NAIROBI FORUM

Trade Beyond Covid19: Unpacking the AfCFTA for East Africa /Kenya MSME’s

E-commerce in the context of COVID-19

A presentation by: Sébastien Ioannitis-McColl
Date: 19 November 2020
Agenda

1. E-commerce and the African context
2. Offer & demand
3. Logistics
4. Communication
5. Marketing & Branding
The AfCFTA seeks to create an integrated African market of 1.27 billion consumers, 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.
Growth opportunity for Africa

E-commerce reconfigures the way sectors and markets work with a high potential for job creation, economic growth
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
Cross-border trade requires a better knowledge of markets, what buyers need and want, at what price, at what quality and at what time.
<table>
<thead>
<tr>
<th>Key demotivators for online purchase</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>I don’t know about online shopping</td>
<td>41</td>
</tr>
<tr>
<td>Online sites are expensive</td>
<td>18</td>
</tr>
<tr>
<td>I doubt the authenticity of the merchandise available online</td>
<td>16</td>
</tr>
<tr>
<td>Delivery times are very long</td>
<td>16</td>
</tr>
<tr>
<td>Online shopping requires technical skills</td>
<td>15</td>
</tr>
<tr>
<td>I cannot check the quality / authenticity of products online</td>
<td>15</td>
</tr>
<tr>
<td>I don’t have a credit / debit card</td>
<td>14</td>
</tr>
<tr>
<td>I have no guarantee that what I order is what I will get</td>
<td>13</td>
</tr>
<tr>
<td>I do not trust Internet</td>
<td>11</td>
</tr>
<tr>
<td>It is difficult to return or exchange a product once you…</td>
<td>11</td>
</tr>
<tr>
<td>It is not safe to put your personal information online</td>
<td>8</td>
</tr>
<tr>
<td>I do not trust the safety of payment transactions</td>
<td>8</td>
</tr>
<tr>
<td>It is difficult to get a refund once you have made a purchase</td>
<td>5</td>
</tr>
<tr>
<td>I cannot touch/feel the product before I buy it</td>
<td>5</td>
</tr>
<tr>
<td>Payment with credit / debit card is difficult</td>
<td>4</td>
</tr>
<tr>
<td>I can’t find the product online</td>
<td>3</td>
</tr>
<tr>
<td>Customer service is not adequate</td>
<td>3</td>
</tr>
<tr>
<td>I am not connected to Internet</td>
<td>0</td>
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</tbody>
</table>
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 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

With the what3words app, it’s easy to find, share and save precise locations.

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
Promotion

Issues

• 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

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.
Offered by partners worldwide as both national as well as global trust mark
To its core lies the Global Code of Conduce (GCC)
Developed the e-commerce Foundation,
Promotion
Reaching out to the customers

Economical solutions to reach out to buyers with advanced profiling (demographics, geographics, psychographics and lifestyle)
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.

The role of branding in SMEs: Different perspective on the market, Slovene study, 176 SMEs surveyed

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.
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
Thank you

International Trade Centre (ITC)

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