AfCFTA and E-commerce, opportunities to increase intra-African trade

One Trade Africa

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OPERATIONALISING THE AFCFTA IN NORTH AFRICA:
NEW OPPORTUNITIES FOR MSMEs GROWTH AND INTEGRATION
Rabat, 30th March 2021
Agenda: looking at ecommerce opportunity in Africa

Introduction

1. Cross-border e-commerce for SMEs and the opportunity of the AfCFTA
3. Examples of what African entrepreneurs tell us
4. Introducing the ecomConnect Programme?
SMEs are transforming the way they do business… digitally!
An ecommerce snapshot of Africa

More and more Africans shop online..

Cash is king (and sometimes mobile money)

… and start to spend more per head
Trust is signaled by SMEs as a major barrier

Source: ODI survey for UNECA, October 2020, N=31, 5 countries – Kenya, Liberia, Nigeria, Rwanda, South Africa

<table>
<thead>
<tr>
<th>Factor</th>
<th>% of firms</th>
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<tr>
<td>Availability of finance/credit</td>
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<td>High internet costs</td>
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<td>Lack of technical and business skills</td>
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<td>Low internet penetration and digital co</td>
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<td>Low online trust of consumers</td>
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<td>Low reliability of internet</td>
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Consumer trust as a barrier
Example: Rwanda survey 2018

- 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…: 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 a difficult: 4%
- I can’t find the product online: 3%
- Customer service is not adequate: 3%
- I am not connected to Internet: 0%
...a number of well known barriers holds back growth in Africa of ecommerce

- Limited access to online payment solutions
- High logistics costs
- Unfavourable or absent government policies
- Lack of e-commerce skills and knowledge
- Low visibility

MSMEs in developing countries
Cross-border e-commerce for SMEs and the opportunity of the AfCFTA
Cross-border e-commerce

Cross-border e-commerce keeps growing

Source: UNCTAD, based on national data

Share of cross-border online shoppers

17% in 2016
to
23% in 2018

Global online shoppers (million), 2016-2018

Source: UNCTAD, based on national data
Obstacles signaled by African firms in conducting cross border ecommerce

- Inadequate data protection regulations
- Inadequate intellectual property rights protection
- Inadequate cybercrime protections
- Cross border dispute resolutions
- Difficulty in meeting different national regulations
- Certifications or technical standards; cost, awareness
- Custom duties
- Customs procedures
- Foreign taxation, Double taxation, VAT Regulations and...
- Lack of online payment solutions; Insecure payments;
- Unawareness regarding national and regional rules
- Postal competence, delivery, transport (and cost)

Source: ODI survey for UNECA, October 2020, N=31, 5 countries – Kenya, Liberia, Nigeria, Rwanda, South Africa
Cross-border e-commerce

What does it take for small businesses?

Challenges for SMEs

- Adapting products, services and brand image to international demand
- Language barriers and culture interpretation
- ICT access and connectivity
- Online payment solutions
- Logistics and customer support
- Transparent prices
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.
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 7%, After 7%
- Digital entertainment
- 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

Source: COVID-19 and e-commerce (UNCTAD, 2020)
African e-commerce B2C marketplaces – understanding the trends
Africa e-commerce B2C markets - Example

www.intracen.org/ecomafrica

58 Countries

631 Marketplaces

1,902 Marketplace websites
Africa e-commerce B2C markets - Example

A valuable tool for African businesses

Uncover valuable marketplaces

Country statistics

Benchmarking

Explain performance

Uncover trends

Map shows territorial boundaries according to OpenStreet Map.

In 2019 Africa had at least 631 business-to-consumer online marketplaces for physical goods. Those marketplaces had in total 1,902 websites (urls) in the 58 countries and territories of Africa. Although online marketplaces can be found in every African country, there are only few countries with relatively much marketplace activity.
Africa e-commerce B2C markets - Example

A valuable tool for African businesses
Africa e-commerce B2C markets - Example

A valuable tool for African businesses
Africa e-commerce B2C markets - Example

A valuable tool for African businesses

Nigeria

Nigeria not only has the largest population in Africa with over 200 million people, it also boasts the largest economy with a GDP of $446.5 billion. Nigeria is home to Africa’s most popular online marketplace: Jumia. The majority of the marketplace traffic comes from online shopping malls. Between 2017 and 2019 marketplace traffic grew with 9% in Nigeria.

Gross Domestic Product: $446.543 billion
No. of inhabitants: 195,875,000
Urban population share: 50.3%
Number of Internet users: 100,172,000
Internet penetration: 42.0%
Credit card penetration: 2.6%
Mobile money account penetration: 5.6%
Financial institution account penetration: 40.0%

Tip: Go to the tab Figures per marketplace to learn more about individual marketplaces in Nigeria.
Relative size of ecommerce market places in Africa

Marketplace traffic (visits)

GDP
Africa e-commerce B2C markets - Example

Some results: Possibility to directly sell on marketplace websites in Africa

Only 11% of the marketplace websites are transactional
Africa e-commerce B2C markets - Example

Some results: 49% of the African marketplace websites are open to foreign sellers
Africa e-commerce B2C markets - Example

Some results: Comparing major Global and African marketplaces by permitted African origin of sellers

- Afrikrea: 57
- Etsy: 56
- Jumia: 54
- BidorBuy: 54
- Afribaba: 53
- eBay: 51
- Amazon.com: 21
- Opensooq: 7
- Craigslist: 7
- Ji Ji: 5
- Marketplace: 3
- Souq: 1
- Fruugo: 1

- African player
- Global player
Conclusion: reasons for success and failure need exploring – and factors for success promoted

Success in marketplaces in Africa is hard
- Total B2C marketplace traffic declined by 3% in Africa 2017-2019 (3 years)

Africans are opting for newer technologies and business models
- Older technologies (classified sites) decline the most rapidly (by 20%).
- Marketplaces selling only second hand goods declined over 30%

Pan-African business is growing – but fragile and restricted to only a few
- Marketplaces open to sellers from other countries experienced an increase visitors by 7%
- Those not open to foreign sellers had a decrease of more than 13%
- But only half of all African marketplaces are open to other Africans, very few “transactional”

- Promote technologies and newer business models
- Reduce restrictions on cross border business
- Facilitate payment solutions
Examples of what African entrepreneurs are telling us
Accessing international ecommerce markets is possible and can be lucrative

Kemi Tijani, Founder of Wow Braids (Nigeria)

In 2015 I started a beauty brand. By 2017 we were exporting over 80% of our products on ecommerce platforms such as Amazon, eBay, Etsy and our own B2C website and have earned over $1m in 3 years while bootstrapping the business.

Thanks to accessing international consumers through global marketplaces we have been able to continue selling during COVID-19 and create 300 new jobs for women in Nigeria.

We are now looking to expand that model to other industries and countries and provide access to international consumers through digital channels. Our goal is to create sustainable incomes for over 20,000 young people in the next 5 years.

“
Entrepreneurs need to be equipped with new digital skills to compete

Eya Zannad, Founder at ZANNAD Womenswear (Tunisia)

ZANNAD is experiencing exponential growth each year thanks to the loyalty of its first customers and to the visibility gained on social media.

Our continuous growth could lead to youth job creation in Tunisia at two levels: in the factory and in the digital communication department for digital marketing activities.

However, we are struggling to find our target customer online. We need good quality training on e-commerce, especially on market research to find potential customers and digital marketing techniques to improve visibility and foster a relationship of trust with our customers.
Better access to finance and lower shipping costs could boost cross border native ecommerce platforms

Nafy Diagne, Founder of Awalebiz (Senegal)

We have designed a multivendor e-commerce site offering a wide selection of products that are made by African artisans and sold to local, regional and international buyers.

However, raising funds to grow our business is a major challenge: available “micro finance” is not suitable for our next phase of expansion.

We have a challenge to be known among customers inside and outside Africa and develop participation of additional African merchants.

We hope the African Continental Free Trade Area decreases shipping costs of products between African countries and contribute to the development of intra-regional trade.

“
Harmonisation of standards can be a source of opportunity to expand across borders

Vaolah Amumpaire, Founder of WENA Hardware (Uganda)

We would be able to offer more attractive prices with better integration of global payment platforms across different countries.

Transferring money from online payment platforms like PayPal to a local bank is difficult (almost impossible!).

It would certainly make it easier for us to build an international business in Africa if all had the same rules on standard terms and conditions/policies. We struggle to understand and plan for taxation across borders.
Introducing the ecomConnect Programme
Vision 2030

- Network of hubs and partnerships
- 100,000+ SMEs supported to make sales
- Impact on 100+ million people otherwise excluded

Domains of action

- Boost digital capabilities
  - E-commerce training & coaching for SMEs
  - Product and service digitization
  - Visibility campaigns
  - Market research

- Upgrade the Ecosystem
  - Partnerships with local and international marketplaces, logistics and payments providers
  - Collaboration with business incubators
  - Digitization facilities

- Connect the Unconnected
  - Community building
  - Peer-to-peer network & value creation
  - Partnerships with connectivity innovators

Innovation

- E-commerce marketplace Africa
- E-commerce cost calculator
- E-commerce readiness quiz

An e-commerce community engagement platform for everyone
Recommendations
12 success factors e-commerce in Africa

- Sufficient size of mobile money market
- Developed logistics and delivery services
- Targeting millennials is a must
- Online trust
- Favourable e-policy and public incentives
- Urbanization
- Minimum internet penetration
- Sufficient size of the stable middle class
- Affordable prices and adapted offer
- Minimum level of retail and wholesale development
- Sufficient access to financial services
- Innovative e-commerce business models
- Source: ITC (2019)
Thank you!

Join #ecomConnect – The online engagement community for e-commerce entrepreneurs

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