

Scaling e-commerce in Africa

By  Dean McCoubrey

13 Feb 2019

At present, e-business in Africa remains a challenge. It may be better than it ever has been, but the truth is that lower literacy and internet penetration levels continue to limit the growth on the continent.



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However, this will not remain the status quo for long, as smartphone proliferation increases, data costs decrease, and usability improves. E-wallets, now commonplace, are an excellent example of this, bypassing the continent's challenges around depositing, withdrawing and transferring cash, as well as buying airtime and electricity.

Untapped market

Africa represents one of the world's finest untapped markets, pointed out by MTN's Herman Singh during his presentation on 'Scaling in Africa' at the recent edition of Africacom.

Unpacking the success story that is Jumia, Africa's largest online marketplace, he illustrated that the growth of the platform across the continent is comparable to, if not more impressive than Paypal. In addition, 41,000 active merchants in the ecosystem offered over 6.1 million products ranging from hotels, to real estate, jobs, TV, airtime, restaurants, flights and more.

He explains, "Africa's e- and m-commerce opportunity has a potential client base of 400 million internet users, and a rapidly emerging middle class expected to grow by 54% between 2020 and 2030 and decreasing data costs in some countries (43-45% decrease in the lowest data plan in both Egypt and Nigeria between 2016 and 2017."

Additionally, in building out financial ecosystems – stores that offer a diversity of products or even online "malls" – Africans will no longer be limited by their location, as long as logistics and payment issues can be solved. Singh stated that Jumia has created a network of over 4,000 logistics partners in order to work across the 15 countries they had been working in. And payment by cash at this stage was still commonplace, causing significant challenges.



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Regulatory issues

With respect to payment, enterprises on the continent are seeing the opportunity as well as global merchants now eager to be active in Africa but need to understand and fast-track the regulation – or lack thereof – across infrastructure issues, handling of cash, wallets and alternative payment methods that they are not accustomed to. They want a one-stop payments provider to get them to these markets, so they don't have to deal with the complexities.

Payment intermediaries

Karen Nadasen, country manager of PayU South Africa, the country's leading payments provider, explains that the role of a 'payments intermediary' will be critical, having already dealt with the complexities in these countries and created its own relationships, partnerships and agreements but underpinned by the credibility, infrastructure and proven results of a global brand.

Nadasen says: "Global enterprises do not have the time to make mistakes. Hyper-localisation means we are knowledgeable about the markets we are in and 'speak' the local language. This is particularly important with regards to licensing. As we know, some markets in Africa are not as regulated as SA, but this is starting to change. Our partnerships in SA, Kenya and Nigeria have been an essential springboard as we branch out through these 'hubs' to cover the rest of Africa."



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Smart device growth

The opportunities will be compounded as sub-Saharan smart device growth is now the fastest in the world. As literacy levels increase, amidst Africa's new dawn, digital services such as microfinance will improve lives and enable people to do business, while marketplaces will bring products and stores to people so they can make purchases – assuming enterprises like Jumia continue to expand the delivery network and solve logistics challenges.

"From an African perspective, we use our single integration point for merchants to springboard into Africa using our global infrastructure – leaders in emerging markets in India, Eastern Europe, and Latin America – and then hyper-localising the expertise through our groundwork in Africa, offering cross-border execution on payments, compliance and fulfilment. It's our experience across these emerging markets that has allowed us to deliver a user experience that works in these types of

market, keeping it simple and accessible."

In his "What it takes to win" conclusion, Singh outlined why Jumia has been Africa's most successful online case study to date. He attributes the company's explosive growth to ten factors - establishing a community of users, building trust, access to the channel itself, a robust payment and micro-payment partner, fulfilment and logistics, merchandising, location and maximising customer insights.

Research firm Statista estimates that the e-commerce sector in Africa's 54 countries and 1.25 billion people generated \$16.5 billion in revenue in 2017 and forecasts revenue of \$29 billion by 2022, despite internet penetration lying at only 35 percent. The potential most certainly exists.

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