

By **THABISO MOCHIKO**

● Competition from global e-commerce companies will spark a price war as local firms fight to protect their market share.

Speaking at the Last Mile Leaders event this week, hosted by Indian logistics technology group Fareye, Merlin Otto, vice-president of wholesaler Massmart, said Shein, Temu and Amazon were providing a vast product offering that most consumers were now used to accessing at a much lower price than local companies.

“With heightened customer expectations of wanting more assortments at lower prices, they drive that proposition, and that in itself is going to drive and intensify a price war,” Otto said. This was putting pressure on local retailers, who might have to “start lowering prices to stay relevant, and in doing so ... will experience some margin dilution in normal trade”.

Local fashion and homeware retailers have flagged Shein and Temu as a risk to their businesses. It was reported this week that local e-commerce retailer Zando, trading since 2012, will shut down, while Superbalist was sold by parent company Takealot to a consortium of retail and private equity investors led by Blank Canvas Capital.

In South Africa, e-commerce has grown rapidly over the last few years, fuelled by the Covid pandemic, when lockdowns forced people to rethink how they shopped. While the industry is still in its infancy, it is poised for exponential growth. A crucial driver of

Local firms fearful of online price war

the delivery industry, e-commerce is projected to double to R400bn by 2025, with the number of people buying online expected to reach about 40-million by 2027.

Otto said he expected heavy investment in technology for a better shopping experience, and improvement in delivery times.

“There is excitement [about] Shein and Temu. They act as a catalyst to accelerate e-commerce adoption. They will help usher in the modernisation of retail, and the digitisation of payment systems will evolve as well,” Otto said.

As more people shop online, the final-destination delivery industry, referred to as “last mile”, has also been given a boost. Fareye said with the rapid expansion of e-commerce and online retail, the challenge of ensuring timely deliveries to customers’ doorsteps has never been more daunting.

“Last-mile deliveries are a crucial part of the end-to-end supply chain that can signi-



A view of a Shein pop-up store at a mall in Singapore. Local e-commerce retailers have flagged Shein and Temu as a risk to their businesses. Picture: Reuters

ficantly affect customer satisfaction and potentially save lives. Innovation is becoming more and more critical for businesses to ensure transparency in driving superfast order fulfilment and cost-efficient transportation methods, while keeping the impact on the environment in mind,” said MJ Schoemaker, president of supply chain industry body Sapics.

Fareye said with 20-25 delivery truck hijackings occurring daily in the country, businesses were compelled to invest heavily

in security, which drove up operational costs. South Africa’s last-mile delivery expenses were now 50%-100% above the global average. As the e-commerce market was set to double in the next five years – fuelled by global giants such as Amazon, Alibaba and Walmart, which owns Massmart – solving these challenges had become a critical priority.

Speakers at the event called on e-commerce companies to make it easier for consumers to track orders in real time, as well

as to improve return channels.

“I think something that we should definitely not downplay is track-and-trace visibility to be able to do up-to-date, near real-time communication with a customer about where the order is, because [lack of communication] drives anxiety,” said Otto.

“Companies need to have friction-free, flexible returns – an omnichannel returns process. I want to be able to buy something knowing I can return it. I can either drop it off at a store or hub. I think if you get those pieces right, you have a good chance of keeping your customers.”

Karen Pretorius, founder of KPI Cubed Supply Chain Consulting, said: “It’s quite easy to buy something on all these platforms, but it’s hard to get rid of it if it’s not the right thing, get it to the right place for the return to happen, or actually speak to a person. We’re all very happy to tick a smiley face when the delivery is successful, but when there’s a problem you want to be able to speak to a person who can assist you – not just to a chatbot that has been preprogrammed with certain answers. And I think that’s where the gap is at the moment – there’s a lot of investment in robotic process information on the happy path, but not where there are problems.”

Pretorius said local e-commerce and last-mile industries were learning “at the speed of light at the moment, and we have to take the best of other platforms and other territories and apply it to our own environment”.