



Understanding the South African Online Consumer

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ABSTRACT

This research attempts to develop a profile of the online consumers in South Africa. The paper focuses on what web consumers in South Africa want, and the challenges facing web developers, and local organisations developing web sites.

INTRODUCTION

Many organisations, particularly financial organisations are building web sites for South African consumers. Few have investigated the profile or needs of the people they are building these web sites for. This paper examines the composition of the people of South Africa; it then attempts to develop a profile of what the web consumers in South Africa look like. The paper also highlights some challenges facing web designers in South Africa. Surveys of web consumers were used to gather the information, as well as to determine the needs of the consumers.

WHO ARE THE PEOPLE OF SOUTH AFRICA?

Who are the people of South Africa and what is known about them? This information was gathered from the South African Department of Statistics web site (www.statssa.gov.za) [4]. The last official documented census in South Africa found 41,2 million people in South Africa in 1995. The census started in 2001 had no figures posted as yet. Over one million (1,169,000) newspapers are sold daily. Two and a half million (6,2%) of the people of South Africa had any tertiary qualification, and only 16,4% (6,8m) had completed high school. Over half the population (50,5%) are female and 53,7% of the population live in urban areas.

Thirty-one and a half million (76,4%) of the people of South Africa are Black, 10,9% (4,5m) are White, 8,9% (3,7m) are Coloured, and 2,6% are Asians. Over nine million people (22,9% or 9,4m) listed Zulu as their home language, 17,9% (7,4m) listed Xhosa as their home language, 14,4% (5,9m) Afrikaans, 9,2% (3,8m) Sepedi, and only 8,6% (3,5m) listed English as their home language.

When one looks at monthly incomes, the picture is as follows; 3,5% (1,4m) of the employed population earn more than R8,000 (Using an exchange rate of 1 US\$ = R12, this equates to US\$667) per month, 20% earn between R2,500 (US\$208) and R8,000 (US\$667) per month, the remaining 76,5% (31,5m) earn less than R2,500 (US\$208) per month. In fact 26% (10,7m) earned less than R500 (US\$42) per month. 48% of employed African women earn less than R500 (US\$42) per month, while 65% of white men earn more than R3,000 (US\$250) per month.

WHO ARE THE WEB USERS IN SOUTH AFRICA?

No one knows exactly how many web users exist in South Africa. There are various estimates of the continually moving total. There are a number of problematic issues in terms of how these figures are determined. What is meant by terms such as 'web users' – are these e-mail users only, surfers, people who do online transactions, all of these? Many dial-up subscribers share accounts.

Webchek[6] is a strategic Internet research and insights company primarily focusing on business to consumer research in South Africa. Sandra Boer[1] is the Managing Director of the company. Webchek's

data and survey results have been used throughout this paper. Webchek's telephone research study indicated that only 29% of home users in South Africa have exclusive use of the Web at home, while 32% said their spouses also had access, 31% said another adult also had access and 28% said their children (18 years and younger) also had access. The number of Web users connected via ISDN or leased lines is unknown. Furthermore double counting can dramatically increase the number of Web users. A Webchek Project in 2000 measured an overlap of 27%, that is, 27% of the sample had access to the web at both home and work.

Webchek estimates there are about 1,2m web users in South Africa. SAOnline[5] (www.saonline.co.za) estimate there are about 1m web users in South Africa.

Webchek estimate that 89% of web users are less than 45 years old; while SAOnline estimate that 10% of web users are over 50 years old. Webchek estimate that 67% of web users are English speakers, while SAOnline puts the number at 73%. Both Webchek and SAOnline estimate that 50% are female, and thus 50% are male.

Webchek estimate that 60% earn more than R10,000 (US\$833) per month, while SAOnline estimates that the average web user earns R11,000 (US\$916) per month. Webchek estimates that 56% of web users have a tertiary educational qualification.

Jessica Knight the CEO of an online shopping site www.inthebag.co.za, reportedly said they have 13,500 registered customers, although only 3,000 are active, with an average basket size of R400 (US\$33) this was reported in Computing SA [3] 2 April 2001, p1. In the same issue of Computing SA [3] on page 3, another online shopping site www.megashopper.co.za reported having a database of 20,000 users with 1,000 regular shoppers with an average basket size of R575 (US\$48).

An online recruiting site in South Africa www.careerjunction.co.za [2] whose figures are audited by Deloitte and Touch show they had 64,862 unique visitors in February 2001.

Webchek surveys reveal that 38% of users say they access the web every day from home, while 63% said they access the web every day from work. They mainly use the web for e-mail (93% indicated they use e-mail), searching 91%, and Job Search 32 %. 59% of web users have more than one e-mail address.

RATIOS

If we test a few of the statistics we arrive at the following interesting ratios:

8,6% of the people in South Africa speak English (3,543,200) and 67% of web users are English speakers. If 67% of all English speakers are web users we get a figure of 2,373,944, so 100% would give a maximum of 3,543,200 web users in South Africa.

If 53,7% of the people in South Africa live in urban areas (22,124,400) and we estimate that 10,5% of urban people over 18 have web access we arrive at a figure of 2,212,440 (this includes people under 18).

If 6,2% of South Africans have tertiary qualifications (2,554,400) and 56% of web users have tertiary qualifications (1,430,464), rolling

this up to 100% gives 2,554,400 web users.

If 3.5% of the people in South Africa earn more than R8,000 per month (1,442,000) and 60% of the web users earn over R10,000 (865,200), so 100% gives 1,442,000 web users.

SO HOW MANY WEB CONSUMERS ARE THERE, AND WHO ARE THEY?

In a population of 41.2 million people, we conclude that there are not that many web users, with estimates between 3.5% (1,442,000) and 8.6% (3,543,200), if we split the difference and say 6% are web consumers we arrive at a number of **2,472,000**. Remember that this is only an estimate.

What do these 2.4 million web users in South Africa look like? They are at the top of the spectrum in terms of qualifications (56% have tertiary qualification), and earnings (60% earn more than R10000pm). Most of them speak English (67%) and live in urban areas.

I would guess that most of them are white, as whites earn 81% of salaries over R8000pm, 39% of Whites have English as their home language, compared to 0.4% of Blacks, and 16.4% of Coloureds. Furthermore Whites hold 58% of the tertiary educational qualifications, while Blacks hold 3%, Coloureds 10%, and Asians hold 24%. of web users are under 45 years old.

One can therefore conclude that the majority of the web users in South Africa today are young (under 45), educated, English speaking whites living in urban areas.

MEETING THE CHANGING NEEDS OF THE ONLINE FINANCIAL SERVICE CONSUMER

The author did a survey on UCT Honours students in March 2001. The students were e-mailed a set of 7 open-ended questions. One of the questions put to the students was, "What do you need as an online financial consumer?" There were a total of almost 40 responses.

Customisable statements were requested by 38% of students who responded, some requested reporting tools such as graphs be provided on the sites. Perhaps because they were students, cheaper fees and a cash incentive to use web services were requested by 31%.

Twenty-five percent requested integration of all their accounts including those in other institutions. The other institutions mentioned included clothing stores, other financial institutes, mobile phone companies etc.

Quick feedback to e-mail or phone calls were requested by 19%. Students felt that they were often given "rubbish answers", or put into queues, or e-mailed to say the company will get back to you within a certain time. In all cases the feedback was regarded as too slow.

Nineteen percent felt that the financial institutions insist on obtaining information about the client, but make no use of it. Institutions record name, age, occupation, address, they have details of income and expenditure on ones accounts, why do they never use this to inform clients on what services they are eligible for at the institution? The students asked why the institutions could not deliver tailor made services based on the information they have about each individual.

Almost every student who responded mentioned speed; everything must be faster. One student said she never wants to wait more than 2 minutes to do anything online. The following figures are from a research study conducted by Webchek in May 2000 amongst a sample of 407 individuals over the age of 18 years, living in the urban areas of Johannesburg, Cape Town and Durban, who accessed the Internet (not e-mail only) at least once a month, either at home or at work and who were responsible or jointly responsible for the financial services decision-making in their households. This study was part of a syndicated financial survey for clients to buy into the survey.

Nine in ten people connected to the Internet in South Africa were aware of at least one bank that offered online banking. Four in ten people connected to the Internet had never visited any of the online banks in South Africa. Online banks are not necessarily enticing

customers, and therefore do not have the opportunity to retain them. One in three people had used the Internet before to conduct their banking, while 28% banked online at the time (May 2000). This indicates a retention of 81% of customers who have ever banked online, which shows us that the Internet is not completely satisfactory as a channel.

Although everyone interviewed had conducted banking transactions on a face-to-face basis, most people had used at least two other channels as well (ATM, Internet or telephone).

Financial products and services are complex, and the web can provide clarity and reassurance to consumers. The web can allow confidentiality, speed and convenience to financial consumers.

HOW WILL YOUNG CONSUMERS ACCELERATE THE PACE OF CHANGE?

We are in the age of the individual, the young want to be seen and treated as individuals. They want to influence the design, layout as well as content of a web site. The young want dynamic and customisable content; they want to see what they want to see, when they want to see it, and how they want to see it.

Young consumers want access to decision makers, direct access to the correct people with decision making power rather than a switch-board or call centre operator who in many cases is simply another layer between the consumer and the decision maker.

As mentioned previously, young consumers want quick feedback to e-mail or telephone calls. They are not happy with auto-replies if not followed up quickly. One South Africa Bank sends out auto replies thanking you for your e-mail, and promising to respond within one working day. They then either never respond or if you are extremely fortunate come back after a week and say they cannot resolve the problem.

Price is very important to the young consumers; a service should have a nominal charge and possibly a micro-fee for registration or membership. Price often gives the impression of quality, but this needs to be backed up with incredible service. The consumer should be able to pay for registration or membership or cost with an on-line account, rather than with a credit card. The young want full control of their money.

Many young feel that distribution takes too long, and that there is no certainty as to when items will be delivered. There is also no certainty that the consumer will be there to collect it when it arrives. An example given was the delivery of debit cards, which can take weeks although the promise is delivery within 24 hours. However what this means is that someone will pitch up somewhere within a 24 hour window, but you may not be there to accept delivery.

The young have very limited loyalty to web sites or to institutions. Several young requested no switching costs between institutions so that they could change whenever faster, cheaper or better service was offered.

The young want good web sites. A Giga information group survey on web-sites (www.gigaweb.com) [7] found:

- 60% of websites surveyed failed to provide a link to a privacy policy from the home page, 60% failed to provide action links such as 'buy on line', 'learn about a product', or manage your account. On 43% the basic navigation aids were missing or hard to find. 39% of sites failed to include a link to a site search tool. 35% did not provide a link to company profile – a company profile creates trust.

Young people want to be known by the Bank, they want to be treated with no prejudice. They want to be made to 'feel good' by the bank, they want the bank to be involved in community, they want to feel good that they bank with XYZ because XYZ treat them well, treat their staff well and treat the community well. Several students mentioned www.feedsa.com, a site that donates food to South Africa as a site, which makes them feel good.

Nicholas Negroponte summed it up when he said, "Computing is not about computers any more. It is about Living." To the young IT is an integral part of their lives.

WHAT DO THE WEB USERS WANT, AND WHAT ARE THE CHALLENGES?

41% of web users surveyed by Webchek indicated that web service must be simple, easy to understand and easy to use. 29% mentioned security as an issue, they expressed concern that confidential information may be shared, or sent to the wrong e-mail address. 12% of web users mentioned web availability; they become annoyed when bank sites are unavailable. They expect bank sites to be available 24 hours a day, 7 days a week.

The main dislike about the web is slowness – Webchek found that 55% complained about speed, in the survey of University students 65% mentioned speed as an issue. Most (65%) said that transactions take too long, obviously this is a difficult issue as different people have different line speeds, modems etc, so it is not always the sites fault.

27% of the web users surveyed by Webchek indicated that they are wary of using the web other than for surfing.

South Africa poses several challenges to local web designers, and to local organisations developing web sites.

Challenge #1. If 27% of 2.4 million web users are wary of the web, **how will we ever get the vast majority to use the web**, never mind the 660,000 who have it but are too scared to use it?

Webchek found that 46% of people surveyed bank on line – this would mean a maximum of 1,137,120 people who bank on line. Webchek also found that 22% of those not banking online simply “haven’t got around to it yet.” Convenience was the main reason people stated for using online banking, 80% did their banking from home, while 70% bank while at work.

Of the people Webchek surveyed, 37% of the home users and 33% of the work users have made on-line purchases, of these who have purchased, 94% indicated that they would continue to make online purchases. Books were the first purchase of most people.

29% of people surveyed had been connected to the web for more than 3 years.

Challenge #2. If 23% of the people in South Africa speak English or Afrikaans as home language, and almost 100% of South Africa web sites are in English or Afrikaans (even the Government sites are in English or Afrikaans), **How will we ever get the vast majority of people to use the web in South Africa?** It would be foolish for South Africa web sites to forget the global challenge. According to www.onlinebankingreport.com [8], only 18 of USA’s top 100 Banks did not offer web access to customers as at March 2000. By March 2000 there were 26 true Web Banks in USA, – the oldest Security First Network Bank stated in 1995. Over 800 Banks in the USA offer web accounts.

Challenge #3. How do we get people to use Local sites?

A **major problem** facing South Africa financial institutions is to change their cultural and strategic approach from being product driven to customer driven. A question debated in many organisations throughout South Africa is “**Who owns the customer?**” Departments within organisations continue to squabble over which department found the customer first, over which department is entitled to change the customer’s details. The issue is to get most benefit for the organisation from the customer, but it needs to be changed to benefit the customer.

Challenge #4. How do we change culture and strategy to be **customer focused?**

Challenge #5 is to manage channels and **channel integration** giving customers the choice of using the most convenient channel at any time.

Challenge #6 is to **integrate the back office** with the web site.

Challenges 1,2 and 3 are about how one gets people to use the site, while the remaining challenges revolve around how do we change culture and strategy?

WHAT DO YOUNG CONSUMERS WANT FROM FINANCIAL INSTITUTIONS?

The one word mentioned most often was speed. Faster services comes up in every survey, speed is no longer important, it is essential. Young web consumers want cheaper rates, better interest rates, cheaper or zero switching rates.

A single sign on and a single password for all channels, phone, ATM, web, WAP.

The young want one global service for all institutions, which is fast, and secure. They expect 24-hour-a-day, seven-day-a-week up-time AND prompt resolution of all support calls or e-mails.

An “all-media”, “always-available” customer management interaction centre, not a call centre, but a single centre, which can handle anything and everything, is something the young want from financial institutions. Financial Institutions must listen to customers and manage customer expectations, but they need to listen to the right customers, the 20% who make up 80% of the revenue, and these may not be the young.

Understanding the combination of online user behaviour and the individual (one-to-one) customers needs, and combining these with the business objectives of the company, is extremely powerful for real bottom line results. Sites must contain elements that cater to each of these online interaction types to maximize their effect and wider customer loyalty.

CONCLUSION

Have you ever wondered how Disney World achieves the seemingly impossible? They continuously draw millions of people from all over the world on an annual basis to the resort in Florida? And they do this while not being the cheapest holiday destination and by virtually no advertising or public awareness campaigns at all. They have never embarked on a client relationship management initiative. They have not gone through a business transformation or acquisition. Yet they do it! To find the answer to these questions, just talk to somebody who has been there. If you don’t feel like going after that, then no amount of advertising would have got you there in the first place. Similarly, web sites need to provide a satisfying experience.

Online service providers in South Africa need to get Back to Basics (B2B) with fast, simple, available, secure, cheap sites which seduce customers. They also need to get Back to Consumers (B2C), they need to learn about the consumers, understand them, listen to them, and put them at the centre of the organization.

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