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AN E-COMMERCE REVOLUTION IN RETAIL?

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Introduction

The purchase of goods or services over the internet, is changing the nature of retailing. This is commonly referred to as e-commerce or online retail. It has benefitted consumers by providing increased choice and variety. However, the alternative business models and lower cost structures have led to concern over the scale, dominance and market power of the largest e-commerce giants, notably Amazon and Alibaba, and implications for other businesses. The disruptive impact of e-commerce on the existence of traditional "brick and mortar" retail stores as well as its impact on adjacent industries has raised further concern. Its cross-border nature has significant implications for policy and regulation in a range of areas spanning ICT, payment systems, taxation, industrial policy and intellectual property. However, these changes also provide businesses and policymakers with significant opportunities to reshape the retail landscape and to expand access to markets.

Global technology disruptions

Technological advances are changing the nature of retail around the world, with ICT already increasingly used to support components of the retail value chain. E-commerce has allowed a decoupling of purchase from physical presence allowing companies an unsurpassed ability to access consumers in geographically disparate markets. This has led to the growth of online retailers including "pure-play retailers" that have no physical store presence but exist solely online, delivering directly to customers from warehouses or from the suppliers themselves (often located in low cost manufacturing countries). These disruptions have implications for competition in retail markets (including on industry structure and concentration as well as international competition) as well as on policy and regulation.

Impact on competition in retail markets

E-commerce is wide ranging and encompasses a range of business models including "pure-play" online retailers, traditional retailers with online offerings, and marketplaces which allow different providers to list products. They also range in size from micro-industries listing products on a marketplace or social media to large multinational vertically integrated

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companies such as Amazon. The growth and disruption implications differ across these entities.

a) Large online retailers

One of the most significant concerns is the ***concentration of market power in the hands of the largest online retailers through economies of scale***. Most countries have seen the emergence of one dominant online platform (such as Amazon in the US and UK, Alibaba in China, Mercado Libre in South America or Rakuten in Japan). Their dominance has an impact on competitors within the online retail space as well as traditional retailers. It also has supply-side impacts with challenging implications, given the cross-border nature that online retail permits. This impacts on where goods are sourced and thus potentially affects local manufacture. There are multiple factors that play a role:

Size matters: The size of large online platforms often allows them to benefit from scale economies in logistics, and also allows for bargaining power over suppliers allowing them to place downward pressure on supplier margins. High levels of capital investment in tech companies combined with an expectation of capital appreciation rather than profits has also led to a business model that which has lower profit expectations than traditional retail and allows for investment to grow market share. [3] This has often lead to a scenario in which the largest platforms are able to offer lower prices, further increasing their market position. This has resulted in increased spending on R&D, marketing, data analysis and payment system integration by some of these platforms reinforcing the effects.

Search prominence provides a gateway to customers: There are two commonly used means of accessing online retail offerings. Firstly, customers search for products on search engines such as Google. Secondly, customers search for products on the website of an online retailer. Both of these systems advantage large companies that have technological skills and deep pockets. Google has a sophisticated advertising arm that allows companies to promote their ranking in search terms and to feature sponsored advertisements in relation to certain keywords. These are bid on, and generally online retailers with the deepest pockets and broadest understanding of online marketing, dominate the first few items of a search. Additionally, this shifts a proportion of marketing spend from local media outlets (for example, newspapers) to international technology firms.[4] Where there is vertical integration exclusion of competitors may occur as has recently come to the fore with the EC fining Google €2.42 billion for promoting Google Shopping over competitors. Similarly, where customers begin their search on a retail platform they usually choose the most prominent platform likely to stock the range of products they require. In the US more than half of online shopping searchers start on Amazon (up from 18% 10 years ago).[5] These trends reinforce market power and reduce access to customers for smaller retailers. There is also a third route to customers that is increasingly being used in the more sophisticated markets, namely the use of specialized or automated (generally voice controlled) assistants such as Amazon's Alexa, Google's Home

[3] See Khan, L (2017). "Amazons Antitrust Paradox", *Yale Law Journal*, 126 (3), available here for a discussion on Amazon foregoing profits to build scale.
[4] In an interview with a large retailer in South Africa confirmed that they have shifted their entire marketing budget for the online division to Google based on research into the impact on online sales.
[5]Neate, Rupert, "The age of Amazon: a closeup examination of Bezos's behemoth", The Guardian, 24 April 2018, available here.

and Microsoft Cortana as well as Apple's Siri to engage in online shopping.[6] This forms part of what is often termed the "Internet of Things". The automation of choice removes the customer from the selection process and the relationship between technology companies and devices impact on sales made. For example, Amazon devices currently prioritise Amazon-owned brands for staple product orders.[7] The implication is that customer choice is increasingly being viewed through the business choices of international technology companies.

Sticky habits reinforce barriers to switching: Potential dominance by large platforms is reinforced by increased barriers to switching. User-friendly technological developments such as integrated payment systems and "one click" purchases (which allow customers to store information for delivery and payment) increase convenience for customers, but inadvertently raise barriers to switching as customers would need to re-enter information in order to try a different provider. As this increases the hassle factor in switching providers, that is, it increases the difficulty a consumer has in overcoming the status quo of their original choice.[8] Internationally, loyalty inducing subscriptions such as Amazon Prime which provides free next day delivery, and movie streaming, also reduce switching and reinforce use of the Amazon platform for searches. Furthermore, trust in a platform is integral to trial, which often leads to customers choosing to purchase on known websites or brands like Amazon.

Big data provides an advantage: Barriers to entry are also increased by technological advances. ***The ability to collect and rapidly analyse large data sets ('big data') provides substantial advantages to more sophisticated online retailers***. Browsing and purchase data can be combined with individual customer data as well as other multi-parameter datasets (such as the weather or sports events) to create sophisticated means of predicting demand and price points., both on an individual and aggregate levels. This represents network effects, as the more people that use the platform, the more data is generated, and the better the information and predictive value (of the advert pricing, targeting, product pricing, design). The better the predictive value the more targeted the offering, and greater the consumer and supplier engagement. Therefore, data is an important source of market power and raises barriers to entry. Those who cannot access sufficient data or process it optimally are at a competitive disadvantage.

Expansion into adjacent markets: Large tech companies are increasingly ***moving into adjacent markets*** including logistics, integrated payment systems and media (such as online readers, music streaming and video streaming) creating both horizontal and vertical integration. This increases barriers to entry for smaller competitors who are not vertically integrating and do not provide as wide a portfolio. While online retail has predominantly been business to customer focused, it is slowly increasing in the business to business or wholesale segment. In the future this could interact with technology such as 3D printing to increase its suitability for bulkier products

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[6] According to a recent study almost a quarter of people surveyed in the US had an in-home voice-controlled devices and another 20% were planning to purchase one, see Walker Sands, "Future of Retail: 2017", available here.

[7] Cision PR Newswire. *Voice Shopping Set to Jump to $40 Billion By 2022, Rising From $2 Billion Today*, available here.

[8] Samuelson, W and Zeckhauser, R. (1988). Status Quo Bias in Decision Making. *Journal of Risk and Uncertainty,* 1(1):7-59.

b) Omniretailers and the fate of the physical store

Technology is also permeating traditional retail with ***increased interplay between online and offline shopping***. As stores increasingly incorporate technology into their inventory and supplier management processes, the potential for greater online integration has increased. Store online retail options integrate with their offline facilities in a number of ways. For example, customers may have the option to "click and collect" by purchasing online and collecting products from a local store or return purchases to a physical branch, use an online website to purchase after browsing in physical stores or to check availability of stock at their nearest branch.

The fact that consumers at times enjoy the experience of physical shopping has resulted in online retailers also leveraging their online brand to enter the physical space. Amazon purchased Wholefoods in the US and is integrating offline shopping rewards schemes with their online Prime offering. Alibaba has introduced a range of stores branded Hema, which provide the experiential benefits of shopping such as the ability to see and taste certain products, but retains some of the efficiencies of online purchases such as allowing customers to purchase by scanning codes, pay using their mobile phones and home delivery within 30 minutes as in the case of Alibaba in China.[9]

c) New markets for small business

One clear benefit is the role that online retail can play in providing opportunities for SMMEs. While larger online retailers often have custom built platforms, the barriers to building an online shopping website have fallen significantly for smaller companies. Platforms such as Shopify and Magento allow companies to set up online stores without having to code it themselves, and often at a low base rate. This provides an easy channel for SMMEs to access larger geographic markets. While some companies have found it difficult to compete with established larger companies, particularly for general merchandise, especially given barriers to advertising on search platforms and scale economies in logistics noted previously, others with a clear niche product have grown extensively using online channels. Marketplaces in particular, offer access to customers for smaller businesses, though payment and platform fees can make up a considerable part of their costs. Social media platforms are also being used by small businesses to access customers and increase scale

d) Rural integration

An additional benefit of e-commerce and delivery is that customers in outlying and rural areas can often access products that they would not have had access to previously. China is currently using e-commerce as a means of extending access to products to rural areas. There are also potentially beneficial applications in areas such as education and healthcare. For example, online retail and associated logistics can be used for efficient delivery pharmaceutical and medical products and educational tools (including online courses).

Impact of e-commerce on industry and employment

There are several concerns relating to e-commerce. Most prominent among them is its potential disruption of employment in physical stores (if stores close due to being crowded out

[9] Jacobs, H. (2018). "Alibaba's Futuristic Supermarket in China Is Light-Years Ahead of the U.S. -- and Shows Where Amazon Will Likely Take Whole Foods", *Entrepreneur*, available here.

by e-commerce). While the focus is often on the impact on retail stores, a range of other industries could potentially be impacted. This includes the following:

Adjacent industries: Various adjacent industries are likely to be affected by e-commerce. This includes the media and advertising industry as advertising increasingly moves online and customer purchases are increasingly driven by search as opposed to traditional information sources such as printed catalogues. Given the size of the user base and sophistication of offerings, large international search engines are likely to crowd out local and smaller competitors. Physical stores and industries that feed into retail (such as shopfitters and retail property) could also potentially be adversely affected on some level (though this may not be the case if experiential shopping remains a key factor). Payment systems may also be disrupted.

Suppliers: There are concerns that entry by international giants such as Amazon and Alibaba into local markets, in addition to affecting local retail, will have an effect on manufacture as it may bias imports from companies that are part of their supplier networks (particularly lower income e-commerce focused markets such as China).

Logistics and delivery: However, the role of certain components of the value chain such as delivery and logistics could potentially increase as a result of e-commerce. Unlike other types of technology which are virtual, the retail of physical products benefits from local infrastructure and an understanding of the local market. In addition, unlike music which can be costlessly streamed, the retail of physical products on a large scale often benefits from local warehousing and delivery systems. As such, logistics and delivery have the potential for significant expansion as a result of e-commerce.

Regulatory issues

One of the features of international e-commerce, namely the ability for firms to trade across borders, has strong implications for regulation where companies and customers are located in different jurisdictions.[10] E-commerce impacts on a range of policy and regulatory areas including taxation, intellectual property, trade and payments regulation. As such, the growth of e-commerce has led to concerns over how it affects a country's ability to enforce its domestic policies. This includes the following:

a) Ensuring that products are taxed and that VAT and duties are paid.

b) Ensuring, that companies are taxed and not benefitting from preferential offshore tax treatment. As alluded to earlier, many of the large international companies operate on a profit-neutral basis and as a result pay minimal taxation, which is often further reduced by locating head offices in tax favourable countries.

c) Ensuring that trade policies are enforced to ensure that there is a level playing field for local manufacture.

d) Facilitating consumer protection. E-commerce gives rise to significant consumer protection issues including those related to payment systems and protection from fraud, and data protection.

[10] Banga, R. (2017). "Rising Product Digitalisation and Losing Trade Competitiveness". *UNCTAD*, UNCTAD/GDS/ECIDC/2017/3, available here.

South African technology responses

E-commerce in South Africa can be broadly classified into two categories, e-commerce within national borders, and cross-border e-commerce. E-commerce within South Africa has grown exponentially over the last decade. Whilst there are different estimates for the size of the market based on what is included in the definition, both Visa and Euromonitor estimate that the market for online retail in South Africa reached approximately R10bn in 2017.[11] However, with the size of general retail trade estimated to be R 1 trillion in 2017, this still only amounts to 1% of the total retail market.[12] Mature markets exhibit a higher percentage online sales, with the UK leading at 18% of sales online,[13] suggesting that South Africa currently lags significantly behind other countries. Online retail however has been growing at a pace that far surpasses traditional retail with estimates of growth in South Africa between 20-35% p.a.

The online retail landscape

Online retail in South Africa takes three main forms. Firstly, online-only retailers (also referred to as “pure-play”) who sell without any physical store presence. Secondly, omnichannel retailers who have a bricks and mortar presence and use online stores as a channel that consumers can use to make purchases outside of existing retail stores through online order and delivery and hybrid options such as “click and collect”. Thirdly, marketplaces, which provide the infrastructure for other sellers to sell their goods. This can be done using various models including those that require the sellers to ship their goods to a central warehouse for fulfillment and those that provide the platform for sales but that allow resellers to ship independently. It can be noted that most large South African online retailers bring products into the country through conventional trade routes and warehouse them locally before selling in much the same way that a traditional retailer would. As such, local e-commerce has not led to imports that are priced differently from traditional retail.

a) Pure play retailers

While there are a range of other online retailers that compete within South Africa there is little debate that the market leader and company most likely to grow into a dominant retail platform is Takealot, owned by international tech giant Naspers. Takealot provides an offering across a range of categories, alongside Spree and Superbalist (niche clothing websites that are also Naspers-owned). They have a pure-play store and a marketplace for third party sellers. Its estimated revenue market share varies between the mid-teens and 29.5%[14] and it has been growing rapidly with a compound growth rate of 107% for the last 4 years[15]. Takealot has benefitted from significant funding by Naspers. It has also grown through merging with large competitors and companies in adjacent markets (Kalahari.com, Spree.com, Superbalist.com, Mr D a delivery company).

As part of the Naspers group of companies it is part of an umbrella of technology companies including payment system PayU, Similarweb (the internet data research company), and OLX

[11] Smith, C. (2018). “How ecommerce is exploding in South Africa”, *Fin24*, 16 March 2018, available here; Euromonitor. (2017). *Growth of Retail in South Africa*, available here.
[12] Statistics South Africa (2017). *Five facts about the retail industry*, available here.
[13] Office of National Statistics (2018). *Internet sales as a percentage of total retail sales ratio*, available here
[14] Euromonitor. (2017). *Growth of Retail in South Africa*, available here.
[15] Planting, S. (2017). “How Takealot will spend the Naspers millions”, *Techcentral*, available here.

the classified website.[16] Naspers also has stakes in various international online retail companies as well as the Chinese tech giant Tencent. Takealot has invested significantly in logistics and warehousing capacity as well as tech capabilities such as hiring artificial intelligence experts to work on algorithms to create personalization (such as recommendations based on browsing history). It therefore appears to be developing scale in a manner that surpasses any local competitors.

Takealot appears to have benefitted from the fact that taxes, duties and delays in goods coming into South Africa have reduced international competition. Takealot has the potential to become an anchor platform for the country once it has achieved scale. While it is likely to grow further as the largest South African online retailer, it is competitively disadvantaged relative to international competitors should they choose to enter the market. It does not have the international scale, brand or leverage of electronic products such as e-books, movie streaming and music streaming that Amazon or Alibaba does. It does not own proprietary e-book readers and voice assistants. In addition, while they are able to collect information and data on the South African market, given the limited size of the market they have access to less data than larger firms. Their true competitive advantage is that they are a first mover and are building up the logistics and warehousing capacity locally. They also have the benefit of being part of an international technology group that has shares in various online retailers as well as the Chinese tech giant Tencent which may potentially provide synergies in the future.

b) Omnichannel retailers

The bulk of large, listed South African retailers have an online offering. This includes grocery chains (such as Pick n Pay and Woolworths), general merchandise (such as Makro) and clothing (Edcon, Foschini group, Truworths group and Mr P). While there are variations in the breadth and quality of online offerings, there is substantial innovation. Several of these groups own international chains or brands and are leveraging off experience in other markets. They also are adapting their products for the South African market. For example, given the lower penetration of credit cards relative to store cards in middle and lower income markets, some South African retailers such as the Foschini Group have prioritized integration of store cards and store credit accounts with their online offering. This is fairly unique internationally. South African retailers are also increasingly introducing mobile options to leverage off the high mobile phone penetration relative to broadband. Given issues relating to delivery and theft of goods placed outside homes there is innovation in delivery such delivery to lockers, to counters at stores, and to individuals at their location at that specific moment. Some retailers are using data and analytics in a sophisticated manner with applications such as the management of inventory, and personalized offerings to customers. While the bulk of purchases are still by card, South African online retailers are generally integrated to a wide range of payment systems and there is substantial innovation around payment options (including options to pay by cryptocurrency by cash at pay points for customers that do not yet trust online payments, and using QR codes).

[16] Naspers. (2017). *Naspers Integrated Annual Report for the year ended 31 March 2017,* available here.

c) SMMEs

Online retail has provided opportunities for SMMEs. While some companies with a clear niche product have grown extensively using online channels, others have found it difficult to compete with established companies, particularly for general merchandise, given barriers to advertising on search platforms and scale economies in logistics. Although marketplaces offer access to markets for smaller businesses, payment and platform fees can make up a considerable part of their costs.[17] However, there is growth in industries that support smaller e-commerce businesses from providing software solutions that manage listings across different marketplaces to providing warehousing and logistics to multiple small businesses to create some scale economies. Numerous micro-enterprises have flourished by accessing customers via social media sites such as Facebook and Instagram.[18]

d) Cross-border e-commerce

The situation differs for cross border e-commerce including purchases from websites for delivery into South Africa from abroad. While there are no statistics for international e-commerce into South Africa, the South African Post Office noted that the growth of online commerce saw volumes processed at Johannesburg International Mail Centre, the mail port of entry for parcels coming into South Africa by air, increase by over 20% from the previous year.[19]

Barriers to growth in the market

At present a key drawback to online retail in South Africa is the size of the market. Given the cost of delivery relative to the cost of products and lower income levels in the country relative to some other markets as well as the popularity of shopping centres in South Africa, there still appears to be a relatively small market for online retail. This has consequent effects on scale. There are niches which are using e-commerce more frequently (for example, online grocery retail has been popular for business customers such as B&Bs and offices). For individuals, however, it is likely that it will continue to be used by higher income earners, with slower growth into lower income and middle income markets (though this could change depending on innovation).

There are a range of issues that appear to be limiting penetration by international e-commerce companies. South Africa is a small, fairly geographically isolated market. Shipping costs are high (particularly if couriers are used), the South African Post Office is viewed as unreliable, there are extensive delays in receiving products and a high proportion of products that are lost in transit. Furthermore, there are currency fluctuations that increases risk for suppliers and is part of the reason that many international drop-shippers have chosen not to enter the market.[20] There is also uncertainty and complexity from a tax and duty perspective once the products reach the border and there is no clear and transparent system for customers to estimate duties. In addition, there are complicated rules regarding registration as an importer for individual customers.

[17] Interview conducted with Hello Pretty, 7 August 2018.
[18] Interviews conducted with Hello Pretty, 7 August 2018 and Brownsense, 14 August 2018.
[19] South African Post Office (SAPO). (2017). *South African Post Office 2016/2017 Annual Report*, available here.
[20] Interviews with e-commerce companies in Hong Kong.

As such, most logistics providers and e-commerce companies that we interviewed agreed that incoming international e-commerce is low relative to other markets and this has provided a measure of protection to the local industry, allowing it to develop in a more protected space.

However, similar logistical constraints have also impeded outward bound e-commerce. In particular, the duty and taxation regime have limited the ability for South Africa to position itself as a hub for onward bound e-commerce fulfilment into Africa and companies are increasingly considering creating their e-commerce hubs in other countries.

Impact and implications

The small size and geographic isolation of the South African market, the income profile of shoppers, a shopping mall culture as well as the poor postal service have been mooted to be reasons for the relatively low impact of e-commerce on retail in South Africa thus far. Furthermore, trade and non-tariff barriers have created inadvertent protection for the South African e-commerce market from entry multinational companies particularly those from low-cost production countries. As such, concerns over the destructive impact of entry by multinational e-commerce companies are probably overstated at this stage. However, this has the potential to change going forward as other markets reach saturation and international companies look for new opportunities. The platform effects of search, as well as the scale of online retail by international tech companies could then impact more significantly on local industry.

a) Investment

Large South African retailers have embraced online shopping. Numerous companies have invested significantly in IT systems and the creation of online platforms, including mobile enabled ones. While various omniretailers leverage off their existing store infrastructure, and use outsourced delivery and logistics, there is evidence of investment in logistics and technology with the largest online retailers investing in dedicated e-commerce distribution centres. The largest online retailers (including traditional retailers with an online arm) have also invested in technology capabilities and have hired artificial intelligence experts to work on features such as algorithms to create personalization (such as recommendations based on browsing history) and search optimisation. Some are working with companies such as Amazon to extract information from their data to better understand customers.

b) Impact on suppliers

As such, at present, the impact of e-commerce on local retailers and their suppliers appears to be minimal as the bulk of products being sold appear to be local or imported through traditional channels. “Drop-shipping” in which a customer orders a product that is then shipped from an international source does not appear to be common in South Africa at this stage due to the delays and shrinkage that occurs at the border as well as the opaqueness of duties payable.

c) Impact on employment

At present there is a consensus among the stakeholders interviewed that e-commerce in South Africa in its present incarnation as a niche channel has not reduced local employment, and in many instances has stimulated employment and investment in logistics and delivery. While a shift from traditional to online retail may impact on lower skilled in-store jobs such as checkout, it instead requires pickers and packers to select goods (a process previously undertaken by customers in stores), as well as delivery staff. For example, Takealot alone employs 1200 employees and 1000 drivers that work with Mr D Courier providing delivery services. Online retail also requires skilled labour in particular forms of programming. At present, there is a shortage of some of these skills in South Africa, which is resulting in some technical projects being outsourced internationally. However, export markets are still underdeveloped due to difficulties in the logistics and delivery abroad.

South African foresight analysis

The e-commerce market is dynamic. In the medium term most companies expect a slow and continued increase in use of e-commerce. It is likely that retailers will continue to increase the breadth and sophistication of online services and that the dominant platform (at this stage likely to be Takealot) will continue to expand.

The shape and size of the e-commerce market depends to some extent on the policy framework. For example, a reduction in barriers to e-commerce imports could increase penetration by international competitors. It could lead to a rise in imported goods which could impact on local manufacturers (though there are arguments that there is likely to be little difference between those that enter in via containers and those that enter via e-commerce if adequate measures are taken to ensure import VAT is paid). However, the market is different to other mature online retail markets and it is possible for local retailers to create a more differentiated offering that is suited to the specific needs of South African consumers.

Policy changes such as the adaptation of certain trade barriers could allow for the creation of a successful e-commerce fulfillment hub and enhance local access to surrounding markets via e-commerce for South African retailers and manufacturers (including SMMEs). There may be substantial scope for exports into other African markets. KPMG estimates that African and Middle Eastern markets import 50% of online purchases from other regions compared to 14% in North America and 15% in Western Europe, making these markets the largest online importing markets in the world.[21]

Policy and regulatory responses can also enhance the efficiency of this market and increase the extent to which SMMEs can use online structures to access broader markets, and to which lower income users can benefit from increases in the range and availability of online products.

It seems unlikely that e-commerce will displace traditional retail in middle- and lower-income markets in the medium term given the high proportion of costs made up of delivery charges, and the shopping culture and it is likely to remain a complementary channel to physical retail.

Potential policy, regulatory and programmatic responses

E-commerce is shaped by the intersection of a range of policies including trade, telecommunications, industrial development, intellectual policy, payment systems and taxation. Going forward it is essential that a country strategy is developed and a unified approach is taken to e-commerce policy accounting for how different factors will impact on the development of the local industry, as well as the cross-border effects. This includes developing

[21] KPMG. (2017). *The Truth about Online Consumers,* available here.

policy and regulation proactively to improve the enabling factors for e-commerce, increase skills and general usage of e-commerce, and leveraging its benefits for growth.

Nationally, a clear policy priority for enhancing e-commerce locally and increasing access for SMMEs is to enhance the reliability and functioning of the postal services, whether by reform of the Post Office or opening up the markets. Supportive digital policies that reduce the cost of internet access and enhance use of online services, combined with ICT skills development (both on the demand and supply side) can be beneficial to stimulating local retail. Systems that provide greater access to secure payment services and fraud prevention need to be balanced with the need to allow for innovation in payment systems.

Policies supporting outward focused e-commerce also could assist South Africa in leveraging off policy disruptions. The creation of e-fulfillment and warehousing in a duty-free zone, for example, could position ORTIA as a regional e-commerce fulfillment hub and thereby create jobs (including unskilled jobs in fulfillment and logistics) and tax income. This may require a range of changes including an assessment of the taxation and duty structure for onward bound e-commerce. Incentivising local warehousing would allow local retail companies a quick turnaround time which may also prove beneficial to enhancing local supply. With suitable structures e-commerce could even stimulate local manufacture.

Skills development and training particularly in e-commerce related areas stand to benefit the country and increase skill levels. The online nature of technology means that a pool of skilled programmers in online retail could potentially use their skills to service industry in other parts of the world. Programmes to enhance supplier development, through understanding e-commerce opportunities and providing clear routes to market using e-commerce channels will also be beneficial (particularly for smaller businesses).

While e-commerce is a disruptive force that increases the threat of international entry, it also provides significant opportunities. It creates new avenues for local retailers (including SMMEs) to access customers across the country, and potentially increases the opportunity for enhanced growth into new markets. It is therefore important that the policy and regulatory environment is carefully developed to be growth supporting.