

E-COMMERCE

Opening salvos in online price wars

Takealot slashes prices to keep up with Amazon on launch day

123RF/ahkamtram

Andrew Thompson

● South Africa has only ever had one online store that would compete and compare with Amazon. And though the US giant's plans to launch here have been a poorly kept secret since 2022, Amazon.co.za's lacklustre overnight appearance surprised many.

Except perhaps its biggest local rival. As local news outlets raced to inform South Africans of Amazon.co.za's activation, Takealot was prepared for the opening skirmish. Within hours, it had launched a delivery subscription service and changed font sizes to make its same-day delivery options more prominent.

But most intriguingly, there was also something of a price war happening, mostly behind the scenes.

When local news outlets

ventured beyond the launch day press release, they turned to comparisons to keep readers engaged – and most reported that not only was Amazon's product selection underwhelming, its prices weren't all that different from Takealot's either.

However, had they checked Takealot's historical pricing, it may have uncovered a different narrative. On launch day, Amazon was selling a Hisense 55-inch smart TV that some highlighted coincidentally had the same R5,399 price tag on Takealot, a decent deal compared with most online stores. Similar pricing is not unusual with big-ticket, low-margin items. But in the week leading up to Amazon.co.za's launch, Takealot was selling the same TV for R6,999 – R1,600, or about 30% more.

Similarly, the Takealot web-

site had an uncommon discount on a pair of Apple AirPods Pro. When Amazon listed the wireless earbuds for R4,999, lower than any other local retailer, Takealot took R800 off its regular price tag of R5,799 and matched Amazon rand for rand.

And if you were in the market for an Xbox on launch day, you might have noticed the Series S console selling on Amazon for R6,999 – R950 cheaper than Takealot. However, once the dust had settled on launch day, Takealot reduced its price to R6,999.

In some cases, Amazon may also have taken initial pricing cues from Takealot in the weeks before its launch.

Amazon.co.za's launch price of the iPhone 15 Plus, for example, was identical to those of Takealot and most other Apple retailers in the preceding

weeks. As luck would have it, Takealot increased the cost of this item just days before, and then almost immediately dropped it to match Amazon's.

Takealot didn't answer the FM's questions about manual or automatic price matching, but a nifty script called Serval provided compelling evidence that it was ready and waiting.

This script, accessible via www.servaltracker.com, automatically scrapes thousands of Takealot products daily and records their historical selling and listing prices for posterity. It was borne of frustration with Takealot's fluctuating prices and opaque discount claims, but it's also useful for tracking how external factors – a new competitor, say – may influence its pricing.

The wins for consumers were short-lived, however. Despite the possibility of both

stores adjusting their prices to match the competition, Schalk Grobbelaar, senior lecturer at the University of Pretoria, says neither company is likely to disrupt the market in a way that could negatively affect e-commerce in South Africa.

“For example, a sudden reduction in prices followed by a sudden increase in prices might damage South Africa’s faith in online sales. Thus it can be expected that both will take a cautious approach and attempt to match each other rather than undercut each other,” says Grobbelaar.

Price matching may work as a short-term tactic but it’s a risky long-term strategy against a giant like Amazon

Days after local media concluded their price comparisons and moved on to other topics, both stores quietly increased their prices.

Those low-margin AirPods are now going for about R5,799 again on Amazon and Takealot. The Hisense TV is a lot pricier at both and is no longer such a bargain.

Damon Buss, a senior equity analyst at M&G Investments, says that, given how easy it is to compare prices online, price matching may work as a short-term tactic. It could lead to some decent deals for quick clickers, but it’s a risky and unlikely long-term strategy against a giant like Amazon.

“As consumers, we may benefit while they slug it out, but the challenge for Takealot is that they’re competing against a massive global gorilla willing to stomach losses for a lot longer,” says Buss.

“Amazon is incredibly patient. They take a very long view, potentially one that’s longer than Naspers shareholders may be willing to take on. And it could mean it becomes a race to the bottom.” x

ANOTHER WEEK



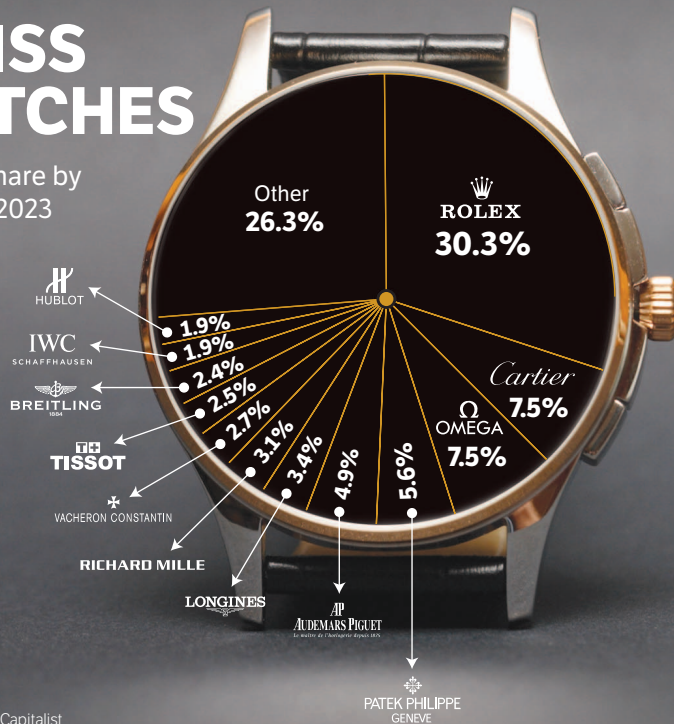
Stancalone Credit

SANDY BALL South Africa’s Grammy award winner Tyla, 22, in her Balmain-designed dress made of sand and microcrystals at the Met Gala in New York last week. The dress was cast to the shape of her body and she carried an hourglass purse filled with sand. Once inside the gala, the dress’s train was cut to a more manageable mini length

BY THE NUMBERS

SWISS WATCHES

Market share by brand in 2023



Source: Visual Capitalist

Figures for luxury watch sales last year are beginning to emerge. Based on estimates from LuxeConsult, an adviser to the watch industry, and financial services company Morgan Stanley, Rolex sales appear to have passed Swiss francs 10bn (about \$11bn). Rolex comfortably outsold Cartier (\$3.4bn) and Omega (\$2.9bn)