

Embrace online channels to ride out the recession?

Aftermath Cost and market scope advantages come into play as Web commerce takes off
By Wesley Lynch, CEO, Realmdigital

As the after-effects of the global recession continue to suppress demand, many businesses are discovering the benefits of an online strategy. A great example is British retailer Marks & Spencer. Hard hit throughout the recession, M&S reported mildly resurgent figures for the first quarter of 2011 in July 2010, mainly on the back of a great performance by its online division. Overall, the group reported a very small rise in quarterly sales (3.6%), compared to a 49% surge in online sales. The figures speak volumes, and what they're saying is this: online has been accepted by users in a big way, and it can save your business in lean times. Stated negatively, the premise also holds true, as global markets get increasingly competitive and the margin squeeze is on: not embracing online now could destroy your business. Running with the big dogs It's been a decade since Internet moguls first uttered such extravagant claims on behalf of the online medium. The difference is that Web platforms have matured since then and become richer in functionality and usability. In addition, user access has caught up with the platform and application development curve. This new-found maturity has certainly worked for M&S. Granted; the UK's online environment is a couple of years ahead of ours. For instance, consumer broadband of 50Mbps is commonplace, which makes the user experience a dream. But South Africa is by no means an Internet backwater. The fastest ADSL lines currently are 4Mbps, but 10Mbps is around the corner. An unusable world-wide Web has long been a thing of the past, and the time for taking your business online is now. Special characteristics So now, online is no longer the poor cousin of sales channels. In fact, it is outperforming branch stores! So what is it about online that makes it so much more adept at riding out the tough times? Web-based commerce may not yet generate the same volumes as physical stores, and consumers may for a time still prefer a tactile experience in certain shopping categories, but the medium has a lot going for it in other respects. For one thing, its overheads are much lower in terms of store outlay and front-office personnel. Another factor is the comparatively large market reach of an online store. In fact, if one had to compare the cost of setting up and running a physical store with a certain geographical coverage area to that of an online store with a much larger coverage area, the physical store would still cost a good deal more than its e-counterpart in absolute terms. To strengthen this online value proposition, a growing hunger exists for online stores in ever more types of businesses. More than ever before, e-business < <http://www.realmdigital.co.za/page/realmdigital-services/> > can be successful, if one or two remaining glitches are properly resolved. Doing it properly One area that has seen much improvement is the proliferation of alternative payment options. Credit cards were the only means of payment in years gone by, but many sites now accept e-wallet payments, mobile payments and bank transfers. This has greatly improved the ease of transacting with merchants, especially at the lower end of the market. Some might ask: how prevalent is e-commerce at the lower end? To answer that we need only look at airtime, a commodity bought in massive volumes. If a credit card were the only way to purchase airtime, it too would have failed. Another issue needing improvement is logistics. Foreign markets benefit from good mail systems, whereas our

postal service is dysfunctional and couriers are too expensive. One answer to that is to virtualise your stock in trade, if it lends itself to virtualisation (electricity, airtime, vouchers and travel tickets). That way, the cost of delivery to the client becomes less of a problem. For other goods, we simply need to develop a lower-cost distribution network in the country, a task that will become easier as the size of the market increases. Do it, but do it well It is possible, indeed vital; to do e-commerce now, but care must be taken to overcome legacy problems. About Realdigital Realdigital < <http://www.realdigital.co.za/> > is a top South African e-business strategy and technology partner, specialising in Internet and mobile platforms. The company < <http://www.realdigital.co.za/page/portfolio/> > has proven local and international success in building leading online businesses including Avusa (incorporating Exclusive Books), Naspers, Die Burger, Media 24, Ford and Mix Telematics (Matrix Vehicle Tracking). Founded in 1999 by CEO Wesley Lynch, the company lists industry-leading clients across all industries, with a strong install base in retail and travel. Realdigital's e-business engagements are grounded in a strong solution portfolio that integrates with best-in-class technologies, including payment and booking/reservation engines, SEO techniques, CMS, CRM and Intranet platforms. In addition we offer an established lead development capability and an advanced partner management and project methodology. Together, these elements make up a comprehensive e-business enablement portfolio comprising a full spectrum of work streams ? digital strategy, creative and technological. Imagine then Build! www.realdigital.co.za Editorial details Realdigital Wesley Lynch Tel: +27 (0)21 975 0959 Cell: +27 (0)82 784 4905 Email: wlynch@realdigital.co.za Suhaifa Naidoo Tel: +27 (0)21 975 0959 Cell: +27 (0)72 329 7862 Email: snaidoo@realdigital.co.za <http://www.realdigital.co.za/> DUO Marketing + Communications Maria Oosthuizen Tel: +27 (0)21 683 8223 Cell: +27 (0)84 506 7649 Email: maria@duomarketing.co.za Judith Middleton Tel: +27 (0)21 683 8223 Cell: +27 (0)82 889 5301 Email: judith@duomarketing.co.za Web: www.duomarketing.co.za 09/09/10