

# Consumer behavior of emerging market consumers in online shopping environment

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# Introduction

- Deputy vice chancellor, executive dean of the CEMS, deputy ED, school directors, CoDs, colleagues, members of AMAC, family and friends- good evening
- Thank you very much for your presence this evening in support of my inauguration as a full professor
- This is indeed a blessed day for me and the Makhitha family, a day when my promotion to full professorship is celebrated.
- When I joined academia in late 1990s, little did I know that today I will be a full professor. All I knew was that academics conduct research, and I wanted to be one of those academics, like those professors we had back in the days.
- I am happy that today, I am today one of those professors.

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# 1. Consumer behavior- read

- Consumer behaviour is the study of individuals, groups, or organisations and the processes used to select and secure products, services, and experiences
- “... *the process whereby individuals decide whether, what, when, where e.g online or physical stores, how e.g through card or cash, and **from whom** to purchase goods and services e.g from Takealot, Zando or any other stores- online or physical stores...*”
- Consumer behaviour occurs when making purchases and is influenced by certain factors internal and external to consumers.
- Example of internal factors are consumer motivation such as hunger or desire to have the latest in the market

# 1. Consumer behavior- read this

- Example of the external factor can be family or friends-when someone buy something because friends have them or family advises so.
- Consumers go through various stages in the purchase process of products and services, both in online or physical store environment
- Consumer behavior take place both in online environment and traditional brick 'n mortar stores, it important to understand how consumers behave in online environment so as to formulate appropriate marketing strategies targeted to online shoppers

# 1. Consumer behaviour



Consumer behaviour is the study of individuals, groups, or organisations and the processes used to select and secure products, services, and experiences

# 1. Consumer behavior



*“... the process whereby individuals decide whether, what, when, where, how, and from whom to purchase goods and services...”*

Consumer behaviour occurs when making purchases and is influenced by certain factors internal and external to consumers.

Consumers go through various stages in the purchase of products and services

## 2. Consumer behavior in online shopping



Change in consumer  
behavior in online  
shopping



## 2. Consumer behavior in online shopping

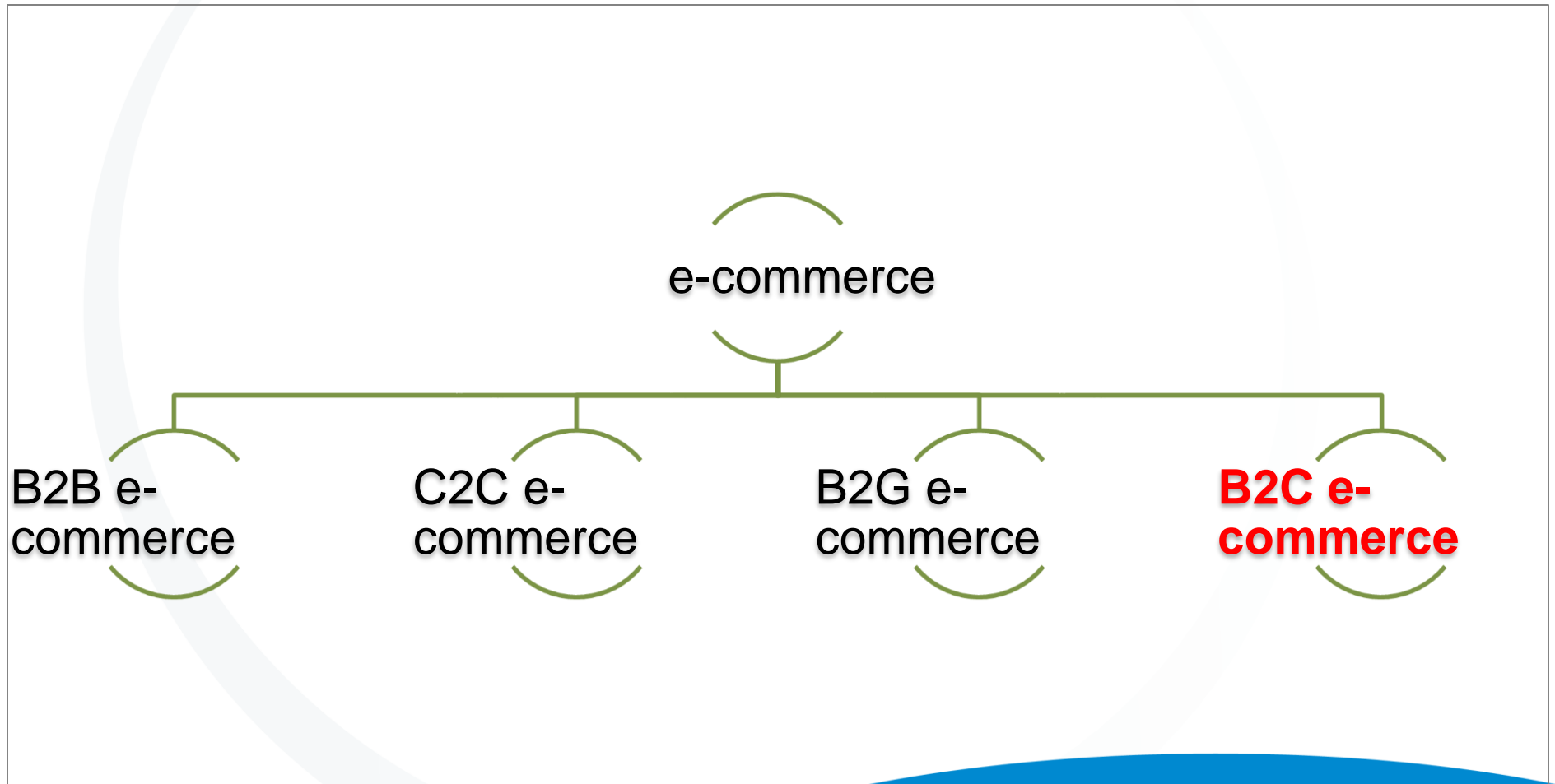
- Understanding consumer behaviour requires an understanding of individuals' needs, motivations, and thought processes employed in selecting a product over another, the frequency of purchasing various goods and services
- Consumer behaviour in online environment is different from consumer behaviour in traditional brick 'n mortar retail store, thus it is important to understand consumer behaviour in an online shopping environment
- The development in online technology affected traditional shopping behaviour.
- Traditionally, consumers would visit the nearest shopping centres to purchase goods and services,
- however the development in digital technology means that consumers can purchase goods and services at the comfort of their homes, through online shopping. It is the reason why retail stores in SA, operate in both physical stores as well as in online shopping mode
- Growth in digital technology has had a significant impact on how companies deliver superior value to their consumers with consumers demanding a convenient, fast, effective, availability of product information and services when shopping, which is now made available through online shopping



### 3. Online shopping

- Online shopping is a form of electronic commerce, ecommerce or internet commerce, which refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions
- It is a process customers undertake to purchase services or products over the internet
- Purchases of products occurs via a computer or mobile phones via smartphones and tablets
- The United nations conference on trade & development-  
The sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders.
- The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online.

# Modes of online shopping



# Types of online retailers

Brick 'n mortar online stores



Dot com stores



# Types of online retailers

- Multi channel retailers - merge brick-and-mortar stores with e-tail (online retailing).
  - 90% of the brick-and-mortar stores have an online store
  - E.g Woolworths online, Pick 'n Pay asap, Checkers sixty, Edgars Online
- Omni channel retailers, also known as the 'click-only dot-coms' – e-tailers or online retailers - operate from the internet and sell goods and services directly to online shoppers, with no physical stores e.g Zando, Superbalist, Amazon,

## 4. Internet adoption in South Africa



Internet users  
= **38.19 mil** in Jan  
2021.

**Increased by 1.7 mil** (+  
4.5%) between 2020  
and 2021.

Internet penetration =  
**64.0%** in 2021.

## 4. Internet adoption in South Africa

- Internet users= **38.19 million** in January 2021.
- **Increased** by **1.7 million** (+4.5%) between 2020 and 2021.
- Internet penetration = **64.0%** in 2021.
- The General Household Survey conducted in SA, reported that at least one member in a household can access the Internet at home, workplace, place of study or Internet café.
- Mobile devices remain the most common way in which to access the Internet,



# Internet adoption in SA



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# Internet adoption in SA

- The cost of data in South Africa is higher than for other sub-Saharan African nations including Kenya, Nigeria, and Ghana
- The Competition Commission recommended that network service providers must reduce their data prices by 30% to 50%, or face prosecution
- Communications and digital technologies minister Stella Ndabeni-Abrahams has agreed to ensure 80% of the South African population has access to the Internet by 2024
- Ndabeni-Abrahams declared to reduce the current cost of data by 50%.
- SA is ranked 31st in Africa for the price of 1GB of mobile data as per the Competition Commission.
- The target is to ensure the country will be in the top 10 in Africa for the price of 1GB data pricing by 2024.

# Global online shopping

## Global

- Market size – R56 (\$3.53) trillion in 2019
- Expected to reach R105 (\$6.54) trillion by 2022
- Countries with the highest online sales as a percentage of the total retail sales as the United Kingdom (15.6%), China (13.8%), Norway (11.5%), Finland (10.8%) and South Korea 29 (10.5%)

## Africa

- Constitute 2% of the global ecommerce market with 43 % internet penetration rate
- Online shopping users 281mil
- Average growth of 12%, expected to reach over 500 mil in 2025
- Valuable sectors- fashion, electronics and media
- Nigeria, Kenya and SA account for almost half of ecommerce in Africa

## 5. Online shopping in SA

- Market size = R30,2-billion (US \$1.89 bn)
- Market increased 66% from R14,1-billion in 2018.
- Online retail = 1.4% of total retail, estimated at the time **at R1,07-trillion.**
- **Online shopping penetration =47% and expected to reach 60% by 2022**
- **Mobile penetration is 65% and growing**
- **The top online retailers are Takealot, Superbalist, Amazon, and Woolworths**

# Online shopping in SA- to read this slide

- More than two thirds of internet users in South Africa access the internet every day
- By 2022, South Africa will have 25.5 million smartphone users, 19 million Facebook users (Accenture)
- The online shopping adoption in SA has been rising due to the broad expansion of smartphones and mobile devices, including low prices of smartphones .
- [Mobile e-commerce](#) dominates the online shopping scene.
- 96% of active internet users access the web and social media from their mobile phones(Deloitte, 2021).

# Online shopping in SA

## ecommerce product category in SA:

- data and airtime
- followed by clothing and apparel
- online entertainment
- [Toys, Hobby & DIY](#)
- [Electronics & Media](#)
- Furniture and appliances
- Groceries (Statista, 2021)

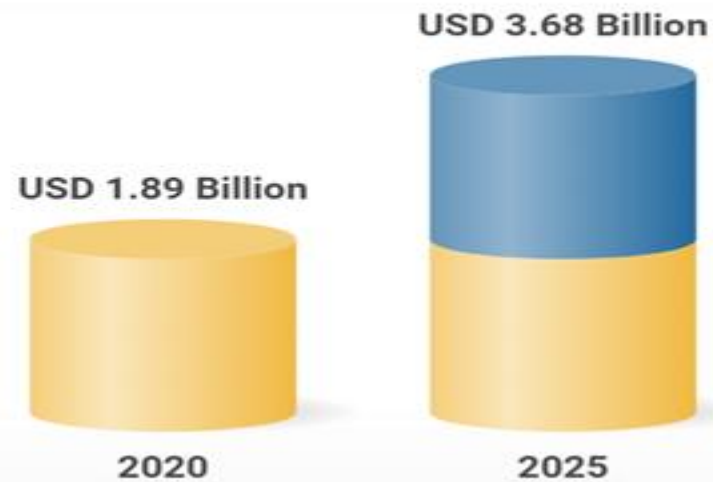
## Delivery channels

- Airlift Express - Grocery & Pharmacy Delivery
- Checkers sixty60 - downloaded more than 1.9-million times in less than two years since launch.
- Pick nPay asap
- Uber eats
- Mr D

# Online shopping in SA

## South Africa Online Retail Market

Market forecast to grow at a CAGR of 14.2%



<https://www.researchandmarkets.com/reports/5322677>

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# Social media usage and online shopping



Social commerce - social media users make purchases directly from channels like Facebook, Instagram, and LinkedIn.



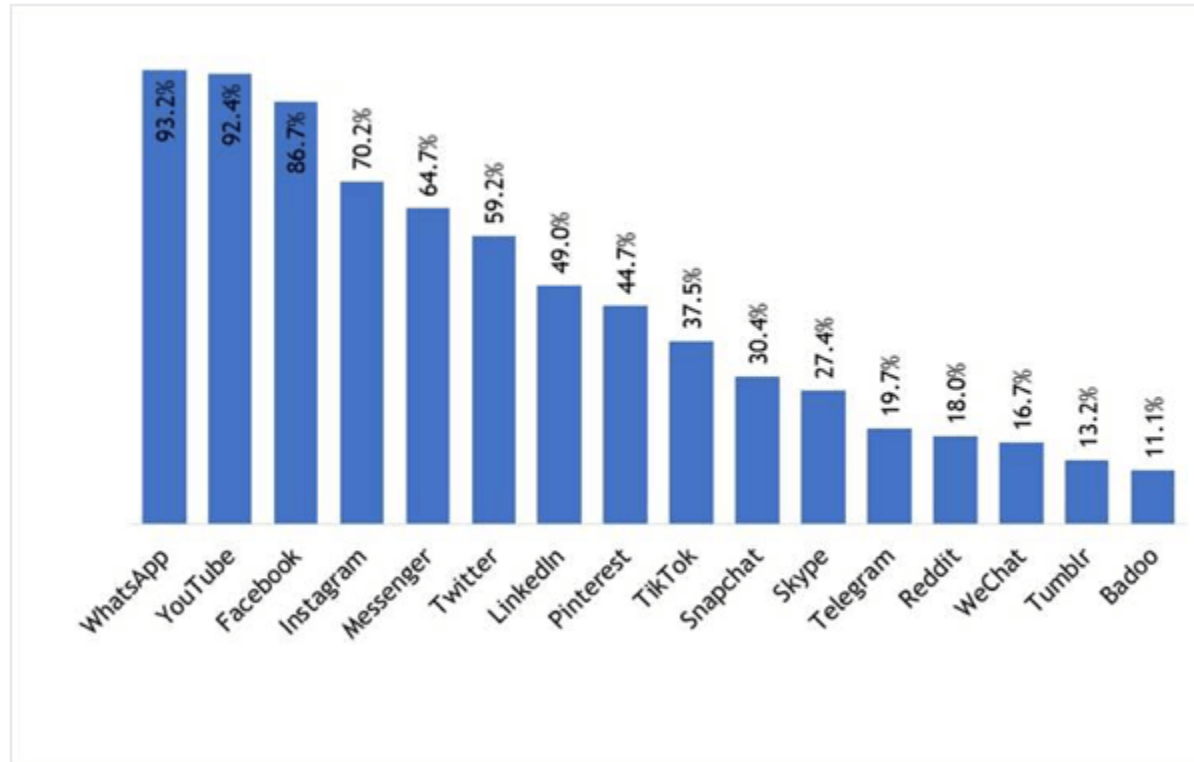
# Social commerce

- The global spread of social media has **resulted** in social commerce— which is the use of social interactions combined with the transactional nature of e-commerce
- Social commerce has led to new forms of shopping in collaborative online environments.
- In Social commerce, social media users make purchases directly from channels like Facebook, Instagram, and Pinterest.
- Social commerce contributed just five per cent of total e-commerce sales in 2021,

# Social media usage and online shopping

- An investigation on South African internet users reported that when consumers buy online, their choices are influenced by social media-
- Active social media users increased by 13.6% from 22 million users in January 2020 to 25 million users in January 2021.
- This equate to almost 42% of all South Africans who are using some form of social media!
- SA consumers, are influenced by social media for their online purchases, either as inspiration or following positive reviews.

# Social media usage in SA and online shopping



# Online shopping and smartphones



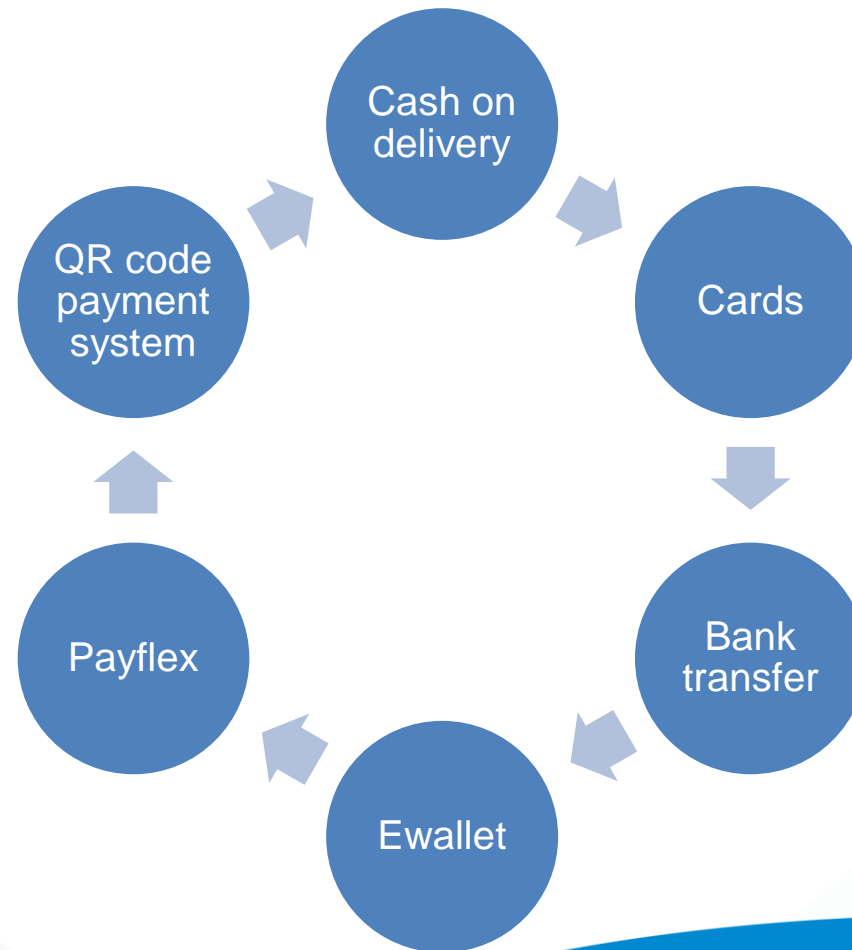
# Smartphone and online shopping

- Consumers are using smartphones compared to other mobile devices to shop online.
- Smartphones are the go-to technology for online shopping, as consumers use a smartphone to pay bills and invoices online, as well as transferring money online
- Smartphone users in SA were estimated at 24.5 million in the year 2021 and are projected to go up to 26.3 million users by the year 2023.
- The highest number of cellphone users worldwide fall in the 18 - 29 year old age group; who make use of their cellphones and interact socially on social media platforms such as Facebook, Twitter, WhatsApp, LinkedIn, Pinterest, Messenger, and We-Chat (Statista, 2020)

# Smartphone and online shopping

- The use shopping apps in SA is on the rise  
35% of all South African consumers have shopping apps installed on their phone, compared to 30% in 2019.

# Payment methods and online shopping



# Payment methods and online shopping

- Payment innovation has removed barriers for consumers to transact online, allowing more people to participate in the growing digital economy
- Online payment method- cash on delivery, card, bank transfer, e-wallet and others
- Most popular online payment method in SA is card, followed by e-wallet and bank transfer
- [Payflex](#) provides a revolutionary [Buy Now, Pay Later](#) solution -cart abandonment rates decreased by 30% among our clients using Payflex
- 178% increase in QR code payments, **for** online shopping over 2021



# Covid-19 and online shopping

**Shopping malls**



**Shopping mall during covid-19**



# Covid-19 and online shopping

- The covid-19 pandemic has challenged and shifted consumer behavior towards online shopping in SA and globally
- It has accelerated the shift towards a more digital world and triggered changes in online shopping behaviours that are likely to have lasting effects
- SA witnessed an immense increase in online shopping since 2020 due to covid-19 legal restrictions, which forced consumers to transact online instead of visiting shopping malls
- There was a shift in communication channels used in SA with more increased use of digital media and data usage-led to increased use of digital media
- Some traditional retail stores opened their first online operations during the covid-19 pandemic period –
- The Adoption of alternative online channels increased such as – call and deliver channels, use of WhatsApp for placing orders, delivery channel such as Checkers60, Pick n Pay asap, contactless collection-click-and-collect service.

## 6. Emerging market consumers

- Emerging markets” is a term that refers to an economy that experiences considerable economic growth and possesses some, but not all, characteristics of a developed economy.
- Emerging markets are countries that are transitioning from the “developing” phase to the “developed” phase
- Africa is considered an emerging market
- Emerging market consumers in Sub-Saharan Africa consist of between 300 to 500 million consumers and still growing.
- Emerging market consumers in SA refers to black middle class consumers that have emerged since post apartheid, SA in 1994.

# Emerging market consumers

## The emerging market consumers

- The “floating class” with per capita consumption levels of between \$2-\$4 per day - slightly above the developing-world poverty line of \$2 per person per day.
- The “lower-middle” class with per capita consumption levels of \$4-\$10 per day. This group lives above the subsistence level and is able to save and consume non essential goods.
- The “upper-middle class” with per capita consumption levels of \$10-\$20 per day

## Please delete this part if possible

- Floating class - Individuals at this level of consumption, which is only slightly above the developing-world poverty line of \$2 per person per day (, remain largely vulnerable to slipping back into poverty in the event of some exogenous shocks. This category is crucial because it is a hinge between the poor and lower middle class category. This class is vulnerable and unstable, but it reflects the direction of change in population structure through time.

# The emerging market middle consumers in SA

- The middle class, also known as the **Consumer Class**” in emerging markets refers to “socially and economically mobile consumers with considerable buying power that enables them to engage in discretionary consumption”
- It consist of those households occupying the space between the affluent and the poor and exist in every society.
- These are group of consumers who live above the subsistence level and spend their disposable income and time to improve their quality of life.
- They hold steady employment and remain optimistic about the future, and possess the skills needed in the job market, educated and earn a good salary

# Emerging market consumers in SA

Market size  
and growth

How did  
they  
emerge

Importance  
of this  
market

# Emerging market consumers- size and growth

- Since 2004, the number of black middle class members with a tertiary qualification has grown by more than 5 million.
- In contrast to the black middle class, the white middle class has shrunk from 2.8 million adults in 2004 to 2.6 million adults
- The SA middle class is defined by income as consumers with a monthly household income of between R7000 and R40 000 (\$439 - \$3 229) per month.
- The SA Advertising Research Foundation use the LSM to define the middle class as consumers falling into the (LSM) 5 – 8 category LSM is a segmentation tool using criteria such as degree of urbanisation, ownership of cars, major household utilities and assets.
- The SA middle class is heterogeneous with diverse needs



# The emerging market consumers in SA- how they emerge

- The transition from apartheid to democracy generated a changing class structure in SA resulting in the growth of the black middle class, hereby referred to as the emerging market middle class.
- The efforts of the SA government to deal with the post-apartheid legacy challenges such as addressing inequality between white and previously marginalized black citizens resulted in the emergence of the black middle class consumer segment, which is a major part of the emerging market consumers (Iqani, 2017).
- Black African households could not own land or homes in most major urban centres in South Africa under the apartheid government
- The upward mobility of black or African people was an economic and social transformation since colonization.
- Consumption patterns of black people have changed dramatically since 1994
- The emerging middle class consumers created a [knock-on effects](#), such as growing spending power, a better educated and trained workforce, more investment AND more job creation
- This market is dynamic, aspirational and has a huge appetite for goods and services

# The emerging market consumers in SA- importance

- The emerging market consumer segment is considered to be the engine of the country as it has a strong buying power which contributes to the country's tax revenue and the influx of new businesses to support this market.
- The emerging market consumers (black middle class) spent R400-billion annually, far more than the R323-billion spent by the historically wealthier white middle class (Unilever institute, UCT)
- It is a key source for private sector growth in Africa, which account for much of the effective demand for goods and services supplied by private sector entities
- The spending power of this market segment is bolstered by wide availability of consumer credit, both from retail banks and retail chains.

# 7. Why research on emerging market consumers



# 7. Why research on emerging market

- Although research has been conducted on the middle class in SA, the relevancy of the research findings on the emerging market segment is questionable as the emerging market consumer behavior is unique in terms of culture, shopping behavior and lifestyle-
- Unsurprisingly, most studies of the middle classes in Africa have focused on market-driven considerations such as size of this class, income levels and consumption patterns.
- Several calls for research on the emerging market consumers has been made by various scholars which is why my research project focus on this market segment.

## . Why research on emerging market

- For example, Burgess and Steenkamp (2006), Sheth (2011), Cavusgil (2018) and others have called for the broadening of research on the emerging market consumers to identify opportunities existing this market.
- The growing attention on the African middle class has necessitated the need for this study on the emerging market consumers in SA.
- This is because the emerging middle class consumer segment is associated with skills, education, high disposable income and is also regarded as the consuming segment

# Why research on emerging market

- SA has witnessed a growth of the middle class, and more specifically the emerging market middle class which has presented a significant growth for businesses.
- The emerging middle class is experiencing a rapid expansion and is well poised to continue boosting economic growth of the country
- The traditional middle class has eroded which contributed to the attractiveness of emerging markets resulting in multinational corporations targeting emerging market consumers to escape from the economic slowdown in developed markets and increase their profits

# Why research on emerging market

- The emergent middle class is becoming an important factor in the consumer market
- As most of this growth of the middle class was amongst the black population, it makes sense for marketing research to focus on this group
- This group of consumers has different consumption patterns than the rest of the middle class, i.e. higher spending on durable consumer goods or residential property

# Why research on emerging market

- The emerging market consumers possess the discretionary consumption and have the spending power needed for business and economic growth.
- Discretionary consumption refers to “expanded choices of consumer expenditures for purchases other than necessities.
- This include purchases such as better housing, health care, educational opportunities for children, retirement, recreation, and leisurely pursuits.
- Recent studies on emerging market consumers reported that they prioritized spending on housing, motor vehicles, education, luxury cars, travel, and dining out.



# Why research on emerging market

- The initial research on consumer behavior of emerging market consumers focused on defining and describing the spending habits, their preferences compared to other age groups.
- Some studies on emerging market consumers have been criticized for perpetuating narrow stereotypes of the black middle class as conspicuous consumers with a taste for expensive cars, designer labels and large houses and a reputation as poor creditors.
- There is a handful of studies looking for digital consumer behavior of emerging middle class consumers in South Africa, especially online shopping behavior
- The aim of this research is to provide more hypotheses on how emerging market consumers behave in an online shopping environment.

## 8. Emerging market consumers and online shopping behaviour

- Ecommerce has a high potential in Africa as the emerging middle class demand convenience and better price, and quality which drives local and international retailers to target them
- Internet usage = 10% (2004); 67% (2021)
- Cell phone ownership = 36% in 2004 and 97% in 2021, this exclude smartphone adoption
- 67% have a Facebook profile, 76% of those log in once a day

# Emerging market consumers and online shopping behaviour

- Online retailing is set to increase among the emerging market consumers due to growing internet penetration, spread of mobile technology, improvement of payment and delivery infrastructure.
- Mobile commerce have high potential to drive online shopping in SA and Africa, where consumers shop online via mobile phones than through a computer.
- With over half of internet users in SA purchasing online, this is set to increase among the emerging market consumers

# 9. Studies on emerging market consumers in SA

- Lappeman et al (2019)- Established and emerging middle class
- Van Den Burg (2017)- Middle-class in emerging markets for global fashion brands - ethnocentrism, price, brand knowledge (comprising of brand awareness and brand image), self-image, fashion involvement, brand love, attitude, and perceived quality influence consumers' buying decisions
- Mashaba and Wiese (2015) - Black middle class shopper typology
- Burger et al (2014) - consumption patterns of the established and emerging South African black middle class
- Breytenbach (2014)- black consumers mall patronage
- Mathaba (2013)- store selection
- Mokgabudi (2011) Shopping mall development and consumer behavior
- Van Loggerenberg & Herbst (2010) - Word-of-Mouth Marketing to a Female Emerging Market: A South African Perspective
- Cooper (2010) - Establishing the store attributes that black consumers consider when buying casual wear

# 11. Studies on emerging market in SA

- Emerging market consumers and TAM model -
- Emerging market consumers and risk in online shopping- Financial risk, convenience risk and security risks
- Emerging market consumer and luxury clothing- quality, materialism and status
- Low income consumers and smartphone purchase - that price and family and friends are the reasons why they buy them

## **10. Planned Future studies on emerging market consumers and online shopping**

- Consumer engagement in online shopping
- Use of chatbox in ecommerce
- Cart abandonment
- Applying the online shopping adoption models in buying behaviour of emerging market consumers
- Augmented reality (AR) adoption
- Adoption of online App for loyalty programmes