

E-Commerce In Africa - Online Platforms Still in Infancy but Showing Signs of Growth

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Abstracts

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SUMMARY

E-commerce has transformed business and consumption across much of the world, but it still lags in Africa due to a multitude of issues including, but not limited to, poverty, inadequate infrastructure, and a lack of capital. However, there has been progress with new businesses providing innovative solutions to combat the specific challenges on the continent. Home to over 1.3 billion people there is a significant potential consumer base, but this is currently limited by 34% living below the International Poverty Line (IPL) of \$1.90 and 80% living below \$5.50 a day, according to the World Bank as of December 2021, meaning expenditure is often prioritized to meet daily needs. Nonetheless, with policies aimed at tackling issues and building greater internet connectivity e-commerce can be expected to take hold in the near future. Overall, the growth will help encourage more economic activity across societies through the reduction barriers of entry to retail and help bring together a fractured informal retail market.

KEY HIGHLIGHTS

E-commerce has been particularly strong in the Business to Business (B2B) sector, as has been the case across Asia and Latin America, helping cut out middlemen and excess fees which then means lower prices can be passed on to the consumer. Business-to-Consumer (B2C) has not been as successful due to a lack of adoption by consumers but going forward this can help to drive growth. Particularly with the growth of the African middle class which the African

Development Bank (AfDB) described back in 2011 as 'remarkable' with the middle-class population tripling over three decades, representing a third of the region's population. The AfDB estimates that in the next decade similar growth may be witnessed if favorable policies which increase tertiary education and employment opportunities continue to be implemented.

Infrastructure remains a critical barrier to e-commerce in Africa. Basic infrastructure gaps and inefficient logistical networks make it impossible to deliver the services that are in place elsewhere in the world. Even in Nigeria, home to one the largest and most developed e-commerce markets in Africa, there are issues with roads and addressing systems which create issues in the delivery of goods making it difficult to establish a sustainable and attractive business model. As a result, the cost of transporting goods is significantly more expensive than elsewhere in the world. Also, Cybercrime is prevalent in Africa and has discouraged large numbers of people from engaging in e-commerce despite being digitally active. Furthermore, despite growth there is also still skepticism about mobile payments and banking. These factors mean that e-commerce still only accounts for less than 1% of total transactions in Africa.

The potential of e-commerce in Africa is attracting local interest with African businesses looking to use knowledge of the challenges and specific conditions of the continent to create effective digital platforms. In order to create a successful business model innovative solutions are needed, and this has been growing across Africa in recent years. With the African economy dominated by the Small and Medium-Sized Enterprises (SMEs) new e-commerce solutions are aiding businesses across a variety of sectors to scale up and contribute to economic growth. Although still in its infancy, the number of platforms being created by African businesses for African businesses is promising for the long-term growth of e-commerce

The COVID-19 pandemic created global disruption, but e-commerce benefitted due to national lockdowns stymying normal business operations. This was no different in Africa and perhaps more evident with the market transformed into an essential utility for businesses and consumers across the continent. Many consumers were forced to adopt despite skepticism whilst businesses had to increase online capabilities encouraging short term growth in the market.

SCOPE

Learn about how Ecommerce in Africa is developing

See what problems it faces

Understand who the leading players are

REASONS TO BUY

What companies are leading the industry?

How big is the industry?

How positive does it's future look?

Contents

1. OVERVIEW

- 1.1. Catalyst
- 1.2. Summary

2. 2. E-COMMERCE HAS THE OPPORTUNITY TO TRANSFORM AFRICAN ECONOMIES

- 2.1. African e-commerce is underdeveloped but growing
- 2.2. Increasing digital connectivity will foster e-commerce progress
- 2.3. Increasing engagement with online shopping crucial to spurring growth

3. LOGISTICAL AND SOCIAL CHALLENGES PRESENT CHALLENGES FOR THE DEVELOPMENT OF E-COMMERCE IN AFRICA

- 3.1. Infrastructure gap inhibits efficient e-commerce operations
- 3.2. Poor government regulation and a lack of consumer trust prevent uptake of online retail

4. BUSINESSES HAVE LOOKED TO GAIN EARLY MOVER ADVANTAGE IN AFRICAN E-COMMERCE

- 4.1. Twiga Foods has used e-commerce to benefit the interests of farmers and consumers
- 4.2. Jumia has attributed recent revenue growth to its new free delivery service

5. COVID-19 HAS PROVIDED OPPORTUNITIES FOR THE AFRICAN E-COMMERCE MARKET

- 5.1. COVID-19 has accelerated e-commerce adoption
- 5.2. Rapid adoption amidst the pandemic may have exacerbated inequalities

6. APPENDIX

- 6.1. Abbreviations and acronyms
- 6.2. Sources
- 6.3. Further reading

7. ASK THE ANALYST

8. ABOUT MARKETLINE

List Of Figures

LIST OF FIGURES

Figure 1: E-commerce is increasing in popularity in Africa

Figure 2: Infrastructure remains a crucial barrier to e-commerce uptake

Figure 3: Twiga Foods has provided innovative solutions to connecting farmers and informal retailers

Figure 4: COVID-19 has benefitted African e-commerce but increased gender inequalities in the sector

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