Maximizing the value-added of e-commerce in Africa
Understanding the region-specific challenges

A presentation at UNCTAD e-commerce week
Date: 18 April 2018
E-commerce opportunities for inclusive trade

E-commerce helps MSMEs internationalize

82% of enterprises that engage solely in cross-border e-commerce are micro and small in size

E-commerce enables micro enterprises in Africa to trade

<table>
<thead>
<tr>
<th>Enterprise Type</th>
<th>Offline Trade</th>
<th>Offline Trade &amp; Cross-border e-commerce</th>
<th>Cross-border e-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprises</td>
<td>55%</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>58%</td>
<td>29%</td>
<td>13%</td>
</tr>
<tr>
<td>Medium enterprises</td>
<td>79%</td>
<td>15%</td>
<td>6%</td>
</tr>
</tbody>
</table>

E-commerce opens up new export opportunities in Africa, especially for micro enterprises

E-commerce offers women easier access to the international market

The share of women-owned enterprises doubles when moving from traditional offline trade to cross-border e-commerce
But more work has to be done to increase Africa’s participation.

There is interest to further engage in cross-border e-commerce:

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of Those Considering It</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed countries</td>
<td>39%</td>
</tr>
<tr>
<td>Developing countries</td>
<td>65%</td>
</tr>
<tr>
<td>Africa</td>
<td>68%</td>
</tr>
</tbody>
</table>

When exporting through e-commerce, the market diversification of African companies is \textit{a third} of those operating from developed countries.

- Developed countries: 15 export markets
- Developing countries: 7 export markets
- Africa: 5 export markets
Untapped e-commerce potential in developing countries

A third of the respondents from Africa have plans to (further) invest in e-commerce in the next three years, almost twice as average.

How can we all accompany business’ interest in e-commerce?
By identifying challenges and acting upon them

ITC systematic approach

<table>
<thead>
<tr>
<th>PHASE</th>
<th>ESTABLISHING ONLINE BUSINESS</th>
<th>INTERNATIONAL E-PAYMENT</th>
<th>CROSS-BORDER DELIVERY</th>
<th>AFTERSALES</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAYER</td>
<td>Firm-level capabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Immediate business ecosystem</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>National environment</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Process/value chain

Three layers of analysis/action

See also SME Competitiveness Outlook (launch: 5 Oct)
Access to platforms: more reported cases of companies being denied registration as a seller on e-commerce platforms

- 19% for Africa companies (vs 15% overall) identify costly membership on e-commerce platforms as a major bottleneck at this phase
28% of companies in Africa (vs. 23% overall) identify a missing link between third party payment providers and banks as a major bottleneck in this phase.
<table>
<thead>
<tr>
<th>Percentage</th>
<th>Issue Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>27%</td>
<td>Costly postal and courier delivery</td>
</tr>
<tr>
<td>18%</td>
<td>Finding warehouses and delivery at destination</td>
</tr>
<tr>
<td>11%</td>
<td>Customs procedures and duties</td>
</tr>
<tr>
<td>10%</td>
<td>No access to delivery with tracking ability</td>
</tr>
<tr>
<td>9%</td>
<td>Anticipating payable duties</td>
</tr>
<tr>
<td>7%</td>
<td>Data localisation</td>
</tr>
<tr>
<td>7%</td>
<td>Preparing documentation</td>
</tr>
<tr>
<td>6%</td>
<td>Warehouse organization</td>
</tr>
<tr>
<td>4%</td>
<td>Handling surges in sales</td>
</tr>
</tbody>
</table>

Costly postal and courier delivery services is a major challenge

Logistic costs are higher in developing countries

The share of logistic cost over final price is nearly double in developing countries.
Enterprises estimate the share of transactions that involve product return, refund or cancellation as follows:

<table>
<thead>
<tr>
<th>Region</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDCs</td>
<td>11.8%</td>
</tr>
<tr>
<td>Africa</td>
<td>10%</td>
</tr>
<tr>
<td>Developing countries</td>
<td>6.7%</td>
</tr>
<tr>
<td>Developed countries</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

**Product return a substantial cost factor**

The average share of transactions that involve product return/refund drops as the level of development increases.

**One in ten** transactions by e-commerce companies in **Africa and LDCs** could involve additional costs in handling aftersales or product return.
Emerging business ecosystem in Africa

- Establishing Online Business
- International E-Payment
- Cross-Border Delivery
- After Sales

Logos of companies: Jumia, m-pesa, bidorbuy.co.za, Konga.com, OLX, Naspers, MFS Delivery, ITC, ACE Africa Courier Express.
E-Strategies for action

With 15 years of experience, ITC’s e-strategies bring partner countries onto the highway.

- Deep sector expertise
- Tailored to countries’ needs
- An inclusive and pragmatic method
- Co-ownership facilitates action

ITC embraces the digital reality and works with partners to transform digital disruption into business opportunities, especially for MSMEs.

E-strategies for:

- Côte d’Ivoire
- The Gambia
- Mauritius
- Rwanda
- State of Palestine
- Saint Lucia
- Sri Lanka
- Ukraine

E-strategies: http://www.intracen.org/itc/trade-strategy/e-Strategies/
Thank you

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http://www.intracen.org/itc/sectors/services/e-commerce/