2014 MasterCard Online Shopping Behaviour Study

Results from South Africa

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South African Context

Research conducted by World Wide Worx

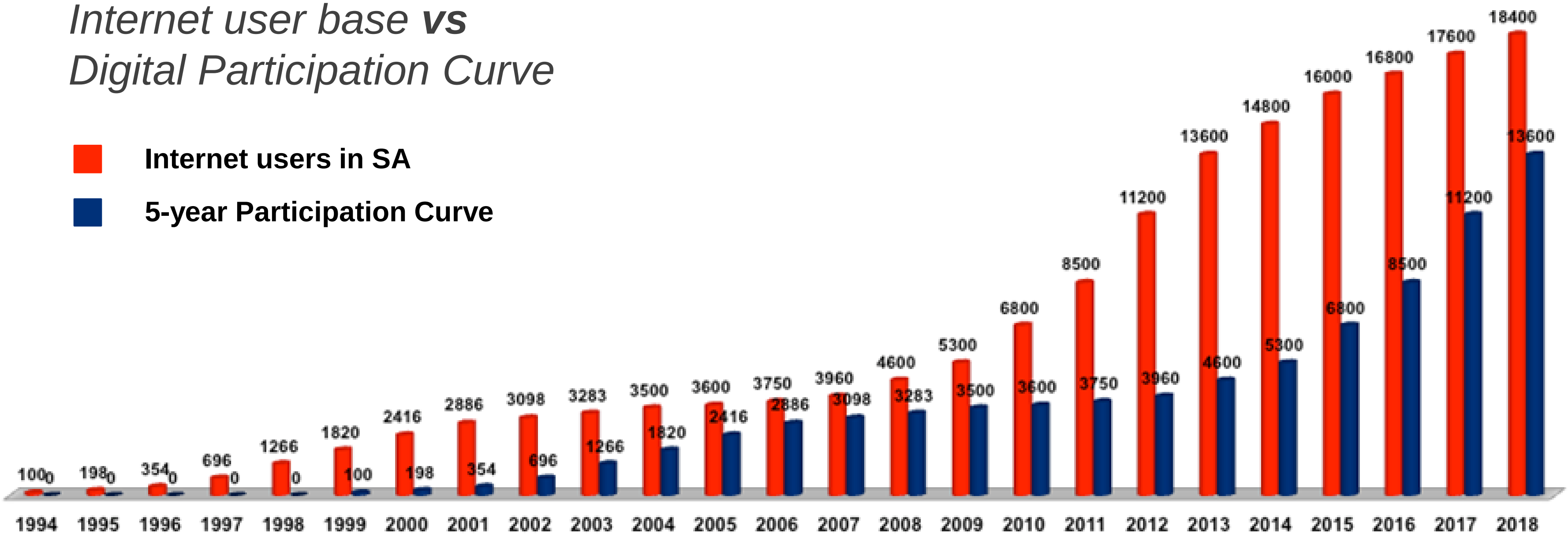
- At the end of 2013, approximately 13.6 million South Africans were using the Internet.
- Of these, only 4.6 million were **highly active and experienced** users of the Internet, based on the number of Internet users online for 5 years or more.
- These 4.6 million users represent the level of **digital participation** in the online economy.
- The Digital Participation Curve will climb fast from now until the end of the decade, but this is just the beginning.
- The 4.6 million users in 2013 is a huge jump from the 3.9 million users at the end of 2012, representing the highest number of new participants in the digital economy yet.
- **From 2014, this number will grow by well over a million a year.**

The Digital Participation Curve

Research conducted by World Wide Worx

*Internet user base **vs***
Digital Participation Curve

- Internet users in SA
- 5-year Participation Curve



The Implications for Online Retail in South Africa

Research conducted by World Wide Worx

- In short, at the end of 2013, the addressable market for online retail reached 4,6 million and is due to climb to 5,3 million in 2014, and 6,8 million in 2015.
- Retailers themselves have yet to convert **propensity** to purchase into **actual** purchases.
- The result is that, off a rising active base, the percentage of people shopping is **falling**.

The State of Online Shopping in South Africa

MasterCard

Primary Reasons for Accessing the Internet

	Main		All Purposes		
	2013	2012	2013	2012	2011
	%	%	%	%	%
Receiving/sending emails	**42.2**	41.4	**95.2**	91.8	93.8
Browsing for materials for work /study	**13.4**	10.2	**68.2**	69.6	71.8
Browsing for leisure	**10.4**	12.4	**79.0**	77.8	73.2
Downloading files for work and/or school	**6.8**	5.0	**64.2**	61.2	-
Bill payments	**4.6**	6.8	**64.4**	66.6	71.6
Updating status	**4.4**	3.0	**68.4**	61.8	-
Visiting/checking updates	**4.0**	3.8	**69.6**	64.2	-
Money transfer	**2.6**	3.2	**71.6**	68.2	69.2
Gaming	**1.6**	3.0	**34.4**	33.2	35.4
Online shopping	**1.6**	**1.6**	**51.6**	**54.0**	**57.9**
Reading news on the Internet	**1.6**	2.4	**66.4**	67.0	73.4
Online chat with friends	**1.6**	2.4	**52.0**	48.4	67.2
Checking bank balance	**1.4**	1.0	**76.2**	75.6	80.3

Online Purchase Behaviour

- The percentage of online shoppers has continuously declined since 2011.
- Likewise, the average number of shopping occasions has decreased.
- **These trends are consistent with the growing number of inexperienced online shoppers.**

	Base	2013	2012	2011
% respondents who have made at least one purchase in the last 3 months	**All**	**69.0%**	**72.2%**	**79.3%**
Average number of occasions an online purchase was made in the past 3 months	All	**2.3**	2.7	3.1
Average number of years of experience of online shopping	Those who have made a purchase online in the past 3 months	**2.8**	2.9	3.1
Average number of items purchased online in the past 3 months		**4.3**	4.5	4.4

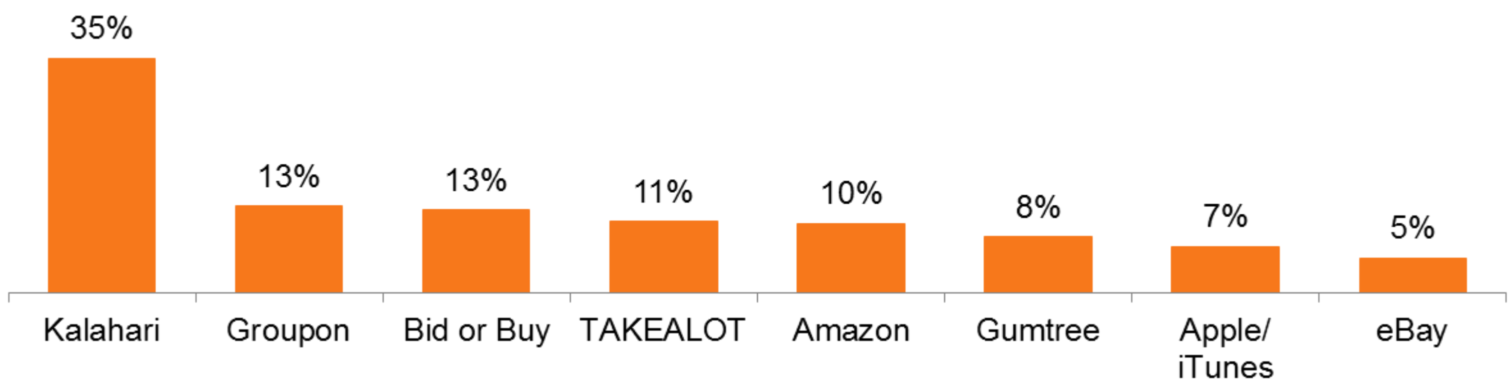
Online Purchase Behaviour – Differences by Audience

- The 25 - 34 and 45 - 49 years old age groups tend to be most active in online shopping activity.

	Overall	Male	Female	18-24 yrs	25-34 yrs	35-44 yrs	45-49 yrs	50-64 yrs
% respondents accessing the internet for online shopping	51.6%	52.1%	51.1%	52.8%	**58.7%**	50.0%	**55.9%**	37.6%
% respondents who have made at least one purchase in the last 3 months	69.0%	72.6%	65.0%	69.8%	**72.5%**	68.7%	**74.6%**	59.1%
Average number of occasions an online purchase was made in the past 3 months	2.3	2.4	2.2	2.5	**2.6**	2.3	**2.7**	1.6
Average number of years of experience of online shopping	2.8	2.9	2.6	2.0	**2.8**	3.0	**2.9**	2.9
Average number of items purchased online in the past 3 months	4.3	4.4	4.2	4.8	**4.3**	4.5	**4.7**	3.5

Most Commonly Visited Websites for Online Shopping

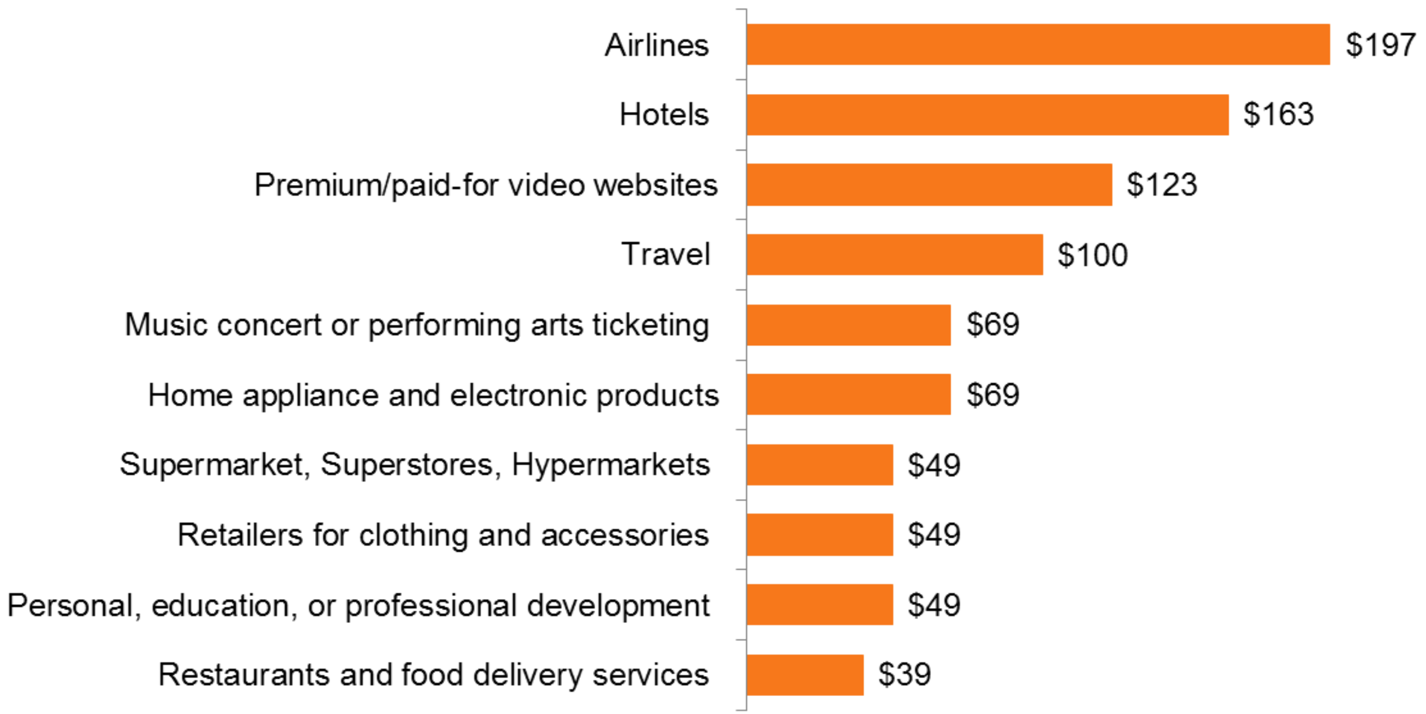
- The most commonly visited website for online shopping is Kalahari, visited by 35% of respondents, far ahead of the other online shopping sites such as Groupon (13%), Bid or Buy (13%), and TAKEALOT (11%).
- TAKEALOT enjoyed the greatest increase in consumer preference, up 4% from last year's study.



Median Spent Online on Different Categories

Top 10 categories illustrated, online value in US$

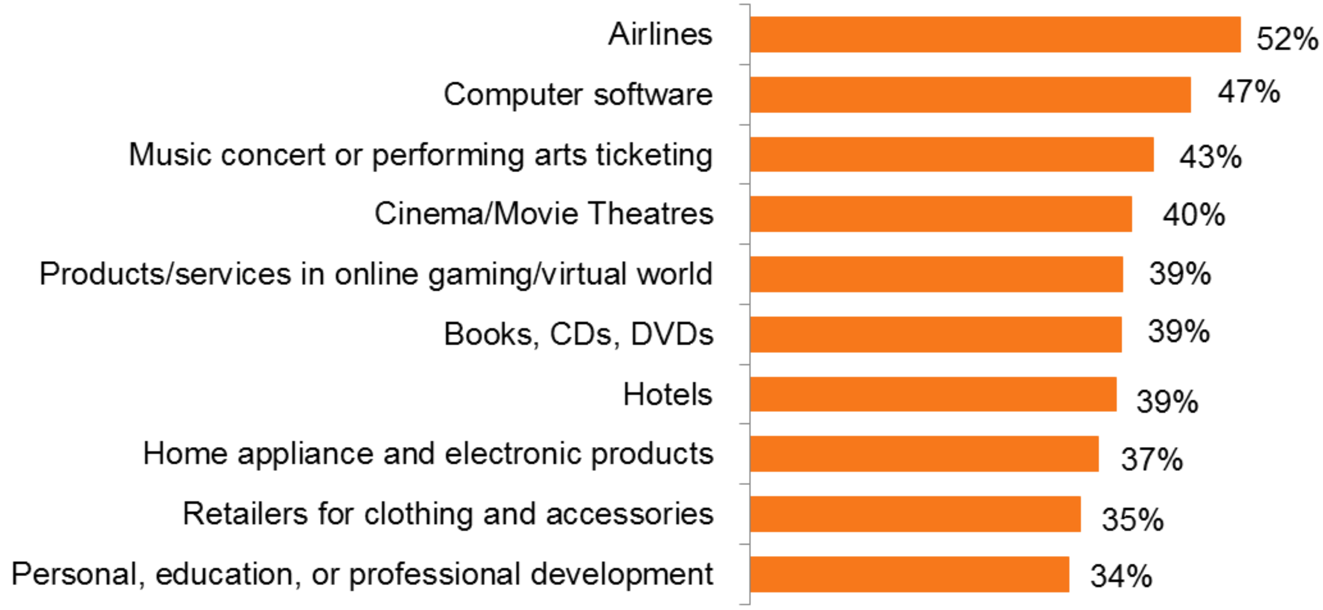
- Travel and accommodation dominate because the offline alternatives are diminishing.



Percentage of Category Spend Shifted to Websites

Top 10 categories illustrated

- 52% of purchases in the airlines category made in the last 3 months were via online. Computer software, music concert/ performing arts and cinema/ movie theatres were the categories with the next highest proportion of spend online.



The Hidden Secret

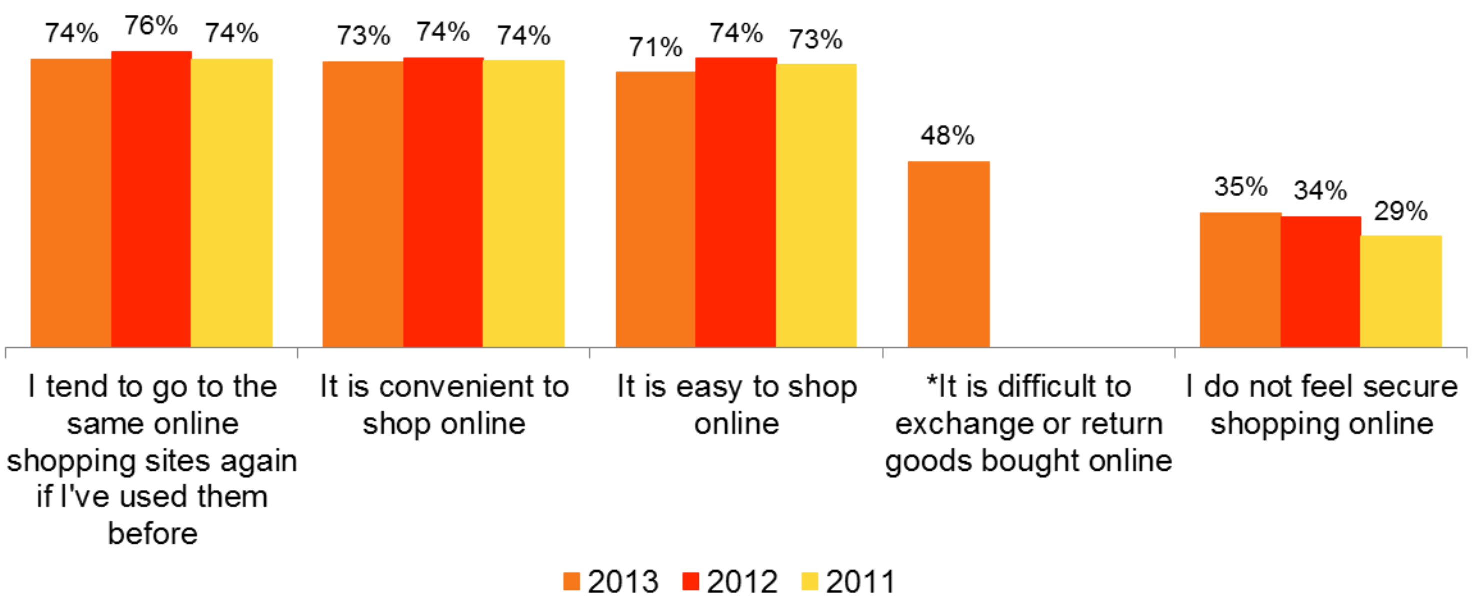
Insight from World Wide Worx

- Online shopping does not represent new spending, nor is it a result of additional discretionary spending.
- Online spending is merely the shifting of existing spending behaviour from offline to online outlets.
- We have yet to see a Participation Dividend from shoppers increasing spending when online.

Attitudes Towards Online Shopping

Selected indicators

- Around 7 out of 10 respondents tend to go to the same online shopping sites again and find it convenient and/or easy to use such sites.
- In contrast however, 48% find it difficult to exchange or return goods



Attitudes Differences by Audience

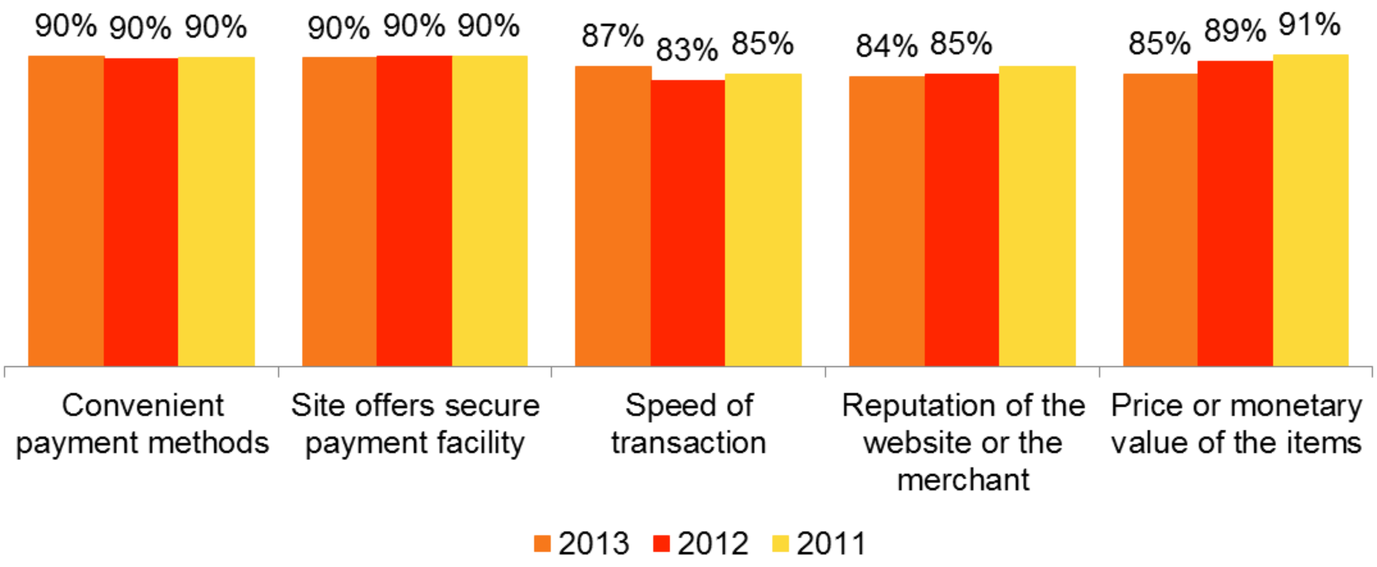
Selected indicators

	Overall	Male	Female	18-24 yrs	25-34 yrs	35-44 yrs	45-49 yrs	50-64 yrs
	%	%	%	%	%	%	%	%
I tend to go to the same online shopping sites again if I've used them before	73.8%	74.9%	72.6%	73.6%	77.8%	78.9%	72.9%	60.2%
It is convenient to shop online	73.4%	73.8%	73.0%	71.7%	73.1%	78.9%	79.7%	63.4%
It is easy to shop online	70.6%	71.1%	70.0%	79.2%	70.1%	73.4%	72.9%	61.3%
*It is difficult to exchange or return goods bought online	47.8%	46.4%	49.4%	58.5%	46.7%	50.0%	42.4%	44.1%
I do not feel secure shopping online	**36.4%**	**29.3%**	**44.3%**	**32.1%**	**33.5%**	**39.1%**	**35.6%**	**40.9%**

Attitudes Towards Online Shopping

Selected indicators

- Convenient payment methods, security of payment facility and speed of transaction are the most important factors impacting shopping online.
- Importance of price / money value of items and reputation of website has gone down continuously since 2011.



Secondary Factors Impacting Online Shopping

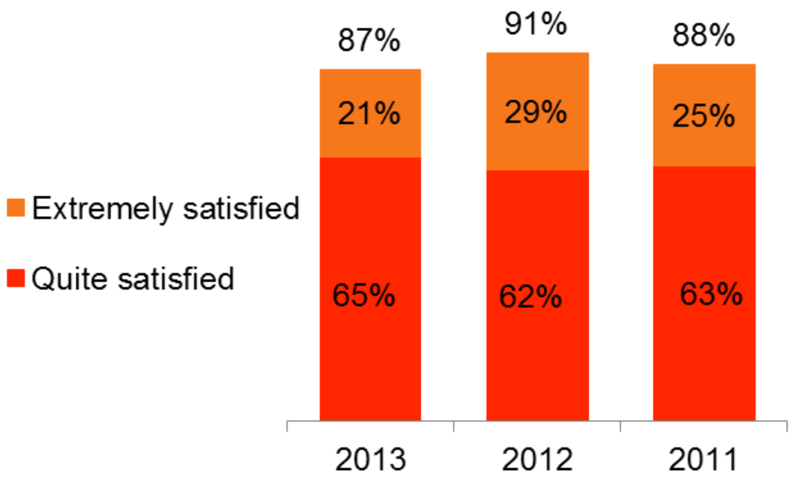
- There is an increase in those mentioning about providing promotional offers/ discount/ free gift from 60% in 2011 to 69% in 2013.

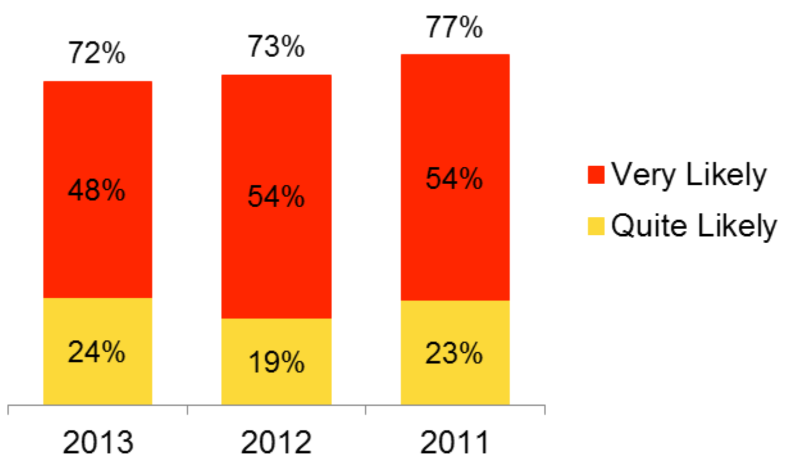
Reasons for Not Purchasing Online in the Past Three Months

- **Preference to shop in-store** and taking a look at the physical product continues to be the biggest barrier to online purchasing (52%) although the percentage has gone down slightly (55% last year).
- On the other hand, concerns around the **security of online transactions** have increased from the previous years (42% this year compared to 39% in 2012).
- There remains a high number of people who **do not own a credit card,** which is one of the biggest barriers to shopping online (41%).

Satisfaction With and Future Plans for Online Shopping

- The proportion of those extremely satisfied has dipped from 29% in 2012 to 21% in 2013.
- This impacts the overall satisfaction levels, which show a slight dip versus 2012. The percentage of those very likely to make a purchase in the next six months has shown a gradual decline from 54% in 2011 to 48% in 2013.

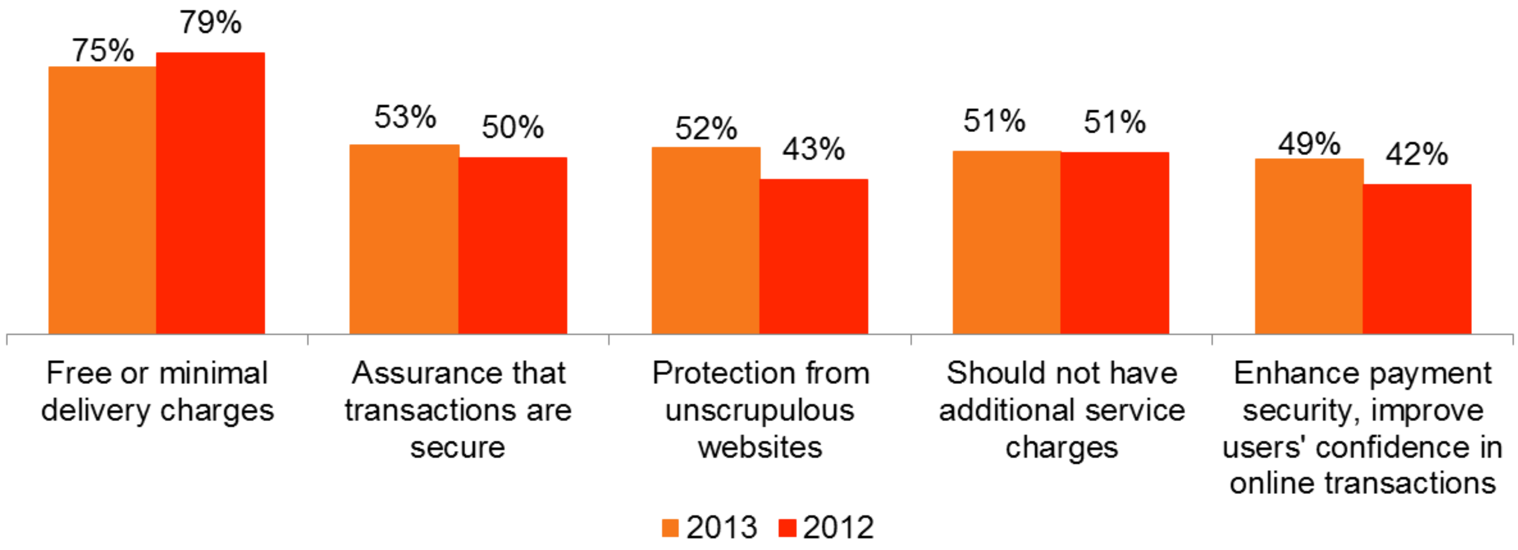




Suggested Improvements to Online Shopping

Selected indicators

- 75% of online shoppers indicated free/ minimal delivery charges as one of the key improvement areas, followed by assurance of secure transactions (53%), protection from unscrupulous websites (52%) and exclusion of additional service charges (51%). The desire for protection from unscrupulous websites has increased by 9% since 2012.



Categories of Products Purchased Online

Category Websites Visited and Frequency of Visits

- Apps stores, super markets / hypermarkets and books / CDs / DVDs are the categories of websites with the **highest traffic**.
- The highest **frequency of visits** are seen for sites of paid-for local / international news, coupons/ deals and personal education/ professional development.
- There is an **increase** in those visiting sites of apps stores, supermarkets / hypermarkets, clothing / accessories, personal/ beauty care products and premium / paid-for video websites compared to 2012.
- Compared to 2011, there is a **decrease** in those visiting sites for books / CDs / DVDs, travel, airlines, computer software, cinema / movie theatres, music concerts / performing arts, medical/ pharmaceutical brands and products/ services in online gaming.
- However, the frequency of visits has **increased** for supermarkets / hypermarkets, music concerts / performing arts (compared to 2012), music downloads, clothing / accessories, restaurants / food delivery and personal beauty care brands (compared to 2011).

Category Websites Visited and Frequency of Visits, cont.

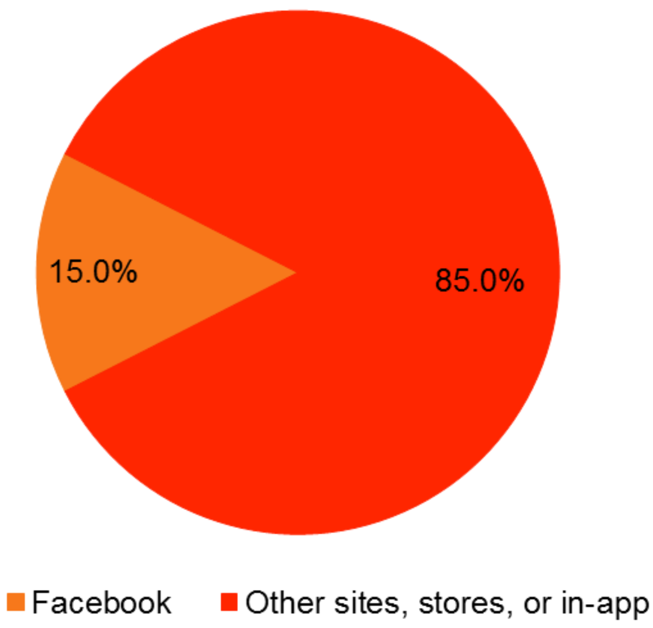
	Visited (%)			Avg no. of Visits / Week		
	2013	2012	2011	2013	2012	2011
Toys and gifts	**25.4%**	28.8%	30.4%	**1.6**	1.7	1.7
Digital content for entertainment (movies, TV)	**25.0%**	23.0%	29.0%	**3.2**	2.8	2.7
Financial advice websites	**22.4%**	18.0%	-	**2.6**	2.8	-
Hotels	**20.0%**	18.8%	24.3%	**1.3**	1.5	1.4
Personal care/beauty-care brands	**19.6%**	13.8%	20.1%	**2.3**	2.3	1.7
E-magazines, free or paid	**19.4%**	17.8%	-	**2.7**	2.8	-
E-book stores	**18.2%**	20.0%	-	**2.3**	1.9	-
Music concert or performing arts ticketing	**17.2%**	17.2%	25.0%	**1.3**	0.9	1.3
Medicine/pharmaceutical brands	**11.6%**	12.2%	16.5%	**1.7**	1.3	1.3
Products/services in online gaming/virtual world	**10.0%**	9.6%	19.5%	**3.0**	3.2	3.0
Premium/paid-for video websites	**2.8%**	0.6%	-	**2.5**	2.0	-
Paid-for/subscription- local or international news websites	**2.0%**	2.0%	-	**3.7**	3.5	-

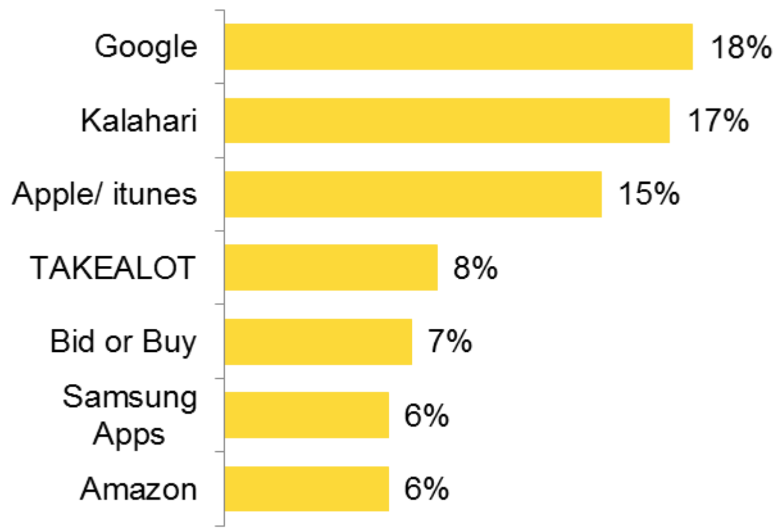
Familiarity or Experience with Purchasing Virtual Items

- One quarter of respondents have purchased virtual items at least once, while around one third have heard of, or are, familiar with them.

Where are Virtual Items Bought?

- 15% of the total amount spent on virtual items was spent on Facebook, while the remaining amount was spent on sites like Google, Kalahari, Apple/ iTunes, TAKEALOT, Bid or Buy, Samsung Apps and Amazon.

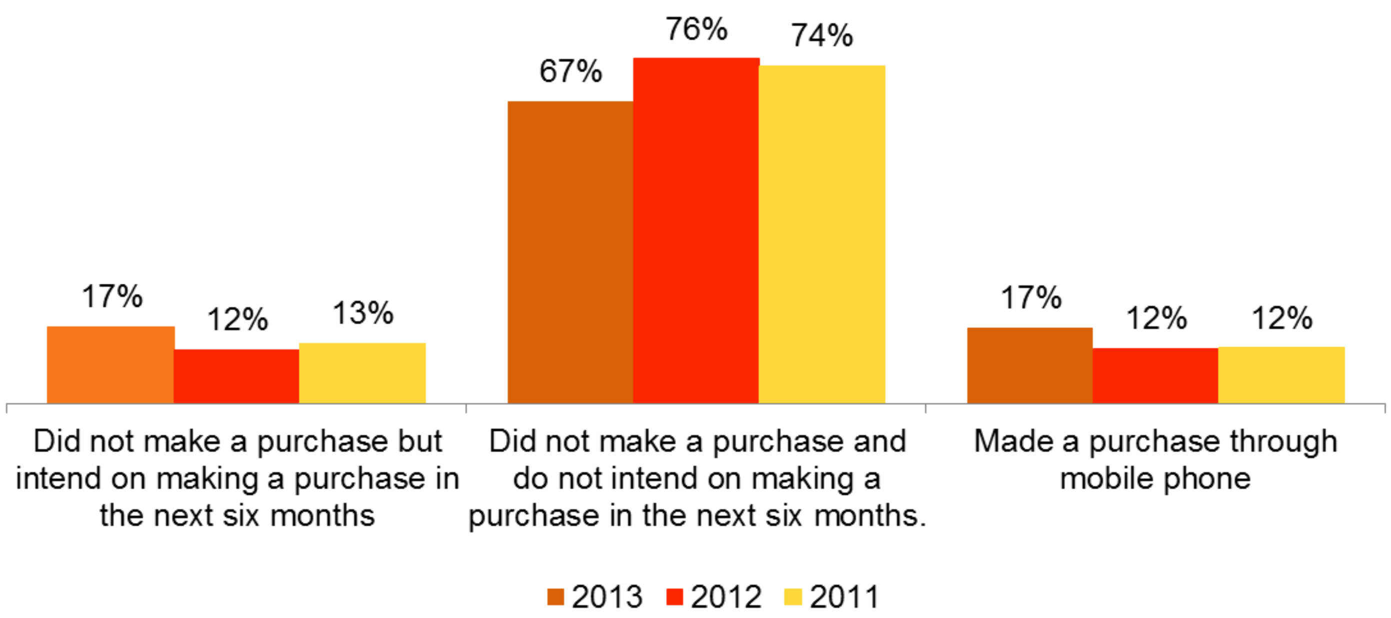




Mobile Shopping

The State of Mobile Shopping

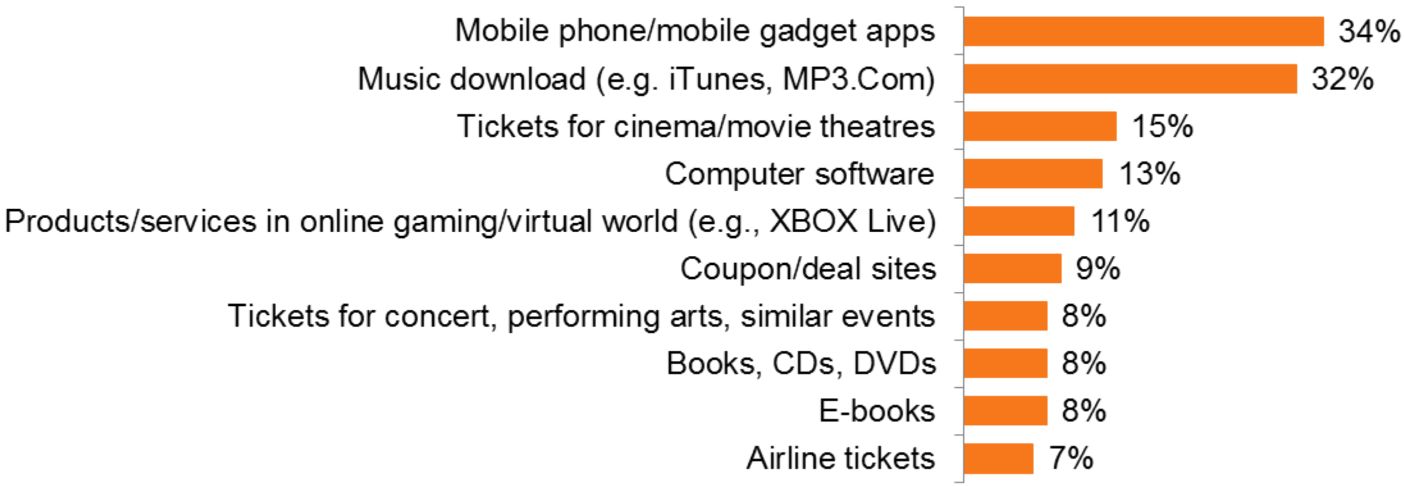
- Only 17% of respondents who have access to internet via a mobile device made a purchase through their mobile phone, although up 5% from last year. An additional 17% indicated that they will make a purchase in the next six months.



Categories of Shopping Through Mobile Phones

Top 10 categories illustrated

- Phone apps and music downloads are the key categories purchased by those using their mobile phones for online shopping.
- In contrast, certain categories that are not purchased online through mobile include personal education, paid-for / subscription-based news and items from supermarkets or superstores.



Categories of Shopping Through Mobile Phones, cont.

Top 10 categories illustrated

- Although phone apps is the leading category bought online through a mobile phone, this category has been on a continuous decline since 2011. On the other hand, e-books, e-magazines and premium / paid-for video websites are up since 2011.

	2013	2012	2011
	%	%	%
Mobile phone/mobile gadget apps	**34.2**	45.3	51.7
Music download (e.g. iTunes, MP3.Com)	**31.6**	26.4	29.3
Tickets for cinema/movie theatres	**14.5**	13.2	17.2
Computer software	**13.2**	5.7	6.9
Products/services in online gaming/virtual world (e.g., XBOX Live)	**10.5**	1.9	6.9
Coupon/deal sites	**9.2**	9.4	5.2
Tickets for concert, performing arts, similar events	**7.9**	5.7	6.9
Books, CDs, DVDs	**7.9**	3.8	10.3
E-books	**7.9**	7.5	-
Airline tickets	**6.6**	7.5	1.7

Shopping from Foreign or Local Websites

- In terms of share of online **occasions**, foreign websites accounted for only 23% of the time spent (down by 10% since 2011).
- In terms of share of online **spends**, foreign websites accounted for 24% of the amount spent (down by 8% since 2011).

% Foreign Websites (versus Local Websites)	2013	2012	2011
Share of Online Purchase Occasions	**23.3%**	29.0%	33.5%
Share of Online Spends	**24.2%**	27.3%	32.5%

In Conclusion

Insight from World Wide Worx

- **Online shopping is rising at a steady rate.** The decline we see is not in shopping, but in the proportion of highly active users who shop online.
- Shoppers want **improved security**, **lower cost of delivery**, and **greater confidence** in the payment process.
- The key to online confidence is **education** about its benefits, beyond convenience and cost.

Thank You.

MasterCard