

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

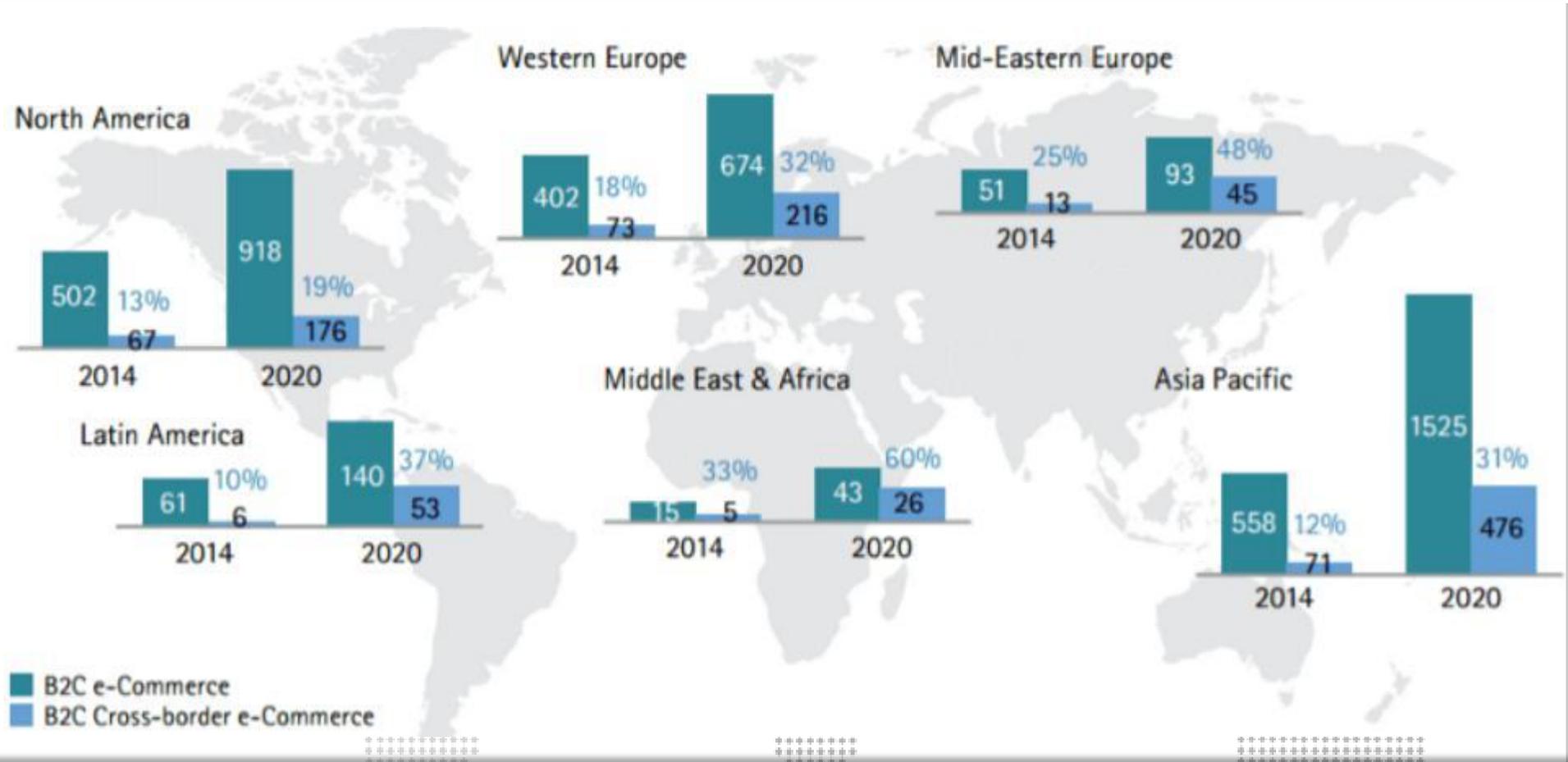
4 Marketing & Branding

5 Logistics

6 Payments

E-commerce market potential in Africa

B2C sales (2014-2020) in Billions of USD

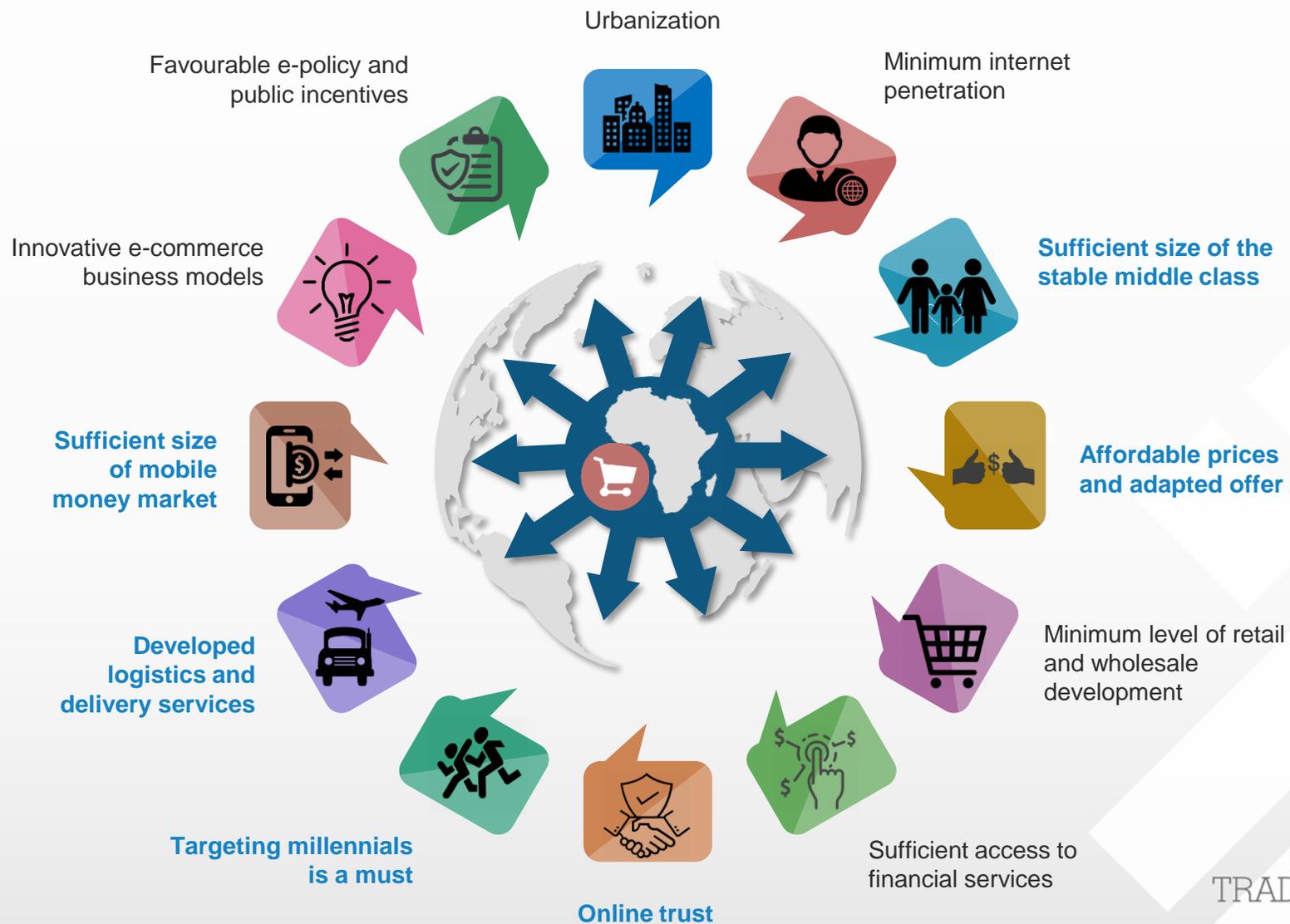


Source: Accenture (2018)

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.

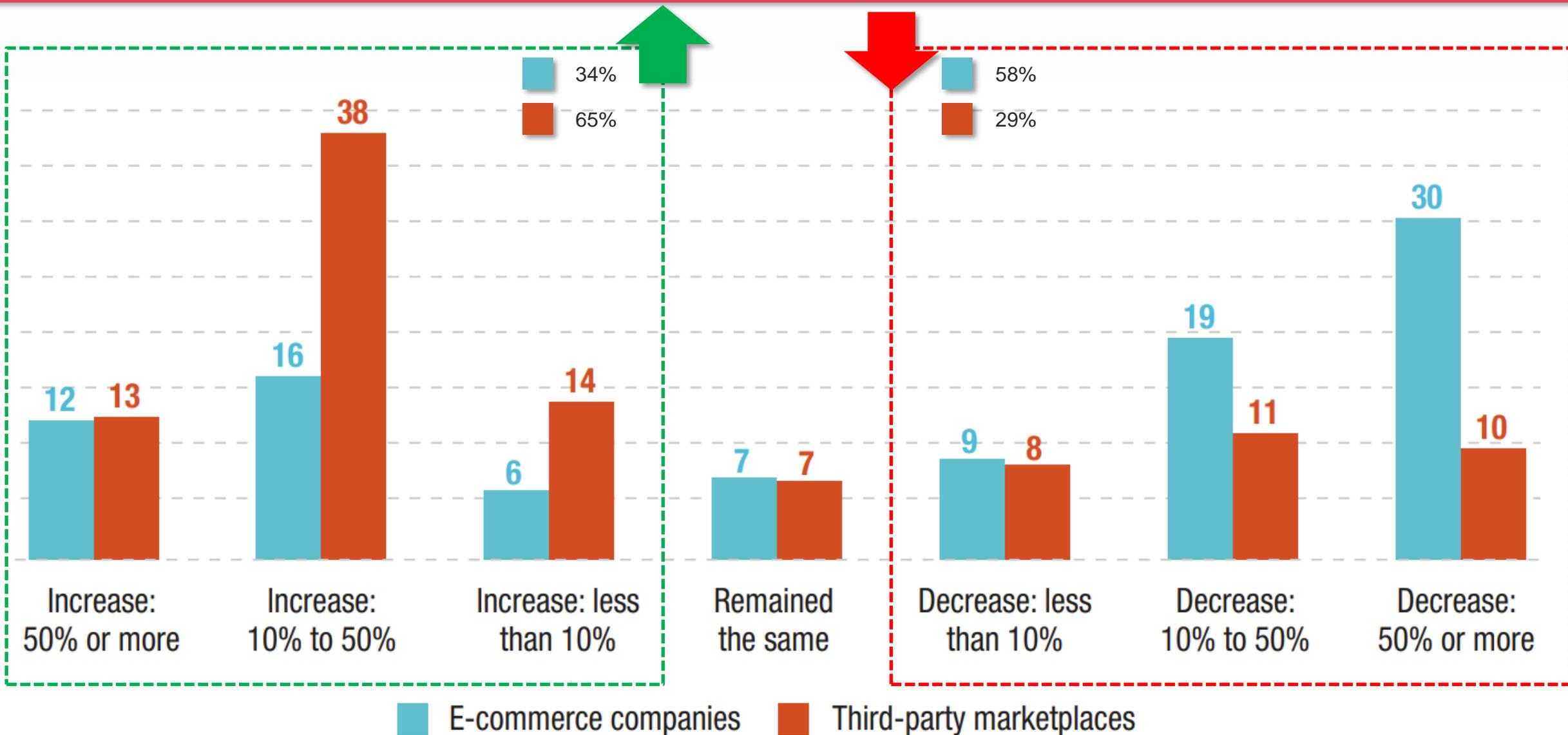


12 success factors e-commerce in Africa



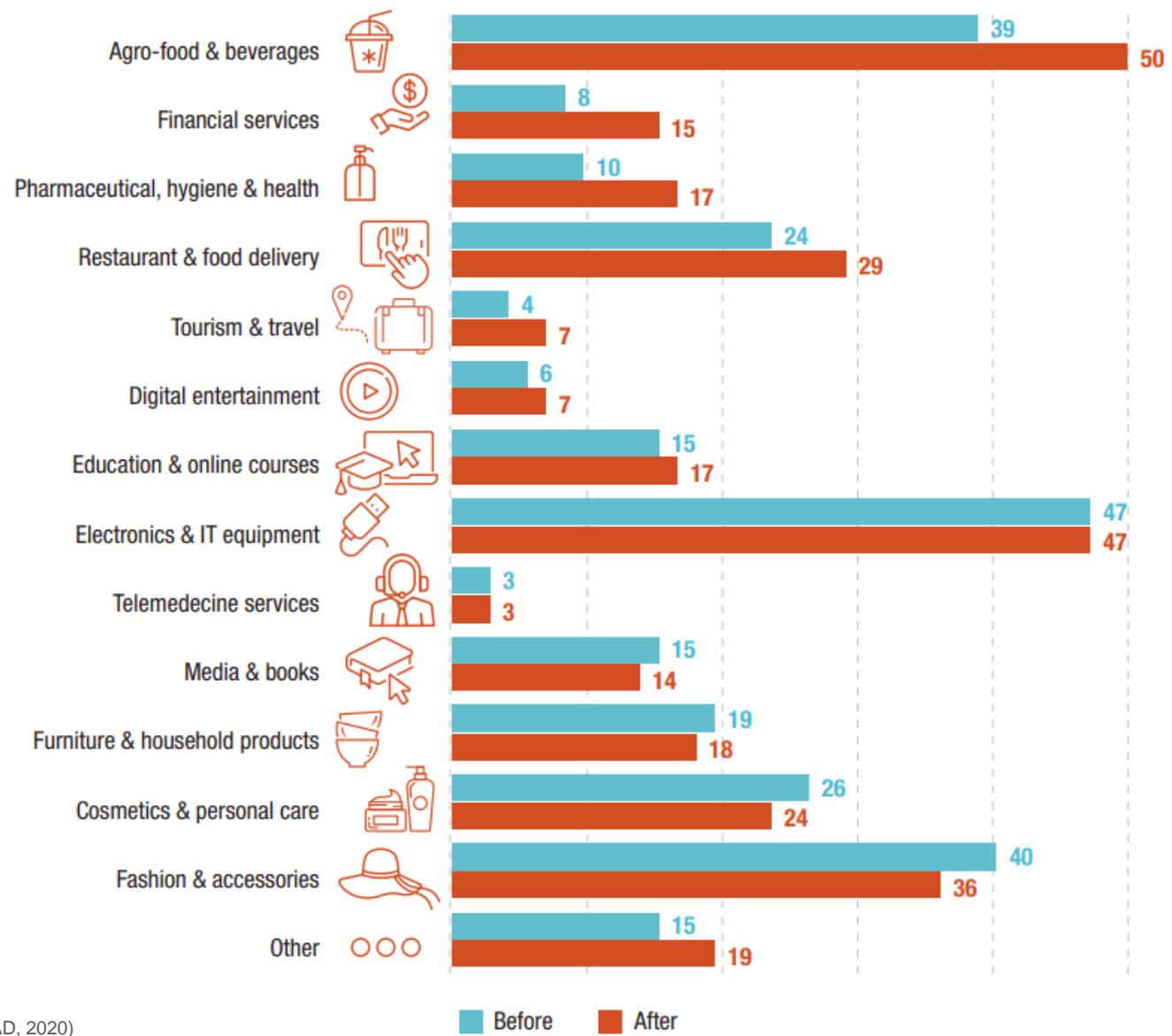
Impact of COVID-19 crisis on monthly e-commerce sales (%)

Overview in Africa and Asia-Pacific



Top 5 sales categories before and after COVID-19 (%)

Third-party marketplaces



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

Growth opportunity for Africa



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



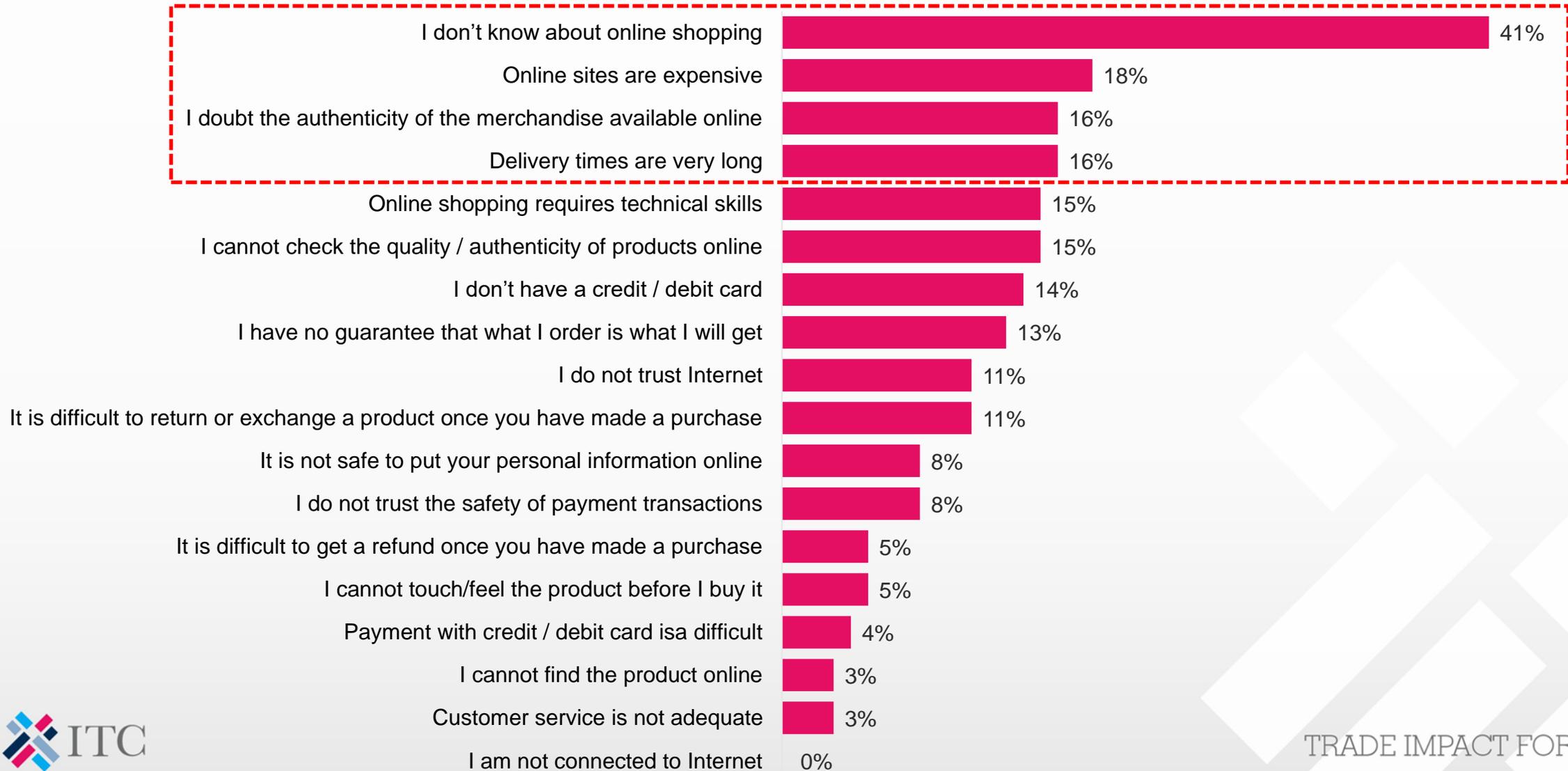
Source: ITC (2018)

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



Promotion & online trust

Issues

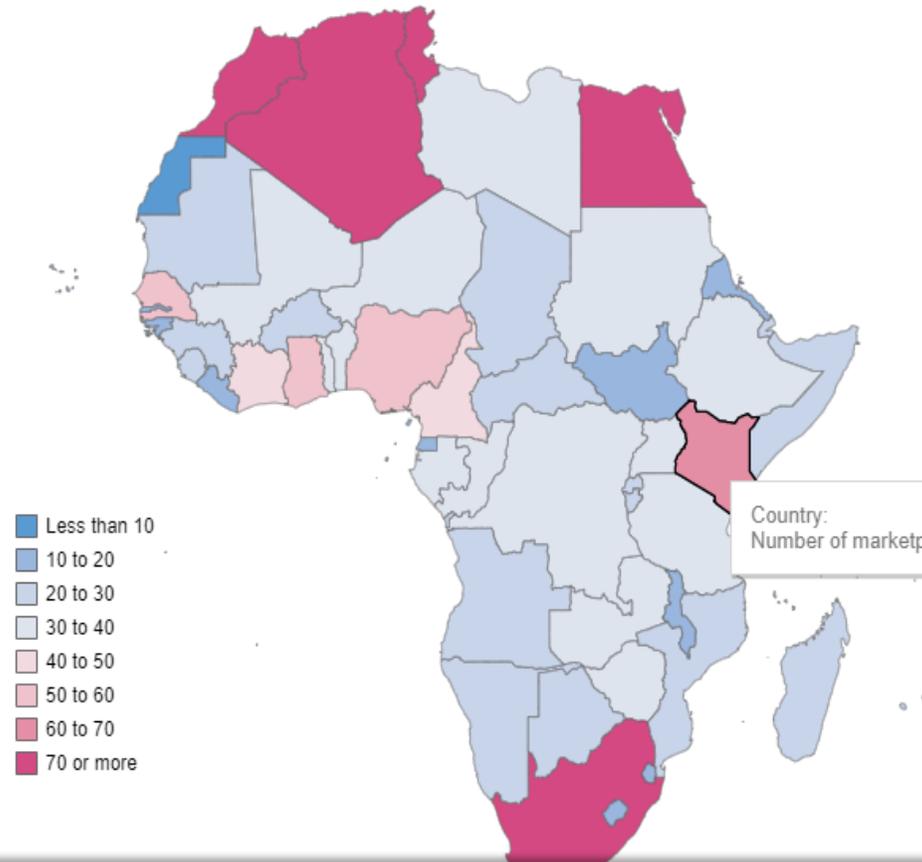
- Perception that promotion is not needed
- Perception of high cost of promoting one's website, when one's brand is not well-known
- Difficulty to be found on the Web by buyers
- When found, difficulty to be trusted by buyers ?



Marketplace activity in Africa

<https://ecomconnect.org>

Number of marketplaces per country, 2019



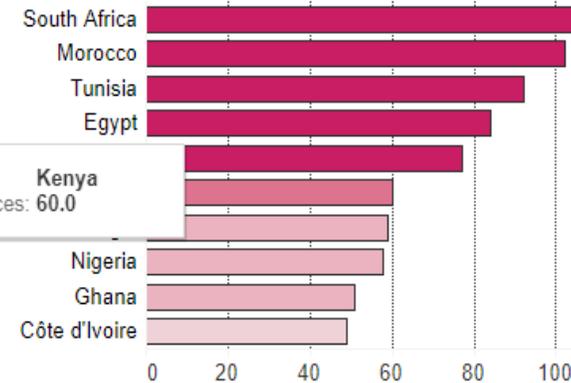
Tip!
Use the filter to switch between marketplace activity and performance metrics.

SELECT MEASURE:

Number of marketplaces

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.

Top 10 countries by Number of marketplaces, 2019



Country: Kenya
Number of marketplaces: 60.0

About the indicator

This overview shows the total number of websites (urls) of business-to-consumer product marketplaces per country in 2019.

Source: ITC

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

Promotion

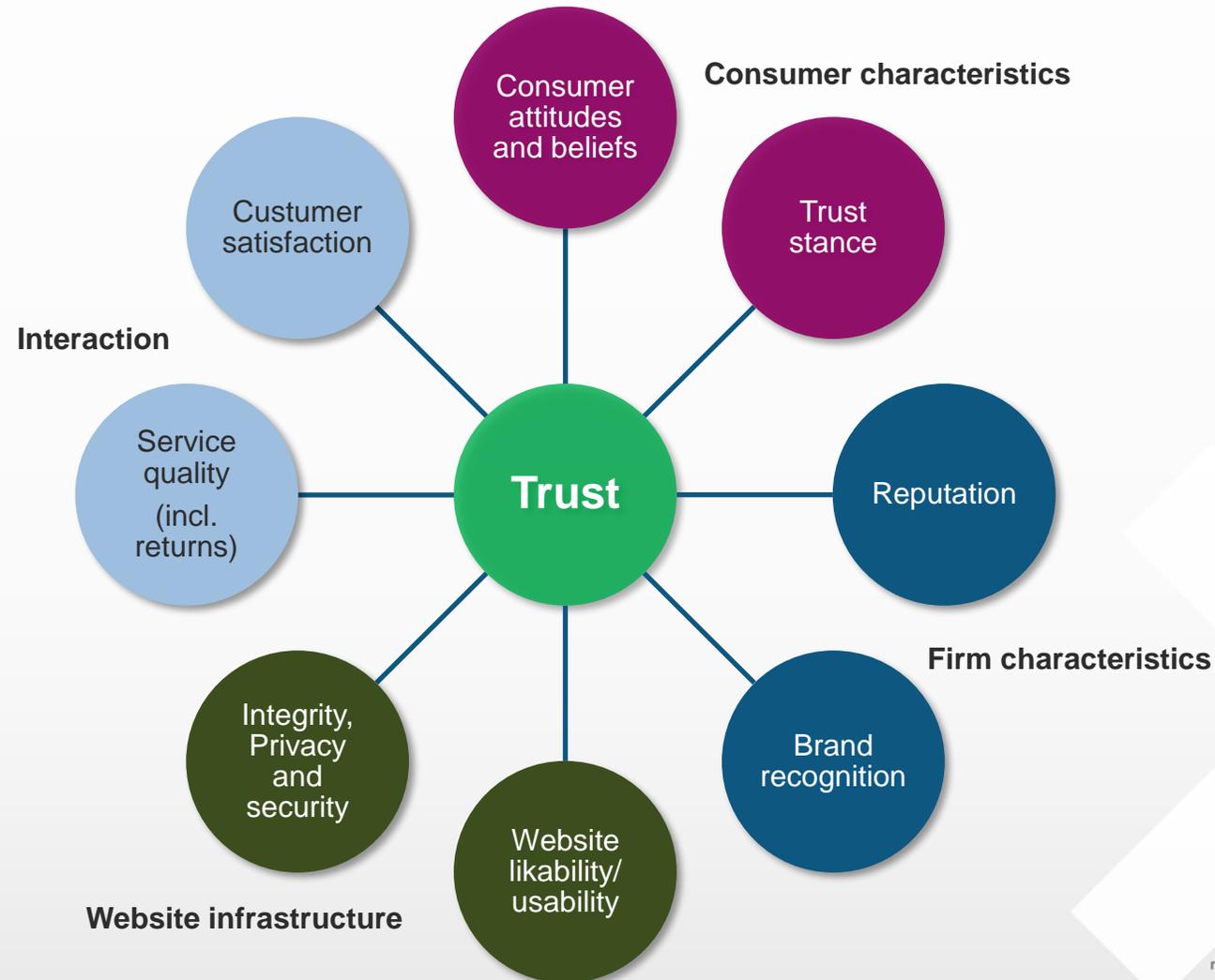
Reaching out to the customers



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



Online trust

E-commerce Trustmark – www.safe.shop



Safe.ShopTM

The Global Ecommerce Trust Mark

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



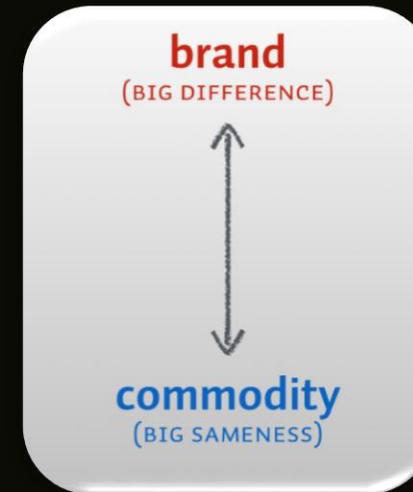
Marketing & Branding

1.9

Number of times on average profits are multiplied when a company develops a strong brand

McKinsey

Marketing & Branding



"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."

— Philip Kotler —

Main challenge for a weak brand

- Vulnerability of a product/service considered as an interchangeable commodity

Marketing & Branding

Importance of branding in B2B



Source: How B2B brands talk past their customers, McKinsey & Company (2014)

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.

Marketing & Branding

Attitude of suppliers towards branding



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

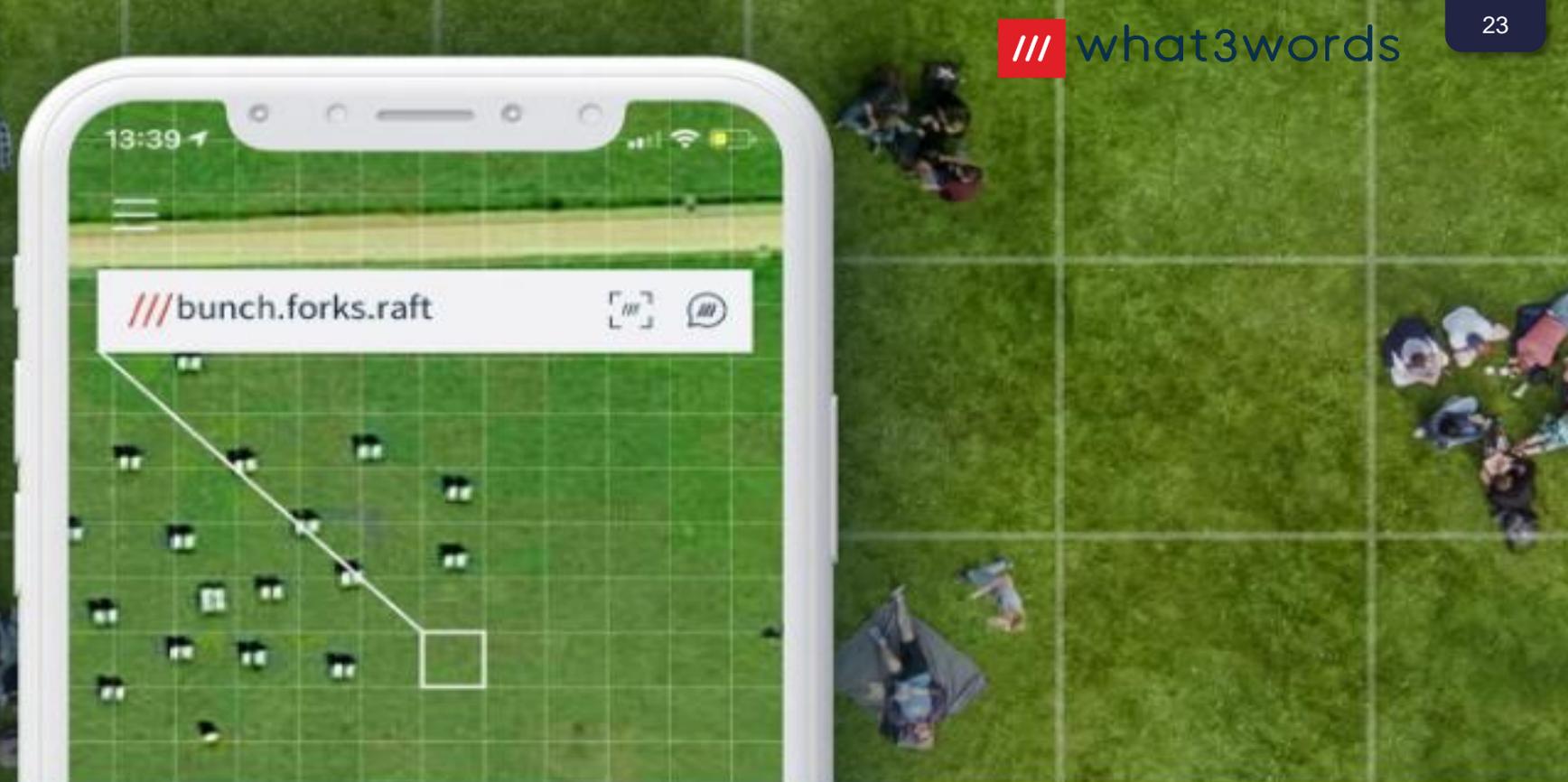
Issues

- 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

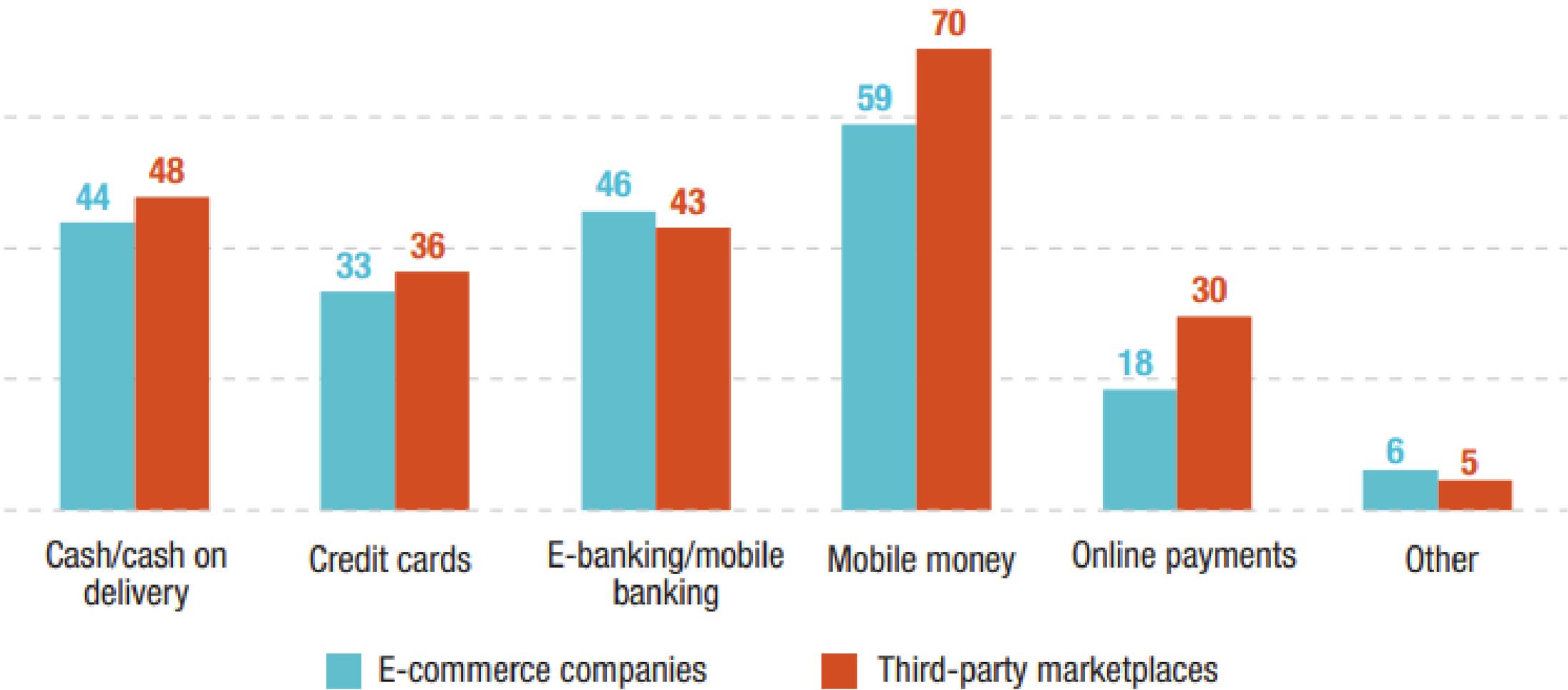
Issues

- High transaction fee from third parties
- High risk for cash on delivery payment
- Lack of interoperability of systems

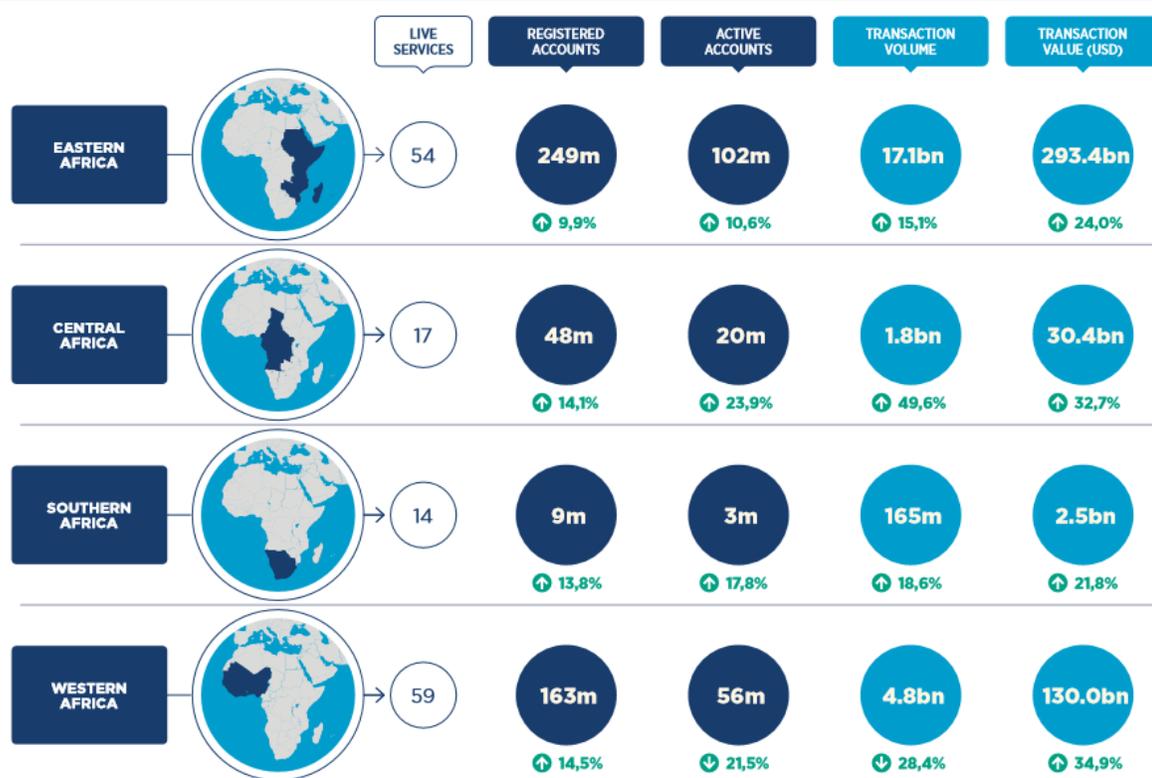


Highest growth of payment methods during COVID-19 crisis (%)

23 countries in Africa and Asia-Pacific



Mobile money potential



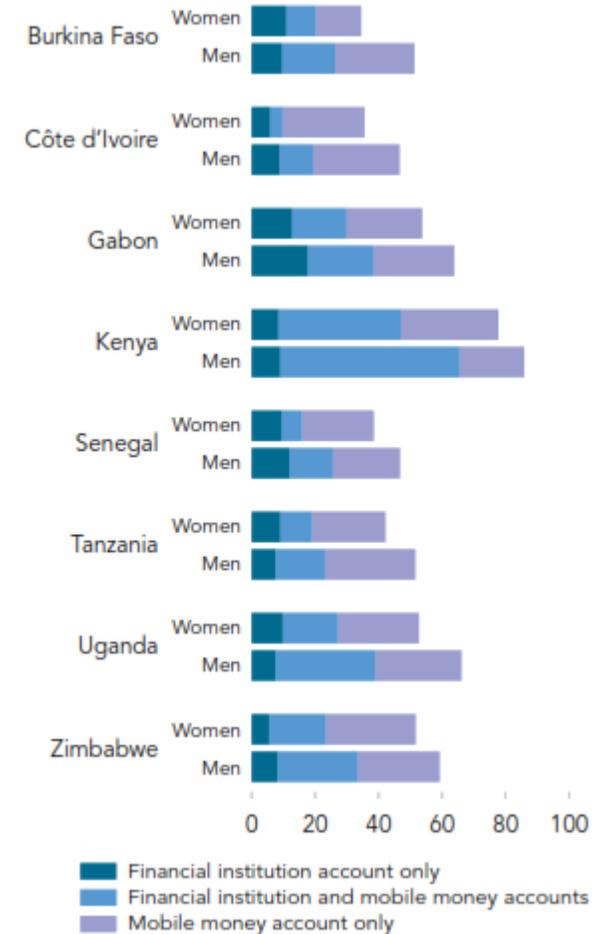
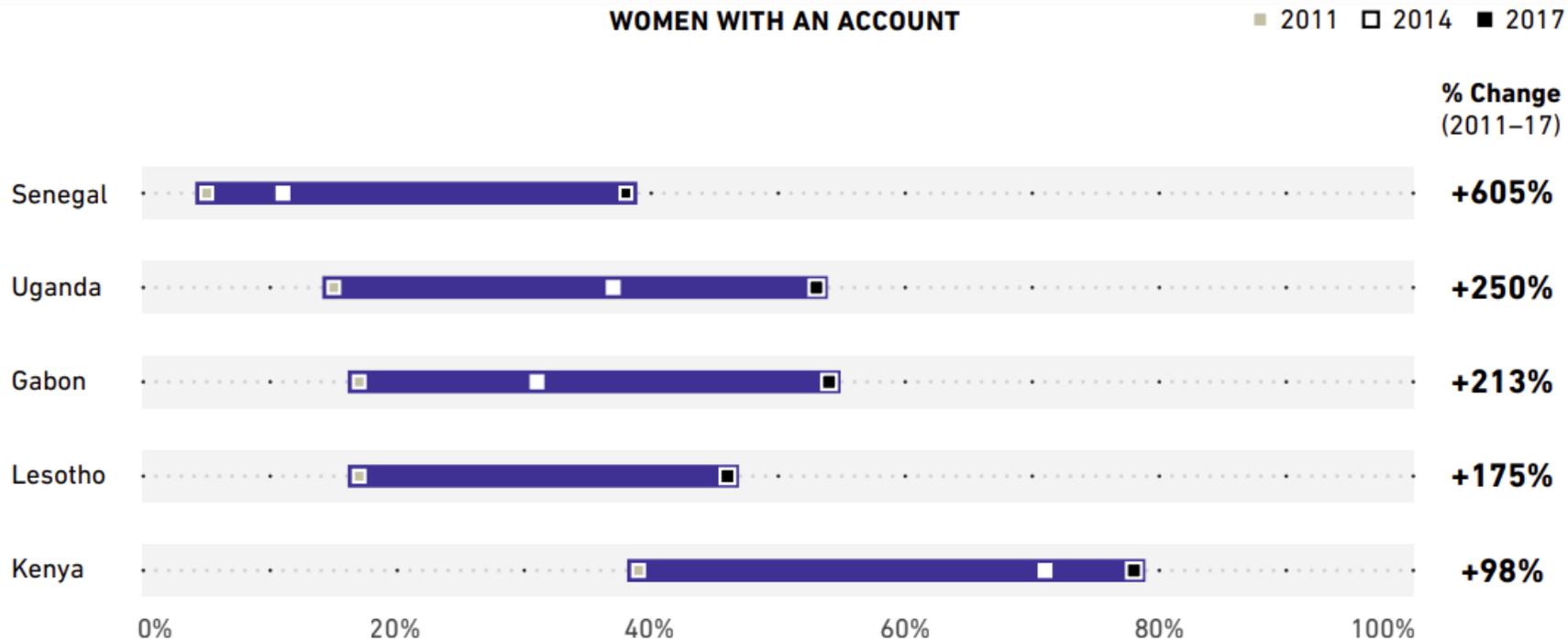
- Mobile money:
 - Works using peer-to-peer based transactions
 - Relies on cash, and is not dependent on bank or card accounts
 - Suitable for the unbanked population



Source: State of the industry report on mobile money (GSMA, 2019)

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

Mobile money offers financial inclusion to women & a strong potential for e-commerce



Leapfrogging and mobile money

- 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

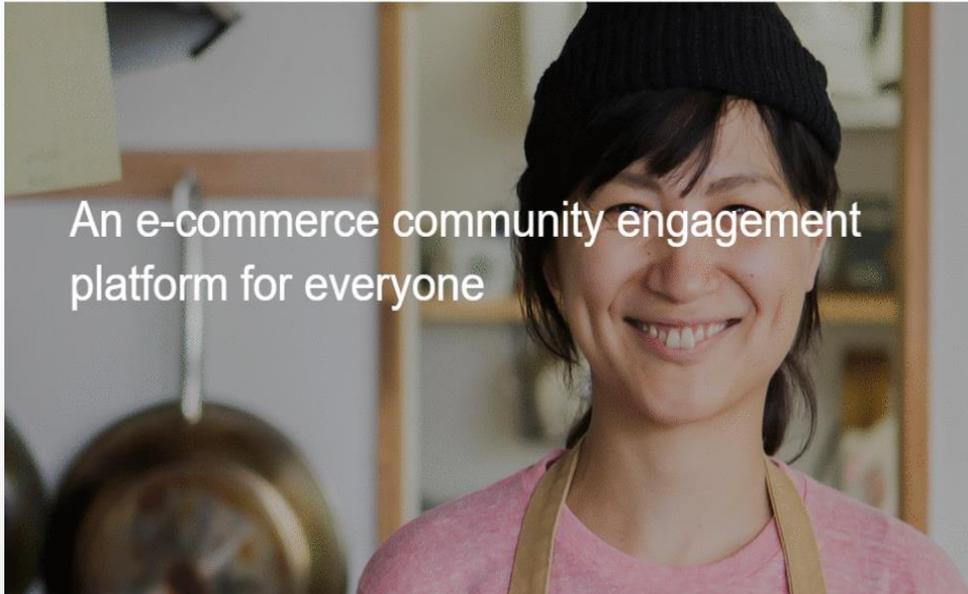


ITC's ecomConnect platform and tools

<https://ecomconnect.org>



ecomConnect



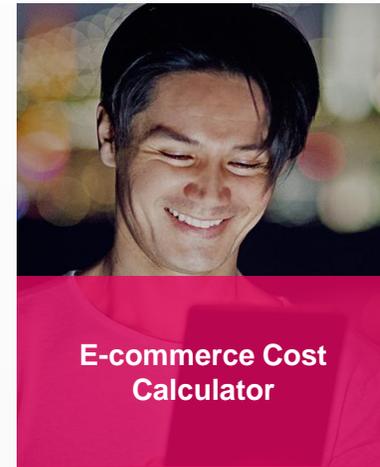
An e-commerce community engagement platform for everyone

ecomConnect Community Management Platform

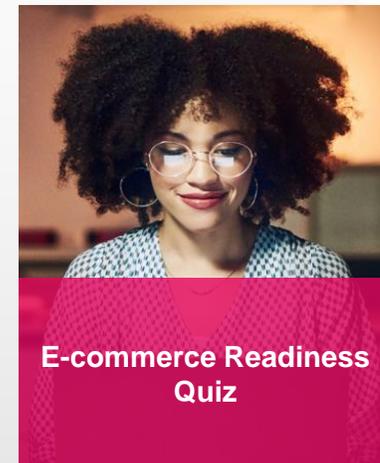
Connect with your peers across the world, Ask the expert, Share information, e-learning and data on e-commerce



E-commerce Marketplace Africa



E-commerce Cost Calculator

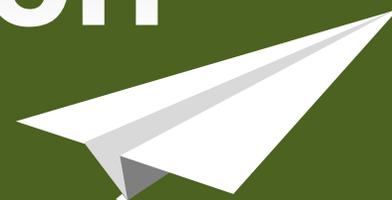


E-commerce Readiness Quiz



Thank you very much

International Trade Centre (ITC)



Sébastien Ioannitis-McColl

Expert in e-commerce, marketing, branding
Project Manager

ioannitis@intracen.org