

eCommerce



To compare how online business-to-consumer retailers build their e-brands to become competitive players in their respective markets.

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Chapter 1 – Introduction to the study

1.1 Introduction

ECommerce News (2013) predicts that South Africa will grow at a rate of 20-25% for the next 3-7 years which indicates that online retailing is an emerging market in South Africa. The growth potential can be attributed to growing wealth and the increased middle class consumer as well as better broadband availability.

The South African eCommerce market is lagging in growth compared to developed markets worldwide. While South African e-brands are still attempting to conquer the local market, with the exception of Yuppiechef and Zando, American businesses are looking abroad for opportunities for growth. United States of America is the top eCommerce country in the world in terms of turnover, achieving a \$419 billion in turnover for 2013. With this being said, America is also the most popular country in cross-border B2C eCommerce (North America B2C ECommerce Report, 2014). This provides reason for the researcher to compare these two business markets, the developed American market and our developing South African market.

The researcher would like to establish whether there is potential for growth in this industry or if the market will continuously be dominated by a few e-brands, who are currently at the forefront of South Africa's eCommerce.

The four online stores selected as case studies are highly competitive in their respective markets and have their own strategies and reasons for success. The markets in which they operate in have their own trends and the consumers within these markets have their own perceptions, habits and preferences for making online purchases.

The online shopping industry and e-brands have to work a lot harder to make a success of their virtual businesses. The element of physical touch and physical store is non-existent which makes the virtual experience that brands provide their consumers, vital to its success. E-tailers have to ensure each feature and touch point with a consumer is memorable and that they deliver a great experience overall.

1.2 Field of Specialisation

ECommerce

To compare how online B2C (business-to-consumer) retailers build their e-brands to become competitive players in their respective markets.

1.3 Research Problem and Question

Research into the South African eCommerce landscape has pointed out various factors that are hindering the growth of our market in this particular space.

Venture Burn (2014) mentions that South Africa's eCommerce problem is supply, not demand and identifies the following factors:

1. Entrepreneurs have a limited understanding of how eCommerce works
2. Payment choices are limited and consumers assume that if they do not possess credit cards then they cannot purchase online
3. The delivery process needs improvement

The South African and American market will be analysed and compared based on the business models and brand strategies of the following brands as reference: Yuppiechef, Zulily, Zando and Zappos.

Key success factors that foster customer satisfaction and loyalty will be analysed. Major trends will be brought to light from America's specific scope of eCommerce.

1.4 Research Objectives

This study will analyse the South African and American landscape respectively and identify trends, analyse strategies of successful online brands and showcase key success factors for online retailers.

The researcher's aim is to gain a better understanding of the South African eCommerce market by investigating strategies that successful e-brands such as Yuppiechef and Zando (South African e-brands) are utilising to gain competitive advantage.

The trends that developed markets such as America are utilising to gain competitive advantage will be analysed by using Zulily and Zappos (American e-brands) as case studies.

This will allow the researcher to identify trends that South Africa can capitalize on in order to improve our growing market. The psychological factors and behaviour of these markets will be analysed in order to provide a better understanding of the factors that influence purchase as well as non-purchase online.

Using the above, a list of key success factors will be compiled for online retailers and a conclusion will be made on whether or not South Africa is on the right path in achieving massive growth in the eCommerce market.

1.5 Assumptions

The researcher has made the following assumptions:

- Key themes such as Micro targeting and personalising consumer's experiences, Logistics, Multi-Channeled Business models, Content that builds relationships, Internal culture, Tailoring the browsing experience, Collaboration and Credibility are among the criteria that influences the success of an online brand.
- The South African eCommerce market has room for improvement and should be growing at a more rapid rate considering that we are a developing country.
- Online businesses need to consider trends and the physiological influences of consumers who shop online in order to better understand and serve this market.
- ECommerce brands that enter our market need to take note of the Key success factors compiled at the end of this study in order to flourish in our market.

1.6 Delimitation / demarcation of the field of study:

- Only the four brands mentioned will be analysed.
- B2B (business to business) retailers will not be analysed.
- Only two countries will be compared i.e. South Africa and America.
- Brick and mortar retailers who have added an online store to their offering as a value-add will not be analysed.
- Internal views of the selected brands will be analysed and not their respective brand image and perceptions.

Chapter 2 – Literature Review

South African e-tailers have a lot to consider in the market in which they operate in. South Africa is a fast changing market that continues to offer consumers a wider selection of products and businesses to choose from.

The question the researcher will be posing is whether South Africa is on the path to growth in this arena and if consumers are willing and able to trust e-tailers or will the industry continually be dominated by a few online stores like Yuppiechef and Zando. An assumption will be made based on gathered data from the literature review as well as surveys conducted.

In order to analyse both the South African and American markets respectively, the researcher will be doing thorough research on successful brands in these markets namely: Zando and Yuppiechef in South Africa and Zulily and Zappos in America.

Zando (2015) is a South African online fashion store based in Cape Town. They offer male and female consumers local and international fashion. It was founded in 2011 by Emilian Popa, Peter Allerstorfer, Manuel Koser and Eugen Petersen (Crunch Base, 2015). Their aim is to bring consumers the best online shopping experience by showcasing the latest trends and must-have fashion for every season.

Yuppiechef is an online store that sells premium brand kitchen tools and was founded by Andrew Smith and Shane Dryden in 2006. Andrew has a systemic approach to leading his company. It's less about profits and more about the customer and giving them the best online shopping experience in the country. He maintains that the people who work at Yuppiechef live by the same values and standards that he does.

Zulily is an eCommerce start-up headquartered in Seattle, Washington, that was founded by two fathers, Darrell Cavens and Mark Vadon in 2010. Their payoff line "Something special every day" describes their core business in a nutshell – an online retailer obsessed with bringing moms special finds every day, at incredibly low prices (Zulily, 2014). Their secret to success was to analyse and know their market – the busy mom.

Zappos, an American online shoe store, insists that their goal isn't to *sell* to customers but rather create an *experience* for real people (Skyword, 2012). Zappos was founded in 1999

by Nick Swinmurn. Their belief is that the speed at which a consumer receives their online purchase is directly proportional to the perception the consumer will have on online shopping in the future (Zappos, 2015)

The following themes will be discussed in the hope of furthering our understanding of the eCommerce landscape in both South Africa and America respectively.

- Micro-targeting an online audience and personalising their experience
- Logistics
- Multi-channelled business model
- Content that builds customer relationships
- Internal Culture
- Tailoring the browsing experience
- Collaboration
- Credibility

These elements will essentially form part of the *key factors* that make up the profile of a *successful* business according to the researcher.

These elements will assist in the analysis of the eCommerce market and assist in the data analysis.

- Trends and Key Success Factors
- The state of eCommerce in South Africa
- Psychological influences

2.1 Micro-target consumers and personalise their experience

Forbes (2014) mentions that having an online site is like establishing a ‘territory’ as well as establishing an audience with similar characteristics and interests.

Zulily’s niche market is focused on “The young mother” and Yuppiechef is focused on the aspiring everyday chef.

Online shopping is a competitive space as your competition is a mouse click away from being better than your business.

The fact that consumers have become more informed, opinionated and open about experiences and feelings toward a brand makes customer satisfaction that much harder to achieve in the online shopping world.

Zulily micro-targets its niche market by focusing on an underserved and large market that is the ‘young mother’, whose choice of discount retailers selling boutique products was very limited prior to its inception says co-founder Vadon. This dawned on him when he entered a Babies R Us store with his then pregnant wife and realised that there was a gap in the market for a store that wasn’t overwhelming for the expectant mom. Their online store would aim to sell inexpensive, disposable items to woman, who had the itch to click buy. Their differentiating factor is that they update their product offering every day and in turn have built up a community of woman who visit their store every day without purchase intent, initially (Fast Company, 2015).

Mackay at Yellowwood states that, “The greatest way to build your brand is to delight the actual, real-life people who come into contact with it. There is no substitute for a powerful brand experience” (Yellowwood, 2014).

Personalising the experience that the brand provides its consumers is even more satisfying for consumers as they want a unique experience that meets their needs and interests (Forbes, 2014).

Yuppiechef’s focus has been on personalising the experience for consumers. Andrew believes that it’s about adding value to the customer, not about adding value to the company (Do Great Things, s.a.). They don’t force customers to register as they maintain that it does not add value to the customers’ life, but instead it creates another time constraining barrier that frustrates the customer to remember yet another password or if they’ve even registered.

Instead Yuppiechef asks them to just remember a few key details and the rest is automatically prepopulated.

The Yuppiechef team take time to watch customers on their site, allowing them to see where people get stuck and what goes wrong on the website therefore enabling them to improve the customer experience (Do Great Things, s.a.).

Technological innovations continue to emerge that enable, even the smaller eCommerce businesses, to satisfy individual preferences and adapt promotions and shopping experiences to suit different consumer needs and profiles.

It is imperative that online stores keep up to date with these innovations in order to continually differentiate themselves from competitors.

Executionists (2014) mentions the following online technologies that could influence eCommerce in the coming months:

a) Virtual fitting and sizing

Most consumers have not adopted online shopping due to their concerns about size and fit. With this virtual innovation consumers can try and fit clothing / accessories at the comfort of their own homes. The application works in conjunction with a webcam and allows consumers to adjust colours, size, and length and take images for easy sharing.

b) A 'Human' online service

Consumers will always crave the personal touch that one gets at a physical store. Recent advancements allow online stores to customise the shopping experience for the consumer by personalising greetings, tracking preferences, allowing for tailored promotions that adjust pricing as well as gauging the popularity of various stocked items for better stock control in the long run.

c) Social shopping

Shoppers tend to rely on the opinions and suggestions of the people they know and trust. Social shopping is based on this principle by providing consumers with an application that makes it possible to co-shop, thus sharing ideas and discussing pricing and product specifications in real-time. This is ideal for online monitoring and gives brands insight into the thoughts and perceptions of consumers.

d) Touch ID Technology

It has been said that consumers still have safety concerns when it comes to providing credit card details online. Online stores can now integrate fingerprint technologies

onto their stores that will ensure ultimate security and peace of mind. This also allows for impulse buying as it makes the process a quicker and more efficient one.

2.2 Tap into Logistics

In theory one of the pre-requisites for online shopping stores is short / quick delivery time. Zulily capitalises on logistics by working somewhat differently to that as they do not hold any inventory. Once a flash sale ends, the third party seller gets the [bulk] order, ships the required product to Zulily's fulfilment offices and within 24 hours the repackaged item is sent to the customer, which is why delivery time could take weeks. This doesn't seem to bother customers who don't mind waiting a while for the (unique) purchase that has cost them 50% less.

Zulily's 2011 revenue was \$142.5 million, a 674% increase over 2010 (Fast Company, 2015). This shows that consumers always look for the best deal in order to save money and that delivery times could be overlooked in this regard.

Disrupt Africa (2015) mentions that Zando does its own deliveries allowing them to control the buying experience and allowing them to offer Cash on Delivery as an option.

Online brands have an advantage as their overheads are slightly lower compared to physical stores. By capitalising on logistics, (an element they can customise to suit their goals) businesses are able to save on costs and pass these savings onto consumers thus giving them a differentiator on physical stores.

2.3 Multi-Channelled website model

Zando's Marketing Manager, Bronwen Forster, mentions that the key success factors for them was having a mobile-optimised and functional website, making searching for products an effortless feature and also reducing the amount of steps before checkout (Bizcommunity, 2013).

She insists that their strategy has their consumers, people and colleagues at the core of it. Forster also mentions that it is imperative that e-brands have a mobile strategy considering that a) South Africa is an emerging market b) the internet is cheaper on a mobile device than on a desktop which makes the potential for mobile innovation unmistakable and c) more South Africans have access to a mobile phone than clean water (Business Day Live, 2013).

Retail Touch Points (2015) mentions that studies show 35% of consumers consult social media platforms to ask a service question and learn more about the brand.

Facebook's recent launch for Businesses on Messenger attempts to make the social customer service experience an interactive and interpersonal one. The Business on Messenger aims to eliminate the need to deal with consumers on the phone and enable brands to do so in real time (Retail Touch Points, 2015).

Zulily have openly embraced Businesses on Messenger as part of their customer service strategy, especially because majority of their North American orders are placed via mobile devices. Customer service agents are able to chat to customers in real time and deliver order information which includes tracking and digital receipts.

"The core of our business is about delivering an exceptional experience for our customers every single day," says Dave Atchison, SVP of Marketing at Zulily.

The partnership allows customers to receive order information and interact with brands through Messenger. Retailers and businesses can engage with customers and manage support requests from Messenger in a single customer services platform. Brands are able to connect with consumers through a popular and wide used platform (Retail Touch Points, 2015). News 24 (2014) mentions that the SA Social Media Landscape 2015 study shows that 11.8 million South Africans are regularly logging in to Facebook which means local brands could capitalise on this.

2.4 Create content that builds relationships

Inc (2015) mentions that creating compelling content can be seen as storytelling for most, as it is about focusing on the softer sell or even no selling at all. It's about creating an enticing tale that tells a consumer why he/she should buy from you and engage with your brand. The Content Council (2015) describes content marketing in the following way: "Content marketing is increasingly becoming the most important source of traffic generation, customer loyalty and engagement."

In the Content Council's (2015) study numerous factors are highlighted with regards to content marketing.

It states that there are three important goals that a content driven business needs to adhere to:

1. Attracting more customers to the brand
2. Increasing consumers' engagement with the brand and
3. Continually improve the desired brand perception (The Content Council, 2014)

Even though content marketing is distributed through various forms, it is important to note that digital forms play a big role in the distribution of content driven messages.

ECommerce brands have to focus on creating a streamlined approach to the distribution of their contact via platforms that will lead consumers to their site in an efficient and seamless manner. Content can be distributed via blogs, videos, social media such as Facebook and Twitter as well as Pinterest. The type of media used for content marketing has shifted from social to video content which has made You Tube one of the main distributors of content.

In a Business 2 Community (2015) case study it mentions how quality and relevant content that relate to your products (but doesn't make any efforts to sell them) can increase your brand's awareness among potential consumers.

Yuppiechef's in-house magazine, Spatula aims to communicate and engage with customers. It arrives in the package together with the consumer's purchase and features recipes, food articles and trivia along with some features on random topics (Yuppiechef, 2015).

This in essence allows consumers to feel like they are a part of something other than just a purchase of kitchen utensils.

Yuppiechef distributes its content via social media platforms Pinterest, Facebook, Twitter and Instagram as well as its daily newsletters which features content from its magazine as well as product promotions and features.

Zappos' content strategy is all about interacting with consumers, it reflects their core values and aims to be both emotional and real by being both funny and empathic. Tony, CEO at Zappos, believes that these interactions lead to customer loyalty and purchase. Facebook is Zappos' main hub for content which they then adapt and filter through to other social media platforms.

A recent study by Mashable (2013) analysed the leads Zappos received from November 2012 – January 2013 through interactive posts on Facebook and the results were as follows:

- Facebook drove 83,000 visits to the Zappos site
- 42% of Zappos status updates led to purchases
- 58% of posts prompted likes, shares and comments

Each of Zappos' Facebook posts have a direct link to their website for direct reference to the specific product or page in question. The link provides a differentiator for online stores who have a presence on social media as it provides an easy access point for consumers to view or purchase the product – whereas physical stores do not have quick access online for consumers to purchase products.

Content allows for brands to portray their messages in a way that interests consumers and gets their attention. It enables brands to give consumers a peek into what happens inside their business and let's them in on their internal culture too. Yuppiechef incorporates this into their internal culture through the cook offs in their test kitchen as well as regular breakfasts, which they also share to their social media platforms with their community of fans.

To be trusted and favoured by customers, brands need to continually enhance their online shopping experience, communicate relevant and trending topics that will in turn get consumers sharing with friends and family, engaging with your brand and in essence allowing them to be a part of a wider community - your brand and its culture.

2.5 Internal Culture:

Oxford Dictionaries (2015) describes culture as 'the attitudes and behavioural characteristics of a particular social group'. Yuppiechef's focus is to create a culture that gravitates toward culinary excellence in your own kitchen and is shown in its online and website offerings through its test kitchen and its online engagement strategies.

Andrew believes that if you want your vision to become a success you need to have the right tools to get there. By that he means the right people, who believe in your brand and most importantly believe in treating customers with respect and giving them the best online shopping experience.

Bizcommunity (2013) mentions that Andrew at Yuppiechef believes that people who are no longer engaged in the company only bring it down. Yuppiechef believes that in order to keep succeeding in the way that they have the right people need to continue doing the right things.

Yuppiechef's kitchen culture allows its employees to live it too. The Yuppiechef test kitchen opened in January 2012 and allows its employees to showcase their talent in recipes as well

as monthly themed staff breakfasts hosted in the kitchen. Yuppiechef believes in allowing employees to be their own person and to live through the brand. It shows in the management style they possess - people need to enjoy their working environment and their environment needs to reflect the goals and values that the company is trying to achieve and project.

In a video uploaded by Business Innovation Factory, Tony Hsieh, founder and CEO of Zappos talks about their evolving focus since its inception in 1999.

Hsieh believes that company culture needs to be a business' number one priority and mentions that once you get your corporate culture in line with your brand identity and goals, staff will help you build your brand.

Their strategy involves the belief that culture drives brand → which drives customer service → which will ultimately drive word of mouth.

Zappos maintains that their core focus is on Community and its founder, Tony, believes that businesses need to move from a focus on ROI (return on investment) to ROC (return on community), in essence, a healthy brand strategy (Bespoke Brands, 2008).

Although culture is important for both online and physical stores it is an important focus when it comes to word of mouth – something online brands depend on a lot. An internal culture allows the brand to clearly identify the type of brand it wants to be, the type of employees it wishes to attract and therefore allows this to transfer onto the consumer in the end.

2.6 Tailor the browsing experience

Forbes (2014) mentions that brand appropriate design elements as well as a simply structured navigational process remain key elements to attracting an audience and building loyalty among them. This feeds into the section discussed later regarding usability and aesthetics. Consumers need an exciting and authentic experience across platforms with which it interacts with the brand.

The browsing experience needs to provide consumers with a seamless approach to shopping online. By embracing the 'search' option online stores must ensure that various

keywords are used to describe items and that key descriptors are present, this allows consumers to find products easily and efficiently when searching for them.

Yuppiechef's (2015) online design is based on the principle that eCommerce and online stores need to be seen as an extension of a physical store.

Their focus is on:

1) Store (website) layout:

Their website is presented in a categorised manner which makes it easier for the customer to find what they are looking for. It also allows customers to select to shop by price, brand, latest and popular products (which most brands analysed in this paper do incorporate). Vouchers and gift boxes are also available where occasions such as Mother's Day are catered for.

2) Presenting promotions:

Their home page is covered in promotions relating to free gifts, top sellers, featured products as well as their top rated products. Their thinking is solely based on demystifying, de-cluttering and getting it back to what it really is all about – the selling!

It was important for Yuppiechef to emphasise to customers that there are actual people on the other end of their online purchase and not a robot. In Cherryflava's (2012) clip, Andrew mentions that they try add as many personal touches to the business as possible which includes the personalisation of their packaging.

Word of mouth is a trusted form of advertising and is distributed through social media and sites such as HelloPeter. The customer experience defines the brand, it's not just about the advertising message and the promises that brands make.

Online stores need to ensure transparency and open communication is always present. Customer service elements are everything from fast shipping, good communication, accurate product listing and photos as well as admitting when things go wrong and taking responsibility.

In this new market place companies need to genuinely care about customers and their experiences in order to add value to their lives. The selling comes after that.

2.7 Collaboration

Inc (2015) describes collaboration as essential to today's world of design thinking. IDEO's (2015) Tim Brown says "Design thinking is a human-centred approach to innovation that draws from the designer's toolkit and integrates the needs of people, the possibilities of technology, and the requirements for businesses success."

Collaboration is difficult to adopt as employees see it as time consuming and a waste of precious time, but it is essential to achieve goals within an organisation.

InsightOn (n.a) stresses that collaboration is essential in the world of eCommerce retailers because it offers ways to implement competencies in logistics planning and execution.

Fortune (2014) mentions that Zulily makes use of collaboration in the management of their data. In a business where 9000 products are uploaded daily, employees such as photographers, software engineers and customer data managers all collaborate to achieve the same goal.

Zulily runs 60 to 80 big data projects at the same time and limit themselves to 10 people per project. New projects start with a 10 minute meeting with two team managers and three software engineers, they are then off to write code and share all their work online using an online collaboration tool that Zulily employees use.

The team makes use of collaboration by visiting focus group meetings, merchandisers and marketers to better understand what customers think.

Collaboration in this sense means working together and collaborating with members from various departments and skills to make the most of one another's resources and knowledge.

Inc (2015) describes reasons why collaboration is essential for the growth of any business:

1. Self-awareness

Collaboration forces employees to harness their strengths by forcing them to articulate their competencies, for the sake of collaborating with others in a team. This self-awareness helps build a collaborative organisation that does not compete with other departments but rather collaborates with them to strengthen each (Inc, 2015).

2. Scale

This principle is based on the old theory that “two heads are better than one”. By combining resources in talent, experience, finances and infrastructure employees and organisations are able to leverage one another’s resources. (Inc, 2015).

3. Creative Abrasion

Abrasion is defined as a process of wearing down through friction. Even though friction is often associated with negative connotations it is essentially energy in its purest form. This principle is based on the belief that if people are able to turn the differences associated with working with certain people into something positive, then complementary factors can be identified and leveraged (Inc, 2015).

4. Learning is key

Collaboration assists firms in becoming learning organisations, a popular phrase in modern day organisations. Organisational cultures that facilitate and support learning are essential along with safety nets for failures and opportunities for growth, for all employees (Inc, 2015).

In essence collaboration is seen as an important factor that fosters innovation and design thinking.

Harvard Business Review (2010) describes Zappo’s collaborative strategy with regards to its approach to vendors.

“We wanted Zappos to be different. We decided to create collaborative relationships in which both parties shared the risks, as well as the rewards. We found it much easier to create alliances when partners aligned themselves to the same vision and committed to accountability, knowing we’d all benefit from achieving our goals” says Tony.

Adopting Holacracy at Zappos

The researcher has noted many studies that discuss various management styles at organisations. Many have some form of management hierarchical influence to them until Zappos announced its plan to make a full transition into Holacracy.

An article by Business Insider (2015) discusses Tony Hsieh’s holacracy strategy in full.

On 24 March Hsieh announced the company's plan to make a full transition into holacracy. Holacracy can be described as a manager-free operating structure comprising of equally priveledged employees, working in task-specific circles that tend to overlapp. It stems from the belief that hierarhical management is not agile nore adaptable and hinders the ability of people to contribute and use their gifts. It includes giving up traditional job titles and working on multiple tasks rather than a specific job.

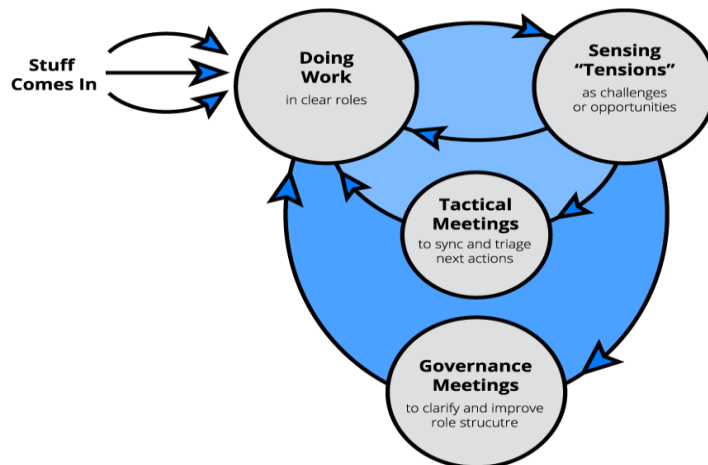


Figure 1: Holacracy: The New Management System for a Rapidly Changing World (Brian Robertson) (Business Insider, 2015)

Zappos sees Holacracy as a way of maintaining its employee-centri culture and gave their employees an ultimatum this year to adopt holocracy or leave. In May 14% of the company (210 employees) had taken the offer to leave.

One of the 10 core values of the culture that Tony tries to create is to "Create fun and a little weirdness". He believes in allowing employees to express themselves in their own way and believes that they perform best when they are happy.

Holacracy is a collaborative tool that is focused on allowing teams (instead of departments) to overlap and learn from each other.

2.8 Credibility

Building credibility with a potential first time customer is a first step in turning them into buyers.

“Credibility is the belief that a vendor has the necessary expertise to complete the task effectively and reliably.” (Lewicki et al. 1995).

Crazy Egg (2014) mentions three ‘trust’ signals that have been proven to create credibility for successful eCommerce sites namely:

1. Testimonials and Reviews

Enriching online stores with reviews and ratings motivates trust with consumers. Social proof is said to have a positive impact on trust too as consumers tend to trust the opinions of families and friends.

2. Contact and Communication

The most basic and imperative piece of information of a website not only provides a telephone number and email address but also lists the address of the business.

3. Payment Assurance

Multiple payment methods give consumers the benefit of choice on how to pay for their purchases. Third party badges and certifications also allow consumers to gain peace of mind by identifying with other credible brands that they are aware of.

The basic idea is to ensure that the eCommerce site provides the consumer with the assurance they need to go ahead and part with their money.

Getting people online and providing reasons for them to shop or even visit an online store are big challenges for e-brands.

Yuppiechef’s first radio campaign aimed at closing the gap with the thinking that people listening to their advertisement on the radio had a close link and opportunity to shop online, as most of them were listening to the radio at their desks. Their aim was to mix the two so that both the credibility and the access problem were looked into (Do Great Things, s.a.).

Yuppiechef founders believe that word of mouth has been just as important in overcoming their credibility challenge. It’s about creating a brand that’s worth talking about and that

captures interest and makes them want to interact and try the online shopping route (YouTube, 2012).

Zando uses 3D secure (a form of site verification software) and maintains that the service provider has increased trust and credibility with consumers.

MD and COO of Zando claims that they deliver 99% of their orders on time and consistently beat customer expectations by a full day (Disrupt Africa, 2015)

This builds confidence and credibility in a brand when a new consumer receives the delivery on time and the brand is able to exceed expectations in this regard.

On 1 August 2012 FNB announced its partnership with Zando (My Office Magazine, 2012). Zando and FNB's E-bucks partnership allows Zando to leverage the credibility of a partner such as a bank. Most consumers who don't shop online do however use online banking.

Credibility is an important factor for online stores. Once consumers recognise a brand as credible they usually transfer this belief via word of mouth and help others adopt the same belief. It is important for online stores to provide consumers with credibility signals that facilitate the willingness for them to take a chance on a brand. Transparency is also important as consumers do not want to be hit with hidden shipping costs at check-out nor do they want to be miss-led with short delivery times.

2.9 Effects of Web-Store Design on consumers' emotions and attitudes

In Porat and Tractinsky's Journal (2012) the environment and emotional states of consumers are analysed in Russel & Mehrabian's model.

It states that the design features of an online store affect the emotions and attitudes of a consumer toward it.

The model suggests that the reactions to online environments (usability & aesthetics) affect the emotional state of the consumer (pleasure, arousal and dominance) and ultimately affect the decision to buy or not to buy from the online store.

The Environment

The study highlights key website design elements that relate to the environment namely *usability and aesthetics*.

Usability

Usability is focused around the design and evaluation process around the online user's ability to accomplish tasks competently.

Usability highlights the following aspects:

a) Store layout:

This element is crucial for a website and needs to be as efficient and user-friendly as possible so that consumers find what they looking for easily. It is especially important in a highly competitive space such as online shopping if we consider how consumers can exit a store very quickly due to the frustration associated with poorly designed websites.

b) Ease of navigation and searching:

This should be an effortless process for the consumer. The website needs to be designed in a way that will allow searching to take the shortest period of time, minimising confusion and giving users a sense of control over the interaction with the online store.

The usability of a website analyses how users perceive the environment.

Aesthetics

The journal says that studies have shown that aesthetics affects the user's attitude toward an online store. This goes hand-in-hand with how consumers perceive their environment. There are two dimensions to perceive the aesthetics of a website, namely: classical and expressive aesthetics.

a) Classical Aesthetics:

This element represents visual clarity, order and legibility of the website as a whole. The design of a website needs to be simple and make sense to the consumer and in essence reduce uncertainty.

b) Expressive Aesthetics:

This element represents the creativeness and innovativeness of the website's design. The focus is to increase arousal and involvement through unique features that stimulate interest.

The study mentions how aesthetics relates to a user's perceptions of certain features on the website, how the design of the website affects the emotions of the user and how this shapes the attitude consumers will have toward it.

Emotional States

The model suggests that the environmental stimuli in turn affect the emotional states of the user.

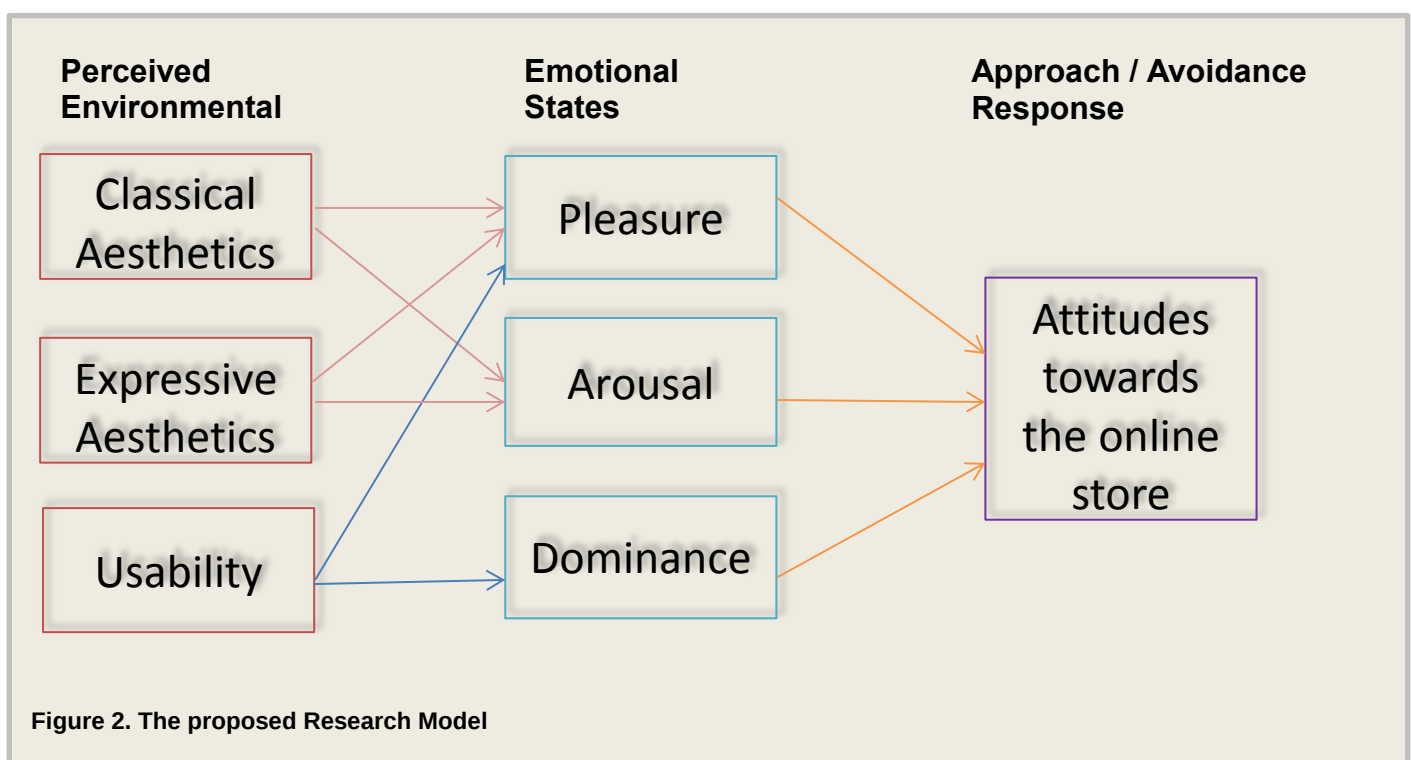
The environment that the online store represents can bring about the following emotional states:

a) Pleasure and arousal:

These elements are formed from the afore mentioned aesthetical dimensions and encourage engagement with the online store and bring about positive attitudes and energy toward it.

b) Dominance:

This element is based on the perceived control that the user feels they have with the "virtual" store.



The study concludes that it found that online users preferred positive pleasure and positive dominance coupled with high arousal as an ideal 'controlled' situation.

The model (as showcased above) therefore states that the environmental stimulus represented on an online store influences the emotional state of the user. This will in turn result in the consumer either approaching or choosing to avoid the store.

2.10 Trends and Key Success Factors

Shipwire (2014) predicts a few trends that focus on the American market, where eCommerce sales are predicted to hit \$530 billion in 2015.

1. Crowdsourcing & Globalisation

Crowdsourcing is gaining traction especially in developed markets such as America. Crowdsourcing can be described as the process of acquiring resources, in the form of funding, ideas, or content from a large group of people, usually an online community rather than from your traditional investor or supplier (Shipwire, 2014).

Shipwire (2014) mentions that this puts the consumer at an even more powerful position because they are able to pull brands in and leverage even greater control.

Sites like Kickstarter have supported numerous entrepreneurial projects based on the eCommerce principle.

A company can go global before it has even been built thanks to crowdsourcing.

ECommerce makes global accessibility that much easier because anyone anywhere can access your website but without flexibility, globally integrated supply chains can go downhill pretty quickly.

Flexible supply chains call for focus on 3 areas namely: having multiple options to enter a market such as in country fulfilment, international shipping and landed cost visibility (Shipwire, 2014).

2. Open 24/7

Having an online platform means that it is open all day, every day which makes consumers accessibility that much easier. The supply chain, including customer service lines need to be able to respond to buyers all the time.

Courier companies are increasingly supporting extended pick-up and delivery times. Delivery and fulfilment services will soon match retail opening times and open 7 days a week. USPS in partnership with Amazon has started bringing in deliveries on Sundays (Shipwire, 2014). When online stores start acting like brick-and-mortar stores then the gap will narrow, provided that the added benefit is seen and felt by consumers who prefer to go the online route.

3. Big buying days – bigger and more impulsive

Traditional Black Friday is one of the popular big shopping days known by consumers. With eCommerce Cyber Mondays has recently gained traction.

In 2013, US Cyber Monday sales were \$2.3 billion – an increase of 29% compared to 2012. It is imperative that companies have scale-on-demand and operate with tight supply chains as they enter these markets (Shipwire, 2014).

Zando's recent newsletters have featured 'Flash Sales' with promotions titled 'Amazing deals every 3 hours' or '60% off flash sales ending at Midnight' which shows their commitment to this trend.

4. Same-day, in-store pick-up:

Same-day delivery has failed in many markets as consumers weren't ready for it; however Shipwire predicts that next-day and fast in-store pick up will dominate 2015.

By utilising an in-store pick-up centre companies are able to take advantage of faster, cheaper and more convenient service for both buyer and seller.

With companies like Amazon building warehouses, this is a trend sure to gain traction in the upcoming year, allowing businesses to keep up with consumer demand and training buyer's delivery-time preferences.

Zando's recent '3 hour delivery for a day' seemed to have tested this trend but was only available for delivery in Cape Town.

Venture Burn (2015) states that Groupon South Africa has recently partnered with Pargo, a flexible pick up location service provider. A customer is able to choose a product, select a pick up point on Google Maps and when the parcel arrives they will receive a SMS or email notification. Current partners include Caltex FreshStop, Vee Videos and Shell and it plans to get more major retailers on board in the future.

5. The ever-changing offline experience

Retail and online is turning into a mutually beneficial partnership. Offline, brick and mortar retailers are continually differentiating their service in order to get back what online has taken from them: by focusing on the buyer experience.

Retailers are perfecting the online and offline experience on the buyer's terms and creating the ultimate experience in-store. This puts risk on the online store and more pressure for eCommerce businesses to differentiate and provide impeccable service.

6. Adaption and transformation

Tools such as social monitoring and customer feedback channels help sellers understand their consumers better and gain markets quicker by listening and reacting to what their buyers are telling them.

In order to gain markets sellers need to understand the consumer demand, respond with high-end logistical flexibility with an adaptable supply chain, on-demand global fulfilment and various payment options. Payment options included being able to change to various currencies when people from various countries log on, as well as considering cross-border purchases – something Zulily and Zappos offer.

7. What you put out, often comes back as a return

It is critical (and often expensive) to get the on-going buyer experience and satisfaction down to the tee, by ensuring your return policy is a seamless and 'too good to be true' one.

Retailers such as Zappos have offered incredibly flexible, almost unprofitable return policies by offering consumers up to 365 days from the purchase date to return products.

The biggest problem area with regards to returns is sizing which means the apparel and shoe e-tailers are impacted the most. Most retailers are working on technological innovations and order history to estimate the right fit for consumers.

E Consultancy (2013) says American based online store, ASOS have incorporated a new virtual fitting solution dubbed as Virtusize.

This allows consumers to compare specific measurements of an item they are about to purchase with an item that they already own thus enabling them to proactively compare sizes and decide on the item that would fit them best.

Buyer confidence is enhanced based on this type of virtual experience.

8. Less inventory, more customers

Even though 'faster is better' it is predicted that more retailers will offer massive discounts in the place of longer waiting periods for delivery.

Zulily leads the pack in this regard; it has recently become one of the fastest growing eCommerce stores offering up to 75% off on luxury brands.

A twist to the traditional flash sale, Zulily offers branded apparel and shoes at an appealingly low discounted price for a limited time. Their model works on booking out orders, ordering them from the supplier (at bulk) and cross-docking the apparel to the buyer. The buyer falls for the huge discount in exchange for a longer waiting period.

9. Drop shipping

Drop shipping can be defined as the delivery of merchandise from a manufacturer or original supplier directly to the buyer / consumer, therefore by-passing the distributor / seller's warehouse (Business Dictionary, 2015).

The combination of convenience and low prices that drop-shipping can offer both sellers and buyers will be more relevant in 2015.

Zulily has started using the drop-ship approach and still processes many orders through its fulfilment centres before shipping back out to the consumer which still takes time.

The future will bring a more stream-lined and clever approach to putting the customer's needs at the core of all strategies.

Key Success Factors for Customer Satisfaction and Loyalty:

Customer satisfaction and loyalty are valuable assets for e-businesses when we consider the high cost of attracting and retaining new customers on the internet (Anderson, Swaminathan, 2011).

In a journal of the Marketing Theory and Practice, it mentions the advantages that online shopping offer consumers:

- Broader product lines
- Immediate comparison between vendor offering and
- Immediate access to reviews of products and services.

Competitiveness is high in these markets due to the level of price transparency and the fact that a competitor is a click away from making the sale; this makes customer loyalty more difficult to achieve (Anderson, Swaminathan, 2011).

Due to this high level of competition it is said that attracting new customers costs online businesses 20 – 40% more than traditional stores (Anderson, Swaminathan, 2011).

Understanding the factors that drive satisfaction and loyalty for online business is crucial to gain and retain loyal customers: customer loyalty increases profits as customers are willing to pay higher prices and tend to be more tolerant if a problem is encountered.

Research indicates that a 5% increase in loyalty usually results in 30% increase in profitability (Anderson, Swaminathan, 2011).

In this particular study, it mentions eight key factors that affect customer satisfaction in e-markets, namely:

1. Adaption
2. Interactivity
3. Nurturing
4. Commitment
5. Network
6. Assortment
7. Transaction Ease
8. Engagement

(Anderson, Swaminathan, 2011)

1. Adaption

Adaption can be defined as the ability of an e-business to recognise a customer and tailor the choice of products, services and the experience to that particular customer.

If the site tailors its information to suit each specific customer, they are in turn speaking directly to the customer's needs and feeding him / her information they require.

The researcher noted during a visit to Zando's online store, that it had remembered the previous shoe size selection and already prepopulated the size upon viewing a specific shoe for purchase. Yuppiechef showcases complementing and substitute products when a particular product is selected, which has the opportunity to increase sales by giving consumers a variety of choices and alternative options.

2. Interactivity

"Interactivity can be defined as the availability and effectiveness of customer support tools and the two-way communication of the e-business with its customers." (Anderson, Swaminathan, 2011)

Every e-business' aim should be to interact proactively and constructively with consumers in a better way than competitors do, thus being able to fully satisfy customers and capture higher market share.

3. Nurturing

Once a business makes a sale it is important for it to nurture it by providing relevant information as a standard without having the customer enquire for it, such as: post-purchase information, education, training and service for its customers in order to extend the scope and depth of the consumption experience over time.

4. Commitment

Commitment can be defined as the strength of the on-going relationships with current and prospective customers.

Businesses need to ensure that once the sale is made that there is no breakdown in customer service, such as delivery, installation or repair as well as returns, and responsiveness to customer concerns, complaints and problems.

5. Network

A network creates a sense of community among consumers and can be defined as the extent to which customers are provided with opportunities to share opinions among one another. This can be through comment links, product reviews, buying circles and chat rooms provided by the particular online store.

It is said that prospective consumers value the ability to exchange information and compare experiences, making the 'sharing culture' in today's society an important tool for online businesses to capitalise on.

6. Assortment

Assortment refers to the ability for e-businesses to offer a variety of products and services, thus saving consumers money, time and energy associated with shopping at various stores for their needs.

By adopting a strategy such as Zulily, where orders are placed with vendors *after* consumers have placed their orders, e-businesses are able to display products for purchase but also keep warehouse and storage costs to a minimum.

7. Transaction ease

Research shows that a large number of consumers leave online stores due to the frustration associated with the navigational process of the particular site.

A recent article by Lima Bean mentions that part of the eCommerce problem in South Africa is that through the fast growth of the industry, new eCommerce sites have popped up and with that being said very few of them are of high quality (Lima Bean, 2014).

These low budget sites are poorly launched with an off the shelf product and theme, with little effort placed on content and user experience – all these factors being imperative for an online website.

8. Engagement

Engagement is the overall brand image and personality that the e-business would like customers to perceive by showcasing attractive, vivid, interesting and exciting visuals, illustrations, formats and content.

2.11 The State of ECommerce in South Africa

Venture Burn (2014) mentions that South Africa's eCommerce is in infant stages by global standards.

The global growth rate of eCommerce has increased at a fast pace due to large investments being made and big players choosing to join the industry.

Online retail in developed countries makes up 10-12% of total retail according to Venture Burn, where South Africa is hardly breaking the 1% mark of the total market of consumer goods.

Venture Burn (2014) continues to mention barriers that potential buyers have expressed:

1. Delivery costs:

With South Africa's post office being less than reliable in recent months online businesses have had to come up with their own reliable delivery options.

Physical stores have always been seen as more cost-effective but online stores are counteracting this belief by partnering with reputable and reliable delivery companies and putting decent delivery infrastructure in place.

The costs that online retailers carry by offering free delivery are a key advantage in attracting online consumers and gaining market share.

2. A perception that only credit cards are accepted as an online payment option:

Most online stores have realised that there is a necessity in offering other online payment options and have introduced EFT and PayPal as well as Cash on Delivery. Venture Burn (2015) also mentions that South Africa can learn a lot from Kenya's MPESA system.

MPESA allows people to transfer money using their mobile phones which is said to be the leading and most successful scheme of this kind on earth (The Economist, 2013). 17 million Kenyans use the system to do anything from pay for a taxi, to pay bills and disburse salaries.

South Africa must find innovative ways to broaden payment options in our country which links to the next point.

3. Security concerns associated with online payments:

Even though online payments are becoming a huge part of everyday life, some consumers are still hesitant. E-tailers have a duty to ensure online security is a top priority for their website and thus communicate that to the consumer and adopt a trustworthy relationship with them.

4. Know what you're getting:

The need for consumers to touch and feel a product before purchasing it seems to be underlined by the fact that returns are assumed to be near impossible for consumers. Most eCommerce sites offer a free return policy ranging from 14 days at Zando to 30 days at Yuppiechef. Zando openly displays key elements of their service offering at the top of their home page, namely: Free Delivery for orders above R250, Free Returns within 14 days and Secure Payment Methods - so consumers know what to expect straight away.

5. Confidence in unknown brands:

Traditional brick-and-mortar stores such as Pick n Pay and Woolworths have successfully migrated their stores into an online space and have become leaders in this arena with brand awareness and consumer confidence on their side, prior to entering the online space.

Unfortunately very few small, low-budget eCommerce stores have been able to incite such confidence. With the likes of Kalahari, Take-a-lot and Zando aside smaller eCommerce stores in the South African market cannot afford aggressive marketing campaigns that will create awareness and confidence among consumers.

6. Slow internet connection:

Statistics show that only 10% of South African households have internet access at home.

While data costs are high in comparison to salary ranges in South Africa, internet and mobile adoption is growing rapidly. ECommerce sites need to focus on creating a mobile friendly website that is fully responsive and user friendly.

7. Big boys merging to survive:

Local online stores have come to the realisation that they need to expand in order to grow and capture our market and global markets. With the merger of Take-a-lot and Kalahari announced at the end of 2014, most small eCommerce businesses have been left with a burning question of how they will survive if the bigger guys are taking up mergers in order to survive.

Smaller businesses such as Yuppiechef and Zando are attempting to target and capture their niche markets by implementing responsive micro-sites.

8. Africa

South Africa can learn from our African counterparts such as Jumia and Konga in Nigeria. Even though most of the perceptions by the South African consumer are not true, some damage has been done by delaying the growth in our market.

However, Paul Galatis from Yuppiechef mentions that he believes that for years South African retailers have questioned online retail but the real problem is that people aren't shopping because there isn't anywhere to shop.

2.12 Recent studies on eCommerce in South Africa

Effective Measure's (2014) report mentions key findings derived from the study conducted recently:

- The main reasons for slow uptake of online shopping in South Africa is mainly due to the mistrust in online payment systems as well as the fact that they cannot touch or feel a product before purchasing it.
- 73.76% of online users are utilising the internet for online banking while the most purchased items online are books, airline tickets, hotel reservations, event tickets, music and computer software.
- The reasons for users shopping online is attributed to the fact that consumers are spoilt for choice in terms of quality products and a competitive price offering.
- The age group of 20 – 44 makes up for 47.07% of online users.
- 39.09% of respondents have never purchased products online.
- Preferred waiting times for delivery is between 1-10 working days max.
- The top drivers for online purchases are: 60.54% competitive prices, 47.51% quality products, 45.43% trusted payment method, 41.54% wide product selection, 37.57% shorter delivery times, 36.6% easy return policy.

In a study conducted by Ipsos for FNB and PayPal it reveals that consumers' interest in shopping online is increasing (IT News Africa, 2015).

It reveals that 22% of internet users in South Africa have made purchases online and 48% expect to make purchases in the near future.

Even though penetration of eCommerce in South Africa is relatively low compared to global counterparts, the number of online shoppers is expected to triple, making South Africa a force to watch out for in the region.

Key drivers for South Africans to shop online include:

- 88% lower product costs
- 85% faster delivery time
- 82% flexible delivery options
- 75% safer payment options

Some frustrations indicated by consumers in the study are:

- 71% would shop online more if they didn't have to keep re-entering their payment details at every purchase.

- 51% (one of two) mention that if they didn't have to always register online to purchase online, they would buy online more often.

When non-shoppers were asked for reasons for not having shopped online they mentioned that barriers included:

- 67% of non-shoppers say that online security is a concern
- 58% of non-shoppers mention that their concern is not receiving the items they have ordered and paid for.

Online security is very important to South Africans, especially with the knowledge of crime and fraud being prevalent in the country. Even though PayPal is simpler, easier and more secure (as they do not share any financial information with third parties) the problem lies in whether or not South Africans are aware of this.

59% of shoppers are aware of PayPal and agree that it is the safest payment method.

- The Savvy South African Shopper:
Research shows that coupons and promotions are popular among South Africans with 85% agreeing that it would drive them to shop online.
- Increased use of mobile devices to shop:
The future, according to the study, will bring various consumers online through mobile devices. 50% of shoppers who own a mobile phone have used it to shop online. 21% expect to do so in the future.

Mobile phones have made lives more convenient with 70% of mobile shoppers using their phone to shop from the office or from home.

- 94% of consumers state they use their mobile phones to find information on products, stores and businesses.
- 62% reveal that they use their mobile phones to compare prices while shopping in-store.

Some concerns regarding online shopping included:

- 51% reveal that the experience is not user friendly, thus highlighting the aforementioned point that consumers need efficient and user friendly sites.
- 42% mention security concerns when shopping online.

2.13 Psychological Influences

In an article by Shopify based on the book “Influence” by Robert Cialdini, Cialdini, a professor of psychology and marketing, analyses six principles for online businesses:

1. Reciprocity
2. Commitment and Consistency
3. Liking
4. Authority
5. Social Proof
6. Scarcity

(Shopify, 2013)

1) Reciprocity

This is based on the principle that people feel compelled to give something in return once they've received something from someone.

There are two ways in which online stores are taking reciprocity into account namely:

1.1. Free Gift

This is when shoppers are offered a gift alongside a purchase; some e-brands opt to surprise consumers with their free gift when it arrives. This is something Yuppiechef offers.

1.2. The gift of content

Content helps retailers provide potential consumers with value.

Yuppiechef's test kitchen provides content in the form of recipes for its consumers and followers to try. Their take on a product review comes with step by step instructions, photographed in their own kitchen and tried and tested by employees who live the Yuppiechef's brand identity and its message, every day (Yuppiechef, 2015).

2) Commitment and Consistency

As an online retailer, there isn't much to work with compared to a brick-and-mortar store. If consumers can make a small commitment to a brand by signing up to its daily / weekly newsletter, they are more likely to purchase.

Zappos' famously 365 day easy return policy is an example of giving consumers as little complication as possible.

In Cialdini's theory he states that once the product is physically in a consumer's hands they are less likely to return it.

3) Liking

This principle states that if consumers like your brand and have a connection to it, they are more likely to purchase it.

Using Yuppiechef as an example the researcher can conclude that their product offering goes beyond kitchen tools by offering online cooking classes through its online Yuppiechef Cooking School. Their school offers pricing plans that range from a single cooking course, to monthly and annual fees. There are a few free courses that consumers can try too.

Yuppiechef's likability stems from the fact that they live their brand every day and in all they do. They provide added value to consumers that doesn't only involve selling to them. It's about creating your inner Yuppiechef and giving you the Kitchen tools and education you need to do it all (Yuppiechef, 2015).

4) Authority

Cialdini's principle is based on people appearing to be compelled to respond to authority.

- *Expert creation* is based on brands displaying accredited content from professionals. Yuppiechef does this with their cooking school. Their cooking course 'Mastering Meat' is presented by renowned chef and judge on Masterchef South Africa, Pete Goffe-Wood (Yuppiechef, 2015).
- *Expert curation* involves having an internal representative of your brand provide a few favourite product selections. Zando's recent coverage on South African Fashion week was extensive with daily mailers of the SAFW Round Up and a few of their favourites which was featured via their e-newsletter throughout the week (Zando, 2015).

5) Social Proof

This principle is connected to 3) liking. Providing potential consumers with proof of positive feedback received for your product / service i.e. press and emails from customers. Things that show the popularity of your site can trigger a potential response.

A best sellers and popular products page also provides consumers with the tried and tested products on a page. Zando allows consumers to apply a filter for popular products (Zando, 2015).

6) Scarcity

Scarcity is based on the principle that people become more motivated to buy when you give them the opportunity to lose or miss out on something.

Marketers tend to use simple tactics to suggest products might go soon.

Deadlines for sale items, impending stock items ("only 3 left" - a tactic that Zando uses) and seasonal or limited products are all based on the scarcity principle.

2.14 McKnight and Chervaney's online Trust Model in ECommerce

E commerce Report (2014) mentions that one of the main reasons for the slow uptake of eCommerce in South Africa is due to mistrust in online payments and websites.

In a journal by New Marketing Research it mentions that trust is one of the key factors hindering growth for the South African eCommerce market (Miremadi et al., 2013). It mentions that after three decades, consumers still prefer the tedious process of shopping in-store, despite the advantages that online shopping provides them. Low trust and technical limitations seem to be hindering its growth. There seems to be insufficient information for consumers that will convince them to purchase, the lack of high quality 2D pictures, textual information such as: material, texture and actual functionalities of products are lacking.

With reference back to the case study, Yuppiechef seems to have this specific element well thought out. Each product has images, specific dimensions, an extensive product description and most of them even feature a tutorial video on how to use the product. Related articles such as featured recipes that they've published using the specific tool are also showcased (Yuppiechef, 2015).

In this specific journal trust is described as the basis for any relationship with a social group. It states that trust consists of frankness, loyalty, competency, faithfulness and stability. Trust is inevitably a variable used by a consumer to either make an online purchase or not.

Chapter 3 - Methodology

This chapter will address the research questions and will explain which research methods will be used as well as reasoning behind the choice of methods.

The research design is the framework for the research report and outlines the plan that will be used as a guide for the data collection and analysis (Wiid et al., 2009). It can be set out in an exploratory, descriptive or explanatory nature.

This particular study will be of an exploratory nature. Exploratory studies are intended to explore a specific topic of interest.

The reason the researcher undertook this particular type of study is laid out in the following objectives, namely: to acquire new insight into a topic; to explain central concepts and to develop understanding rather than to collect replicable and accurate data (Wiid et al., 2009).

The researcher conducted research that would investigate new ideas and suggestions and openness to new stimuli.

A mixed method approach of both qualitative and quantitative research was used.

3.1 Quantitative research

Quantitative research relies on numbers, measurements and calculations and is highly structured (Wiid et al., 2009). The researcher has decided on this approach as it will be easier to measure and analyse responses and a greater number of people can be included in the sample.

The data collection method will be non-experimental design. Non-experimental design involves the researcher to observe and interpret the data that is being looking at (Study, 2015).

The researcher conducted surveys as part of the research report. Surveys can be described as a process of gathering primary data by gathering information from a representative sample of people (Wiid et al., 2009). The survey was web-based and consisted of 20 questions. It was compiled via Survey Monkey and shared on social media to include as many respondents as possible and allow for as much insight and comments as possible. The researcher used a probability sampling method to generate a representative sample. Respondents were selected at random which eliminated bias.

The researcher planned to interview at least 50 – 100 respondents between the ages of 18 and 64 who are employed and who have access to the internet on their mobile device and / or their desktop or laptop. 113 respondents participated in the survey.

Their behaviour, psychological triggers and social influences were analysed.

The researcher used both open-ended and closed-ended questions. Closed-ended (best option responses and rating scales) and Open-ended questions (an option to specify/allow for comments) were posed. The survey aimed at giving the researcher insight into what consumers think of the online shopping experience in South Africa as a whole which enabled the analysis of influences and frustrations that consumers have.

Content analysis can be defined as the analysis of printed or visual texts and documents that builds on themes and meanings (Bell et al., 2011). The researcher will use this method in identifying themes for data analysed in the secondary research.

3.2 Qualitative research

Grounded theory – it is a “qualitative research method that uses a systemic set of procedures to develop an inductively derived grounded theory about a phenomenon” (Strauss, 1990, p.24). This was compiled from the literature review and helped the researcher understand the psychological and social aspects that make up the eCommerce industry locally and in the United States.

Case study – it is the attempt to shed light on phenomena by studying in depth case examples thereof (Research Guides, 2014).

The researcher used case studies on the four above mentioned brands in order to identify their key success factors and trends that they follow in their respective markets.

Journals, articles and text books in the respective eCommerce were studied from the literature review.

This was done in an unobtrusive manner through the analysis and interpretation of existing data available from online academic journals, online resources and eCommerce expert opinions. Various themes were studied and applied to the brands (Zando, Yuppiechef, Zappos and Zulily). Themes such as customer experience, logistics, Multi-channel business models, Content marketing that builds relationships, Internal Culture, Tailoring the browsing experience, Collaboration and Credibility were discussed and applied to the study. Various Trends and Key Success Factors were analysed in both the South African and American markets and psychological influences that affect consumers were discussed based on

studies that were previously compiled and discussed. The state of eCommerce in South Africa was also addressed.

3.3 Data Analysis

The qualitative data will be analysed using thematic analysis. Thematic analysis is the process of identifying, analysing and describing patterns or themes across the data gathered (Bell et al., 2011). It will involve a deductive approach which will allow the researcher to be guided by themes identified in studies or research done previously on the eCommerce topic in particular.

The quantitative data will be analysed using univariate analysis. Univariate analysis can be described as the analysis of one variable at a time (Bell et al., 2011). Bar chart diagrams will be used to display the data as they are relatively easy to interpret and understand according to Bell (2011).

3.4 Credibility of study

It is crucial to assess whether the measures of the study are both reliable and credible (Bell et al., 2011).

3.4.1 Reliability

Reliability describes research that produces the same results when the same research is repeated (Wiid et al., 2009). The researcher will be using Internal Consistency Reliability and can be verified using Cronbach's Alpha. This particular method involves a substantial amount of generalisation across each variable that is being measured.

3.4.2 Validity

Validity ensures that the research conducted measures what it is meant to measure (Wiid et al., 2009). The research paper's validity will be measured using content validity. College Board (2015) describes content validity as the process of matching the questions posed and the content that they are intended to address. The researcher measured the content validity using previously conducted research in the same discipline.

3.5 Hypothesis or aims in respect of the research issues:

Are South African e-brands doing enough to keep consumers satisfied and loyal? Will the eCommerce market continue to grow or will it remain stagnant and only be dominated by a handful of successful brands such as Yuppiechef and Zando?

If e-brands are not able to adapt to the ever-changing South African environment and focus on excellent customer service, providing consumers with efficient, memorable and timeous delivery services - businesses will fail.

3.6 Ethical issues

Public sources will be utilised and surveys will be conducted with consent from the interviewee therefore no ethical issues can be identified at present. All survey respondents answered the survey at their own free will, the link was shared using social media and the survey was conducted using Survey Monkey which allows respondents to submit their responses anonymously.

Chapter 4 – Data Analysis & Findings

The survey collected 113 respondents in total. The general demographical representation was as follows:

Gender:

- 68% Female
- 32% Male

Age:

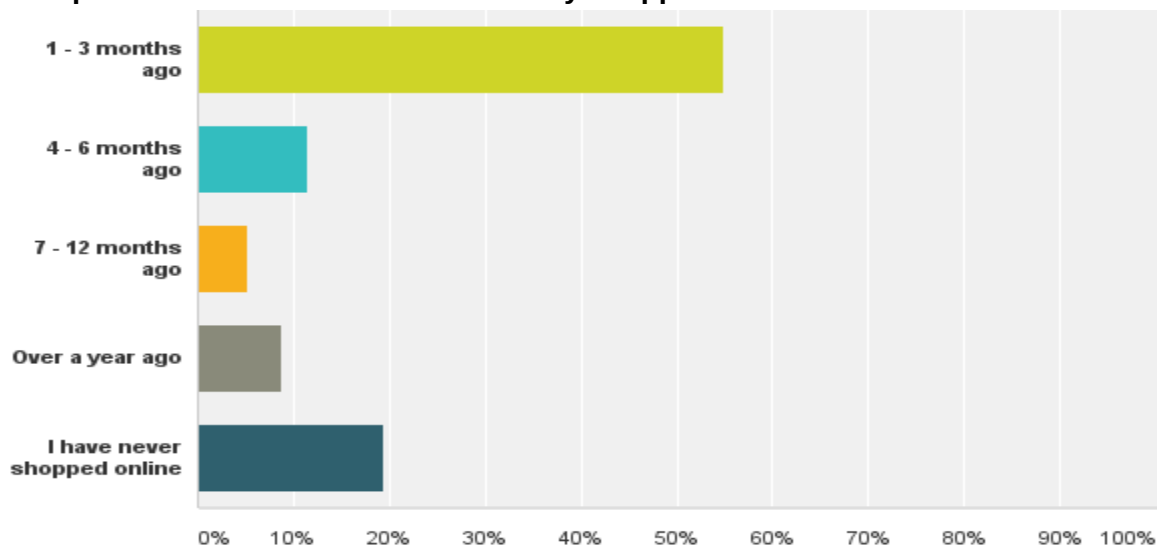
- 57% between 25 and 34
- 16% between 35 and 44
- 12% between 45 and 54
- 11% between 18 and 24
- 4% between 55 and 64

Relationship status:

- 47% Married
- 29% Single and never marries
- 18% Single and living with a partner
- 4% Divorced
- 1% Widowed
- 1% Separated

The survey was made up of 20 questions and the results are showcased below.

4.1 Respondents were asked when last they shopped online



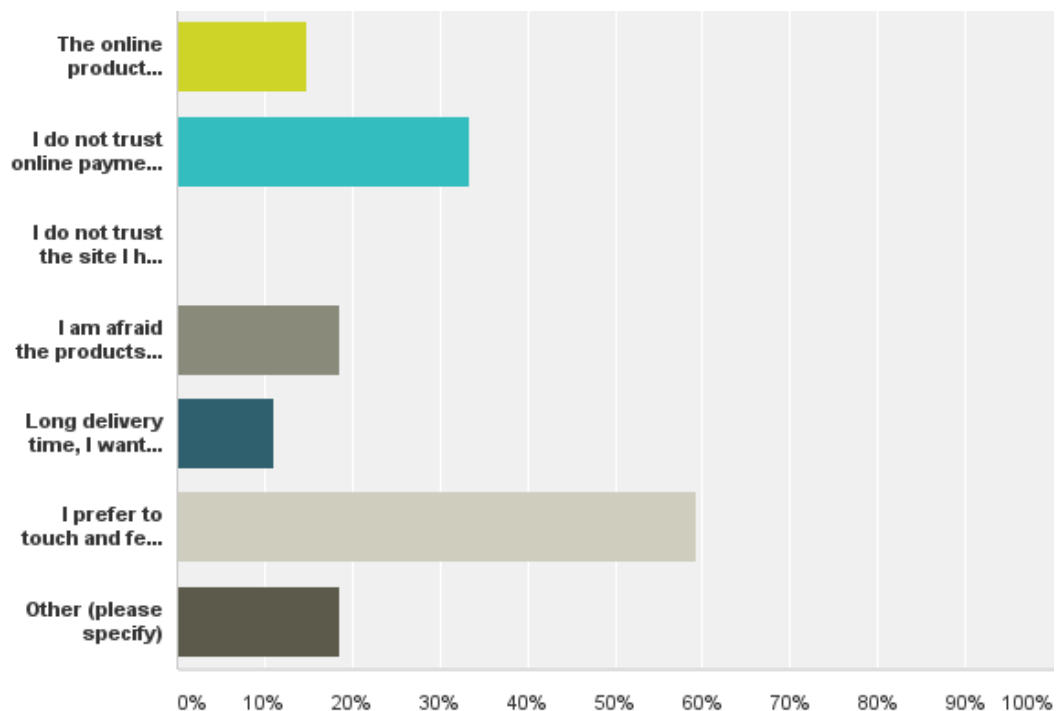
Results show that 55% of respondents had shopped online 1-3 months ago; 20% had never shopped online; 11% shopped online 4-6 months ago; 9% over a year ago and 5% 7-12 months ago.

The results show that 80% of respondents were open to online shopping and had shopped online before.

4.2 Respondents were asked to select / provide reasons for not shopping online

24% of respondents had never shopped online and their reasoning can be represented in the diagram below:

Answer Choices	Responses	
The online product offering does not interest me	14.81%	4
I do not trust online payment options	33.33%	9
I do not trust the site I have attempted to shop on	0.00%	0
I am afraid the products do not fit or suit me	18.52%	5
Long delivery time, I want the products as I pay for them	11.11%	3
I prefer to touch and feel the product before I purchase it	59.26%	16
Other (please specify)	18.52%	5
Total Respondents: 27		

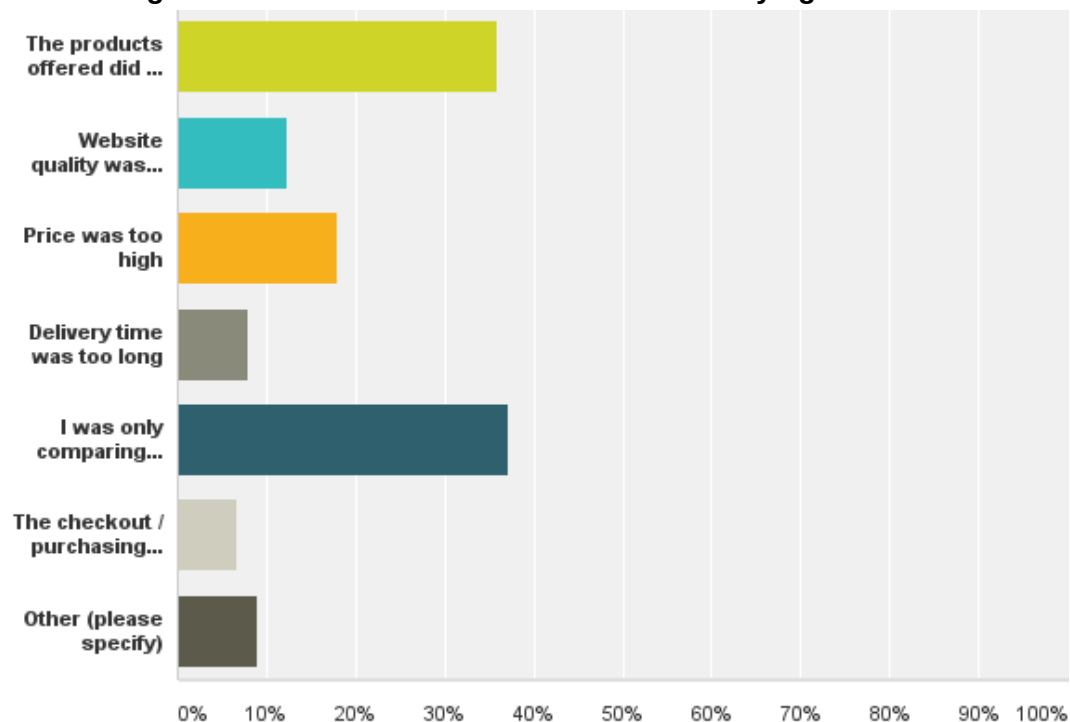


59% of respondents said that they preferred to touch and feel the product before purchase & 33% said that they did not trust online payment options. 2 respondents mentioned that they did not own a credit card and gave that as reasoning and another commented that they preferred to go out to shop. 19% were afraid that the products did not fit or suit them, 15% said that the online offering did not interest them with 11% citing long delivery time as the reason.

The information compiled in the literature review mentions that South Africans do not trust online payment options which go hand in hand with information gathered in this question. It is important to provide alternative payment options for consumers with trust issues.

Another comment by a respondent was that they prefer to go out and shop and that they see it as an outing. This is important and goes hand-in-hand with one of the key elements mentioned in this paper that states that the customer experience that online stores provide has to exceed the experiences that physical stores provide consumers.

4.3 Reasoning for have visited an online store but not buying



Answer Choices	Responses
The products offered did not meet my requirements	35.96% 32
Website quality was poor	12.36% 11
Price was too high	17.98% 16
Delivery time was too long	7.87% 7
I was only comparing prices for the product(s) at various stores	37.08% 33
The checkout / purchasing process was too long	6.74% 6
Other (please specify)	8.99% 8
Total Respondents: 89	

37% of respondents said they were comparing prices; 36% said that the products offered did not meet their requirements; 18% said the price was too high and 12% mentioned the website quality was poor.

The importance of personalising the online experience for consumers is evident. Online stores need to capitalise on the various resources available that allow them to customise promotions based on favourites and recently purchased items. It is important to micro target an audience. By giving the consumer exactly what they require allows online stores to accurately target consumers and give them product choices they require before they have

even searched for it. This can only be done based on historical data. Once a profile is drawn for individual consumers this process could increase sales and customer loyalty in the long run.

Competitive pricing is important because the well-informed consumer of today shops around extensively for the perfect deal. Lean logistical systems and strategies are important to keep costs as low as possible. If we consider the high costs of storing stock and the transportation thereof these make up most of an online store's expenses. Therefore, online stores need to continually innovate and consistently find ways to save money and transfer these savings onto consumers.

Website quality seemed to have a high impact on non-purchases and this brings to light the research mentioned in the literature review which highlights that most start-ups do not master this key element. Online stores need to ensure that they are willing and able to spend the required amount to develop a professional looking website.

A respondent also mentioned that the buying process was too long which makes it imperative that online stores allow for minimal red tape and a short registration and checkout process. Touch ID as mentioned in section 2.1. would make the checkout process both safer and more efficient.

4.4 Top online stores that respondents had purchased from before

The top 10 online stores that respondents purchased from are as follows: 1. Kalahari. 2. Amazon. 3. Takalot. 4. Net Florist. 5. Zando. 6. Yuppiechef. 7. Woolworths online 8. Bid or Buy. 10. Spree.

It is important to note that Amazon (an American based retailer came in second with 33% of respondents having shopped there). This brings to light that South African retailers need to ensure that they apply the strategic concepts as mentioned in this thesis paper in order to give South African consumers what they are looking for in an online store.

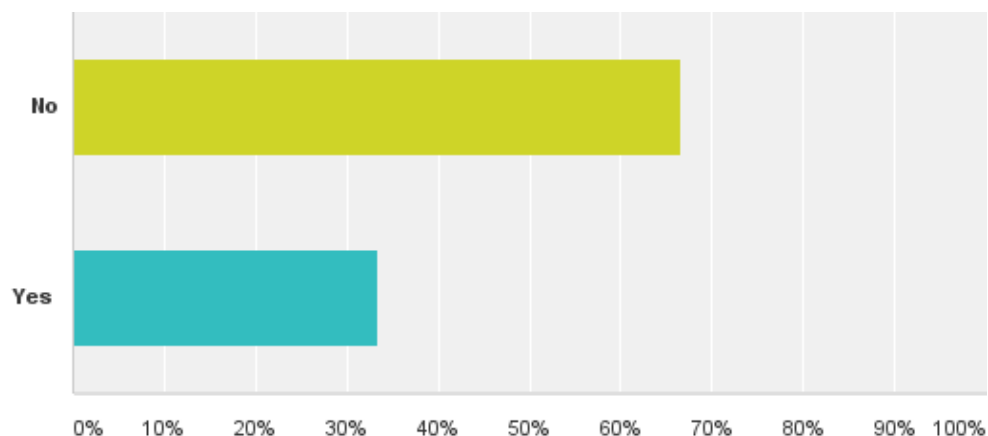
Respondents were asked to rate the service received from the online stores that they had shopped at as Excellent, Good, Fair or Poor. The top 10 stores were ranked as follows:

1. Kalahari: Good , 2. Amazon: Good , 3. Takalot: Excellent , 4. Net Florist: Excellent
5. Zando: Excellent , 6. Yuppiechef: Excellent , 7. Woolworths: Excellent , 8. Bid or Buy:
Excellent , 10. Spree: Excellent

It is important to note that the top 2 retailers could be seen as the biggest players in their respective markets at the moment and that their service was seen as 'good'. The fairly smaller players that follow were all given mostly excellent ratings which one could assume means that they are getting it right by personalising the experience that stores such as Zando and Yuppiechef give consumers - as mentioned in the literature review.

4.5 Respondents were asked if they had purchased from an online store, outside of South Africa before

Next respondents were asked whether they had purchased from an online store that is based outside of South Africa and their responses are below:

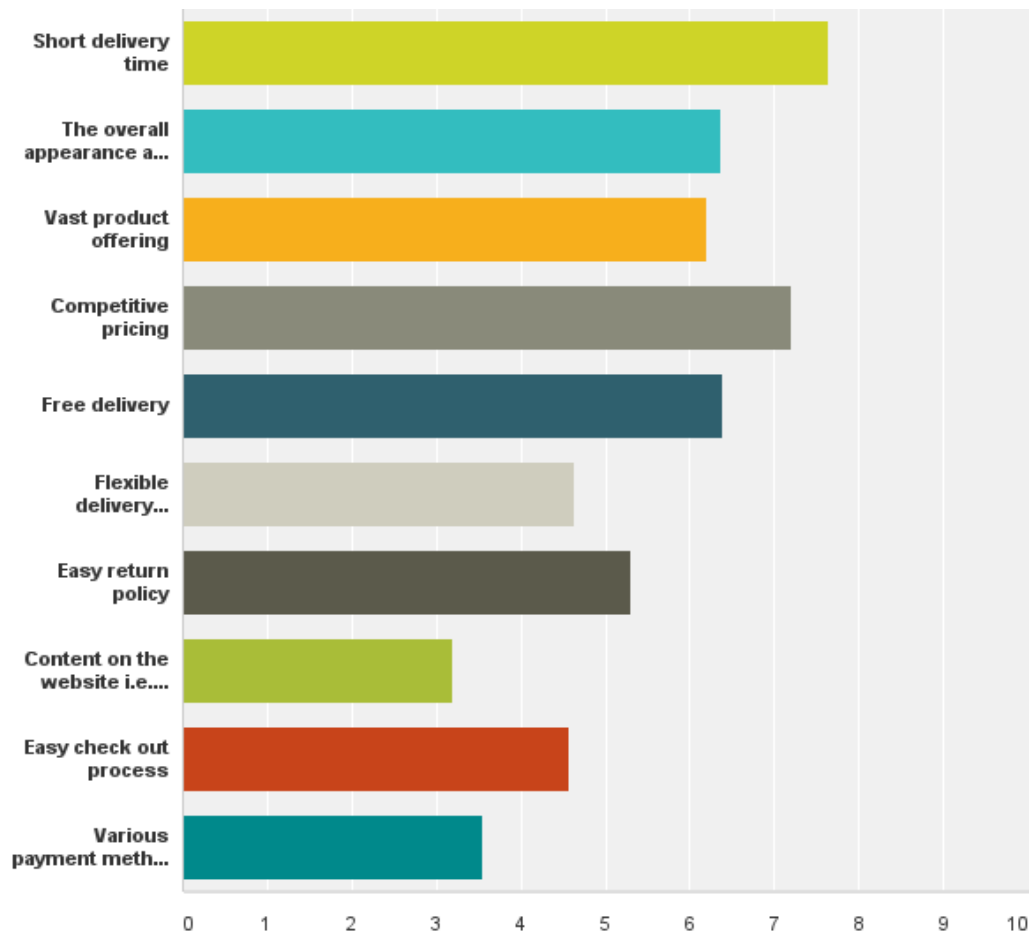


Although 67% said they had not, 33% said that they had purchased from an online store outside of SA. This proves to be a fairly higher number than expected especially as most South Africans have not shopped online before. One can assume that these numbers stem from respondents who had shopped online before and had found better alternatives to the product selection currently offered by stores in South Africa.

When respondents were asked to rate the overall experience of the online purchase made outside of SA 46% said that it was Excellent; 40% said it was Good; 13% said it was a Fair experience and 2% saying it was Poor.

4.6 Features of online stores that are important to respondents

Respondents were given a list of 10 features of online stores, they were then asked to rank them in their order of importance to them from 1 – 10. Their responses were as follows:



The variables were ranked as follows:

1. Short delivery time
2. Competitive pricing
3. Free delivery
4. The overall appearance and design of the online store
5. Vast product offering
6. Easy return policy
7. Flexible delivery options
8. Easy checkout process
9. Various payment methods
10. Content on the website

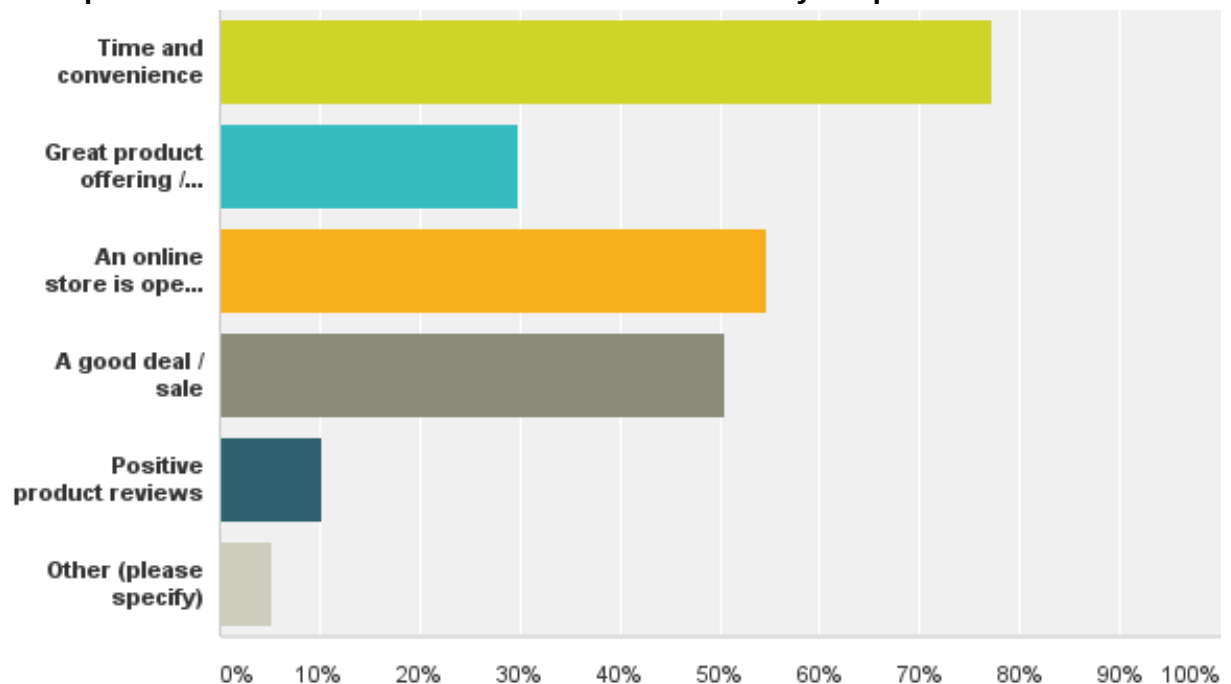
A short delivery time was ranked as the most important feature. It is evident that consumers still want their purchases to arrive on time and as quickly as possible – this is a benefit of shopping at a physical store. The third item 'free delivery' may be interpreted as the only value-add that might capture consumers interest if a) they can get the best price and b) the free delivery saves them on petrol costs as a value added service.

The 4th item brings to light how an online store that looks credible and is both professional and easy to navigate through. This would go hand-in-hand with the importance of usability and aesthetics in the design of an online store as mentioned in section 2.9 in the literature review.

The 5th item is important as it ensures that even though most online stores focus on niche markets it is important for their product offering to meet the needs of the consumer in its entirety.

Even though content is the least important factor it does go hand in hand with the 4th item.

4.7 Respondents were asked to select the reasons that they shop online



Answer Choices	Responses
Time and convenience	77.32% 75
Great product offering / large selection	29.90% 29
An online store is open 24/7 so I can shop anytime	54.64% 53
A good deal / sale	50.52% 49
Positive product reviews	10.31% 10
Other (please specify)	5.15% 5
Total Respondents: 97	

The items that were ranked first and second: 'time and convenience' and the fact that online stores are 'open 24/7', are interchangeable. It brings to light information gathered in the literature review on the trends in America where courier companies are increasingly supporting extended pick-up and delivery times.

There is a need for online stores to bring the gap between online and physical stores closer and make shopping the more convenient option where consumers will prefer the comfort of their own home over the queues in store.

The 3rd and 4th ranked items ‘a good deal’ and a ‘great product offering’ go hand-in-hand with ensuring that an online store offers consumers the best possible products at the best prices, in one location, for the specific product offering in question.

Product reviews were ranked 5th and go hand-in-hand with content marketing which allows for user driven and credible content that online shoppers can trust.

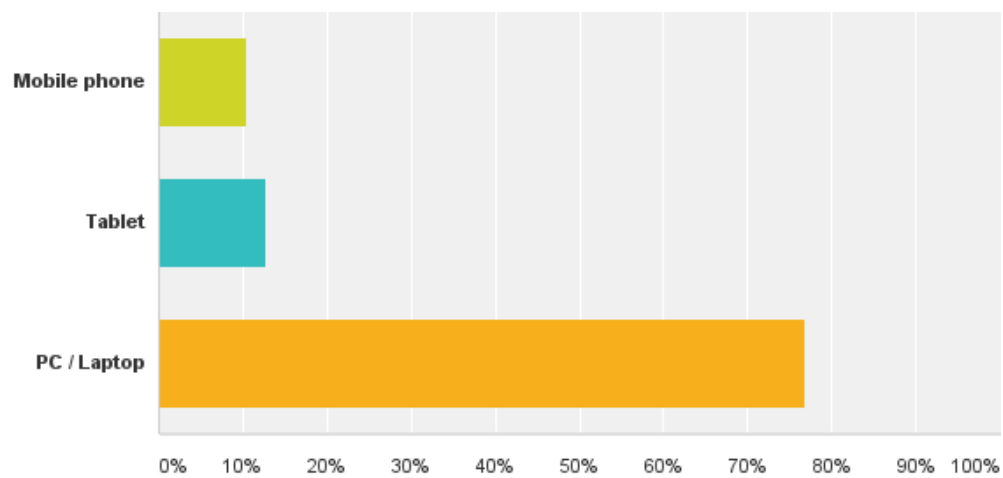
Additional comments made included:

1. Filtered searching helps you find items easier
2. There are times where you can only find certain products online
3. The availability of good quality products online is great

The 1st comment is testament to the fact that filtered searches are essential and adhere to the ‘usability’ mentioned in the literature review. Ease of navigation and searching is important to ensure that consumers find what they are looking for. Filtered searches give consumers a sense of control in how they interact.

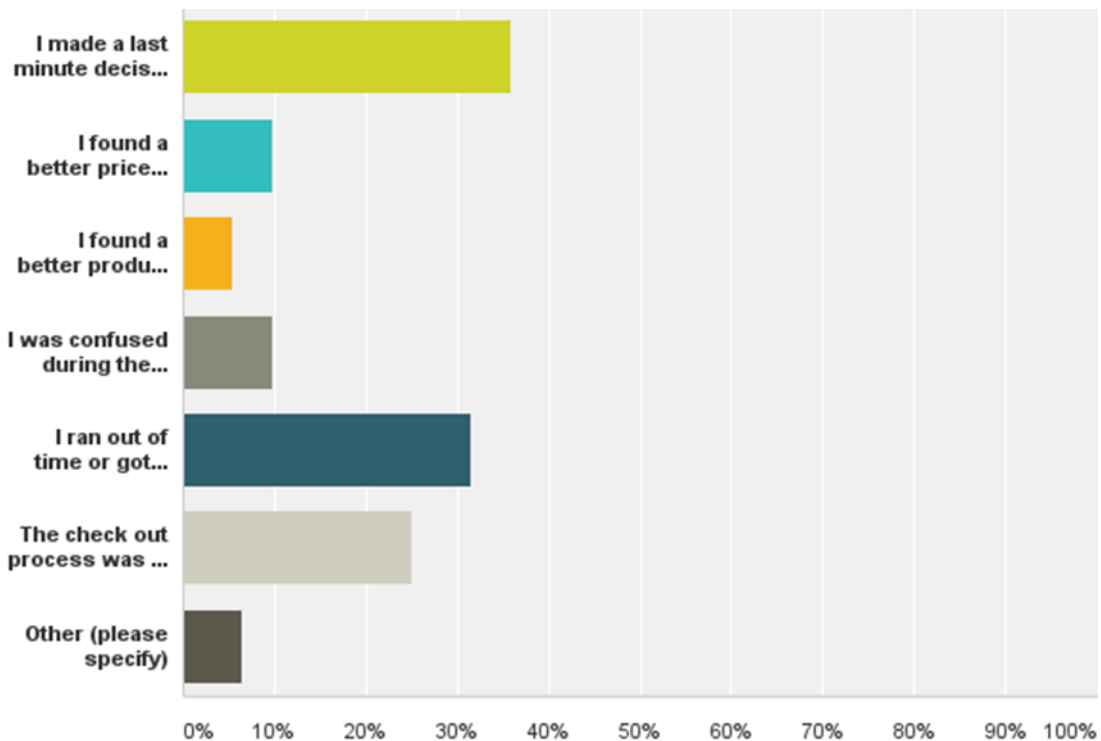
The 2nd and 3rd comment brings to light that online stores need to target niche or under-served markets and focus on serving them best and serving them better than any other store does, thus giving them the competitive advantage.

4.8 Respondents were asked which device they use for online shopping



Even though 77% of respondents still use their PC / Laptop, it is important to note that 33% make use of a mobile device / tablet. As section 2.3 mentions, the fact that South Africa's mobile internet is a cheaper option than on a PC and that Business Day Live (2013) reported that more South Africans have access to a mobile phone than to clean water, these are real eye openers to what online stores need to focus on.

4.9 Respondents were asked if they had abandoned their shopping cart prior to final payment at checkout and if so what their reason(s) were for doing so?



Answer Choices	Responses	
I made a last minute decision that the purchase was too expensive	35.87%	33
I found a better price on another website	9.78%	9
I found a better product offering on another website	5.43%	5
I was confused during the checkout process	9.78%	9
I ran out of time or got distracted	31.52%	29
The check out process was too long	25.00%	23
Other (please specify)	6.52%	6
Total Respondents: 92		

36% of respondents said they had made a last minute decision that the purchase was too expensive, which could be seen as a case of buyer's remorse. In the online store space buyer's remorse can occur even before the purchase is made and a long drawn out check out process makes the risk of it happening even higher.

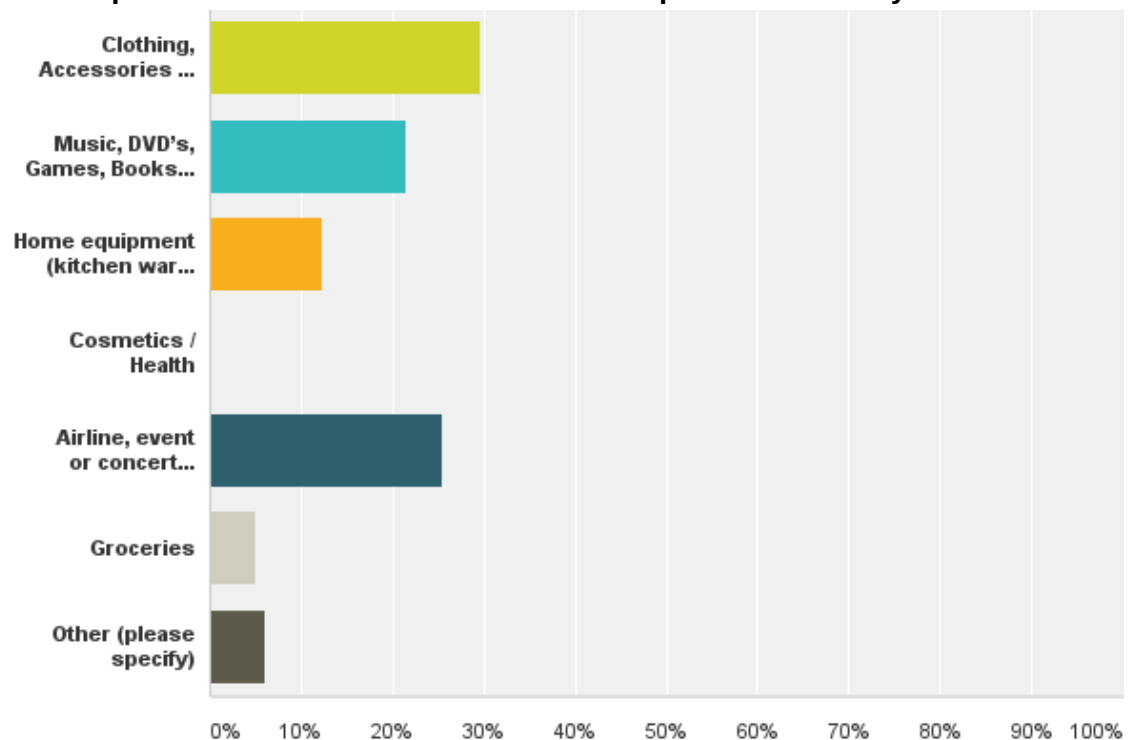
Section 2.4 in this paper mentions how content marketing is an important strategy to build relationships with consumers. In this particular question it is evident that online stores need to ensure that the consumer enjoys their online / virtual experience.

Content such as video tutorials are important for a product driven businesses. Content has to be interesting and has to meet the needs of the consumer - the better their experience the higher the chance of loyalty.

The 3rd and 4th reason was the “check-out process was too long” and that they were “confused during check-out”. We can refer to the analysis given for respondents in section 4.7.

Another comment that a respondent mentioned was how they left the online store because shipping costs were not fully disclosed up until check-out. The importance of transparency is vital in the virtual world especially if stores want to be seen as credible to the consumer. Online stores have to disclose all costs and information (which includes delivery times) upfront to ensure that consumers don't leave the site with a bad taste about the store and never return.

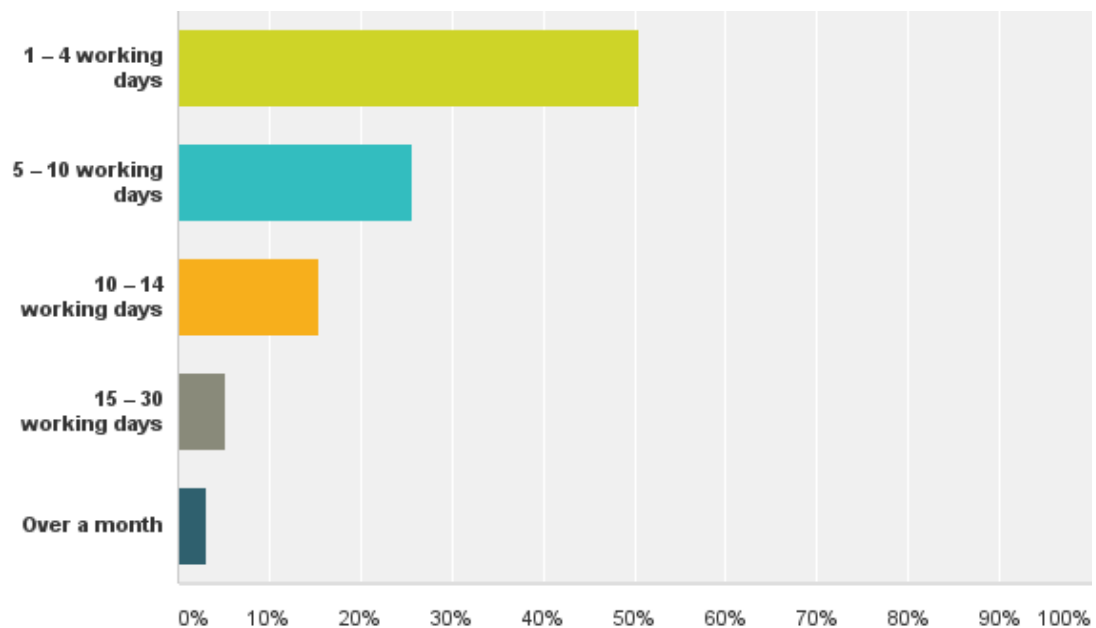
4.10 Respondents were asked what their online purchases mainly consisted of.



Answer Choices	Responses
Clothing, Accessories or shoes	29.59% 29
Music, DVD's, Games, Books or Toys	21.43% 21
Home equipment (kitchen ware, furniture, electronics)	12.24% 12
Cosmetics / Health	0.00% 0
Airline, event or concert tickets	25.51% 25
Groceries	5.10% 5
Other (please specify)	6.12% 6
Total	98

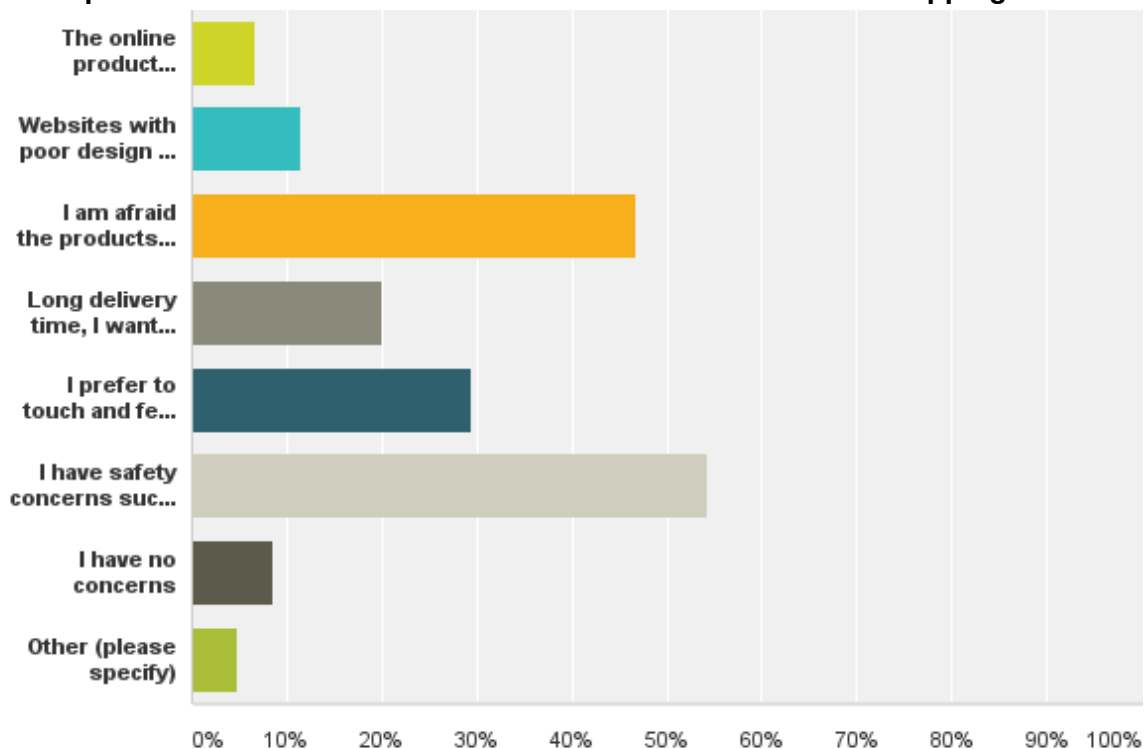
Clothing and Accessories came in at first, airline / event tickets at second followed by music and DVDs coming in third and Home equipment coming in at fourth. The data shows that consumers are becoming more open to purchasing items such as clothing and accessories and they seem to be willing to take the risk of incorrect sizing and fit. Technological developments should be applied to assist consumers and instil confidence in the online buying process in this regard.

4.11 Respondents were asked to state what the maximum amount of time is that they are willing to wait for an online purchase to arrive.



75% of respondents are willing to wait up to 10 days for their. Both Zando and Yuppiechef deliver within 5 days (which is the most preferred time frame). Zulily delivery times are longer due to their bulk ordering system which aims to save consumers up to 75%. The average delivery time for Zulily is 13.2 days (Seattle Times, 2014). This cost system could work in South Africa as consumers might be willing to wait for purchases if they are saving.

4.12 Respondents were asked what their main concerns were for shopping online.



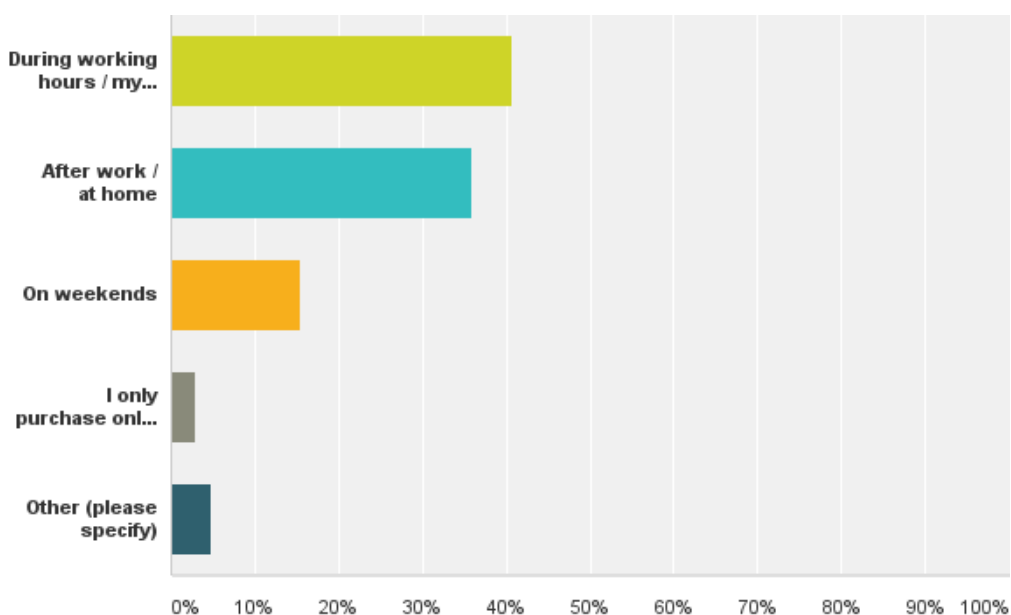
Answer Choices	Responses	
The online product offering does not always interest me	6.67%	7
Websites with poor design / layout	11.43%	12
I am afraid the products do not fit / suit me	46.67%	49
Long delivery time, I want my products now	20.00%	21
I prefer to touch and feel the product before I purchase it	29.52%	31
I have safety concerns such as credit card fraud	54.29%	57
I have no concerns	8.57%	9
Other (please specify)	4.76%	5
Total Respondents: 105		

57% of the respondents had safety concerns and 49% said that they were afraid that the clothing would not suit or fit them.

It is important for consumers who attempt to shop online to be rest assured that their details are in safe hands. The crime rate and the presence of online hackers make it a major concern for online stores to tackle. As previously mentioned in 4.2 online stores can address

this issue with new technologies such as Touch ID which allows consumers to register details and verify them with their fingerprint. This would require a smart phone that is capable of applying this technology and would be targeting the older, more cautious consumer that is open to technology but needs that extra push to give online shopping a shot.

4.13 Respondents were asked what the most convenient time to shop online was for them.

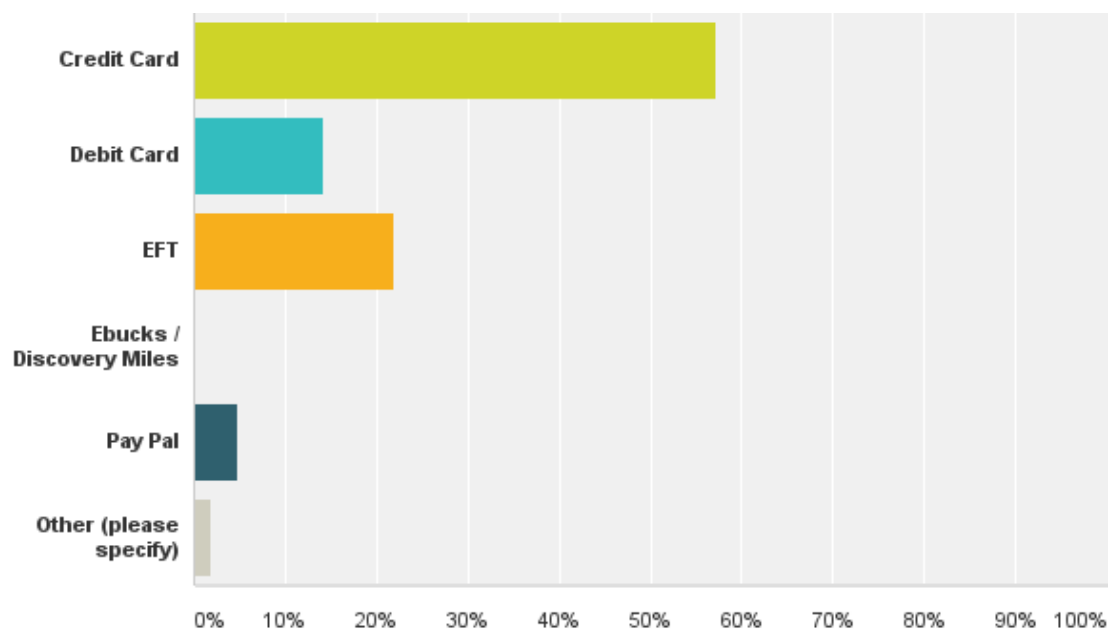


Answer Choices	Responses	
During working hours / my lunch break	40.78%	42
After work / at home	35.92%	37
On weekends	15.53%	16
I only purchase online when I don't have the time to get to the shops	2.91%	3
Other (please specify)	4.85%	5
Total		103

The most convenient time for respondents was during their lunch breaks or at work. Online stores should take note of the convenient times and ensure that relevant communication i.e. e-mailers / newsletters are sent out at times that are convenient for the consumer to shop

which would avoid the chance of them not opening the newsletter and therefore not clicking on ads / featured content. Online social media platforms should also be utilised during the consumer's free time so that they are targeted at the appropriate times.

4.14 Respondents were asked if they were aware of the various payment options available to them



35% of respondents said yes with them stating the methods that they were aware of above.

There is a general assumption that only credit cards are accepted as a form of payment and this was mentioned by a respondent who said that they did not attempt to shop online because they did not have a credit card.

Online stores need to focus on increasing the awareness of various payment methods available for consumers as to ensure that sales are not being lost due to this perception.

Chapter 5 – Conclusion and Recommendations

5.1 Conclusion

Upcoming and existing eCommerce brands can learn from the key success factors of local and American stores that the researcher has identified. Micro-targeting a niche market and customising their browsing experience through a multi-channelled website gives consumers the efficiency they expect from an online store. Internal culture together with a collaborative strategy across departments within the eCommerce business is important to be able to create content that matters to consumers and builds relationships with them too.

The website's design is an important element too, especially in a market where trust in online payment options is still hindering its growth. The importance of credibility as a key success factor comes into play here where elements such as design are important in building confidence in the actual online shopping buying process, which is identified in the research conducted as a concern among consumers.

It is important to note that when consumers go to malls or other physical stores, they have more than likely planned it in advance. Most online purchases aren't planned and are brought upon by e-mailers and 'surfing the net'. This makes it that much more important for online stores to capitalise on newsletters and content thus making the consumer interaction as enticing and intriguing as possible.

These key success factors are controllable elements that an eCommerce brand can control but there are elements of our South African market that eCommerce, as a whole, cannot control.

Although there have been vast improvements of the infrastructure in South Africa, high costs of delivery and a slow internet connection, for most of the population, are still hindering the growth of our eCommerce industry. In order for eCommerce to capture low to middle income markets in the future these underlying issues need to be addressed by government.

IT Web (2014) mentions that South Africa is the leader in eCommerce in Sub-Saharan Africa with a sustained growth rate of between 30 – 40% since 2006. Mobile Media Info Tech (2014) mentions that eCommerce in the rest of the world is growing at around 16% whereas Africa as a whole is at 25%.

Although improvements need to be made in infrastructure and local innovations such as Nigeria's MPESA system need to be successfully implemented in our market in order to capture lower income groups, there are existing online stores that capture their markets successfully.

Future eCommerce businesses need to ensure that enough capital is invested in a professional and efficient online store and that a well thought out brand strategy is implemented so that consumers are openly able to access them thus revolutionising the industry in South Africa.

To conclude based on the information gathered in the literature review as well as the surveys conducted, the researcher would assume that South Africa is on the right path to success in eCommerce based on the above.

5.2 Recommendations

- Online stores need to continually narrow the gap between the experience and service received from a physical store and that from an online store. American eCommerce stores have started to implement extended pick-up and delivery times to include weekends, allowing them to keep up with the demand of getting items as you pay for them (as you would from a physical store).
- Drop-shipping is a trend that South Africa could adopt in solving one of our barriers for growth in eCommerce mentioned in this paper: high delivery costs of online stores. This strategy allows businesses to bypass the seller in the delivery of goods and instead deliver it directly from the supplier to the buyer. This would essentially lower costs and get products to the consumer quickly and more efficiently.
- Facebook's recent launch of Messenger for Business is an important element that South African eCommerce stores could start adopting to capitalise on the social media following of South Africans and the popularity of the social media platform in South Africa. Through this partnership businesses are able to leverage its benefits of communicating directly with the consumer with a digital platform they know and trust, and are able to infiltrate relevant content through this medium too.
- Based on the data gathered in surveys as well as the literature review consumers still prefer to try and fit the product prior to purchase. Technological developments such as virtual changing rooms mentioned in this paper should be implemented to close the gap

and enhance the user's experience during the buying process. This could increase the chances of impulse buys and also feeds back into the excitement of receiving the product and fitting the garment on for the first time.

- In order for online stores to capture the emerging black market and broaden the markets that they cater for alternative payment options need to be developed. MPESA based in Kenya does this by providing consumers the ability to pay for anything from a taxi, to bills and salaries. There isn't an online store that targets the emerging middle class consumer. This market is always under estimated and could be captured through broadened payment options and in-store pick up options that are also mentioned in this paper.
- Consumers are still hesitant to trust the online payment options. Touch ID technology mentioned in this paper is an additional feature that online stores can implement to instil trust and confidence in the buying process.
- Research shows that coupons and promotions are popular among South Africans with 85% agreeing that it would drive them to shop online. Which could mean that Zulily's business model could work in our market.

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NB: Some Yuppiechef information was taken from my own assignment on Yuppiechef co-founder Andrew Smith in the Innovation, Leadership and Culture Assignment in first semester:

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Appendix A: questionnaire for quantitative study

- 1) What is your gender?
- 2) What is your age?
- 3) Which of the following best describes your current relationship status?
- 4) When was the last time you shopped online?
- 5) If your answer to question 4 was "I have never shopped online", what is your reason(s) for you to never have shopped online?
- 6) If you have visited an online store but did not buy, what was your reason(s)?
- 7) Which of the following online stores have you made purchases from before?
- 8) How would you rate the overall experience of your online purchase at the above mentioned stores that you selected?
- 9) Have you purchased from an online store, outside of South Africa?
- 10) How would you rate the overall experience of your online purchase at the above mentioned stores outside of South Africa?
- 11) Rank the following features for an online store, in the order of their importance to you (1 being very important and 10 being least important)
- 12) What are your main reason(s) for shopping online?
- 13) Which device do you mostly use to shop online?
- 14) If you've abandoned your shopping cart prior to final payment at checkout, what was your reason(s) for doing so?
- 15) What do your online purchases mostly consist of?
- 16) What is the maximum amount of time that you are willing to wait for your online purchase to be delivered to you?
- 17) What is your main concern(s) for shopping online?
- 18) What is the most convenient time for you to shop online?
- 19) Are you aware of the numerous payment methods available for you to pay for online purchases?
- 20) What is your preferred method to pay for online purchases?