e-Commerce in the context of COVID-19
A new mode of intra-regional trade?

ONE TRADE AFRICA – HARARE FORUM

16 March 2021
Agenda

1. E-commerce and the African context
2. Offer & demand
3. Promotion & online trust
4. Marketing & Branding
5. Logistics
6. Payments
The AfCFTA seeks to create an integrated African market of 1.27 billion people, expected to reach 1.7 billion by 2030. In some African countries, <18% of households have access to the Internet throughout the continent and <5% of the population currently buys online.
12 success factors e-commerce in Africa

- Sufficient size of mobile money market
- Developed logistics and delivery services
- Sufficient size of the stable middle class
- Affordable prices and adapted offer
- Minimum level of retail and wholesale development
- Sufficient access to financial services
- Online trust
- Targeting millennials is a must
- Innovative e-commerce business models
- Favourable e-policy and public incentives
- Urbanization
- Minimum internet penetration

Source: ITC (2019)
Impact of COVID-19 crisis on monthly e-commerce sales (%)
Overview in Africa and Asia-Pacific

Source: COVID-19 and e-commerce (UNCTAD, 2020)
Top 5 sales categories before and after COVID-19 (%)

Third-party marketplaces

- Agro-food & beverages: Before - 39%, After - 50%
- Financial services: Before - 8%, After - 15%
- Pharmaceutical, hygiene & health: Before - 10%, After - 17%
- Restaurant & food delivery: Before - 24%, After - 29%
- Tourism & travel: Before - 4%, After - 7%
- Digital entertainment: Before - 6%, After - 7%
- Education & online courses: Before - 15%, After - 17%
- Electronics & IT equipment: Before - 47%, After - 47%
- Telemedicine services: Before - 3%, After - 3%
- Media & books: Before - 15%, After - 14%
- Furniture & household products: Before - 18%, After - 19%
- Cosmetics & personal care: Before - 24%, After - 26%
- Fashion & accessories: Before - 15%, After - 36%
- Other: Before - 19%

Source: COVID-19 and e-commerce (UNCTAD, 2020)
E-commerce reconfigures the way sectors and markets work with a high potential for job creation, economic growth

COVID-19 has accelerated this trend
Offer & demand

Issues

• Lack of knowledge about buyers preferences
• Lack of knowledge of competition
• Lack of strategy and unique positioning
• Lack of communication resources and efforts
• Lack of online buyers
### Offer & demand

#### Knowledge of market demand

**Example of Rwanda**

<table>
<thead>
<tr>
<th>Service/Item</th>
<th>Demand Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing, shoes, or leather goods</td>
<td>42%</td>
</tr>
<tr>
<td>Phones</td>
<td>31%</td>
</tr>
<tr>
<td>Grocery</td>
<td>24%</td>
</tr>
<tr>
<td>Cosmetic and beauty products</td>
<td>20%</td>
</tr>
<tr>
<td>Transport by taxi or moto services</td>
<td>19%</td>
</tr>
<tr>
<td>Ready to go food</td>
<td>19%</td>
</tr>
<tr>
<td>Airtime</td>
<td>18%</td>
</tr>
<tr>
<td>Music</td>
<td>15%</td>
</tr>
<tr>
<td>PCs, Laptops, tablets, and computer equipment</td>
<td>15%</td>
</tr>
<tr>
<td>Movies</td>
<td>13%</td>
</tr>
<tr>
<td>E-learning</td>
<td>11%</td>
</tr>
<tr>
<td>Travel bookings</td>
<td>10%</td>
</tr>
<tr>
<td>Books</td>
<td>10%</td>
</tr>
<tr>
<td>Products from outside Rwanda</td>
<td>9%</td>
</tr>
<tr>
<td>Medical assistance</td>
<td>9%</td>
</tr>
<tr>
<td>Other electronic equipment</td>
<td>9%</td>
</tr>
<tr>
<td>Cameras</td>
<td>9%</td>
</tr>
<tr>
<td>Cultural events</td>
<td>8%</td>
</tr>
<tr>
<td>Cleaning / household services</td>
<td>7%</td>
</tr>
<tr>
<td>Electronic or computer repair services</td>
<td>6%</td>
</tr>
<tr>
<td>Household appliance</td>
<td>6%</td>
</tr>
<tr>
<td>Handicraft</td>
<td>4%</td>
</tr>
<tr>
<td>Furniture and homeware</td>
<td>4%</td>
</tr>
<tr>
<td>Toys</td>
<td>3%</td>
</tr>
<tr>
<td>Cars, motors</td>
<td>1%</td>
</tr>
</tbody>
</table>

**Source:** ITC (2018)

Cross-border trade requires a better knowledge of markets, what buyers need and want, at what price, at what quality, and at what time.
Offer & demand
Key demotivators for online purchase
Example in Rwanda

- I don’t know about online shopping: 41%
- Online sites are expensive: 18%
- I doubt the authenticity of the merchandise available online: 16%
- Delivery times are very long: 16%
- Online shopping requires technical skills: 15%
- I cannot check the quality / authenticity of products online: 15%
- I don’t have a credit / debit card: 14%
- I have no guarantee that what I order is what I will get: 13%
- I do not trust Internet: 11%
- It is difficult to return or exchange a product once you have made a purchase: 11%
- It is not safe to put your personal information online: 8%
- I do not trust the safety of payment transactions: 8%
- It is difficult to get a refund once you have made a purchase: 5%
- I cannot touch/feel the product before I buy it: 5%
- Payment with credit / debit card is difficult: 4%
- I cannot find the product online: 3%
- Customer service is not adequate: 3%
- I am not connected to Internet: 0%

Source: ITC (2018)
Promotion & online trust

Issues

- Perception that promotion is not needed
- Perception of high cost of promoting one’s website, when one’s brand is not well-known
- Difficulty to be found on the Web by buyers
- When found, difficulty to be trusted by buyers?
Promotion

- Selling thru online marketplaces (while keeping your own site)
- Subject to conditions of sales by the marketplace and transaction fee
- Need to develop more African marketplaces and the overall ecosystem

ITC’s solution: Marketplace Africa

- Available at: https://ecomconnect.org
- Features
  - List of marketplaces per country, with product categories
  - Traffic on these marketplaces
  - Marketplace popularity index

Source: ITC
Promotion
Reaching out to the customers

Economical solutions to reach out to buyers with advanced profiling (demographics, geographics, psychographics and lifestyle)
Online trust
Evidence from research: The elements behind the 4 sources of consumer trust

Source: T. Oliveira et al, Modelling and testing consumer trust dimensions in e-commerce, 2017
Online trust
E-commerce Trustmark – www.safe.shop

Offered by partners worldwide as both national as well as global trust mark
To its core lies the Global Code of Conduct (GCC)
Developed by the e-commerce Foundation
Marketing & Branding

Issues

- Increased competition from African suppliers
- Challenged with being visible among this crowd
- Challenges with being chosen as THE one
Number of times on average profits are multiplied when a company develops a strong brand

McKinsey
"The art of marketing is the art of brand building. If you are not a brand, you are a commodity. Then price is everything and the low-cost producer is the only winner."

Main challenge for a weak brand
- Vulnerability of a product/service considered as an interchangeable commodity

— Philip Kotler —
B2B customers across industries recognize that brand influences their decision.
Marketing & Branding
Attitude of suppliers towards branding

(1) Ignorant
Micro-businesses serving local markets with no ambition for growth

(2) Users
Businesses of early growth which may not be entirely aware of the potential of branding

(3) Low cost producers
Phase of the need for a strategic orientation: some formal branding activities, but low price is the most important tool for good sales

(4) Differentiation producers
Utilize branding to back up their core strategic orientation. Strategically oriented to branding, operating in broader market.

Source: "The role of branding in SMEs: Different perspective on the market", Slovene study, 176 SMEs surveyed
Branding is first a strategic endeavour: knowledge of customers needs and wants, expected outcomes, purchasing habits and occasions; knowledge of competitors; knowledge of the context/environment; defining a positioning that is unique and meeting customers’ needs better than the competition. A logo is just the tip of the branding iceberg.
Logistics

Issues

• High cost of logistics
• Challenges with timely delivery
• Challenges with delivery at the right place
• Lack of addressing system in Africa
• Lack of skilled drivers with a good knowledge of routes and cities
Logistics

Solution 1 – Addressing and accurate delivery (last mile delivery)

• Solutions like What3words
• GPS-based solutions
• Shippers to be equipped with GPS-enabled devices
• Real-time tracking of shipment

Never get lost again

Easily find a what3words address for anywhere in the world

We have divided the world into 3m squares and given each square a unique combination of three words. what3words addresses are easy to say and share, and as accurate as GPS coordinates.

51.520847, -0.19552100 ↔ /// filled.count.soap
Logistics

Solution 2 – E-commerce Service Centre (ECSC) / E-fulfilment centre

- Consignment of suppliers’ goods
- Trained and skilled staff handling logistics and returns
- Minimization of costs of shipping through consolidation
- Stronger negotiation power (due to volumes) to negotiate better prices with logistics partners
- Allows suppliers to focus on core activities
Payments

Issues

• High transaction fee from third parties
• High risk for cash on delivery payment
• Lack of interoperability of systems
Highest growth of payment methods during COVID-19 crisis (%)
23 countries in Africa and Asia-Pacific

Source: COVID-19 and e-commerce (UNCTAD, 2020)
Mobile money potential

- Mobile money:
  - Works using peer-to-peer based transactions
  - Relies on cash, and is not dependent on bank or card accounts
  - Suitable for the unbanked population

“Almost 75% of mobile money users will come from Asia Pacific and Middle East and Africa regions”

Source: State of the industry report on mobile money (GSMA, 2019)
Mobile money offers financial inclusion to women & a strong potential for e-commerce

In e-commerce, the leapfrog effect is a contemporary phenomenon of certain consumer populations suddenly and rapidly adopting e-commerce, primarily by leaping straight from cash payment to online shopping via their mobile devices such as smartphones and tablets.

This model has been successful in many African countries, such as:
- Kenya
- Uganda
- Sub-Saharan countries
ITC’s ecomConnect platform and tools
https://ecomconnect.org

An e-commerce community engagement platform for everyone

ecomConnect Community Management Platform
Connect with your peers across the world, Ask the expert, Share information, e-learning and data on e-commerce

E-commerce Marketplace - Africa

E-commerce Cost Calculator

E-commerce Readiness Quiz
Thank you very much

International Trade Centre (ITC)

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