

Friday@Noon on E-commerce in Africa: 2018

by Johan Burger

The NTU-SBF Centre for African Studies publishes a weekly newsletter on issues relevant to Africa. This paper is based on issues addressed in the newsletter.

The growth and continuation of e-commerce in Africa has received various boosts during 2018. Africa's leading online shopping platform, Jumia, reported in 2018 it wanted to make Egypt its biggest market on the continent, and it's turning to Egypt's vast network of unlicensed vendors for help. Jumia wants a 10-fold growth in revenue from Egypt and a 6-fold growth in the number of products offered on its platform by 2021. To achieve that, Jumia is urging the government to regulate informal retailers by offering them tax incentives and cheap loans that would allow them to market their goods online. The informal economy accounts for at least 37% of Egypt's GDP, and informal retailers don't pay taxes or face quality controls, which means their products are off-limits for Jumia. The allure of online retailers such as Jumia for consumers has been that it allows them to pay for the goods in cash upon delivery. Jumia's sales in Egypt grew 190% in 2017 from the previous year as consumers looked for cheaper products and retailers turned to Jumia to reach bigger audiences.¹

Egypt has a population of approximately 96 million. The low number of internet users that have made a purchase online (5% - 8%), creates a massive potential market as the current market is far from saturation. Internet penetration stands at 37.8%, implying one of the largest populations of prospective online shoppers in the Arabic-speaking world. The large contribution of the informal sector to Egypt's GDP, in turn creates a large pool of potential suppliers that could be integrated into the formal sector. This has all the benefits stated above, such as paying taxes. A 2015 figure put the potential 2020 e-commerce market at US\$2.7 billion. The latest Egyptian strategy (2018) aims to double the footprint of businesses selling products and services online in the country by 2020. So, Jumia in Egypt has all the makings of benefitting from growing its supply base to meet the demands of a growing consumer base. As to who are potential shoppers, Egypt's ICT Ministry found that the age group of 15–29 years comprised more than 50% of total online shoppers, while 30% of online shoppers were in the age group of 33–44 years.

While Jumia is the largest e-commerce platform in Africa, Kenya's Kilimall has been growing as well. In 2018, Kilimall stated it planned to spread across Africa by the end of 2022 to serve the growing demand for online shopping. The company was founded in 2014 and established operations in Uganda and Nigeria in 2017. The Kilimall digital marketplace said its plan is to revolutionize the retail sector by allowing anyone to sell their goods and services online. Africa is expected to experience an e-commerce boom in the next 5 years as the cost of accessing the Internet declines. One of the biggest challenges facing the expansion of online shopping in Africa is the issue of trust by consumers that they will receive what they have paid for. Kilimall feels it is able to offer the best value for money by maintaining an online payment model where consumers pay before they receive the product.²

We are therefore seeing the growth of an e-commerce sector in Africa, with an increasing number of people turning towards this platform to buy. It also shows upon an increase in the number of people trusting the process of e-commerce. The number of e-commerce platforms is also growing. In addition to Jumia in Nigeria and Kilimall in Kenya, South Africa also has players. Spree merged

¹ <https://www.businessoffashion.com/articles/news-analysis/africas-e-commerce-giant-jumia-sets-sights-on-egypt>

² http://www.xinhuanet.com/english/2018-07/10/c_137312943.htm

with Superbalist in 2018, both online fashion retailers and both owned by Naspers. In Kenya, we are also seeing the creation of a new ecommerce platform, Masoko, which will be targeting formal retail and informal online trading, providing a platform for thousands of SME's interested in moving into the e-commerce sector. Once again, we see China investigating opportunities for investment in Africa, this time in the e-commerce sector in Kenya. With the fantastic success of Alibaba in China, they clearly have a good understanding of the key success factors of the industry.

We also find e-commerce transactions in the agriculture sector. Zambian startup eMsika is helping farmers find, buy and receive agricultural inputs in a fast, trustworthy and convenient way, as well as access markets for their produce. eMsika is an e-commerce store for farmers, listing over 300 different products in 10 different categories of agricultural input, including poultry, crop protection chemicals and seeds. They enable their clients to source inputs and even contact suppliers in their local language. They also serve areas in Zimbabwe, the DRC, Namibia and Mozambique, with plans to eventually spread across Africa. They have 6 suppliers across different agricultural sectors, including livestock, poultry and horticulture, plus a database of 500 farmers and 200,000 from affiliates. Helping these suppliers access bigger markets, is the start-up's main goal. Farmers and agri-dealers have to travel long distances, losing valuable time and money while being exposed to accidents and theft. The solution helps farmers sell their own produce. They also introduced a call centre for farmers who want to know more about certain products before buying them. Those in remote areas now have the same opportunity as those in urban areas to get any farm inputs from suppliers of their choice.³

eMsika reminds one of an adapted FarmCrowdy, Nigeria's initiative in this regard. eMsika does help the various stakeholders in the agri value chain to optimise their operations by getting easier access to inputs and markets, as well as product information. An increasing number of these initiatives in the agri sector are becoming available. For example, in Kenya we have FarmDrive that provides info on smallholder farmers to banks, to facilitate the granting of bank loans to farmers. Whereas FarmCrowdy and FarmDrive are country bound, eMsika seems to be expanding into the continent, which gives it the benefit of scale. Technology is making it easier to get involved in the various sub-sectors of the agriculture industry, as an investor, a supplier, a farmer and as the market.

The author, Johan Burger, is the director of the NTU-SBF Centre for African Studies, a trilateral platform for government, business and academia to promote knowledge and expertise on Africa, established by Nanyang Technological University and the Singapore Business Federation. Johan can be reached at johan.burger@ntu.edu.sg.

³ <http://disrupt-africa.com/2018/06/zambias-emsika-helping-farmers-buy-agricultural-inputs/>