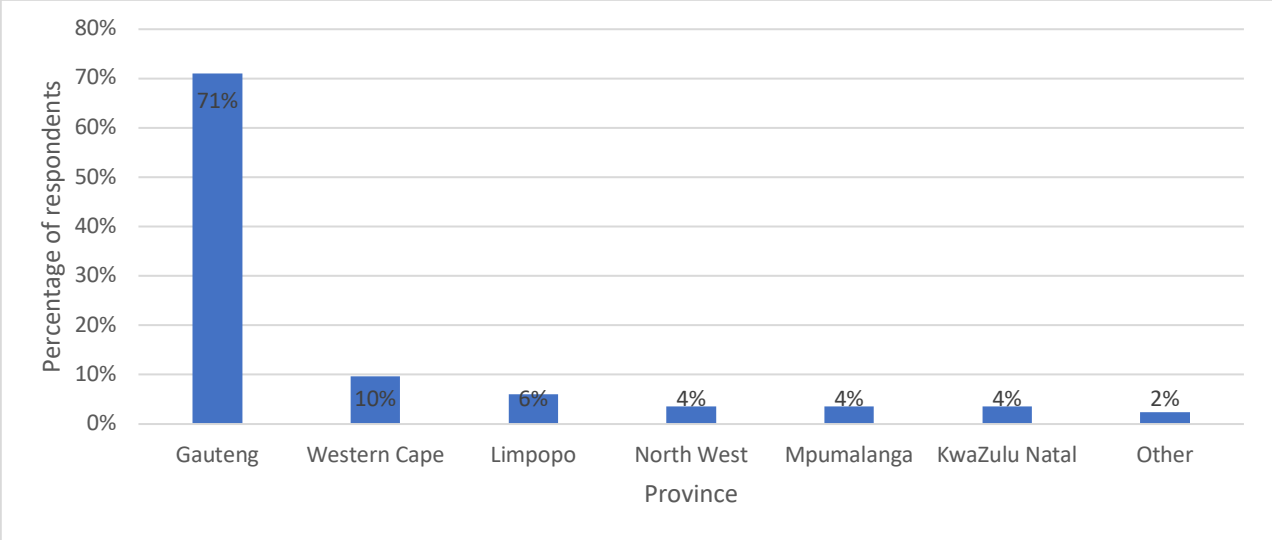

Figure 8: SME e-retailers categorised by province

The results revealed that a significant proportion (71%) of e-retailers operate their online storefronts from Gauteng, the results demonstrated that the Western Cape had the second most significant portion of e-retailers with 10% of e-retailers operating from the Western Cape and Limpopo had the third-largest proportion at 6%. The high level of SME e-retailers in Gauteng and Western Cape did not come as a surprise because Gauteng and the Western Cape are relatively advanced in terms of infrastructure and are considered relatively urban. Gauteng is also

considered one of Africa's economic hubs, the ranking of Limpopo in third place instead of KwaZulu Natal (which hosts Durban, a fairly urban area where a seaport is located) however was unexpected.

Table 21: Use of a physical storefront (brick and mortar) and E-retail

Variable	Option	Frequency	Percent
Do you have a physical store?	Yes	26	31%
	No	57	69%
If your answer to the previous question was yes, which channel generates more value for you?	E-retail	15	58%
	Physical store	11	42%
Has your business operated online from inception?	Yes	59	71%
	No	24	29%
If your answer to the previous question was no, why you decided to use an e-retail model	Increased revenue	4	17%
	Increased market reach	16	67%
	Other	4	17%

The results revealed that 31% of the enterprises represented in the sample had a physical store, while 69% did not have a physical store. Of the 26 that had a physical store, 58% indicated that the e-retail channel generated more value for them than the physical store. Majority of the businesses in the sample operated online from inception (71%) and 29% of these e-retailers did not operate from an online storefront when they started, these retailers decided to venture into e-retailing after they had tried a purely offline retailing approach. Of those that started with physical shops and later ventured into e-retail, the main reason for digitising their storefronts was to increase market reach (67%), 17% to said they digitised to increase revenue while another 17% had other uncited reasons.

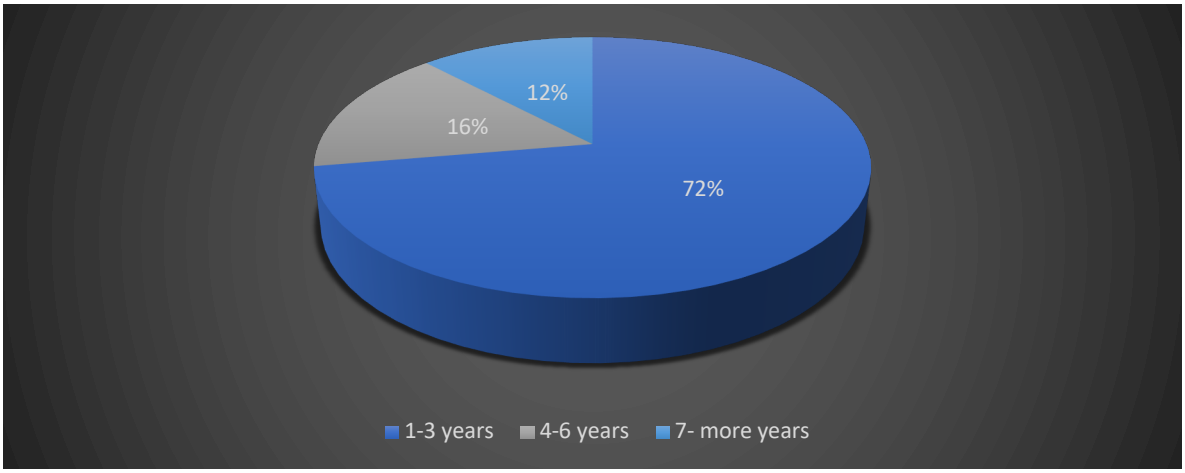

Figure 9: How long have you been an e-retailer?

The results revealed that 72% of the sample had been e-retailers for 1 – 3 years; 16% of these e-retailers had been e-retailers for 4 – 6 years and the remaining 12% for 7 years or more. These results were expected due to fact that e-retailing in South Africa is still within its nascent phase.

The nominal number of e-retailers within the 7 or more-year category is expected due to the significant inhibitors that posed a threat to e-retailers in South Africa rapid increase in mobile penetration over the past few years has resulted in the adoption of online shopping and attributes to the influx of infant SME e-retailers.

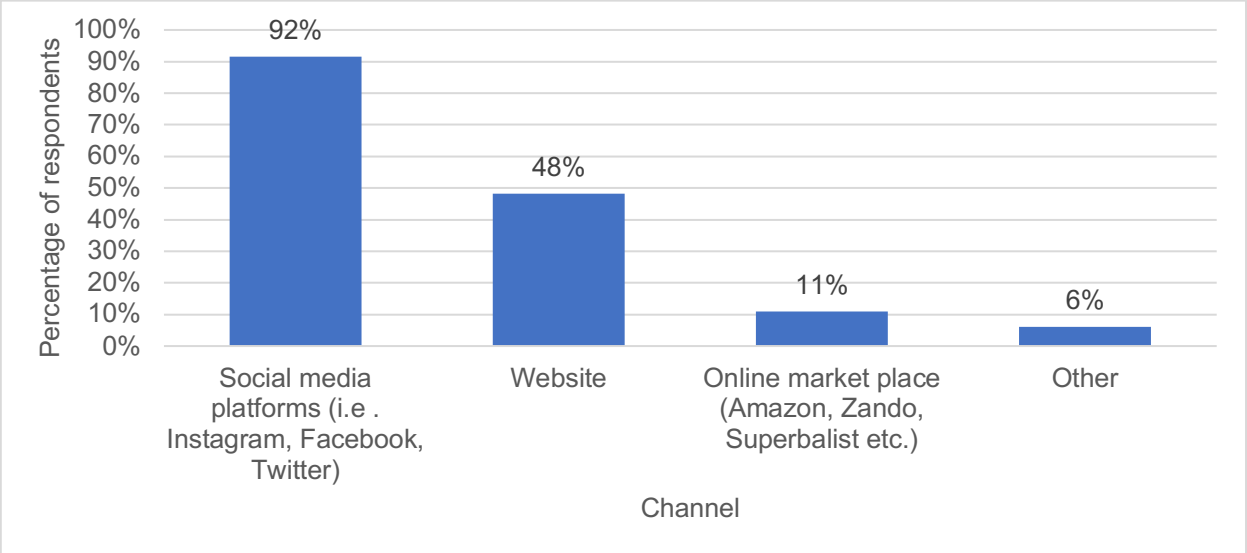

Figure 10: Channels utilised for e-retail

Social commerce appears to be the dominating e-retail channel in the South African e-retail industry; 92% of e-retailers used social media platforms for their e-retailing storefronts. 48% of the respondents used a website, whilst 11% utilised an online marketplace like Amazon, Zando or Superbalist. The remaining 6% used other channels for their e-retail storefront. The high percentages that do not result in 100%, demonstrate that SME e-retailers used multiple online channels to reach their target audiences.

Table 22: Business Characteristics

Variable	Option	Frequency	Percent
Business category	Micro enterprise	37	45%
	Small enterprise	38	46%
	Medium enterprise	7	8%
	Large enterprise	1	1%
Market segment	Lower class	7	8%
	Middle class	62	75%
	Upper class	14	17%
Industry	Retail	32	39%
	Hospitality	8	10%
	Healthcare	6	7%
	Information Technology	2	2%
	Education	2	2%
	Financial Services and Banking	1	1%
	Other	32	39%
	100%	56	67%

What percentage of your enterprise is black-owned (according to the BBBEE regulations)	75%	1	1%
	50%	2	2%
	26%	1	1%
	25%	1	1%
	0%	10	12%
	I do not know.	3	4%
	Not indicated	9	11%

The table above demonstrates the following insights:

- Majority of the e-retailers that participated in this research were small enterprises (46%), micro-enterprises marginally lagged behind by 1% (45%) whilst 8% of the participants were medium-sized enterprises and 1% was a large enterprise. This research could therefore be said to represent micro and small e-retail enterprises in South Africa
- 75% of these e-retailers cater mainly to the middle class; 17% cater to the upper class whilst only 8% cater to the lower class, this was expected due to South Africas' digital divide, inequality, infrastructural issues, financial exclusion and the purposeful targeting of these consumers
- 39% of the e-retailers that participated in the survey were positioned in the retailer industry; 39 % of the participants were said to be participants in other industries that were not listed within the survey options. The following significant industry was hospitality; 10% of participants were in hospitality. 7% of the participants were in the healthcare sector; 2% of the participants were in the Information and Technology industry. A further 2% was in the education sector and the remaining 1% was in the financial services and banking sector
- 67% of these e-retailers were wholly black-owned whilst 12% of these e-retailers had no (0%) level of B-BBEE recognition, 5% had some level of B-BBEE recognition ranging from 0% to 75% whilst the remaining 15% either did not know their B-BBEE status or simply did not indicate their level

4.4 Validity

Exploratory factor analysis was conducted with all the items to assess the validity of the constructs. The item "I could improve how I communicate with my clients?" had the scale revised (i.e. 1=7, 2=6, 3=5, 4=4, 5=3, 6=2 and 7=1) as it was negatively correlated to the rest of the items. Variables that had a factor loading less than 0.4, or a communality less than 0.3 were eliminated during factor analysis. The results are summarised in the tables below.

The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy value of 0.740 shown in table 24 indicates that the sample was adequate for conducting factor analysis since it was greater than 0.5. Bartlett's Test of Sphericity was significant implying that the individual items were correlated strong enough to enable factor analysis.

Table 23: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.740
Bartlett's Test of Sphericity	Approx. Chi-Square	433.657
	df	91
	Sig.	.000

The communalities for the items retained were all greater than the minimum requirement of at least 0.3.

Table 24: Communalities

Communalities		
	Initial	Extraction
Q92 Your enterprises market share growth has increased by _in comparison to competitors?	1.000	.838
Q93 Your enterprises' net profit has increased by_in comparison to competitors?	1.000	.868
Q94 Your enterprises return on sales has increased by __ in comparison to competitors?	1.000	.887
Q49 I communicate efficiently with consumers?	1.000	.733
Q63.0 The products or services I offer meet consumers expectations in terms of quality?	1.000	.777
Q69.0 The products or services I offer meet consumers expectations in terms of pricing?	1.000	.544
Q75 According to your customer feedback, how effective is your company's communication?	1.000	.628
Q77 R *I could improve how I communicate with my clients?	1.000	.764
Q81.0 I could improve my technological capabilities (for instance data mining, production etc.)?	1.000	.652
Q83.0 My customers believe I could be more innovative in my product or service offering?	1.000	.692
Q87.0 I could improve my production capabilities?	1.000	.487
Q89 I could improve the quality of my products or service offerings?	1.000	.645
Q93.0 I could improve the delivery process of my products or services?	1.000	.615
Q95 I could improve the pricing of my products and services?	1.000	.677
Extraction Method: Principal Component Analysis.		

Notes: R* implies that the scale was reversed

Table 25 shows that EFA retained 4 constructs as shown by four components with an eigenvalue of at least 1. The retained four constructs/factors explained 70.045% of variation in the initial individual items.

Table 25: Total Variance Explained

Total Variance Explained							
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	3.472	24.801	24.801	3.472	24.801	24.801	3.200
2	2.851	20.367	45.168	2.851	20.367	45.168	2.813
3	2.083	14.877	60.045	2.083	14.877	60.045	2.489
4	1.400	10.000	70.045	1.400	10.000	70.045	2.159
5	.850	6.073	76.119				
6	.656	4.688	80.806				
7	.546	3.899	84.705				
8	.423	3.023	87.728				
9	.415	2.964	90.692				
10	.383	2.734	93.426				
11	.344	2.456	95.882				
12	.237	1.694	97.576				
13	.203	1.453	99.029				
14	.136	.971	100.000				
Extraction Method: Principal Component Analysis.							
a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.							

Notes: R* implies that the scale was reversed

Scree plot shown in Figure 8 confirms that indeed four factors were extracted as shown by the line graph flattening out after four factors. It can also be noted that the rest of the factors after the first four had eigenvalues less than 1.

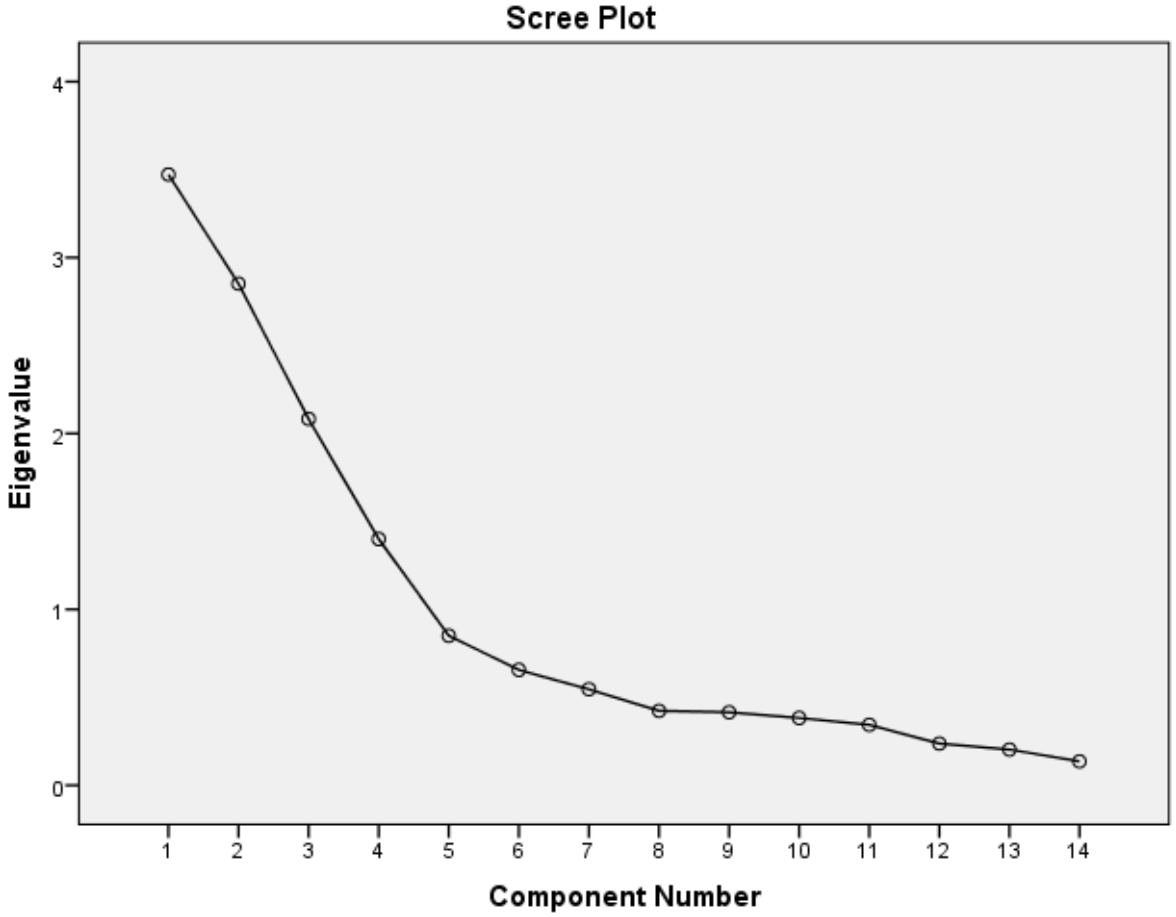

Figure 8: Scree plot

Table 26 presents the final composition of the retained four factors. These were namely Operational capabilities (5 items), Performance (3 items), Marketing capabilities (3 items), and Technological capabilities (3 items). The items within each constructed loaded highly to their respective constructs. All items retained had a factor loading of not less than 0.4, the minimum acceptable factor loading. The dynamic capabilities construct was not valid as it was excluded during EFA.

Table 26: Pattern Matrix

	Pattern Matrix[a]				
		Component			
		1	2	3	4
Performance	Q93 Your enterprises net profit has increased by in comparison to competitors?	.942			
	Q94 Your enterprises return on sales has increased by in comparison to competitors?	.935			
	Q92 Your enterprises market share growth has increased by in comparison to competitors?	.922			
	Q95 I could improve the pricing of my products and services?		.868		

Operational capabilities	Q89 I could improve the quality of my products or service offerings?		.834		
	Q93.0 I could improve the delivery process of my products or services?		.680		
	Q87.0 I could improve my production capabilities?		.643		
	Q83.0 My customers believe I could be more innovative in my product or service offering?		.579		
Marketing capabilities	Q49 I communicate efficiently with consumers?			.849	
	Q75 According to your customer feedback, how effective is your companies communication?			.723	
	Q77 R *I could improve how I communicate with my clients?			.658	
Technological capabilities	Q63.0 The products or services I offer meet consumers expectations in terms of quality?				.847
	Q81.0 I could improve my technological capabilities (for instance data mining, production etc.)?				.722
	Q69.0 The products or services I offer meet consumers expectations in terms of pricing?				.715
	Extraction Method: Principal Component Analysis. Rotation Method: Promax with Kaiser Normalization.				
	a. Rotation converged in 5 iterations.				

4.5 Reliability

Cronbach's Alpha was computed for each construct that was retained during EFA to assess the reliability of the scale. The results shown in Table 27 indicated that there was excellent reliability for Performance ($\alpha = 0.935$) since the Alpha value was greater than 0.9. There was acceptable reliability level for Operational capabilities ($\alpha = 0.780$), poor reliability for Technological capabilities ($\alpha = 0.602$) and mediocre reliability for Marketing capabilities ($\alpha = 0.599$).

Table 27: Reliability

Construct	**N of Items**	**Cronbach's Alpha**	**Reliability Level**
Performance	3	.935	Excellent
Operational capabilities	5	.780	Acceptable
Technological capabilities	3	.602	Poor
Marketing capabilities	3	.599	Mediocre

Since all the Cronbach's Alpha values were greater than 0.5 it implies that the reliability level was acceptable, which means that the items within each scale could be grouped to form a composite scale for the construct (Becker, 2000; Tavakol & Dennick, 2011). The composite scale for each construct was computed by calculating the average of the items within that scale.

4.6 Hypothesis testing

4.6.1 Testing for Outliers

A box plot of the four constructs to assess if there were any outliers. The results are shown in Figure 9 below. Outliers are marked by an asterisk (*). It can be noted that case 21 was an outlier for the variable technological capabilities. This outlier was replaced by the next smallest

value within the construct. Another boxplot was plotted after eliminating the outlier and the results are illustrated to Field, (2009), extreme outliers should be eliminated from the data because they skew the results (Field, 2009). Field (2009) indicated that the outliers will be indicated by an asterisk that are on numbers outside the whiskers of a box and whiskers plot (Field, 2009).

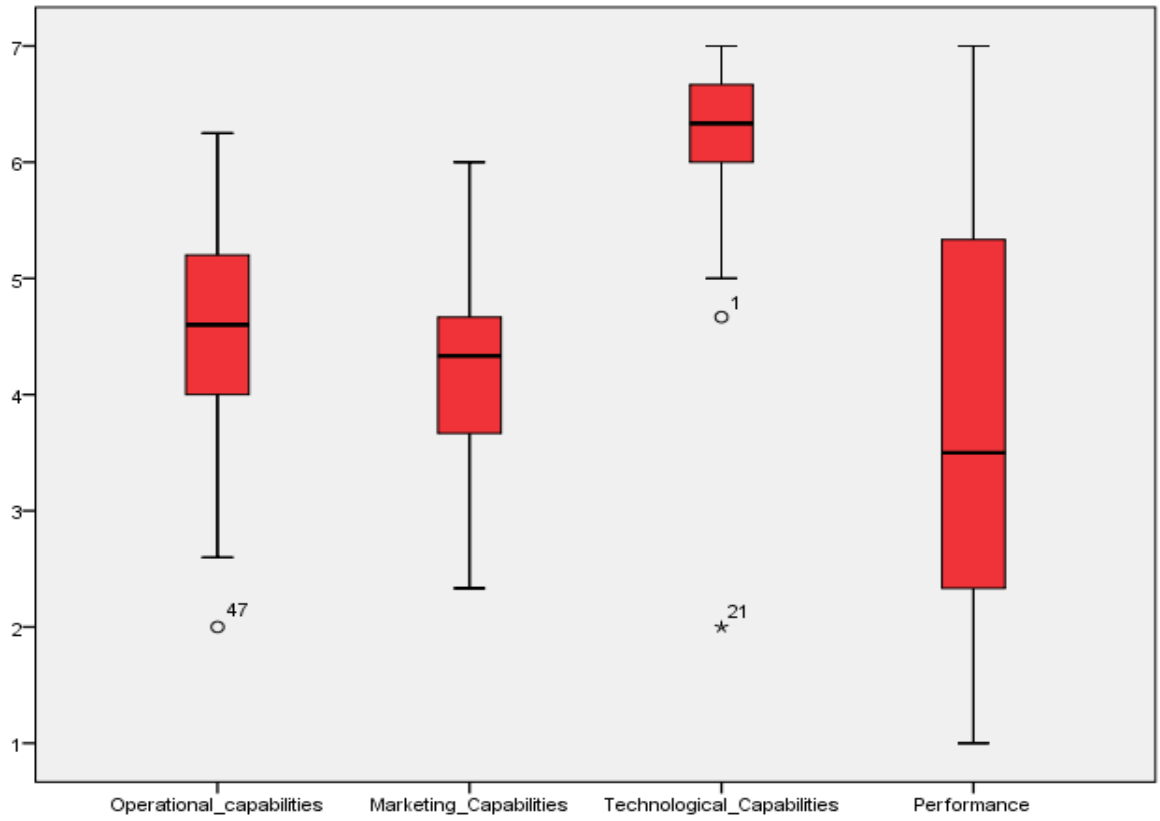

Figure 9: Boxplots before replacing outliers

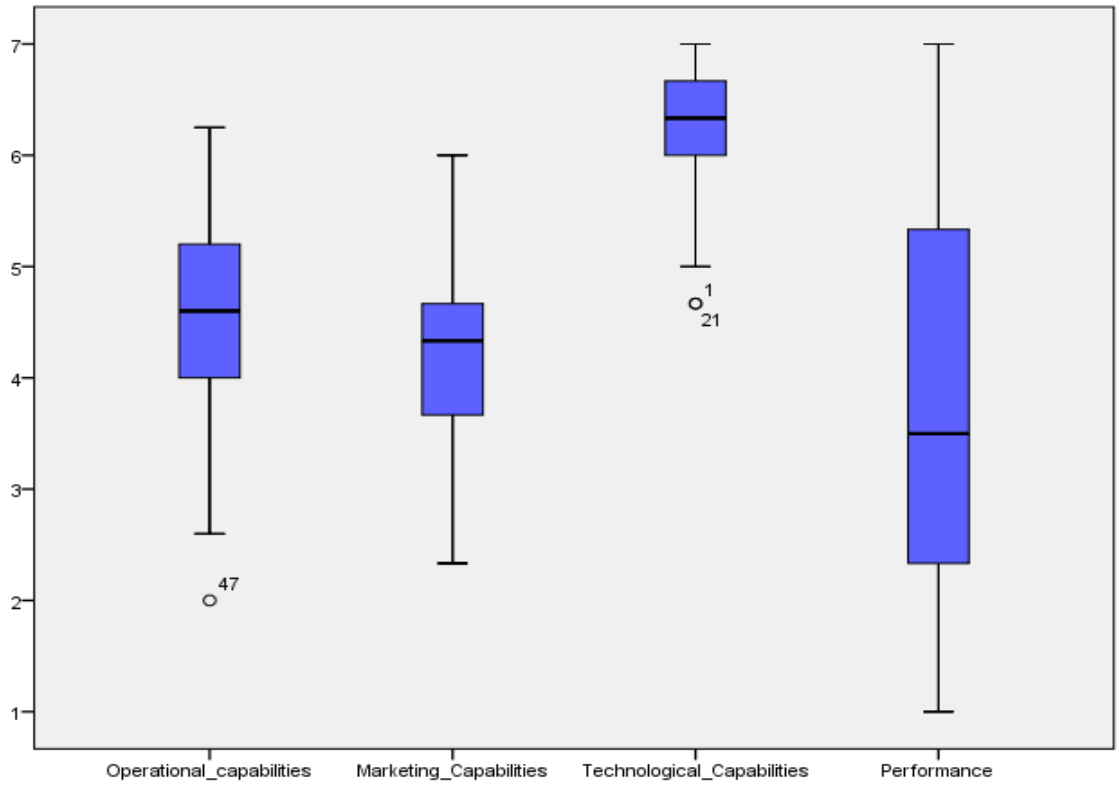

Figure 10: Boxplot after replacing outliers

It can be noted that after replacing case 21 with the next smallest value, there were no outliers anymore as shown by no asterisks on the chart.

4.6.2 Testing for Multicollinearity

The results shown in the coefficients table indicated that the variance inflation factor (VIF) values were all less than 10; this implies that there was no multicollinearity.

Table 28: Test for Multicollinearity

Model		Collinearity Statistics	
		Tolerance	VIF
	Operational capabilities	.933	1.071
	Marketing Capabilities	.943	1.060
	Technological Capabilities	.987	1.013

4.6.3 Test for normality of error terms

A normal P-P plot was plotted to assess if the error terms were normally distributed. The plot is illustrated in Figure 11 below. It can be noted that the values were close to the diagonal line, which signifies that the error terms approximated the normal distribution. This means that the assumption of the error terms being normally distributed was met.

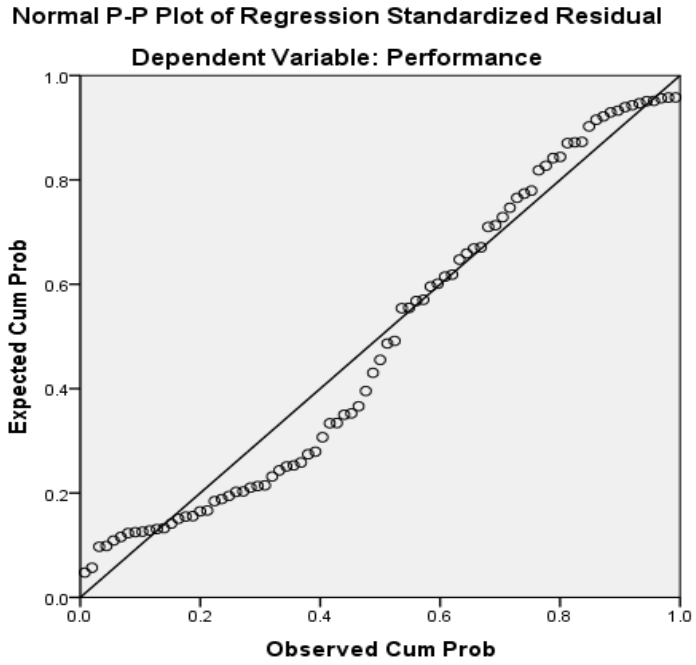

Figure 11: Normal P-P Plot

4.6.4 Test for Homoscedasticity

A scatter plot was plotted to assess if there was homoscedasticity, a condition where the error terms have equal variance. error terms were normally distributed. The plot is illustrated in Figure 12. The results show that the error terms were scattered without any pattern on the graph. This indicates that the assumption of homoscedasticity was met.

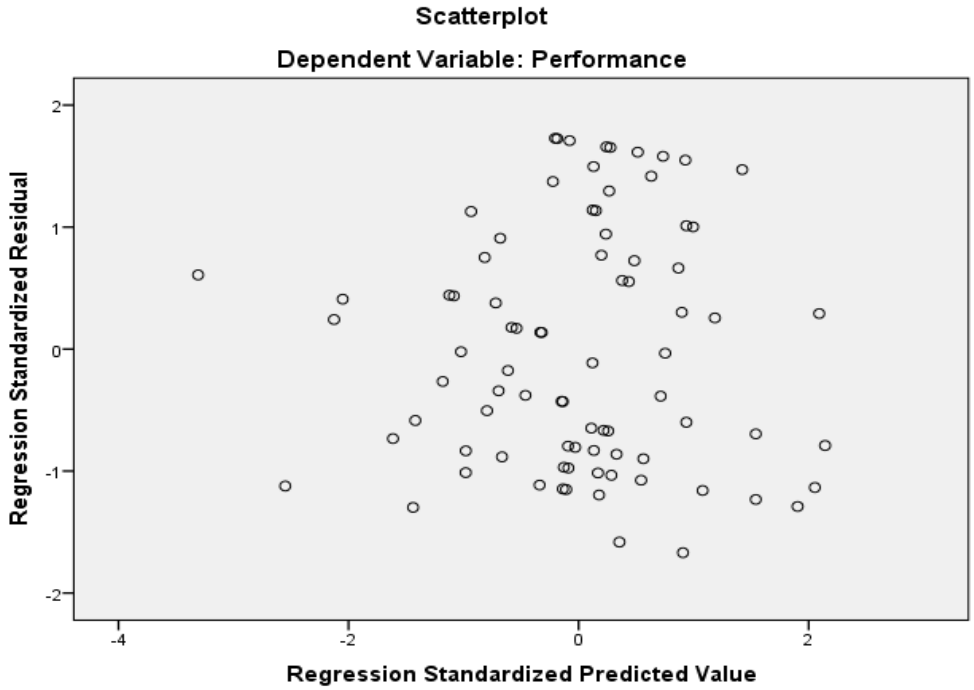

Figure 12: Scatter plot

4.6.5 Correlation

The correlation was conducted after eliminating outliers; the results are shown below.

Table 29: Descriptive Statistics and Pearson's Correlation

	Descriptive Statistics		**Correlations**			
	Mean	Std. Deviation	Operational capabilities	Marketing Capabilities	Technological Capabilities	Performance
Operational capabilities	4.51	0.93	1			
Marketing Capabilities	4.20	0.80	-.234*	1		
Technological Capabilities	6.29	0.71	.104	.019	1	
Performance	3.84	1.85	-.024	.121	.105	1

*. Correlation is significant at the 0.05 level (2-tailed).

The results show that Operational capabilities (r = -0.024, p-value = > 0.05) had a weak and insignificant correlation with performance. On the other hand, Marketing Capabilities (r = 0.121, p-value = > 0.05) and Technological Capabilities (r = 0.104, p-value = > 0.05) had weak, positive and insignificant correlation with performance.

4.6.6 Regression

A regression model was fitted with Performance as the dependent variable, and each of Technological Capabilities, Marketing Capabilities, Operational capabilities as independent variables. The results are shown below.
The model summary shows that Technological Capabilities, Marketing Capabilities, Operational capabilities explain 2.5% variation in performance as demonstrated by an r-square of 0.025.

Table 30: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.159[a]	.025	-.012	1.86214	.792
a. Predictors: (Constant), Technological Capabilities, Marketing Capabilities, Operational capabilities					
b. Dependent Variable: Performance					

The ANOVA table shows that F (3, 79) = 0.684 had a p-value of 0.565. This indicates that the Technological Capabilities, Marketing Capabilities, Operational capabilities were not significant in predicting Performance.

Table 31: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.112	3	2.371	.684	.565[b]
	Residual	273.938	79	3.468		
	Total	281.050	82			
a. Dependent Variable: Performance						
b. Predictors: (Constant), Technological Capabilities, Marketing Capabilities, Operational capabilities						

The coefficients tables show the contribution of each variable to predicting the performance. None of the variables measured was significant in predicting performance.
The model equation is Performance = 0.577 -0.014 Operational capabilities +0.270 Marketing Capabilities+ 0.347 Technological Capabilities

Table 32: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.577	2.771		.208	.836		
	Operational capabilities	-.014	.229	-.007	-.063	.950	.933	1.071
	Marketing Capabilities	.270	.264	.117	1.026	.308	.943	1.060
	Technological Capabilities	.347	.374	.104	.928	.356	.987	1.013
a. Dependent Variable: Performance								

4.7 Results pertaining to the hypotheses of this study

4.7.1 Results pertaining to hypothesis 1 (H1): There is a positive relationship between marketing capabilities and the financial performance of SME e-retailers

The results revealed that the relationship between Marketing Capabilities (B = 0.270, β = 0.117, t-value = 1.026, p-value = 0.308) and financial performance was positive but insignificant. The relationship was positive because the coefficient for Marketing Capabilities (B = 0.270) was greater than zero. It was insignificant because the p-value was greater than 0.05. This implies that H1 is supported but the result is insignificant.

4.7.2 Results pertaining to hypothesis 2 (H2): There is a positive relationship between technological capabilities and the financial performance of SME e-retailers

The results revealed that the relationship between Technological Capabilities (B = 0.347, β = 0.104, t-value = 0.928, p-value = 0.356) and financial performance was positive but insignificant. The relationship was positive because the coefficient for Technological Capabilities (B = 0.229) was greater than zero. It was insignificant because the p-value was greater than 0.05. This implies that H2 is supported, but the result is insignificant.

4.7.3 Results pertaining to hypothesis 3 (H3): There is a positive relationship between operational capabilities and the financial performance of SME e-retailers

The results revealed that the relationship between Operational (production) Capabilities (B = -0.014, β = -0.007, t-value = -0.063, p-value = 0.950) and the financial performance was negative and insignificant. The relationship was negative because the coefficient for Operational capabilities (B = -0.014) was less than zero. It was insignificant because the p-value was greater than 0.05. This implies that H3 was not supported and the result was insignificant.

4.7.4 Results pertaining to hypothesis 4 (H4): There is a positive relationship between synergy of the dynamic capabilities and financial performance of SME e-retailers

The insufficient data collected on questions related to Dynamic Capabilities resulted in the failure to form a valid construct to test the fourth hypothesis.

4.8 Summary of the results and conclusion

The results pertaining to hypothesis 1 and 2 demonstrated a positive relationship between the capabilities (marketing and technological) and the financial performance of SME e-retailers in South Africa; however, these relationships were insignificant. The results pertaining to hypothesis 3 demonstrated a negative relationship between operational capabilities and financial performance. The relationship was not only negative; it was also insignificant. The data collected in relation to hypothesis 4 failed to form a valid construct; therefore, hypothesis 4 could not be tested.

Chapter 5: Discussion of results

5.1 Introduction

This chapter has seven sections; section 5.2 discusses the demographical results that were extrapolated from the study. The focal points of sections 5.3 to 5.6 are the discussions related to the four hypotheses that were tested, these sections are followed by the conclusion of results that were deciphered from the study

5.2 Discussion pertaining to the demographical profiles of SME e-retailers in South Africa that participated in this study

South Africas' SME e-retailers are located mostly in Gauteng, the Western Cape and Limpopo. Limpopo was, however, unexpected and should be seen as an anomaly; therefore, one could conclude that SME e-retailers in South Africa are mainly located in Gauteng and the Western Cape. As mentioned above these results were highly anticipated because Gauteng and the Western Cape are considered urbanized regions, Gauteng is also considered one of Africas' commercial hubs (World Bank Group, 2019). These two regions are also considered importation and exportation hubs, in Gauteng, the Oliver Tambo International Airport poses as a customs border for the importation and the exportation of goods (South African Government News Agency, 2016; Budree, 2017). The Western Cape also hosts a border in the form of a sea harbour; both these regions are ideal for economic activity especially e-retailing nationally and internationally, they both provide market access to not only South Africa but Africa as a continent (South African Government News Agency, 2016; Budree, 2017).

The greater majority of SME e-retailers who participated in this research were pureplay e-retailers; this means that majority of the participants had no brick and mortar storefronts, they exclusively operated from an electronic storefront. A fairly high number of e-retailers said they were omnichannel e-retailers, this means that they operated from both a brick and mortar store and online store. Although majority of these omnichannel e-retailers stated that their e-retailing channel generated more value for the retailer than their brick and mortar store they have still opted to maintain their physical presence. Online storefronts are generating greater value for retailers because the digital divide in South Africa is slowly narrowing, the gap is being narrowed by means of increased ICT penetration (especially mobile penetration) and increased access to affordable broadband. This is being made possible by State intervention through interventions such as the Competition Commission which is attempting to regulate the cost of access to ICT enablers such as data and new entrants (Competition Commission South Africa, 2019). The plans to release additional spectrum will positively affect the e-retail ecosystem, the increased access and affordability of data will not only narrow the digital divide it will also increase the market size (Omarjee, 2020).

Digital literary is a critical tenant in the digital divide, as citizens increase their usage of ICT devices, they are exposed to increased levels of knowledge. By enlightening themselves, individuals become more discerning and understand phenomena's like e-retailing better, the enlightenment has benefited SME e-retailers and has resulted in increased traction. The narrowing digital divide has also decreased the level of negative perceptions that have been associated with online shopping by providing knowledge and insights these negative perceptions have

significantly changed (Lone & Ludovica, 2019). Online shopping is becoming the preferred shopping method; demonstrated by the number of e-shoppers that had increased substantially in 2019 according to the Global B2C E-commerce report which cited a drastic increase of up to 63%, consequently meaning that more individuals are shopping online (Lone & Ludovica, 2019).

Online storefronts are also generating greater value for retailers because they provide increased levels of client exposure and engagement, these storefronts are not bound by geographical location meaning that consumers from multiple locations have access to the store. Most online storefronts also provide standardised customer experiences because the purchasing process is facilitated by an online system, eliminating the negative human behavioural issues that may be experienced in a traditional brick and mortar store (Berry, 2001). An online storefront also provides retailers with the ability to service multiple consumers at the same time, businesses not only have increased market access, they are also able to control the customer experience to a certain extent almost guaranteeing a standardised shopping experience (Berry, 2001).

Majority of the SME e-retailers in the sample operated online from inception a small margin of these e-retailers did not operate from an online storefront when they started. The e-retailers who did not operate from an online storefront initially, decided to venture into e-retailing after they had tried a purely offline retailing approach but did not yield the anticipated performance results. Of those that started with physical shops and later ventured into e-retail, the main reason for digitising their storefronts was to increase market reach and in turn their revenues. Due to the digital economy wave and advancements in ICT, the digitisation of these stores was inevitable and highly anticipated (Armstrong, 2020).

These findings are aligned to prior studies by Pozzi, which stated that the adoption of e-retailing would be beneficial to retailers because it ensured low operational expenditures, broader and increased market reach (resulting in increased revenue) (Pozzi, 2013). According to Pozzi either a dual (omnichannel) approach or a strictly e-retail approach should be considered as a retailer, the greater majority of SME e-retailers in South Africa either operate a pureplay online store, or they had an omnichannel storefront (Pozzi, 2013). The green paper by the South African Government on e-commerce also advocated for the adoption of e-retailing because of the extended market reach which consequentially resulted in increased revenues (The Republic of South Africas' Department of Communications, 2000)

The results revealed that majority of the sample had been e-retailers for 1 – 3 years, these results were expected due to the fact that e-retailing in South Africa is still within its nascent phase. In line with the findings from the United Nations Industrial Development Organisation the nominal number of e-retailers within the 7 or more-year category was anticipated due to the significant inhibitors that posed a threat to e-retailers in South Africa in the past (United Nations Industrial Development Organisation, 2017). Inhibitors such as the digital divide, the lack of adequate infrastructure and the lack of financial solutions (in the form of funding, credit and products) (United Nations Industrial Development Organisation, 2017). These challenges significantly affected the business turnover rate in the e-retail industry (United Nations Industrial Development Organisation, 2017). Another consideration could be that e-retail enterprises that are 7 or more years old that have not failed would most likely have scaled and therefore would not be categorised as an SME in the South African context (World Wide Worx, 2019). The rapid increase in mobile penetration over the past few years has resulted in the adoption of online shopping and attributes to the influx of infant SME e-retailers who have identified the opportunity of operating a reasonably low cost, but profitable enterprises presented by e-retailing.

Social commerce appears to be the dominating e-retail channel in the South African e-retail industry; a significant number of e-retailers used social media platforms for their e-retailing storefronts. A small margin of e-retailers utilised online marketplaces as their storefronts. South

African SME e-retailers demonstrate a fairly unique approach to e-retailing, most of them have opted to operate in silos instead of leveraging off of the collective power presented by marketplaces (Parker, Van Alstyme, & Choudary, 2017). The decision to operate in silos may also be influenced by the exorbitant and multiple fees associated with operating on an e-marketplace like Takealot (Goga, Paelo, & Nyamwena, 2019; Takealot, 2020). SME e-retailers may also prefer social commerce over platform and web-based e-commerce because of the transaction fees and financial implications associated with operating from an e-marketplace or web-based storefront (Goga, Paelo, & Nyamwena, 2019).

Social commerce is the preferred e-retailing channel for SME e-retailers; this may be because of the little to no barriers that the channel provides. Social commerce can, however, become an expensive channel when the cost of building a brand is considered, SME e-retailers may need to deploy multiple strategies such as influencer marketing. Influencer marketing can become expensive if not managed appropriately and value may vary depending on various factors; therefore, value cannot be guaranteed.

Micro and small enterprises dominate the South African SME e-retail industry. Majority of the e-retailers that participated in this research were small enterprises. Indicating that this segment of the industry has turnovers that range between R200 000 and R19 000 000, this segment also employs between 5 to 50 employees according to the classifications of SEDA and the South African Banking Association (please refer toFigure 13 (The Banking Association South Africa, 2019; The Small Enterprise Development Agency, 2019). If one had to use a mathematical approach, one could deduce the following assumptions (under idealistic economic conditions):

- If all 37 micro-enterprises produced a turnover of R200 000, R7 400 000 would be ploughed into the e-retail industry
- If all 38 of the small e-retail enterprises that participated produced a turnover of R19 000 000, R722 000 000 would be ploughed into the e-retail industry

These projections are idealistic; however, they demonstrate the potential that e-retail SMEs possess in South Africa. The e-retailers within this segment are said to employ between five to fifty employees, that would result in the following projective assumptions:

- Micro enterprises are said to employ a maximum of five individuals on a full-time basis, if 37 of those enterprises idealistically employed five individuals a total of 185 jobs would be created
- Small enterprises are said to employ a maximum of fifty individuals on a full-time basis, if 38 of those enterprises idealistically employed 50 individuals a total of 1 900 jobs would be created

Micro and small e-retail enterprises are creating approximately 2 085 direct full-time jobs for South Africans. This figure may seem like a drop in the ocean of unemployment; however, multiple other jobs are created through e-retailing. E-retailers who do not have logistical functions outsource their logistical function to logistical companies that employ many other individuals, these e-retailers also create multiple other indirect jobs through the intermediaries they utilise to conclude transactions. The exponential growth potential that e-retailing has demonstrated in other markets like Asia and Nigeria could be used to support arguments for the positive growth trajectory of e-retailing in South Africa (Poignonnec, 2019; Alibaba Group, 2019). The possibility of scaling consequently will result in a demand for more employees which will decrease South Africas high unemployment rate (Poignonnec, 2019; Alibaba Group, 2019).

The results indicate that SME e-retailers in South Africa mainly cater to the middle and upper class, these results were anticipated due to South Africas' digital divide, inequality, infrastructural issues, financial exclusion and the purposeful targeting of these consumers. Individuals within the middle class are relatively time-deprived and rely on the convenience of shopping online (Budree, 2017). It is also relatively expensive to cater to the lower-class customer segment because individuals who fall under this segment are usually located in periphery areas (Esterhuizen, 2018). The logistical cost of fulfilling these orders is passed onto consumers resulting in a decreased level of purchasing intention because of the financial implications (Esterhuizen, 2018). Consumers within this segment are already relatively deprived and therefore cannot afford to buy online not necessarily because of the prices of products and services but rather because of the marginal costs associated with shopping online.

The greater majority of e-retailers were positioned in the retail industry whilst the remaining participants were said to be positioned in other sectors that were not listed within the surveys options. The second most significant industry was hospitality, followed by the healthcare sector, ICT, education and financial services and banking sector (in ranking of importance).

Retail within the context of this study would refer to the sale of food, apparel, books and stationery etc. the Takealot product categorisation in Table 36 located in Annexure B should be referred to for a comprehensive list of retail items. The high number of retail e-retailers does not come as a surprise, as mentioned above, apparel and general items are rapidly becoming the fastest-selling e-retail consumables in South Africa (World Wide Worx, 2019).

The majority of SME e-retailers that participated were wholly black-owned, 12% of these e-retailers had no (0%) level of B-BBEE recognition, 5% had some level of B-BBEE recognition ranging from 0% to 75% whilst the remaining 15% either did not know their B-BBEE status or simply did not indicate their level. A large proportion of individuals affected by unemployment can be categorised as black according to the B-BBEE Act; these individuals are unemployed due to the socio-economic inequalities manifest in South Africa (Trading economics| Statistics South Africa, 2020; The Department of Trade and Industries, 2016). From the data, one can decipher that many of the e-retailers may have been driven to retailing specially e-retailing out of necessity and the relative ease of establishing an e-retail store (Global Entrepreneurship Research Association, 2018; World Wide Worx, 2019). These stores may however not survive post their infancy phase which is why South Africa has a marginal number of SME e-retailers (only 28%) who have surpassed the 3-year operational mark.

5.3 Discussion of results pertaining to hypothesis 1: There is a positive relationship between marketing capabilities and the financial performance of SME e-retailers

The results revealed that the relationship between Marketing Capabilities and financial performance was positive; however, the relationship was insignificant hypothesis 1 could, therefore, not be supported by the results. The insignificance of the relationship could be attributed to the low participation rate of the study. The participation rate was however aligned to similar studies and those conducted for commercial purposes like the World Wide Worx research conducted in partnership with Visa and Platinum Seed conducted on online retail and market industry survey (World Wide Worx, 2019). Only 75 enterprises participated in their research, whilst 188 respondents participated in this research even though only 83 responses were deemed valid.

The following questions were used when forming the marketing capabilities construct

- Q49 I communicate efficiently with consumers?
- Q75 According to your customer feedback, how effective is your companies communication?
- Q77 R *I could improve how I communicate with my clients?

The marketing capability is meant to enable firms by accumulating market knowledge, building customer relations and responding to customer needs (Ju, Fung, & Mano, 2013). However, the construct had a mediocre level of reliability. Although the relationship between marketing and financial performance was said to be positive one can deduce that SME e-retailers in South Africa have not mastered the marketing capabilities required to result in significantly high financial performance (Ju, Fung, & Mano, 2013). This finding was unexpected due to the high number of social commerce e-retailers that are found in South Africa, 92% of the respondents said they utilised social media platforms for engagement purposes and as a sales channel. The inconsistency could be attributed to the fact that SME e-retailers may still need to focus on horning their marketing capabilities to reap better results. CRM should be a consideration, and consumer engagement should be focal points for SME e-retailers in South Africa to further enable SME e-retailers (Ndayiziganiye, Khoase, & Jere, 2019).

Marketing capabilities are also meant to provide critical data points that are intended to support research and development for the purposes of innovation. If SME e-retailers optimally utilised marketing capabilities, they would have a longer life expectancy (operating past the infancy phase) and would be able to scale exponentially resulting in sustainable e-retailers in South Africa (World Wide Worx, 2019).

5.4 Discussion of results pertaining to hypothesis 2: There is a positive relationship between technological capabilities and the financial performance of SME e-retailers

The results revealed that the relationship between technological capabilities and financial performance was positive but insignificant. The results imply that hypothesis 2 could not be supported. South Africa is a developing country, and even though we have made significant advancements in ICT, multiple SME e-retailers cannot afford to harness the full potential of technological capabilities (United Nations Industrial Development Organisation, 2017; Goga, Paelo, & Nyamwena, 2019).

Due to financial constraints, access to technological solutions that will support technological capabilities is limited. The technological solutions associated with the 4IR such as AI, big data analytics, cloud computing and other technological tools could be used to harness the technological capabilities of SME e-retailers however they are often inaccessible to SME e-retailers. The cost associated with such technological capabilities required to host a conducive e-retail ecosystem overburdens SME e-retailers (Parker, Van Alstyme, & Choudary, 2017). SME e-retailers in South Africa operate in silos they, therefore, cannot harness the collective power of pooling technological capabilities through platforms. If these retailers had joined forces, they would be able to ease the financial burden associated with leveraging technological capabilities (Parker, Van Alstyme, & Choudary, 2017).

South Africa as a country has struggled to address not only the digital divide but also the ICT infrastructural deficit that hinders the acceleration of e-retailing in South Africa. Therefore, one cannot expect an environment that fosters e-retailing from a technological perspective (United Nations Industrial Development Organisation, 2017; Ndayiziganiye, Khoase, & Jere, 2019). For SME e-retailers to survive within South Africa they will have invest significantly into their

technological capabilities especially because their entire business is dependent on their technological capabilities (Ndayiziganiye, Khoase, & Jere, 2019). Technological investments should be strategically motivated and should focus on research and development increasing levels of innovation internally and indirectly throughout South Africa by employing benchmarking methods. Investment decisions should also be made based on the e-retailers ecosystem to complement their other capabilities (Sedera, Lokuge, Grover, Sarker, & Sarker, 2016).

5.5 Discussion of results pertaining to hypothesis 3: There is a positive relationship between operational (production) capabilities and the financial performance of SME e-retailers

The results revealed that the relationship between operational (production) capabilities and the financial performance was negative and insignificant. The results imply that hypothesis 3 was not supported, a contradiction between the findings and literature were found. This contradiction could be attributed to the low response rate and the calibre of SME e-retailers that participated. The SME e-retailers that participated in the study are significantly small in size, and because they have not scaled their enterprises, they have not found the need to integrate operational capabilities into their models. According to Yu et al. "operations capability is defined as the integration of a complex set of tasks performed by a firm to enhance its output through the most efficient use of its production capabilities, technology and flow of materials. Superior operations capability increases efficiency in the delivery process, reduces the cost of operations and achieves competitive advantage" (Yu, Ramanathan, & Nath, 2014).

The micro and small enterprises that participated in this study may not have scaled at a level where they are required to have a fully integrated supply chain that is extensively tracked. Unfortunately, this study did not endeavour deeply into the value chain because it was not the sole focal area. The size of the e-retailers reflects the scale of their operations; they are relatively small in terms of scale and may not require intense systems that require integration. The e-retailers simply outsource functions that they do not have the expertise in or scalable numbers to support, the logistical function is a prime example.

SME e-retailers would much rather outsource their fulfilment function to a specialist courier or delivery service provider like Aramex, Postnet, DSV, Courier Guy etc. If the e-retailer has mass orders to fulfil, they will most likely utilise an e-commerce logistical partner like ParcelNinja, which offers more comprehensive e-retailing solutions (Parcel Ninja, 2020; Postnet, 2020). SME e-retailers similar to those found in South Africa operate more efficiently by decentralising and outsourcing functions that are not related to their core business. Human capital is also a significant tenant in operational capabilities, SME e-retailers may employ a range of five to fifty people; however, a considerable portion of those individuals have to be brilliant to ensure the sustainability of the e-retailer. Individuals employed by the e-retailer also have to have an ability to identify opportunities especially those within operational, technical and decision-making positions like the entrepreneur (owner/s) to significantly add value to the business.

The operations capabilities of a firm will always be an integral component because it enables e-retailers however in South Africa e-retailers have lagged behind affecting both the financial performance of an e-retailer and the e-retail readiness of South Africa.

5.6 Results pertaining to hypothesis 4 (H4): There is a positive relationship between the synergy of the Dynamic Capabilities and financial performance of SME e-retailers

The insufficient data collected on questions related to dynamic capabilities resulted in the failure to form a valid construct to test the fourth hypothesis. This is attributed to multiple reasons, such as the low participation rate, a flaw in the research instrument and the unconscious usage of dynamic capabilities. Dynamic capabilities can be "conceptualised as a higher-order strategy processes that integrate, recombine and generate new technological and marketing capabilities which in turn shape firm performance. DC are conceived as the capacity of an organisation to purposefully and systematically create, extend or modify its operational capabilities" (Jurksiene & Giniuniene, 2015).

It is the collective synergy of multiple capabilities that result in any enterprise succeeding. In many enterprises, this synergy goes undetected because of the harmony it creates. It is in the configuration of multiple capabilities that drives organisational strategies; enterprises have to leverage off of their strengths and create their own unique dynamic capabilities (Urban, 2020). Dynamic capabilities are unique to different enterprises which may have also contributed to the inability to form a valid dynamic capability construct for this study as it is not standardised.

5.7 Conclusion

The e-retail industry in South Africa is still in its nascent phase, this industry has not stabilised, and variances of SME e-retailers exist. E-retailers have not found the ideal business model to operate within the South African context because of its inhibitors; however, one thing is evident; the South African e-retail market still has exponential growth potential. SME e-retailers should leverage on the opportunities presented by e-retailing before the market is saturated. SME e-retailers will have to set themselves apart by committing and providing exceptional service to gain more traction, reliability and traction for the industry.

To deliver on this commitment, SME e-retailers will have to leverage off of marketing, technological, operational and dynamic capabilities. SME e-retailers have not developed or utilised these capabilities efficiently resulting in the high business turnover of e-retailers in South Africa. To ensure that e-retailers survive past the infancy phase, they will have to develop the necessary capabilities or opt for e-marketplace solutions which already have these built-in capabilities.

Hypothesis 1 and 2 demonstrated a relationship between the two capabilities (marketing and technological) tested and the financial performance of e-retailers; however, the relationships did not demonstrate any significance. Hypothesis 3 demonstrated a negative and insignificant relationship between the operational capabilities and financial performance of SME e-retailers in South Africa. The results could be attributed to the response rate and the size of SME e-retailers. Hypothesis 4 could not be tested because a valid construct could not be created.

Chapter 6: Conclusion, implications and recommendations

6.1 Introduction

Chapter 6 has five sections; the first section is the conclusion of the study, followed by an overview of the implications of the study and recommendations. The focal point of the final section is the is an overview of suggested topics for further research

6.2 Conclusions of the study

South Africa has a unique e-retail landscape, which hosts exponential potential for entrepreneurs who are willing to take the risk. The e-retail industry is still in its nascent phase and many e-retailers seems to be failing to master e-retailing. The high rate of business turnover of e-retailers in their infant phase can attest to this, e-retailers; however, should not fear. Many retailers have embraced digital transformation by digitising their storefronts; e-retailing promises to decrease operational costs whilst increasing enterprise exposure and revenues. However, the trade-offs of e-retailing could not only be detrimental to enterprises; they could result in the same amount of capital invest or funding being required (United Nations Industrial Development Organisation, 2017).

To succeed in the e-retail market enterprises need to hone their capabilities to deliver exceptional services that result in customer retention. SME e-retailers are failing due to the inadequate investment in core capabilities and the limited amount of reinvestment in core capabilities, as the market evolves retailers are required to upskill their capabilities to keep abreast of the changes (United Nations Industrial Development Organisation, 2017). The digital retail economy, much like the traditional economy that hosts brick and mortar storefronts, changes rapidly and if e-retailers are not agile enough, they will not survive. The changes presented by the digital retail economy and the lack of agility can be mitigated by exceptional core capabilities, e-retailers may outsource some functions to intermediaries however how those intermediaries integrate into the e-retailer ecosystem is important because they affect the overall performance of the e-retailer. A well-integrated ecosystem could yield impeccable results regardless of the e-retailers size or scale.

This research was grounded in the theoretical boundaries of the resource-based view (RBV) which according to Yu et al. describes how the resources (e.g. tangible and intangible assets and organisational capabilities) of any enterprise affect its financial performance (Yu, Ramanathan, & Nath, 2014). As insinuated by RBV enterprises are considered a bundle of resources and capabilities, these resources and capabilities are used to identify a single or multiple opportunities, explore these opportunities, exploit the opportunities and decipher financial gains from the identified opportunities (Yu, Ramanathan, & Nath, 2014). RBV reaffirms the findings of this report, RBV emphasizes the importance of leveraging off of an enterprises capabilities for financial gains. E-retailers need to leverage off of their current dynamic capabilities, marketing capabilities, operational capabilities and technological capabilities whilst investing in the capabilities that they have not yet mastered. Consistency is essential for e-retailers because it helps them gain customer loyalty. E-retailers offer the convenience of a 24/7 storefront; however, the inability to be consistent in delivering a standardised exceptional customer experience can be detrimental for the e-retail they, therefore, have to leverage off of their capabilities to ensure consistency.

South African e-retailers prefer operating in silos, this can be compared to operating a retail brick and mortar storefront in a remote area, a brick and mortar store will perform significantly better in a prime commercial retail location like a mall. The geographical location can be leveraged on depending on the complementing stores within close proximity and the convenience of the store's location. Stores in better locations will attract higher-end clients and simply being located in the right location has tremendous effects on the retailers' revenues and client exposure.

E-marketplaces are like large malls with prime commercial value if they are used correctly, e-retailers who operate in silos are less likely to survive past their infancy phase because of the economies of scale. E-retailers who operate in silos have to invest significantly in their core capabilities and their ecosystem; multiple e-retail solutions are on the market which relieves some of these burdens. For instance, e-retailers no longer have to concern themselves with developing the ability to code because turnkey solutions are easily accessible online at a fee however maintaining the upkeep of these solutions is costly and significantly affects the retailer's profit margins (Goga, Paelo, & Nyamwena, 2019).

E-retailers in South Africa are also characterised by their social commerce approach to e-retailing, social commerce strategies should be used to complement the ecosystem, for instance, social media influencers could be integrated into the marketing strategy to enhance the marketing capabilities of an e-retailer however e-retailers should not be solely dependent on social commerce. The unfortunate reality is increased social engagements need to be monitored extensively for the reputational (associated with credibility and reliability) purposes; social engagements can quickly go wrong if not management correctly.

The dangers of social engagements could be the primary reason why larger e-retailers like Takealot had inbuilt systems that dealt with grievances and processes like returns instead of offering email or telephonic methods of getting in contact with them (Takealot, 2020). It is only in the past +- 6 months that they have introduced alternative ways of engaging directly with one of their representatives (Takealot, 2020). Social commerce methods should be deployed with caution, what may seem like a standard response is susceptible to multiple interpretations. In a country with such a rich and diverse cultural dichotomy issues of cultural appropriation may arise and an enterprise might find itself trending for all the wrong reasons (Esterhuizen, 2018; Steenkamp G. G., 2020). Behavioural conduct may also pose a threat to the retailer's image especially when contracting service providers like influencers; multiple influencers fail to understand that their behaviour even in their personal time affects the retail brands that they work alongside with (Kohler, 2019). Influencers that misbehave have a significant effect on the e-retailers brands image (credibility and reliability) this may even affect the revenues of the retailer because it affects consumers perceptions of the e-retailer (Esterhuizen, 2018).

When outsourcing functions to service providers, it is vital to assess their ability to integrate into the e-retailers ecosystem, it is important to evaluate service providers on an operational and cultural fit basis. For instance, when integrating social media influencers, the e-retailer may want to assess the cultural fit of the influencer but also their operational value. Influencers are considered expensive and one e-retailers should derive maximum value, e-retailers may be dazzled by the large following. Still, it is important to note that contracting an influencer with a large audience may not yield the desired outcomes. Influencers with a mass following are said to have poor engagement levels and therefore, consumers find it hard to trust them (Humanz, 2019). their recommendations and reviews have little to no value, Micro and Nano influencers may yield better results (Humanz, 2019).

The digital divide has also negatively affected e-retailers, e-retailers may want to incorporate zero-rated shopping periods on their stores because subsidised broadband and more affordable broadband may delay the adoption of online shopping. Zero-rated shopping periods will encourage online shopping, especially in markets that were previously untapped, e-retailers may also want to consider customising language preferences to ensure inclusive shopping experiences to customers.

Partnerships are extremely important in the e-retailing industry, e-retailers should nurture their networked relationships especially with the public sector (controls trade laws and which governs access to additional markets) and private sector institutions such as banks. E-retailers will be able

to influence key decisions that may help support the ecosystem within which they operate. Decisions that may affect production and service development that may complement their ecosystems; this was evident in all the three cases explored in this study.

Retailers may have been reluctant to embrace digital transformation however due to the uncertainties encountered by the entire globe retailers may have to consider digitising their stores for the purposes of security but also to ensure that they continuously operate in a sustainable manner (Urban, 2020). Retailers cannot escape their reality; they simply need to adapt to ensure that they are continually competitive. Retailers should embrace the digital economy and the additive advantages that come along with it like the enhanced capabilities associated with the 4IR. The technological capabilities that are associated with the 4IR like CRM, Big Data Analytics, Cloud Computing, AI etc. will enhance the digital economy and better position e-retailers in the on and offline retail market. The contribution of this research is towards SME e-retailers who will sculpt the future of e-retailing, employment and inevitably the economy of South Africa. This research is intended to ensure SME e-retailers within South Africa succeed by providing insights and possible solutions from practical examples of e-retailers across the globe.

This research was also intended to provide the South African State with insights that would inform and mould SME interventions, especially those targeted towards e-retailers. The State has been known to create policies and interventions that are out of touch with the realities of SMEs; this research will attempt to remedy this issue. This research also attempted to contribute to the limited amount of academic literature on SME e-retailers in South Africa.

6.3 Implications and Recommendations

The advancements of ICT have given retailers multiple possible methods that could be used to operate, e-retailing is said to be beneficial to SME e-retailers because of the significant cost reduction implications and the financial benefits of e-retailing. Many retailers in South Africa have digitised their storefronts whilst others are contemplating the transition; however, the research associated with e-retailing that should be utilised to motivate such a decision is not context-specific and has neglected SMEs. This research attempts to provide a context-specific practical manual that can be utilised by retailers on their e-retailing journey. This research focuses on the resources that would be required for SME e-retailers to succeed especially the internal core capabilities that affect the e-retailers ecosystem. This research has revealed that e-retailing is a burdensome as a physical brick and mortar storefront if it is not done collectively.

The State should foster a holistic and conducive e-retail environment for e-retailers to operate within, providing support to this sector will result in exponential economic growth through exportation and increased employment opportunities for South Africans. Academics should also provide additional academic literary sources within the entrepreneurial sphere because e-retailing has the ability to alter the retailing industry forever. Table 33 and Table 34 below provide a tabulated version of the practical recommendations and implications of this study

6.3.1 Recommendations and practical implications for SME e-retailers (current and aspirant)

Table 33: Recommendations and practical implications for South Africas' SME e-retailers

Recommendation and implications	Explanation	Reference
E-retailers should focus on developing their mobile e-retail stores	The average South African citizen may not have access to a desktop; however, they do have access to a mobile phone. The high mobile penetration demonstrates that a mobile strategy should be prioritized. Mobile devices are also more accessible to South Africans	(Esterhuizen, 2018; Allen, 2018; Hill, 2019)
Social commerce may be a cost-effective alternative to building a fully fleshed e-retail store	Social commerce has gained an immense amount of traction in South Africa. Multinational brands in the retail industry such as Benefit, Revlon, Coca-Cola, Unilever Daniel Wellington, Essence and the likes have partnered with local influencers who have a large following. Influencers like Sarah Langa, Mihlali Ndamase, Lerato Kgamanyane, Mbali Mkhize etc. to engage with consumers and give them recommendations and reviews. Partnering with these influencers has formed part of their social commerce marketing tools, these brands leverage off of the relationships influencers have built with their audiences and utilize it to gain consumers trusts by fostering an environment where engagements can be had. These engagements promote and build trust between the brand and consumer; trust was seen as one of the most significant e-retail inhibitors. By fostering a relationship with consumers based on trust, e-retailers will be able to evade this challenge. Social commerce can, however, be costly and ineffective if not planned and managed well	(Esterhuizen, 2018; Kohler, 2019; Humanz, 2019; Steenkamp G. G., 2020)
Gather all data from every single purchase and utilize it to make decisions for your e-retail store	Customers experiences should be created using data-centric decisions; this will ensure that e-retailers provide products and services that will attract customers and nurture e-loyalty. Technological tools like AI, CRM, Big data analytics, Cloud computing etc. can be utilized to harness the power of data through these tools e-retailers should also create innovative strategies that will yield increased value for the e-retailer	(Armstrong, 2020; Alibaba Group, 2020; Stone, 2014)
Establishing a smart courier network could be beneficial for e-retail SMEs	Consistency is essential when operating an online store because it provides credibility and positions e-retailers as reliable. E-retailers should consistently	(Stone, 2014; Goga, Paelo, & Nyamwena,

	provide an exceptional standardized customer experience, when an e-retail provides a delivery date they should fulfil that delivery within a reasonable time. If they cannot deliver, they should communicate the delay in the appropriate manner. Often deliveries are delayed because of logistical challenges that are out of the e-retailers control, forming a courier network amongst e-retailers could result in increased control. E-retailers will also be able to gather logistical data that they can use to tailor their logistical solutions ensuring that they are profitable. They will also have enough data to generate algorithms that will help them manage delivery expectations and fulfilments more efficiently. Profit margins would also increase because the e-retailers will be able to price their delivery solutions in a cost-effective manner	2019; Ecommerce Foundation, 2018)
SME e-retailers who cannot afford a vertical logistical integration should use logistical fulfilment partners who have an e-commerce integration option like uAfrica or Parcel Ninja	These logistical service providers already have the required logistical expertise to help seamlessly integrate into your store. They also provide warehousing and shipping options tailored to the size of your enterprise. As your enterprise expands, the service provider will be able to scale with you in a meaningful manner. Having a logistical partner could be beneficial to an SME e-retailer because they will not need to master an entirely new industry and they can focus on their core business	(uAfrica, 2019; Parcel Ninja, 2020)
Utilize strategic logistical network partnerships or service providers that help the enterprise capitalize on trade agreements	Customs and taxes can be problematic if they are not understood well, when servicing international consumers and importing resources it is vital to have a logistical partner or service providers who understands the financial implications associated with the movement of goods. These partners or service providers will advise on pricing implications that the e-retailer needs to consider to when safeguarding their profit margins	(Goga, Paelo, & Nyamwena, 2019)
Digital content should be tailored to the context	E-retailers should provide content that is suited for the market, e-retailers could do this by customizing particular features for instance tailoring content to different linguistic preferences	(Allen, 2018)
As an e-retailer, the following four factors should be the goals you attach to your online storefront	• Accessibility • Consistent and stellar brand • Excellent customer relationships • Remain profitable by lowering overheads	(Enagi, 2017)

An e-marketplace could be more profitable for e-retailers than operating online in silo	Platforms offer consumers a variety of items at competitive prices which is why they are the ideal shopping arena for many consumers who seek convenience and a reasonable price. The diverse product range attracts a multitude of different consumers who have different preferences. An excellent consumer pool can be found within e-marketplaces. E-marketplaces like Takealot also offer complete turnkey solutions that retailers can use; these solutions will give retailers the ability to focus on their core business	(Takealot, 2020; Parker, Van Alstyme, & Choudary, 2017)

6.3.2 Recommendations and implications for the State

Table 34: Recommendations and practical implications for the South African State

Recommendation and implications	Explanation	Corresponding reference
Addressing the digital divide through policy	Connectivity has led to economic growth in other countries except for South Africa; this is primarily attributed to the high cost of broadband in South Africa. Regulatory functions within the telecommunications industry and the re-evaluation of State policies could result in improved economic effects induced by ICT. To foster an e-retail industry in South Africa, the digital divide should be addressed in the following manners: • Expansion of ICT infrastructure - policies should be revisited and implemented in a manner that will address the needs of those who were marginalised especially those in periphery areas who do not have access to ICT infrastructure • Affordable broadband should be a priority • Digital learning should be mandatory in schools • Expansion of free public wi-fi within periphery regions to provide access to more individuals and also to decrease the financial burden associated with broadband. Subsidized broadband should be an intermediary measure	(Allen, 2018; Sookha, 2018)

Allowing zero-rated access to SME e-retail stores	To promote the growth of the SME e-retail industry in South Africa, the State should facilitate zero-rated access to e-retail stores that are registered with the Companies and Intellectual Property Commission (CIPC). E-retailers will be encouraged to officially register their stores because it will enable them to reach a bigger market, getting e-retailers to register with CIPC will also aid in the formalization of the e-retail market for taxation and other regulatory purposes	(Romanosky & Chetty, 2018)
Review of consumer protection regulatory models	The State will have to review the current regulatory models that govern consumer protection, the ones currently in place were designed to govern ordinary business transactions and fail to account for incidents that may occur in the new age digital consumer market	(Howells, 2019)
Adapting the curriculum to equip scholars	The State will have to review the curriculum, especially for the 4IR; the dated curriculum does not adequately prepare scholars for the workplace. Subjects that are focused on the skills required for the 4IR like coding, standardized computer literacy, entrepreneurship etc. will have to be integrated to ensure market readiness of scholars	(Futcher, 2018)
Creating a trusted e-retailer symbol	Alibaba introduced the Trustpass to demonstrate the reliability and credibility of an online retailer; the same approach could be adopted by the State	(Erisman, 2016)
Trade incentives and policies	Trade agreements should be pursued with e-retailers in mind; this will encourage the exportation industry positively affecting the South African economy	(Tralac Trade Law Centre, 2020; Mofokeng, 2018; Steenkamp F. K., 2018; Centre of Export Development, 2019; Primo, 2018)
Access to funding	SAPOs eMall will provide entrepreneurs with a platform to showcase their products; however, State support needs to go beyond a simple e-marketplace. SME e-retailers like other retails are inundated with financial burdens; the State should provide exclusive access to funding for e-retailers as they would provide access to funding to any other retailers	(United Nations Industrial Development Organisation, 2017; Goga, Paelo, & Nyamwena, 2019)
Regulations should be reviewed	Unfortunately, the regulations that govern retail transactions and businesses are relatively outdated and do not consciously account for e-retail transactions. Reviewing these laws will result in a more secure e-retailing ecosystem that can be trusted by all. The State should specifically review the taxation laws to ensure that e-retailers are taxed fairly, and the South African Revenues Services receives what is due to them to ensure that they able efficiently enough to improve the standards of living for South African citizens	(Gutuza, 2010; Groenewald B. H., 2017; Mahlunge, 2014)

One could provide multiple recommendations; however, one recommendation is of paramount importance SME e-retailers have to go through an intense introspective exercise to ensure that they leverage off of their most robust capabilities whilst strengthening those that fall short. The exercise will also be necessary for the purposes of creating a business model that is genuinely tailored and customised to the e-retailers context, a business model that is tailored and customised will ensure that the e-retailer deliveries an efficient and excellent customer experience which will put them in a more competitive position. E-retailers could outsource this process consulting firms like Uriella Consulting which have experts who have the relevant expertise in a combination of business process modelling, e-commerce, digital transformation and project management. E-retailers could also opt for a vertical integration with an e-commerce partner like ParcelNinja to assist (Parcel Ninja, 2020; Uriella Holdings, 2020).

6.4 Limitations of the study

The following three points were identified as limitations of this study:

- The research instrument was problematic and the fact that the most important capability could not be analysed was the biggest weakness of this study
- The response rate was problematic however that is due to the limited number of SME e-retailers in South Africa
- The research could have been significantly more insightful if a mixed-methods approach was deployed, the qualitative perspective would have provided significant depth to the study

6.5 Suggestions for further research

The following research suggestions should be explored:

- E-marketplace research should be explored in South Africa especially the beneficial factors of e-marketplaces
- Researchers should trace the effectiveness of the African Continental Free Trade Agreement on e-retail
- The human capital aspect of e-retailing
- E-retail supply chain management
- The effects of platforms and e-marketplaces on e-retailers
- The laws and regulations that govern e-retailing transactions
- Social commerce engagements should be monitored from a consumer's perspective
- The effects of the Covid-19 pandemic on SME e-retails from a financial and operational perspective

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Annexures

Annexure A: South Africas trade agreements

Table 35: A summary of South Africas' the main trade agreements (Centre of Export Development, 2019; Southern African Development Community, 2012; International Trade Administration, 2020; Tralac Trade Law Centre, 2020)

Name of agreement	Type of agreement	Countries involved		Main objective/ terms of agreement	Products involved
Southern African Customs Union (SACU)	Customs union	• Botswana • Lesotho • Namibia • Republic of South Africa (RSA) • eSwatini		Facilitates the duty-free movement of goods entering countries that are members of SACU. A common external tariff is levied on goods entering any of the countries that are not members of SACU	All products
Southern African Development Community (SADC) FTA	Free trade agreement (FTA)	• Angola • Botswana • Comoros • Democratic Republic of Congo (DRC) • Eswatini • Lesotho • Madagascar • Malawi	• Mauritius • Mozambique • Namibia • RSA • Seychelles • United Republic of Tanzania • Zambia • Zimbabwe	In 2008 the SADC FTA ensured that 85% of the items traded by member States were duty-free. The remaining 15% of products were categorized into the sensitive list	Most products

Trade, Development and Cooperation Agreement (TDCA)	FTA	• RSA • European Union (EU)		The liberalization of 95% of the EUs duties on products that originated in South Africa and the liberalization of 85% of the duties levied on products that originate from the EU in RSA	Scope of products is currently being reviewed
EFTA-SACU FTA	FTA	• Angola • Botswana • Comoros • Democratic Republic of Congo (DRC) • Eswatini • Lesotho • Madagascar • Malawi • Mauritius • Mozambique	• Namibia • RSA • Seychelles • United Republic of Tanzania • Zambia • Zimbabwe • Iceland • Liechtenstein • Norway • Switzerland	The reduction of tariffs on selected goods	• Industrial goods (inclusive of marine products) • Processed agricultural products • Basic agricultural products (upon consideration of those included in bilateral agreements with individual EFTA States)
Economic partnership agreement between SADC EPA States of the one part and the EU and its Member States of the other part	Economic partnership agreement	• RSA • Botswana • Namibia • Swaziland • Lesotho • Mozambique • EU		• The harmonization of trade regimes between SACU and the EU • Facilitate increased access to the agricultural market whilst bringing about policy reform • Intended to replace the trade chapter in the Trade Development and Cooperation Agreement)	Multiple products

SACU Southern Common Market (Mercosur) PTA	Preferential trade agreement	• Argentina • Botswana • Brazil • Lesotho • Namibia • Paraguay • RSA • Swaziland • Uruguay		The reduction of tariffs on selected goods	Approximately 1 000 product lines on each side the border
Zimbabwe/ South Africa bilateral trade agreement	Bilateral Preferential Trade Agreement	• RSA • Zimbabwe		Preferential duties, rebates and quotas on selected goods traded between the countries	Selected goods
Generalized System of Preferences (GSP)	Non-reciprocal trade agreement/ Unilateral preferential agreement	• Canada • Japan • Norway • RSA • Russia • Switzerland • Turkey • United States of America (USA)		Preferential market access to developing countries	Specified industrial and agricultural products
African Growth and Opportunity Act (AGOA)	Unilateral assistance measure	• Angola • Benin • Botswana • Burkina Faso • Burundi	• Madagascar • Malawi • Mali • Mauritius • Mozambique	Low to no tariffs charged on countries to facilitate preferential access to the US market	List of selected 7 000 products

		• Cameroon • Cape Verde • Central African Republic • Comoros • Cote d'Ivoire • Djibouti • Eswatini • Ethiopia • Gabonese • Ghana • Guinea • Kenya • Lesotho • Liberia	• Namibia • Niger • Nigeria • RSA • Rwanda • Sao Tome and Principe • Senegal • Seychelles • Sierra Leone • Tanzania • The Gambia • Togo • Uganda • USA • Zambia		
Trade, Investment and Development Cooperation Agreement (TIDCA)	Cooperative Framework Agreement	• Botswana • Eswatini • Lesotho • Namibia • RSA		Intended to create provisions for members to negotiate and sign agreements related customs cooperation, technical barriers to trade and to sanitary and Phyto-sanitary measures. It also creates a forum of engagement for members	None
Trade and Investment Framework Agreement (TIFA)	Bilateral agreement	• RSA • USA		Provides a forum for the two countries to discuss matters of interest	None
African Continental Free Trade Agreement	Free trade agreement	• Burkina Faso • Cameroon	• Mali	Intended to increase intra-African trade by creating a single continental market for goods and services complemented by	Due to commence on the 1st of July 2020

		• Chad • Cote d'lvoire • DRC • Egypt • Equatorial Guinea • eSwatini • Ethiopia • Gabon • Gambia • Ghana • guinea • Kenya	• Mauritania Djibouti • Mauritius • Namibia • Niger • RSA • Rwanda • Saharawi Republic • Sao Tome • Senegal • Sierra Leone • Togo • Uganda • Zimbabwe	the free movement of businesspersons and investments. The agreement is meant to accelerate the Customs Union. it is anticipated that the agreement will enhance competitiveness at industry and enterprise level through exploitation of opportunities for scale production, continental market access and better reallocation of resources.	

Annexure B: Takealots' success fees (Takealot.com, 2020)

Table 36: Takealots success rate fees

Success fees are the fees that Takealots' charges SMEs for referrals, transactional costs, customer support and all-round platform support. The fee is credited for items returned***	
Range of the percentages charged on VAT inclusive products (excluding shipping)	Product categorizes
12.0% – 14.0%	Baby
10.0% – 15.0%	Beauty
14.0% – 14.0%	Books
4.0% – 12.0%	Cameras
8.0% – 15.0%	Camping & Outdoor

10.0% – 18.0%	Clothing & Footwear
6.0% – 12.0%	Computer Components
5.0% – 10.0%	Computers & Laptops
10.0% – 12.0%	DIY & Automotive
10.0% – 14.0%	Electronic Accessories
5.5% – 15.0%	Games
12.0% – 14.0%	Garden, Pool & Patio
10.0% – 12.0%	Health
15.0% – 15.0%	Homeware
8.0% – 10.0%	Large Appliances
7.0% – 10.0%	Liquor
15.0% – 15.0%	Luggage & Travel
7.5% – 8.5%	Mobile
10.0% – 15.0%	Music & DVD
8.0% – 12.0%	Musical Instruments
8.0% – 8.0%	Non-Perishable
7.0% – 15.0%	Office
10.0% – 10.0%	Office Furniture
10.0% – 10.0%	Pets
10.0% – 12.0%	Small Appliances
5.0% – 14.0%	Smart Home & Connected Living
12.0% – 15.0%	Sport
10.0% – 14.0%	Stationery
12.0% – 12.0%	Toys
5.5% – 12.0%	TV & Audio

Annexure C: Fulfilment fees charged by Takealot.com, adapted from Takealots website (Takealot.com, 2020)

Table 37: Takealots fulfilment fees

	Weight

Size	Light Less than or equal to 7kg (ZAR)	Heavy Greater than 7kg and less than or equal to 25kg (ZAR)	Heavy plus Greater than 25kg and less than 40kg (ZAR)	Very heavy Greater than or equal to 40kg and less than or equal to 70kg
Standard Less than or equal to 35 000 cm3	32.00	36.00	85.00	85.00
Standard Product Categories: Stationery, Cellular Accessories, Liquor, Pets, Music & DVD, Books, Baby Items, Non–Perishables, Beauty, Health and Personal Care FMCG, Fishing Equipment, Clothing, Footwear.	25.00	36.00	85.00	85.00
Large Greater than 35 000 cm3 and less than or equal to 130 000 cm3	42.00	46.00	85.00	95.00
Oversize Greater than 130 000 cm3 and less than or equal to 200 000 cm3	95.00	105.00	125.00	100.00
Bulky Greater than 200 000 cm3 and less than or equal to 545 000 cm3	95.00	115.00	130.00	140.00
Extra Bulky Greater than 545 000 cm3	220.00	220.00	270.00	325.00
These fulfilment fees are charged per item shipped from a Takealot warehouse				

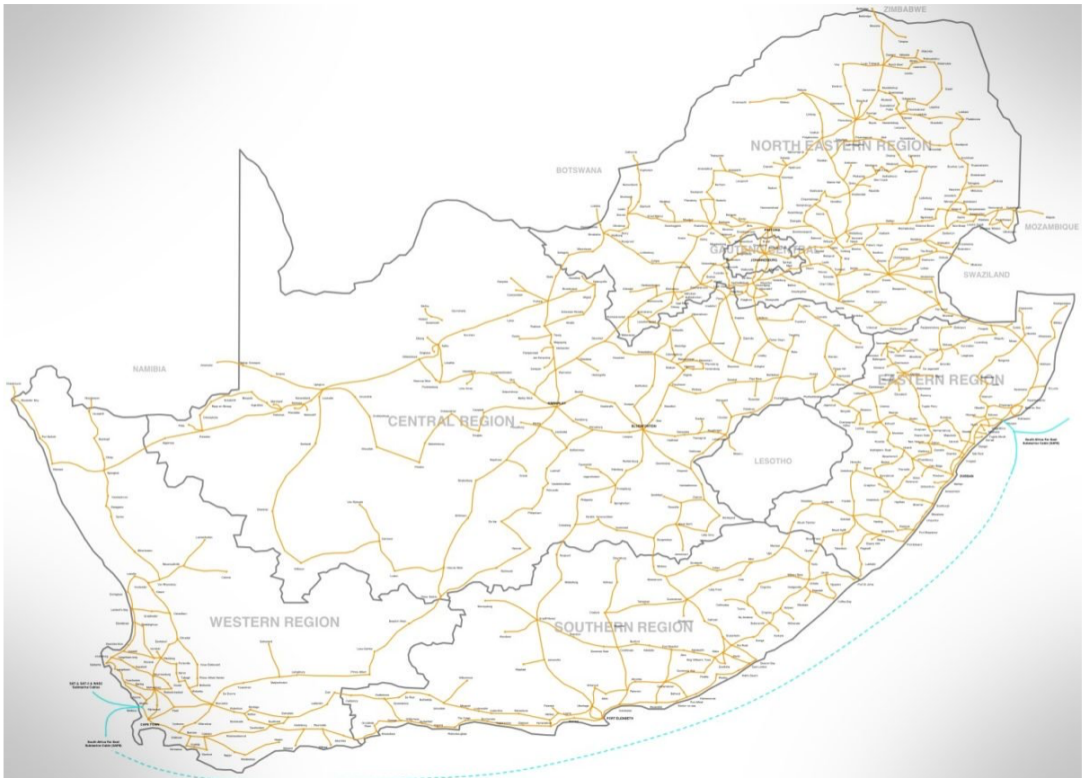
Annexure D: Takealots storage fees

Table 38: Takealots storage fees (Takealot.com, 2020)

Storage fee per item pm				
Size in cm^3		35-45 days (ZAR)	46- 60 days (ZAR)	>60 days (ZAR)
Small	0 – 60 000 cm^3	4.00	12.00	24.00
Standard	60 001 – 130 000 cm^3	12.00	24.00	48.00

Large	130 001 – 200 000 cm^3	25.00	50.00	100.00
Extra Large	200 001 – 275 000 cm^3	45.00	90.00	180.00
Oversize	275 001 – 545 000 cm^3	150.00	300.00	600.00
Bulky	545 001 – 775 000 cm^3	250.00	500.00	1 000.00

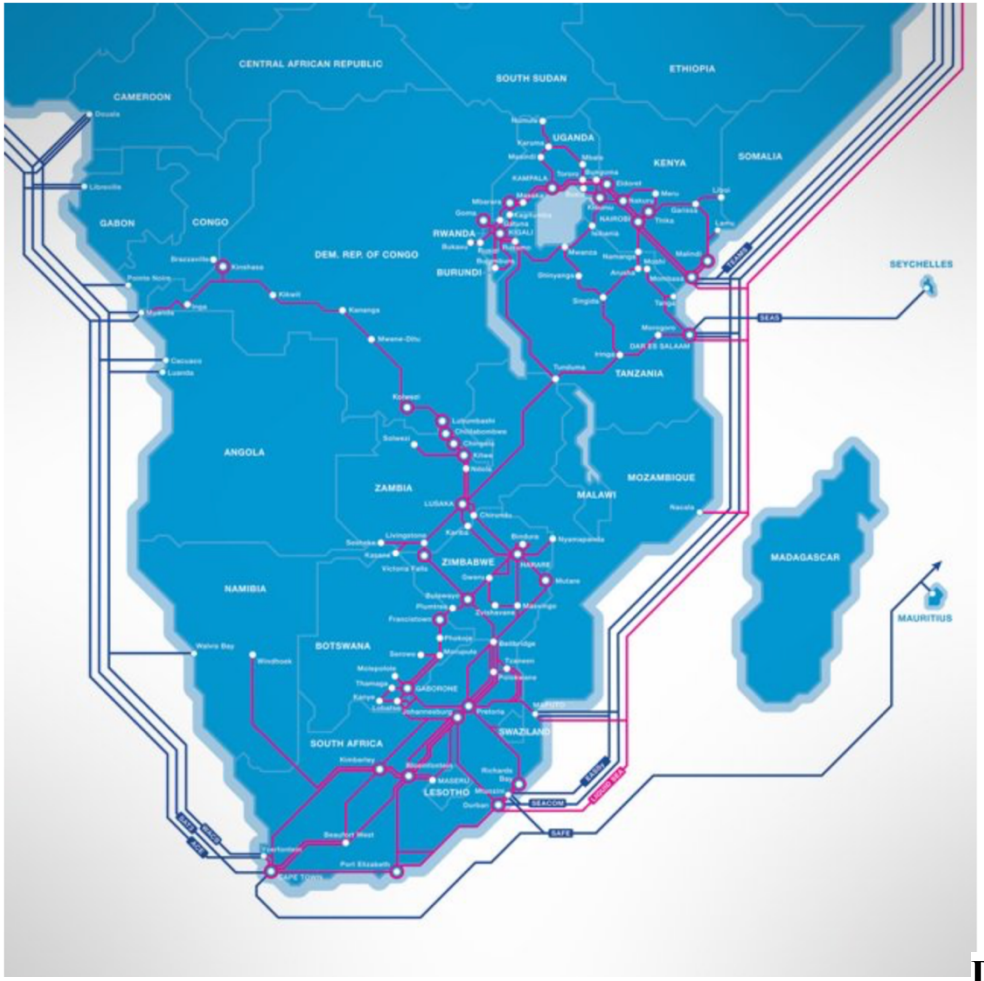
Annexure E: Maps of South Africa's fibre network (Vermeulen, 2018)



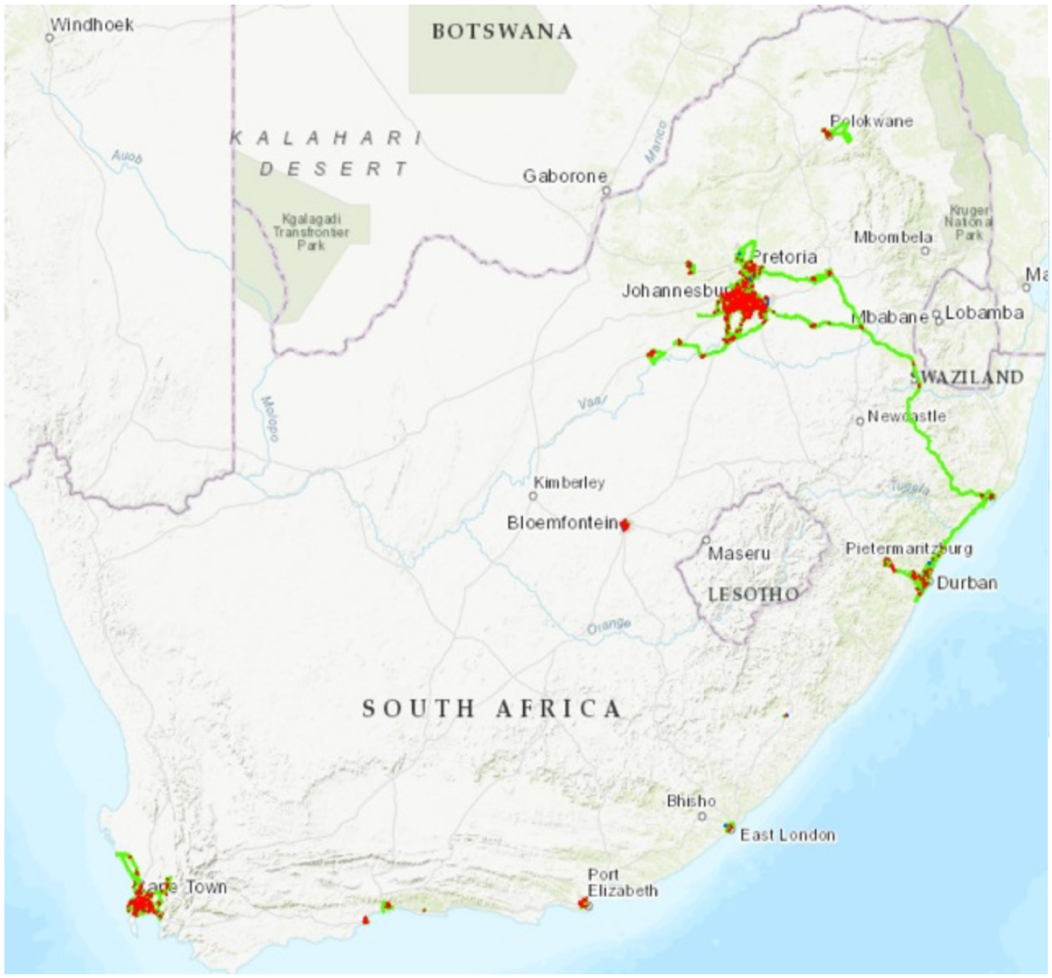
Telkom's fibre network



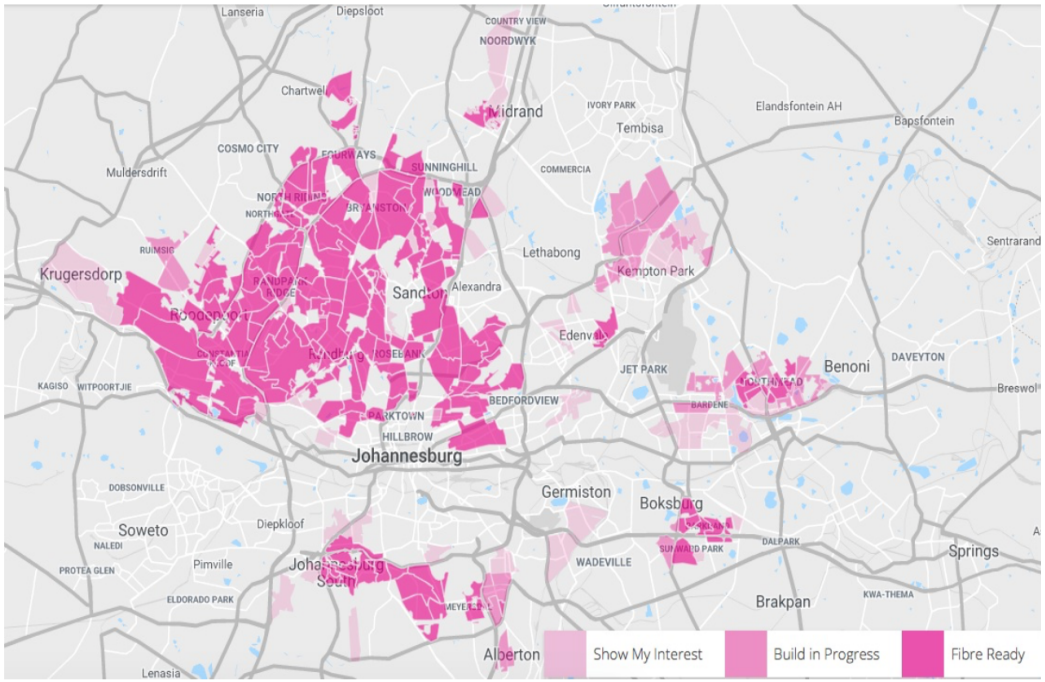
FibreCo's fibre network



Liquid Telecom's fibre network



Dark Fibre Africa's fibre network



Vumatel's fibre network



Broadband Infraco's fibre network

Annexure F: Classifications of enterprises according to size in terms of turnover

Sector or subsector in accordance with the standard Industrial Classification	Size of class	The total fulltime equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very Small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very Small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair Services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very Small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale Trade, Commercial Agents and Allied Services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very Small	20	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering, Accommodation and other Trade	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Transport, Storage and communications	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
Finance and Business Services	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very Small	20	R1m	R0.60m
	Micro	5	R0.20m	R0.10m

Figure 13: Classification of Small Businesses (The Banking Association South Africa, 2019)

Table 39:Adapted version of the classifications of enterprises according to size in terms of turnover (The Small Enterprise Development Agency, 2019)

Industry	Large >Rm	Medium >Rm	Small >Rm	Very Small (Micro) >Rm
Manufacturing	638	163	63	2
Retail trade	488	238	50	2
Wholesale trade	800	400	75	2

Annexure G: DeLone and McLean IS Success Model

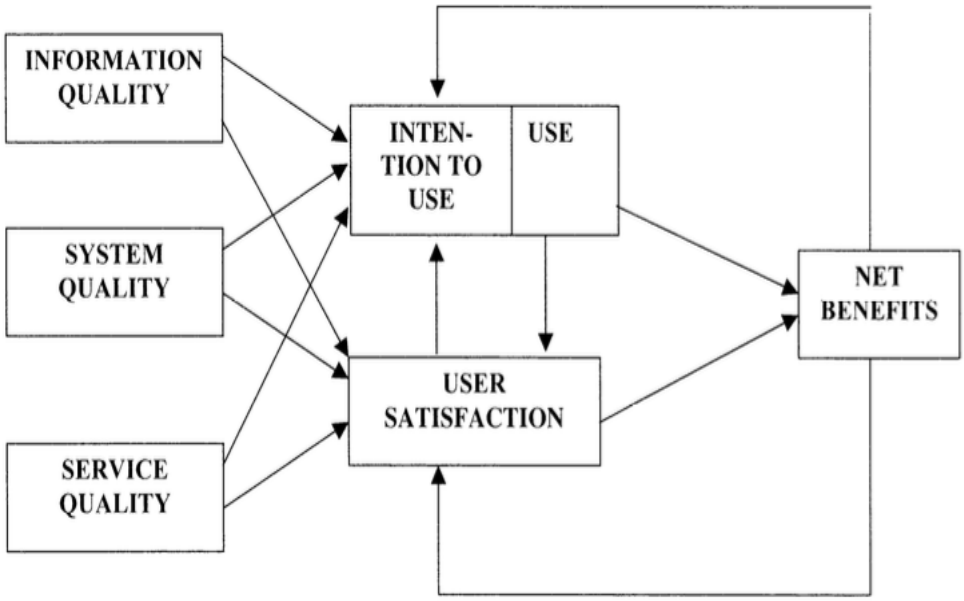


Figure 14: DeLone and McLean IS Success Model (DeLone & McLean, 2004)

Annexure H: Research instrument

1 Dear Sir/Madam, my name is Dineo Maphanzela and I am currently doing my masters in management (entrepreneurship and new venture creation) at the University of the Witwatersrand Business School. The title of my masters research is enabling capabilities and the performance of SME e-retailers in South Africa. I am interested in understanding the current South African e-commerce landscape and more specifically how e-commerce can enable SMEs in the future ensuring financial and sustainable e-commerce development. As an e-retailer (an individual or enterprises that sells goods and services using the internet) in South Africa, you are invited to participate in my research by completing this online questionnaire. The purpose of the questionnaire is twofold, to investigate:

- The effects of e-commerce on the South African economy and enterprises
- The skills and capabilities requirements for South African e-retailers

The questionnaire is broken down into three parts. In part 1, you will be asked questions about you and your business. In part 2, you will be asked questions related to your enterprise capabilities and financial performance. In part 3, you'll be asked questions relating to your enterprises orientation. The questionnaire should take about 20 minutes to complete, your responses are important and there are no right or wrong answers. It would be appreciated if

you answered all the questions. Your responses will be taken to be both confidential and anonymous. In order to ensure your confidentiality and anonymity, you will not be required to give your name or your business's name at any stage. This study is for academic purposes only, the results of the study will only be reported in my thesis and your responses will not be shared with anyone else. The study was approved unconditionally by the Human Research Ethics Committee (non-medical) of the University of the Witwatersrand, Johannesburg. Should you have any queries relating to the research, please feel free to contact me on 082 888 2564 or 1085555@students.wits.ac.za/dmaphanzela@gmail.com. Alternatively, you can contact my supervisors, Professor Boris Urban, on 083 793 3069 or boris.urban@wits.ac.za. If you would like to get access the results of the study after conclusion please send me an email

Thank you
Dineo Maphanzela
By clicking the yes option below you acknowledge that your participation in this survey is voluntary and that you consent to participating in the survey

- Yes (1)
- No (2)

End of Block: Default Question Block

Start of Block: Part 1: Demographics

2 Are you an e-retailer (a business that sells goods or services on any online platform i.e. website, Instagram, Facebook, twitter)?

- Yes (1)
- No (2)

3 Where is your business based? (Province)

- Limpopo (1)
- Gauteng (2)
- Northern Cape (3)
- Western Cape (4)
- North West (5)
- Mpumalanga (6)
- Eastern Cape (7)
- KwaZulu Natal (8)
- Free State (9)
- Other (10) _____

Q63 Is your business registered with the Companies and Intellectual Property Commission (CIPC)?

- Yes (1)
- No (2)

Q65 Do you have a physical store?

- No (1)
- Yes (4)

Q67 If your answer to the previous question was yes, which channel generates more value for you?

- E-retail (1)
- Physical store (2)

Q69 Has your business operated online from inception?

- Yes (1)
- No (2)

Q71 If your answer to the previous question was no, why you decided to use an e-retail model

- Increased revenue (4)
- Increased market reach (5)
- Other (6) _____

Q73 How long have you been an e-retailer?

- 1-3 years (1)
- 4-6 years (2)
- 7- more years (3)

Q75 Which online channels does your business utilise (you may select more than one option)?

- Website (1)
- Social media platforms (i.e. Instagram, Facebook, Twitter) (2)
- Online marketplace (Amazon, Zando, Superbalist etc.) (3)
- Other (4) _____

Q79 If your business uses more than one channel which channel is more effective?

- Website (1)
- Social media platforms (2)
- Online marketplace (3)
- Other (4) _____

Q81 Please describe the products or services your business offers?

_____
_____
_____
_____
_____

Q83 Which category does your business fall under?

- Micro enterprise (1)
- Small enterprise (2)
- Medium enterprise (3)
- Large enterprise (4)

Q85 Which market do you cater to?

- Lower class (1)
- Middle class (2)
- Upper class (3)

Q87 What industry do you operate in?

- Healthcare (1)
- Information Technology (2)
- Retail (3)
- Accounting (4)
- Financial Services and Banking (5)
- Education (6)
- Hospitality (7)
- Other (8) _____

Q97 What percentage of your enterprise is black owned (according to the BBBEE regulations)?

_____

End of Block: Part 1: Demographics

Start of Block: Part 2A: Enterprise Capabilities and Performance

Q92 Your enterprises market share growth has increased by _ in comparison to competitors?

- Less than 0% (8)
- 0 to 5% (9)
- 6 to 9% (10)
- 10 to 14% (11)
- 15 to 19% (12)
- 20 to 24% (13)
- More than 25% (14)

Q93 Your enterprises net profit has increased by _ in comparison to competitors?

- Less than 0% (1)
- 0 to 5% (2)
- 6 to 9% (3)
- 10 to 14% (4)
- 15 to 19% (5)
- 20 to 24% (6)
- More than 25% (7)

Q94 Your enterprises return on sales has increased by _ in comparison to competitors?

- Less than 0% (1)
- 0 to 5% (2)
- 6 to 9% (3)
- 10 to 14% (4)
- 15 to 19% (5)
- 20 to 24% (6)
- More than 25% (7)

End of Block: Part 2A: Enterprise Capabilities and Performance

Start of Block: Part 2B: Enterprise capabilities and performance

Q45 In comparison to my direct competitors I have released more new products or service offerings in the past year?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q49 I communicate efficiently with consumers?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q53 Over the past year I have looked for innovative solutions to problems facing my business?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q57 I use technology to continually innovate?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q59 I respond to my consumers timeously?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q63 The products or services I offer meet consumers expectations in terms of quality?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q65 I communicate promotions and offers to consumers?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q69 The products or services I offer meet consumers expectations in terms of pricing?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q71 The products or services I offer are delivered to consumers in time?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q75 According to your customer feedback, how effective is your companies communication?

- Extremely effective (1)
- Very effective (2)
- Moderately effective (3)
- Slightly effective (4)
- Not effective at all (5)

Q77 I could improve how I communicate with my clients?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q79 The customer feedback mechanisms I have implemented are effective in improving products and service offerings?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q81 I could improve my technological capabilities (for instance data mining, production etc.)?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q83 My customers believe I could be more innovative in my product or service offering?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q87 I could improve my production capabilities?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q89 I could improve the quality of my products or service offerings?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q93 I could improve the delivery process of my products or services?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q95 I could improve the pricing of my products and services?

- Strongly agree (1)
- Agree (2)
- Somewhat agree (3)
- Neither agree nor disagree (4)
- Somewhat disagree (5)
- Disagree (6)
- Strongly disagree (7)

Q111 I believe the following capability is the reason my enterprise isn't doing well?

- Marketing (1)
- Technological (2)
- Operational (3)
- Dynamic (4)

Q113 I believe investing in the following function will result in enhanced financial performance?

- Marketing (1)
- Technological (2)
- Operational (3)
- Dynamic (4)

Q33 What motivated you to start an e-commerce business?

- Necessity (1)
- Opportunity (2)
- Lifestyle (3)
- Other (4) _____

Q97 What is your enterprises greatest technological issue?

_____

Q98 What is your enterprises greatest production challenge?

_____

Q99 What is your enterprises greatest marketing challenge?

_____

End of Block: Part 2B: Enterprise capabilities and performance

Start of Block: Part 3: Enterprise orientation

Q89 How was the start-up of your enterprise funded?

- Love Money (from family and friends) (1)
- Crowdfunding (2)
- Click to write Choice 3 (3)
- Savings (4)
- Micro loan from informal lender (5)
- Angel Investor (6)
- State institution (namely) (7) _____
- Venture Capital (8)
- Grant (from) (9) _____
- Other (10) _____

Q91 Does your company have any registered patents?

- Yes (how many?) (1) _____
- No (2)

Q93 Has your product or service offering diversified since inception?

- Yes (how have you diversified?) (1) _____
- No (why not?) (2) _____

Q95 Can consumers interact with you or staff directly on your e-commerce platform?

- Yes (1)
- No (2)

Q97 Have you operated as an e-retailer from inception?

- Yes (1)
- No (2)

Q99 Which online channels does your enterprise utilise?

- Social Media (Twitter, Facebook, Instagram, YouTube etc.) (1)
- Website (2)
- Online Marketplace (3)
- Other (4) _____

Q103 How many clients do you have on average per month?

_____

Q105 What percentage of these clients are repeat purchasing clients?

_____

Q107 Please describe the products or services your business offers?

_____

Q109 Do you export your products or services to other countries?

- Yes (What percentage of your sales are exported?) (1)
  _____
- No (2)

Q111 Do you outsource your manufacturing function?

- Yes (1)
- No (2)

Q113 Do you import any of your products or materials used for your products?

- Yes (what percentage of products or materials used are imported?) (1)
  _____
- No (2)

Q115 Do you outsource your marketing function?

- Yes (1)
- No (2)

Q117 Can consumers conclude their transaction with your enterprise online?

- Yes (1)
- No (2)

Q119 Do you outsource your logistical function?

- No (1)
- Yes (2)

Q100 Would you be interested in an e-marketplace like Alibaba?

- Yes (1)
- Maybe (2)
- No (3)

Q121 If you know any other e-retailers please leave their direct email addresses or number?

_____

End of Block: Part 3: Enterprise orientation

Appendix I: Consistency matrix

Analyse the effects of capabilities on the performance of SME e-retailers in South Africa						
Sub-problem/Aims	**Literature Review**	**Hypotheses or Propositions**	**Research questions**	**Variables (independent and dependent)**	**Type of data**	**Analysis**
Analyse the effects of marketing capabilities on the performance of SME e-retailers	• Galawe (2017) • Ju, et al. (2013) • Yu et al. (2014)	There is a positive relation between marketing capabilities and the (financial) performance of SME e-retailers	To what extent do marketing capabilities affect the performance of SME e-retailers in South Africa	IV1= Marketing capabilities DV1= Financial performance	Ordinal	Correlation analysis Regression analysis Descriptive analysis
Analyse the effects of technological capabilities on the performance of SME e-retailers	• Galawe (2017) • Ju, et al. (2013) • Jurksiene et al. (2015)	There is a positive relation between technological capabilities and the (financial) performance of SME e-retailers	To what extent do technological capabilities affect the performance of SME e-retailers in South Africa	IV2= Technological capabilities DV2= Financial performance	Ordinal	Correlation analysis Regression analysis Descriptive analysis
Analyse the effects of operational capabilities on the performance of SME e-retailers	• Galawe (2017 • Yu et al. (2014)	There is a positive relation between operational capabilities and the (financial) performance of SME e-retailers	To what extent do operational capabilities affect the performance of SME e-retailers in South Africa	IV3= Operational capabilities DV3= Financial performance	Ordinal	Correlation analysis Regression analysis Descriptive analysis
Analyse the effects of dynamic capabilities on the performance of SME e-retailers	• Galawe (2017)	There is a positive relation between dynamic capabilities and the	To what extent do dynamic capabilities affect the performance	IV4= Dynamic capabilities	Ordinal	Correlation analysis Regression analysis

	• Ju, et al. (2013) • Jurksiene et al. (2015)	(financial) performance of SME e-retailers	of SME e-retailers in South Africa			Descriptive analysis
				DV4= Financial performance	Ordinal	Correlation analysis Regression analysis Descriptive analysis

Figure 13: Consistency Matrix

Legend:
IV - Independent Variable
DV - Dependent Variable