E-commerce Revolution in Africa

E-commerce has realized a significant growth in Africa over the past couple of years, as it contributes 1.1% on average to the continent's GDP, according to a recent report by Mckinsey Global Institute. The report also highlights that e-commerce is projected to make up 10% in total retail sales in Africa's major markets translating to $75 billion in annual revenue. The sector is expected to have an annual growth of 40% in the next decade.

Major investors in this market include African Internet Group, Naspers, Swiss-owned Ringier, Casino (a French company with e-commerce platforms in Cote d'Ivoire and Cameroon), and One Media Africa (backed by Tiger Global). Entrepreneurs in this sector can tap on structure gap between supply and demand in the market, where the growing population of middle-income characterized by increased purchasing power creates a huge demand. Other factors that have contributed to the growth and success of e-commerce are the rise in population in the continent, increase in Internet access, and uptake, urbanization, and mobile capabilities.

Africa's population, which currently stands at 1.2 billion with an estimated 1.5 billion by 2025, indicates a growing market for e-commerce. Similarly, urbanization in Africa is rising rapidly with a projected 54% of the people living in cities by 2045 compared to the current 40%.

A report by Internet society reveals that close to 20% of Africa's population now has an Internet connection, compared to a dismal 0.78% in 2000.The growth witnessed is expected to rise over time, which means that more people will be online in the coming years. Africa, known as a mobile-first continent enables customers to make orders from the comfort of their smartphones, and even paperless transactions with the same device. This makes the e-commerce experience tailored to the market.

Despite the promising growth for e-commerce, the sector is experiencing numerous setbacks, thus incurring losses even with the huge prospects for success. For one, there is mistrust among consumers, which has limited the use of credit cards, given the concerns raised by phishing. Entrepreneurs are working around the fears by letting clients pay cash on delivery, or through relatively secure mobile platforms such as Kenya's M-Pesa. It is important that banks and business owners find a way to make sure that customers information are safe and secure.

Logistics is another challenge faced by ecommerce retailers, mailing through post offices is unreliable given door-to-door delivery has proven unfeasible in most African countries. Physical addresses are also not well structured leaving these businesses to use motorbikes for deliveries, which in the end increases the cost of business and delays in deliveries.

The existence of open air markets, which offer goods at relatively cheaper prices threatens online businesses because goods are cheaper in such markets and the customer often has a connection with the seller, unlike the virtual connection marred by mistrust. A customer can inspect goods at the point of sale, and online businesses must then find ways to beat this, or tailor their service delivery to match that of open-air markets.

Internet penetration is still below average in Africa, this means that there are potential customers who cannot access web-based businesses. Jumia, for instance, is trying to mitigate this to expand their customer base by setting up consumer adoption centres, where people can walk in and access Jumia's site to buy goods. They are also introducing remote sales force with devices connected to the Internet, where people can search and buy goods from their site.

It is important that governments and all stakeholders in this sector invest in both physical and virtual infrastructures such as roads, and Internet to make the logistics and market penetration of web-businesses seamless. The future of retail is e-commerce and the industry is set to contribute more to the iGPD of continent.