

A man with glasses and a brown sweater is sitting at a table in a cafe, working on a laptop. A white coffee cup is on the table next to him. In the foreground, there is a glass vase filled with dried flowers. The background is a blurred cafe interior with warm lighting and other people.

# dentsu wisdom series.

e-commerce like never before



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## Introduction

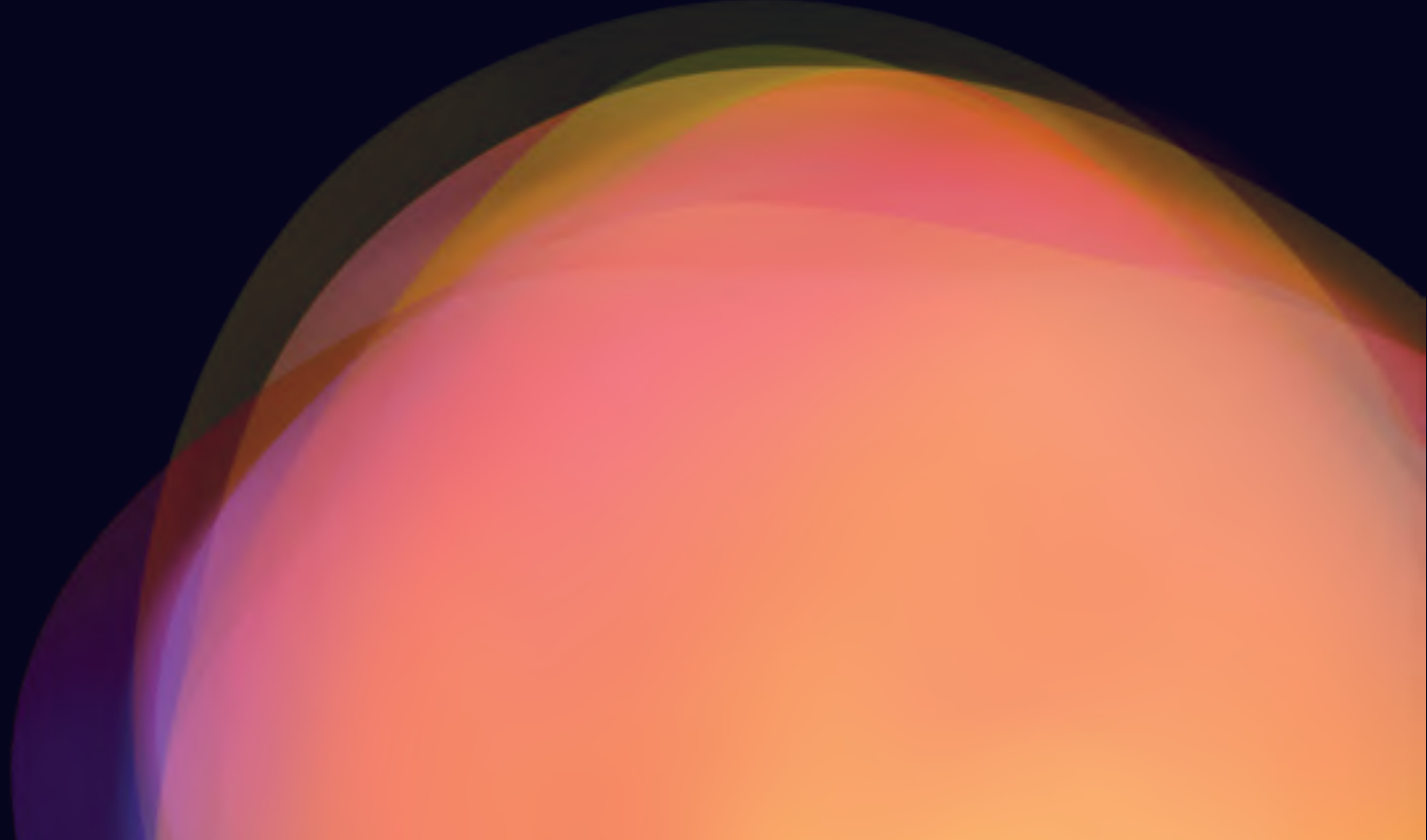
### Nate Shurilla, Global Director of Commerce & Voice

The year 2020 was one of upheaval. Economies and businesses around the world were disrupted by the pandemic, leading to countless difficult situations. One of the few silver linings was the forced acceleration of innovation with regard to commerce. It's no secret that e-commerce was rapidly expanding even before the pandemic, but with physical retail being limited or shut down, many consumers turned to e-commerce – sometimes for the first time – as the only alternative. In many markets, this resulted in years or even decades of growth for e-commerce penetration in a single quarter. (Source: Bank of America, Forrester Analytics, ShawSpring Research, US Department of Commerce, McKinsey analysis.)

Globally across dentsu clients we saw 6 out of 10 make the decision to invest substantially in e-commerce, more than any other area, for the short and long term. (Source: dentsu aegis network, Covid-19 Global Client Survey.) But what areas to invest in, and how, is something many are struggling with.

Commerce, and especially e-commerce, takes many forms. For some it is best to sell on open marketplaces, but for others it is better to build their own platform and go direct-to-consumer (DTC). Some sell through social media and word of mouth, others ship pallets to wholesalers and partners to do it for them. There is no shortage of complexity when it comes to commerce. At dentsu, we make it simple. One such way is through our Commerce Success Framework, which boils down commerce success to five basic parts.

First is Desirability, which is ensuring your brand is not only known but also loved and actively sought after. Next is Availability, which is truly understanding the consumer and meeting them where they already are. Once we're in the right places, we must help the consumer discover us through Findability. And then we differentiate ourselves from the rest of the masses through Buyability to secure the purchase. While some may end there, we understand the importance of nurturing the relationship and trust we have with our consumers, and Repeatability is how we engage beyond the sale.



All brands are already mid-journey, so this framework helps us clarify our current bearings and chart a path towards our North Star – linking into the more than 3,500 commerce experts we have across 85 markets. Wherever that journey takes you, we have the teams to lead and guide you at every step. We have invested heavily in teams for marketplace activation, building and optimising your own DTC platform and strengthening relationships on social platforms. We have consultancies to weave each touchpoint together and better understand consumer needs and journeys. We also have logistics experts, platform technicians, creative storytellers and the data and technology needed to fuel each of these.

And we're not stopping there. Commerce continues to evolve at a rapid pace, and with it we see the consumer journey shortening.

Shoppable media has emerged to turn discovery immediately into purchase. Platforms like NBCUniversal Checkout and LG's Smart TVs use QR codes on-screen to directly link programming with product detail pages, and these can be placed literally anywhere we advertise.

But at the same time as increasing the reach of our campaigns, it's even more important that we increase the human element – the empathy of what we do. Digital assistants and chatbots continue to evolve and present an incredibly powerful means of communication. For far too long, marketing has been a one-way street. "Buy now!" "Learn more!" "Visit our nearest location!" Advanced targeting strategies have helped to deliver these messages to the right consumer, but why guess when you can simply ask?

Interactive voice and chat mediums afford us the opportunity to have a two-way conversation with the consumer. Listening can save ad spent for a product the consumer isn't interested in, as well as their time. It can also allow you to assess their interests more accurately. These interactions can cover the scope of all your products and unique selling points in a single entity. Those who are truly able to converse with the consumer will see their success dramatically increase now and into the future.

That is the commerce future we want to share with you. One of respect, efficiency, emotional intelligence and success. We invite you to join us on a journey to the never before.





1.

# Setting the Scene: Africa's \$180-billion Internet Economy Future



## 1. Setting the Scene: Africa's \$180-billion Internet Economy Future

*Michael Zylstra, Chief Strategy Officer for dentsu sub-Saharan Africa (SSA)*

### **About the African digital opportunity... What are the drivers of this fast-growing sector?**

The African Internet economy is one of the largest overlooked commercial and most impactful developmental opportunities of the past decade. The mobile Internet is transforming life in Africa; it's supported by growing local connectivity and mobility, and a dynamic, young urban population. With a 28.5% compound annual growth rate of the African Internet population since 2000, the Internet economy is becoming even more critical to reaching and supporting the continent's 1.3 billion people. And this number will only continue to grow.

A growing urban and mobile population brings tremendous potential to the economy. Internet penetration is 40% today and a 10% increase in mobile Internet penetration can increase gross domestic product (GDP) per capita.

Tech talent in Africa is at a historical peak and continues to rise annually. There are 690,000 professional developers across Africa with more than 50% concentrated in five key African countries: Egypt, Kenya, Morocco, Nigeria and South Africa. While there are challenges confronting startups in the African ecosystem, there remains an abundance of opportunities and increased venture capital inflow to the continent.

Infrastructure drives increased access to more affordable and higher-speed Internet.

Tech companies' investment in subsea and terrestrial fibre-optic infrastructure has led to rapid growth in international Internet capacity. Google's own subsea cable, Equiano, is expected to be completed in 2022.

Regulatory inconsistency can hamper market access and limit investment opportunities for startups. Startup acts and regional harmonisation are initiatives that are driving mutually beneficial growth.

It is important for entrepreneurs, investors and policymakers to continue dialogue, encouraging environments where digital businesses can thrive.





## Various sectors are leading the way in Africa's digital transformation

### Key takeaway

Companies in the Internet economy have generally outperformed other sectors of the economy.

- Health tech
- Media and entertainment
- E-mobility
- B2B logistics

### Fintech

Startups are building solutions to support the part of the population that is financially excluded but is gaining access to mobile technology. Fintech startups remain the top destination for funding and received 54% of all startup investment in 2019.

### e-commerce

e-commerce

Growth driven by an improvement in the payments landscape, the rise in mobile tech and mobile money tech adoption. In 2019, \$134-million in funding was attributed to e-commerce, indicating both an increase in funding and the number of deals.



### Increase in digital connectivity will directly boost Africa's economic value

The number of people with Internet access has grown to 522.8 million, or 40% of the population.

Over the next decade, the number of Internet users in Africa will grow by 11%, comprising 16% of the total global amount.

#### 2.5% increase in GDP

A 10% increase in mobile Internet penetration increases GDP per capita by 2.5% in Africa, compared with 2% globally.

### Ongoing investment in subsea and terrestrial infrastructure will enable increased access to more affordable and higher-speed Internet

Digital infrastructure is the backbone of the Internet economy around the globe and in Africa. International Internet bandwidth has increased by a factor of 10 over the past decade to 12 terabits per second.

Africa is experiencing rapid population growth and urbanisation.

### 87% population growth in Africa between 2020 and 2050



45%

Urban population expected to grow by 190 million people, leading to 45% of Africans living in a city by 2025.



79%

Consumers in large urban areas spend 79% more than the national average on goods and services.



## Technology companies are continuing to improve African connectivity via undersea cable networks

### Infrastructure Investments

The first phase of Google's new subsea cable, Equiano, which as we've said is expected to be completed in 2022, will connect Portugal and South Africa. The cable is expected to have 20 times the capacity of the last cable built to serve the region, allowing for more latency-sensitive products to function and be developed.

## Government support is increasingly crucial to the success of startup ecosystems and developer populations

### Pro-innovator Regulation

Regulatory inconsistency can complicate or impede market access and limit investment opportunities for startups, impacting startup viability and investment decisions. Startups in many African countries must navigate complex regulatory environments with multiple regulators and agencies. As businesses move and grow into new countries and new markets, they need to scan each regulatory framework separately. Given the technology-related regulatory challenges governments are facing, it is important for entrepreneurs, investors and policymakers to continue dialogue, encouraging environments where digital startups and businesses can thrive.







# 2. The Scramble in Africa to Own the Third Shelf



## 2. The Scramble in Africa to Own the Third Shelf

*Joel Rao, CEO of dentsu digital brand, East Africa*

E-commerce has become a powerful force driving economic change around the world. Digital commerce deploys new technologies in ways that have effects on the physical economy of goods and services. The e-commerce channel has delivered consistent double-digit year-over-year growth prior to Covid-19, and the 2020 projection is set to be the strongest year yet, with +22% growth driven by the massive shift from offline to online owing to the pandemic.

E-commerce has not only disrupted entire economic sectors, such as retail and travel, it has also undermined the effectiveness of traditional approaches to policy in areas such as cross-border and digital services taxation, moving governments in Kenya and Nigeria to enforce taxation in the sector.

That being said, e-commerce now more than ever offers merchants rich potential to improve the customer shopping experience, increase sales and future-proof their business.

As a result, markets across SSA (South Africa, Kenya, Nigeria, Côte d'Ivoire, Ghana, Senegal and Rwanda) have seen the race towards growth of last-mile delivery in a scramble to own the third shelf.

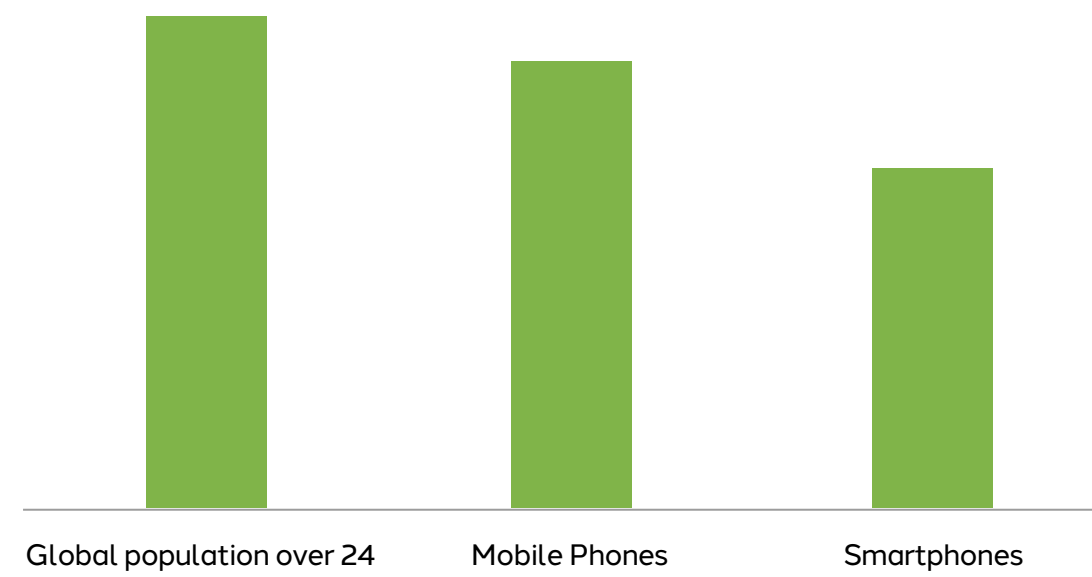
This has been catalysed by players such as Glovo, Uber, Jumia and Sendy, which are currently working with traditional retailers to build up their last-mile delivery powered by technology provided by said players.





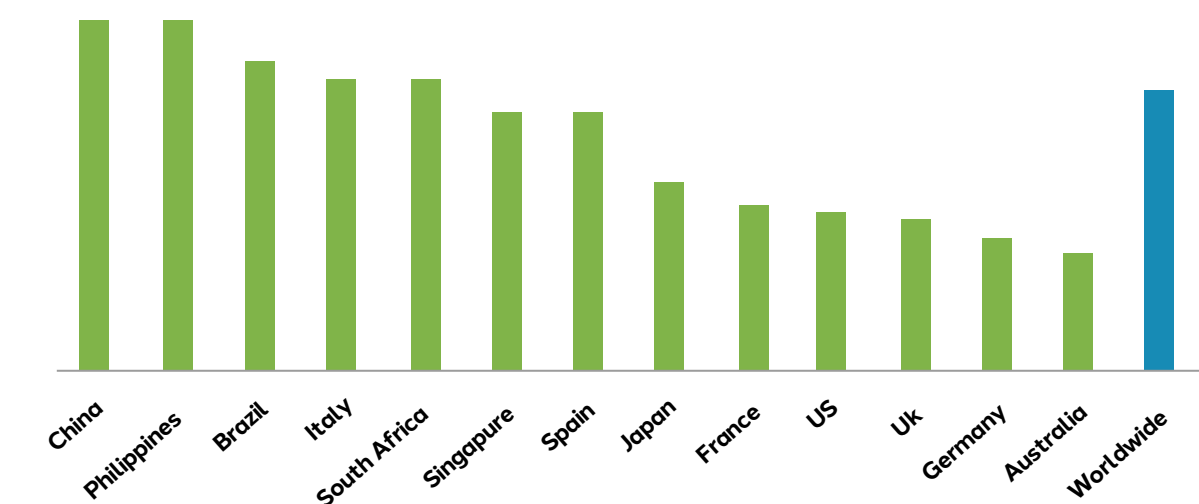
In this document, we will attempt to debunk the state of e-commerce, analysing the shifting landscape with a move from what has been a traditional e-commerce model (predominant warehouse and marketplace models) to the rise and thriving aspects of social marketplaces marred by last-mile delivery players who are defining the landscape today.

**(ALMOST) EVERYONE IS ONLINE**



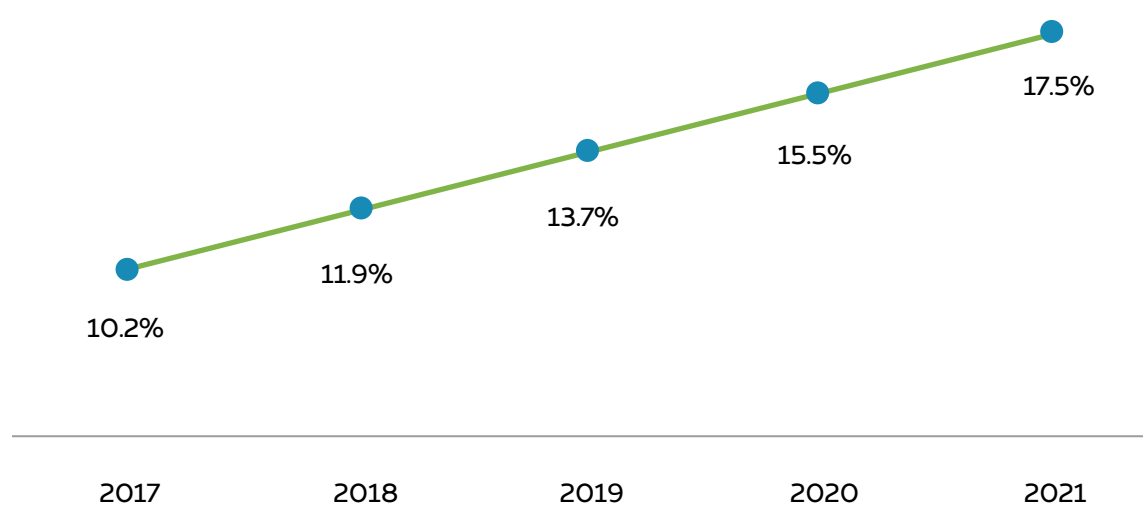
**COVID-19 FORCES NEW BEHAVIOUR**

% OF ADULTS SPENDING MORE TIME ON THEIR SMARTPHONE SINCE OUTBREAK

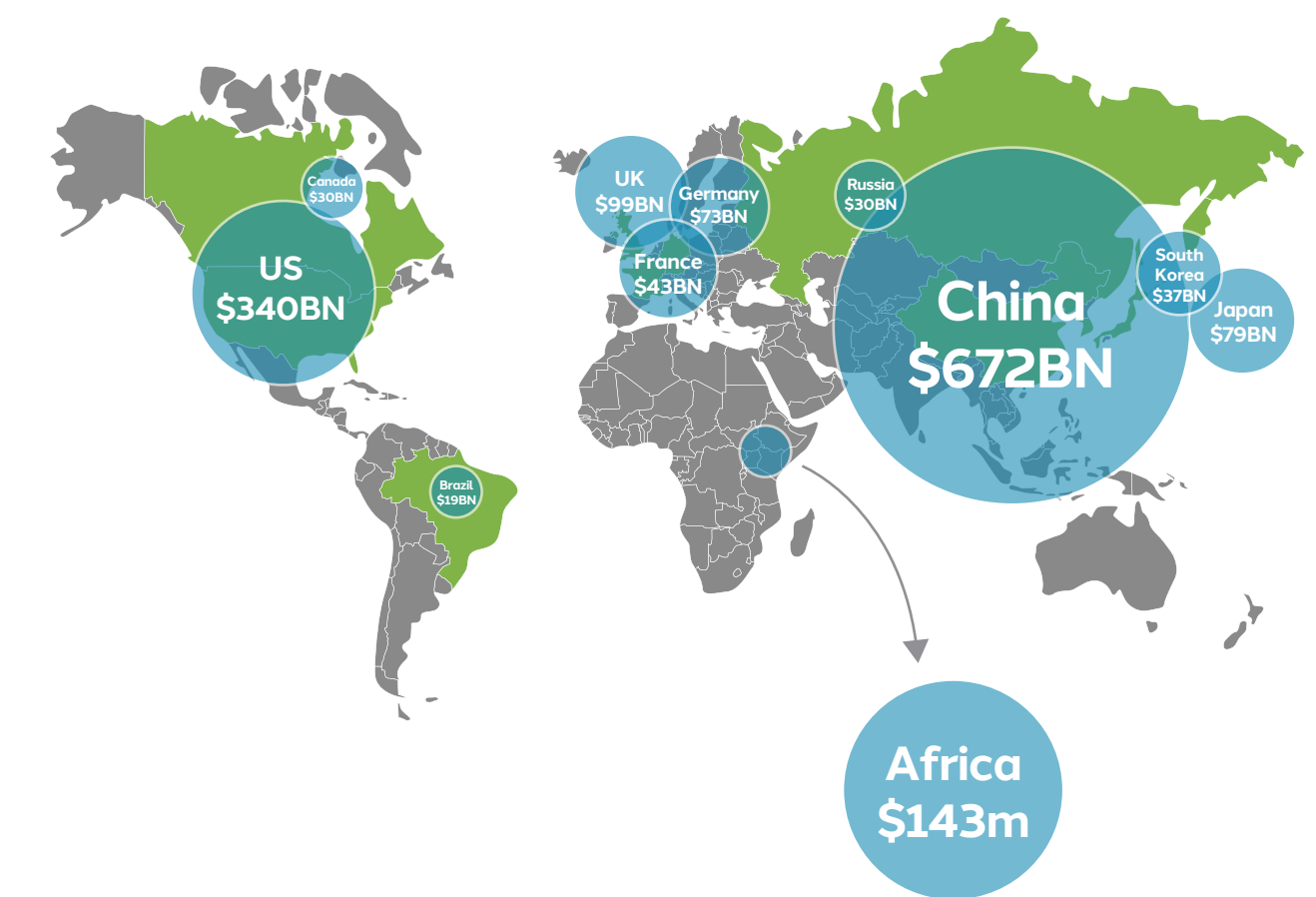


**GROWTH HAS SHIFTED TO DIGITAL**

SHARE OF TOTAL GLOBAL RETAIL PROJECTED FOR 2017-2021



**GLOBAL EC MARKETS RISING (US\$BN)**







The United Nations Conference on Trade and Development E-commerce readiness index is one measure of the current potential of digital commerce in Africa.

It combines existing data on Internet connections, secure servers, payment accounts and postal infrastructure to create a scale of readiness that ranges from 0% to 100%.

In general, of all the continents surveyed, the lowest-scoring countries are in Africa.

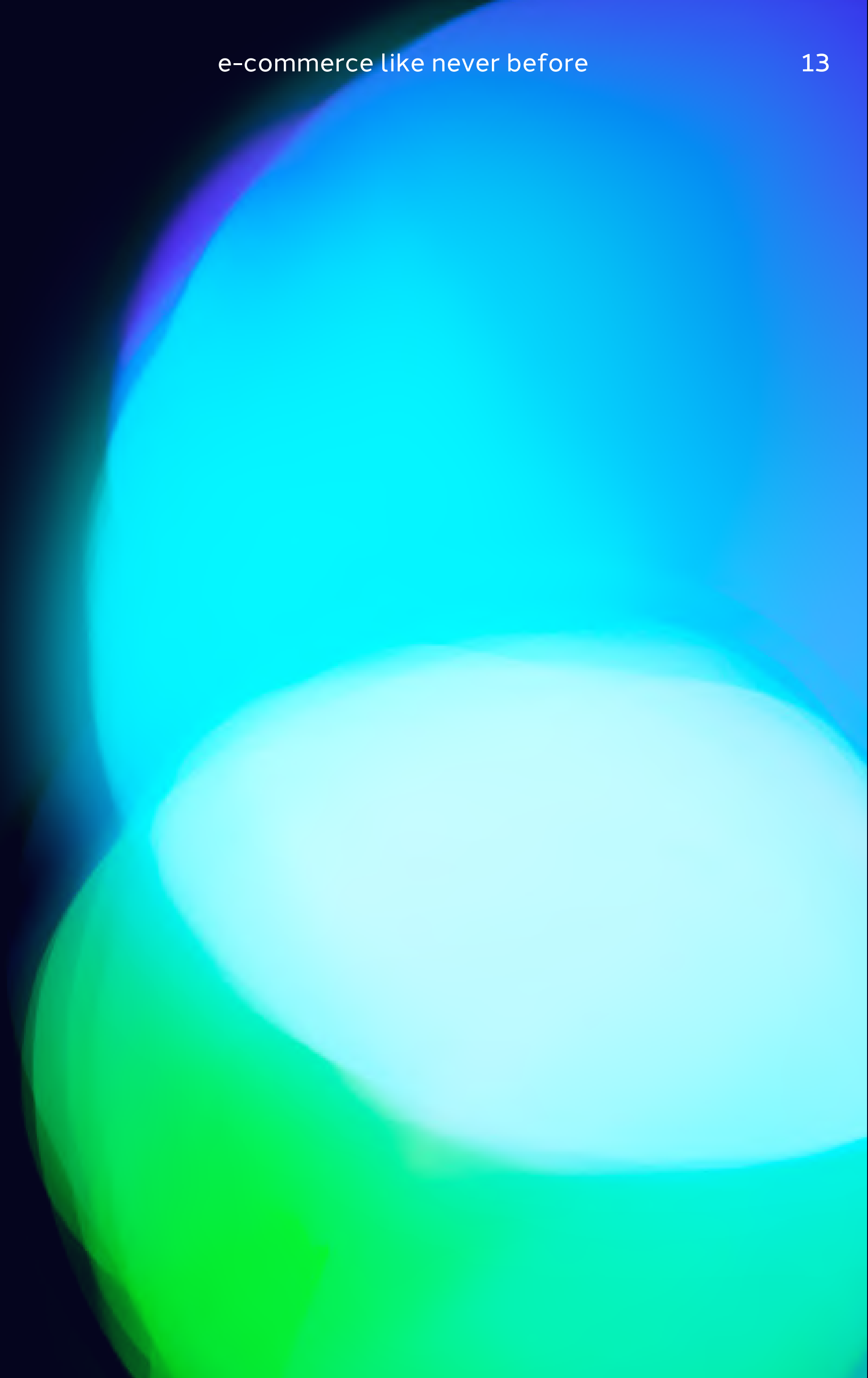
Among the leading markets in Africa are South Africa, Kenya and Nigeria, which we have explored further. However, it is clear that there is a great diversity of starting positions across the African continent, so any discussion of policy measures will ultimately have to be grounded in the specific local context.

It is pretty clear that while other markets' global e-commerce transactions are in the billions of dollars, SSA is still in the hundreds of millions of dollars.



## 2.1

# **Factors Contributing to the Shaping of the e-commerce Landscape in Africa**







### 1. Growing labour force with rising youth share

It is projected that 500 million African youth will turn 15 between 2015 and 2030.

### 2. Rising Internet connectivity

As a result of the growing population, more than 500 million mobile broadband users in Africa were recorded in 2020, with this likely to grow by a whopping 70% by 2030.

### 3. Increasing access to digital payments

With the continued growth of mobile money, and “transactability” no longer being a major constraint, at least domestically across markets, access to digital payments has catalysed contactless payment options in these markets, therefore facilitating e-commerce growth.

### 4. Growth power of super platforms

These business models have deep pockets and invest in long-term research and development. We have particularly seen Facebook and WhatsApp take a keen interest in the space based on the recent launch of Facebook Marketplace, which is looking to attract micro-entrepreneurs who are already using the Facebook ecosystem to sell products and services. Other players investing in super platforms that consumers are increasingly getting used to are Uber, Jumia, Glovo and Sendy, which are growing into different African markets and positioning themselves as super platforms, especially on the last-mile delivery aspect.

### 5. Continued urbanisation

The urban population will reach 770 million by 2030, as projected by the United Nations in a youth unemployment study carried out in 2019. This is a massive increase of 63 million from what was previously recorded in 2015.



2.2

# **The African Shopper: a Focus on the Evolving Expectations of African e-commerce Consumers**



## 2.2. The African Shopper: a Focus on the Evolving Expectations of African e-commerce Consumers

Consumers' online shopping journey is broader than ever today. Not only do consumers shop a range of e-commerce sites, they are also increasingly taking advantage of social channels as indicated in my previous article on the rise of social commerce <sup>1</sup>. Moreover, they use these platforms for a variety of activities during their cross-channel shopping journey. According to Google's consumer barometer study published in 2019, among those who visited these specific sites, 50% searched for inspiration on Facebook and Instagram, and 52% discovered new products or brands on Google. While shoppers tend to use social media platforms more for inspiration and discovery, retailers in mortar stores still play an important role in these shopping activities, as a lot of shopping still happens in-store.

While shoppers may still predominantly visit retail stores more for research and/or product/price comparisons, they also use search and social sites for the same activities.

As a result, online to offline cross-platform shopping is the hallmark of today's online consumer, thus cementing the imperativeness of combining your online search, social, e-commerce and retail (below the line) strategies, positioning brands to online consumers existing in the rising convenience economy.

The convenience economy has been accelerated by the growth of Netflix, Uber (Taxi and Uber Eats), Jumia Food and Glovo. With this in mind, not only does pricing play a

big part in consumers purchasing services and products online, convenience is also becoming a critical aspect in the African shopper's evolving mindset.

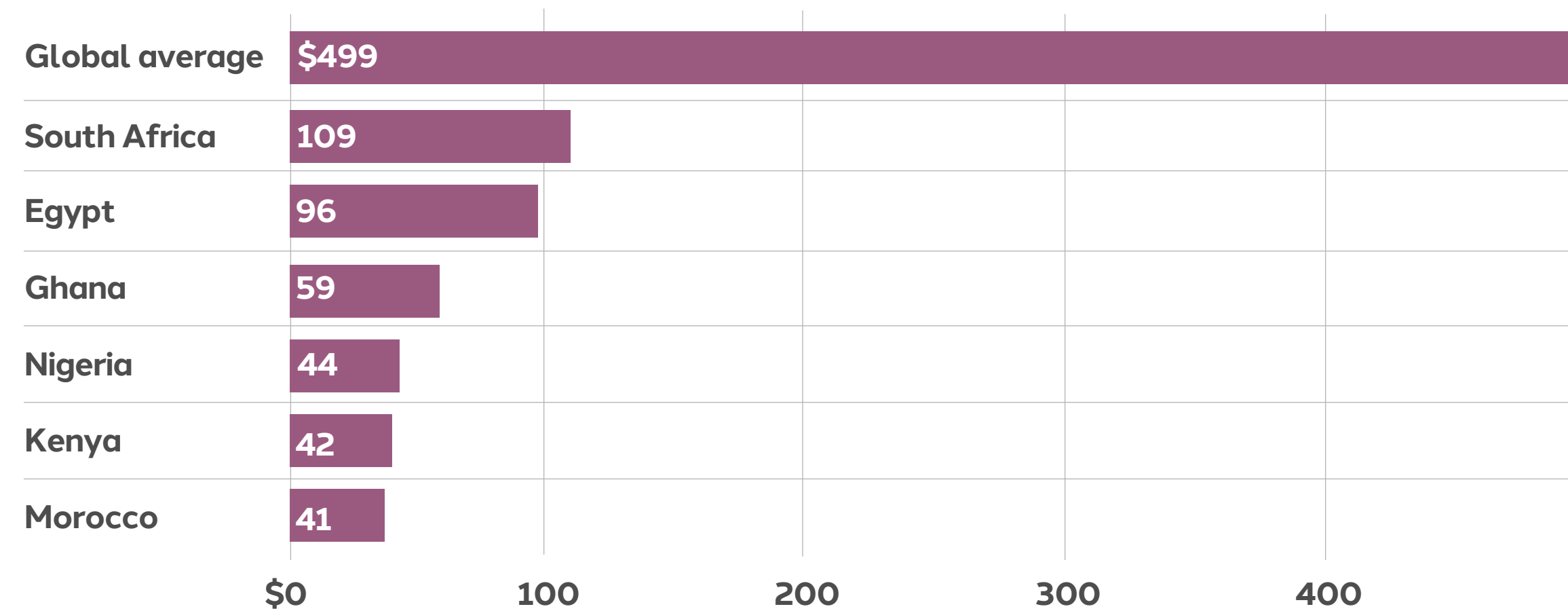
***Therefore, prioritising convenience and pricing discovery will be critical in consumer engagement within the digital commerce space.***

From a consumer expenditure standpoint, as a market we still have a long way to go. According to a 2019 study done by qz.com, the global average e-commerce purchase stands at \$499. Most SSA markets are way below this global average, with South Africa currently leading with an average of \$109, with Ghana, Nigeria and Kenya at \$59, \$44 & \$42 respectively.

[1] <https://www.dentsu.com/za/en/blog/from-post-to-purchase>



### Average Amount Spent on e-commerce



Trust issues also persist, as e-commerce operators still maintain cash-on-delivery options as a workaround to ease scepticism and foster trust.

Interestingly, in the pursuit of e-commerce success, unorthodox, hyperlocal payment and fulfilment methods have come under consideration.

In Kenya, Copia Global, which raised \$26-million last November, is gaining traction by serving unbanked customers in rural areas, allowing them to walk into stores of partnered agents who place orders on their behalf, take payments and serve as delivery points.

### What does this mean for brands venturing into the e-commerce space?

Having worked with brands across fast-moving consumer goods (FMCG), alcohol and beverages, finance, insurance, motor and on-demand platforms, we have noted that there is an increasing need to build go-to market e-commerce strategies. In most instances, this burden has been left to the chief marketing officers to carry, especially in a year where Covid-19 forced an accelerated evolution in the way brands position and sell their products/services.

Below are some important pointers to guide brands in embracing commerce in a digital and on-demand economy.



## 1. Open collaboration between brands, agency partners, e-tailers and on-demand partners

Brands need online retailers and online retailers need brands. From our experience, using data within organisations more effectively is critical, and so is the need for increased transparency and sharing data and metrics between brands and online e-commerce players such as Jumia and Glovo.

In today's e-commerce landscape, many performance digital professionals have cited the need for brands and retailers to increase understanding and sharing of data and performance measurement as a key element to elevating their partnerships.

Today we are seeing a tug-of-war between agency performance marketers working closely with brands and e-commerce players when it comes to collaboration.

There is a view that the latter is seen as a threat to the performance model that has been growing on the continent, especially when it comes to promotion and sale conversion activities carried out on online channels.

However, this should not be the case. There is an increased sense that online e-commerce platform players need to evolve in the advertising space to be media owners in their own right, while nevertheless benchmarking from the best of the best in the industry, Amazon and Alibaba.

These two global juggernauts have created ecosystems that allow brands and agencies to buy on a self-serve model, allowing digital marketing performance specialists to effectively manage and optimise amplification and sales of their brand clientele.

## 2. The need for brands to shift towards a propulsion mindset

Progress is prioritised over perfection. As is the case with other forms of retail marketing, the process of e-commerce hasn't been refined for many years, and the market research, measurability, tools and data that were used to train today's senior leaders don't exist in the same way for digital commerce.

We have had to diversify many of our clients away from modern and general trade models into e-commerce models during the Covid-19 era, and instead of working on developing the perfect e-commerce playbook or waiting to invest in a specific e-commerce tactic until it has been perfected, together with our brand partners, we have relied on moving forward with a testing mentality, taking regular chances and then aggregating many small wins over time. In other words, we have sought momentum over perfection.



With the rise of the on-demand economy and last-mile delivery players, it is imperative for brands to test and learn not just on traditional e-commerce marketplace models but also on on-demand and last-mile delivery models.

### 3. Outdistancing return on ad spend (ROAS) with a pivoted focus on customer lifetime value (CLTV)

Brands must think beyond ROAS. Many brand marketers we have worked with admit it's easy to rely primarily on ROAS to gauge success, but ROAS does not provide the full picture.

According to Steve Kinsey, Digital and E-commerce Lead at GlaxoSmithKline, "ROAS is a very crude and very incomplete data point. We look at it, we measure it, we monitor it because it is an easy number to calculate, but it can be highly misleading."

From a search standpoint, there are certain keywords that will never be ROAS-positive. It is all about looking at it from the perspective of the total e-commerce portfolio, as well as looking at the long-term benefit.

Priscilla Muhiu, General Manager for Glovo Kenya, spoke on this topic, recommending that marketers consider a range of other metrics to create a more complete picture of performance.

Joshua Mwaniki, Managing Director at Soko, suggests looking at share of search as a key retail media metric, layering it with the cost of acquisition in comparison to CLTV married with the basket value of products with the business, a sentiment that we strongly resonate with.

The above-mentioned data is becoming more and more important and it is clear that sales teams continuously need to share data with marketing teams within the organisations.

**“Siloed teams within organisations – especially between sales and marketing functions – precipitate a lack of data sharing, battling information and data intelligence. The best organisations have coalesced these disparate functions into ‘commerce marketing’ structures, where all teams leverage the same cross-retailer data intelligence, aligning sales and marketing, agencies and technology stacks.”**

*– Nich W, General Manager of e-commerce at Kenshoo*



#### 4. DTC opportunities as we count down to a cookieless future

Brands are also rapidly testing, exploring and gaining momentum with DTC models. Over the past several years, in European and American markets, DTC brands have delivered some inspiring examples of the opportunity.

Covid-19 showed the industry that having a DTC channel enabled additional flexibility. A DTC model mitigates overreliance on e-commerce players like Jumia by creating more internal control and flexibility.

Moreover, many of the large brands see DTC as a relatively small percentage of sales, but it provides access to data and insights that fuel greater innovation and success in e-commerce and other channels.

DTC also creates direct relationships with consumers and allows greater access to first-party data, which will become increasingly important when the “cookieless” future arrives.

Through DTC and other approaches, many brands and advertisers seek to scale first-party relationships and get closer to their consumers. As we count down to a cookieless future, it’s important to note that the industry has relied on cookies for more than 25 years.

However, in early 2020 Google announced that by 2022 cookie tracking will no longer be available through the Chrome browser, forcing brands to re-examine their cookie-based marketing strategies for 2021 and beyond.



This monumental shift is forcing brands to prepare for the day when we know less about the individuals we want to target with digital media. In response, many brands in SSA need to use this opportunity to invest in and fine tune their direct customer strategies by:

- **Developing customer loyalty initiatives.**
- **Launching DTC online properties (landing pages and websites) for direct customer acquisition, away from the traditional e-commerce partner websites.**
- **Identifying and migrating existing consumers to brand-owned platforms.**
- **Launching or improving their customer relationship management (CRM) capabilities.**

- **Advancing segmentation based on many variables, including CLTV.**

- **Testing DTC lookalike media targeting and segmentation strategies.**

Make no mistake, the scramble in Africa for the third shelf is on and only those who pivot will survive.

*Digital commerce cannot continue being an afterthought for brands.*

There is a need to integrate e-commerce with legacy business models, testing out last-mile delivery models with traditional e-commerce warehousing and marketplace models, and prioritising convenience and ease for shoppers.







Internally within brand teams, sales and marketing professionals will need to be more collaborative with their data to better improve their business outcomes from a business outcome standpoint. In addition, it will be necessary to look beyond ROAS as a critical metric, roping in CLTV, conditions precedent acquisition and the basket size.

Open collaboration with e-commerce partners is critical, but the challenge to the brands is to push for excellence in the amplification and reporting aspects from e-commerce partners like Jumia and Glovo, benchmarking from players like Amazon and Alibaba in their ecosystem with brands and their agencies. However, as we head towards a cookieless environment, CRM building and DTC approaches will be imperative, and partners that can help brands mature into this should be prioritised.

Finally, investing in consumer experiences by investing in modern digital infrastructure is essential. Retailers need robust digital infrastructure to build efficient in-store as well as online shopping operations. Technology such as data analytics can speed up supply chains, reduce waste, prevent stock from running out and help customers shop with ease.

**Sources:**

*Quartz Africa: Online Spending in Africa*

*McKinsey: Growth of e-commerce in Africa*

*Accenture: Rethinking the e-commerce opportunity in South Africa*

*Glovo*

*Soko*

*iProspect: Data-Driven Commerce*



3.  
**Changing Face  
of e-commerce  
South Africa**





### 3. Changing Face of e-commerce South Africa

*Clare Trafankowska-Neal, Managing Director  
of iProspect South Africa*

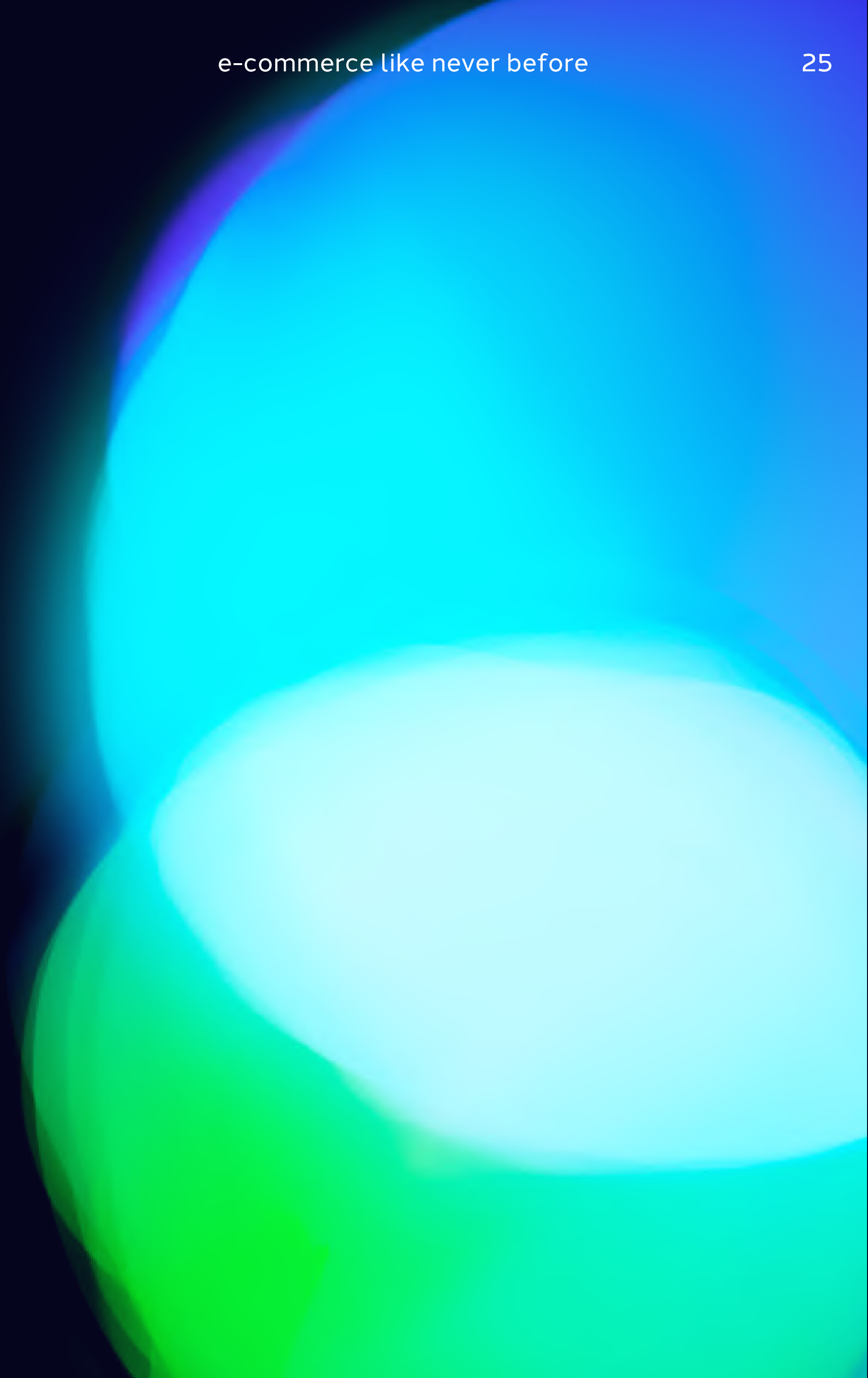
E-commerce understandably grew substantially in South Africa in 2020. This was due to the Covid-19 pandemic, which has affected everyone across the globe. The necessity for digital payments has leapfrogged the barrier to e-commerce entry, which has largely been driven by distrust and unfamiliarity. This not only opened up a plethora of opportunities for swifter resurgence for those brands that were already e-commercially viable but also created new possibilities for previous non-contenders.

With a view towards the future, the ongoing global pandemic has since given rise to three key emerging trends.





# 3.1 **Unprecedented e-Commerce Adoption**





### 3.1 Unprecedented e-Commerce Adoption

There has been a notable increase in frequency of purchases, as well as the entry of new users to the e-commerce marketplace. The swift and steep adoption curve has been largely driven by essential goods, leapfrogging customers into a new world of buying, ordering and paying online – with this new behaviour being observed across all age brackets.

<sup>1</sup> A survey conducted by Visa found that 64% of consumers in South Africa bought groceries online for the first time because of the coronavirus outbreak and that 53% made their first online purchase from a pharmacy. Seventy-three percent of shoppers are shopping close to home and avoiding big retailers and malls <sup>2</sup>, with a 300% increase in online order volumes being seen since the pandemic hit. <sup>3</sup>

[1] Kantar Barometer SA Wave 1 March 2020

[2] Google Community Mobility Report

[3] <https://ventureburn.com/2020/03/coronavirus-behind-spike-in-online-orders-at-sa-startups/>

## 73% of shoppers are shopping close to home and avoiding big retailers and malls



64%

Consumers in South Africa bought groceries online for the first time because of the coronavirus outbreak.



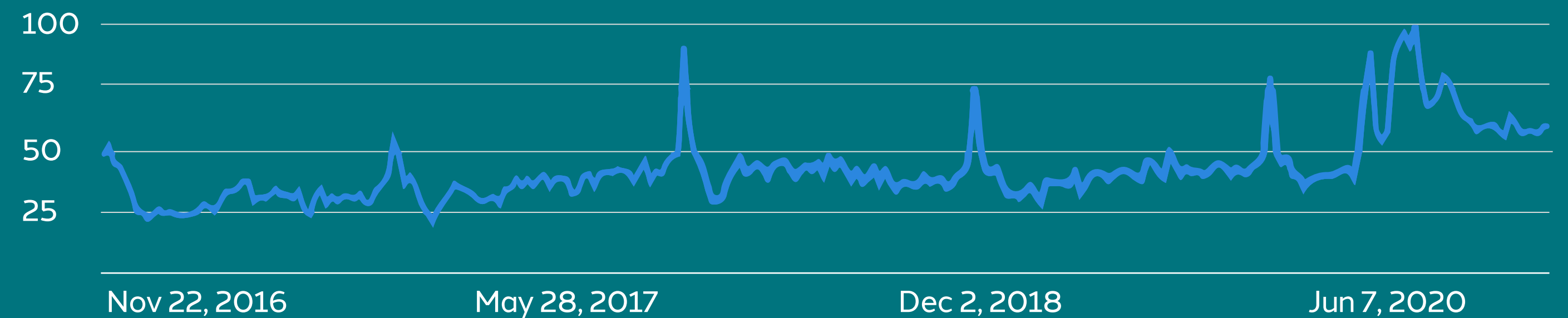
53%

Made their first online purchase from a pharmacy.



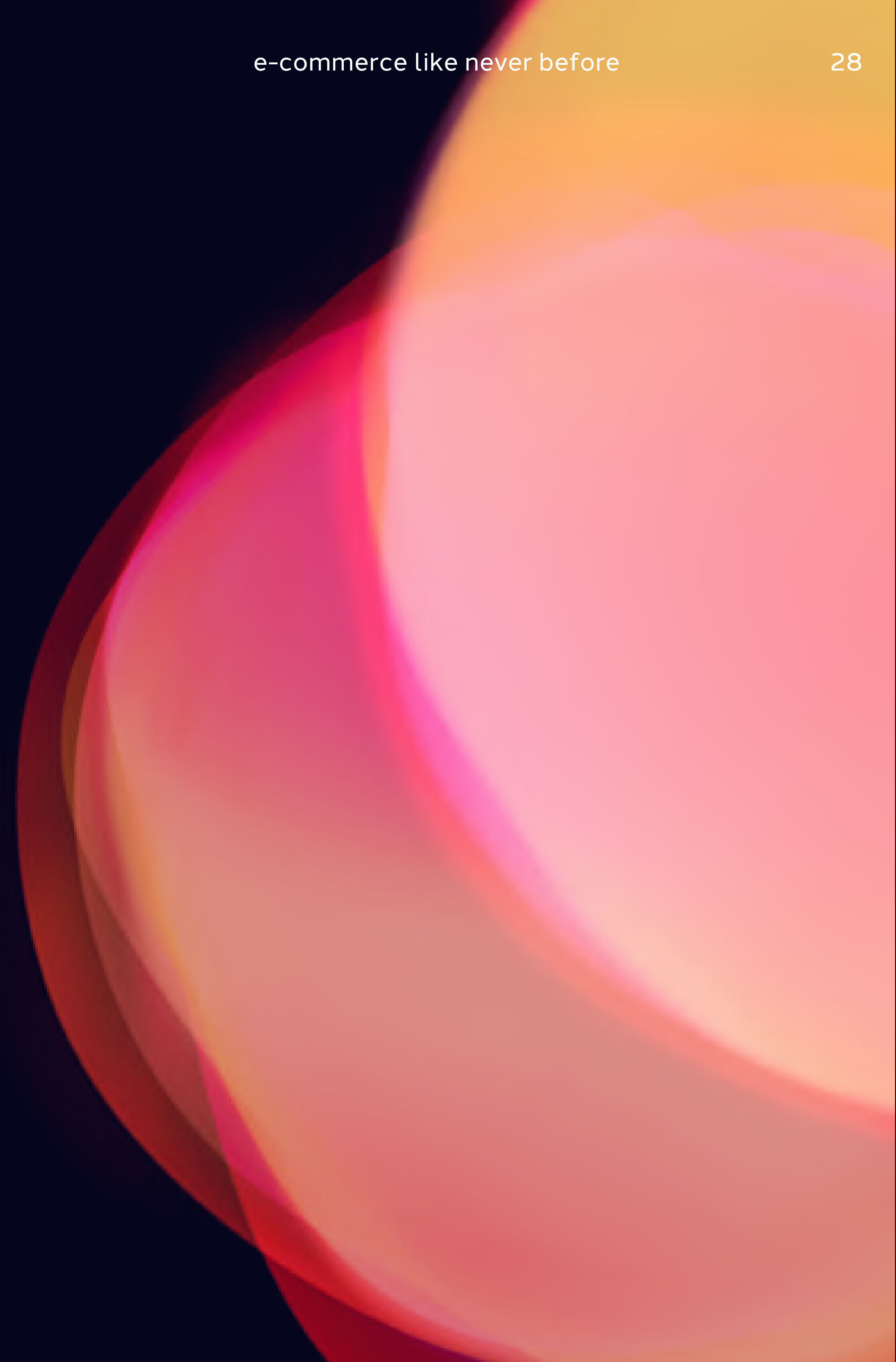
When reviewing the below “online shopping” trend data (Source: Google Trends), the effects of the pandemic are clear. Having seen a slow annual growth in interest around “online shopping” over the last five years, the onset of lockdown Level 5 resulted in a surge in increased intent for online shopping – in excess of 40%! As lockdown regulations have subsided, the surge has tapered somewhat but remains at a higher level, showcasing that the way South Africans shop has fundamentally changed and that our new normal involves more online shopping than ever before.

## Online shopping - Interest over time





# 3.2 **Accelerated Online Convergence**







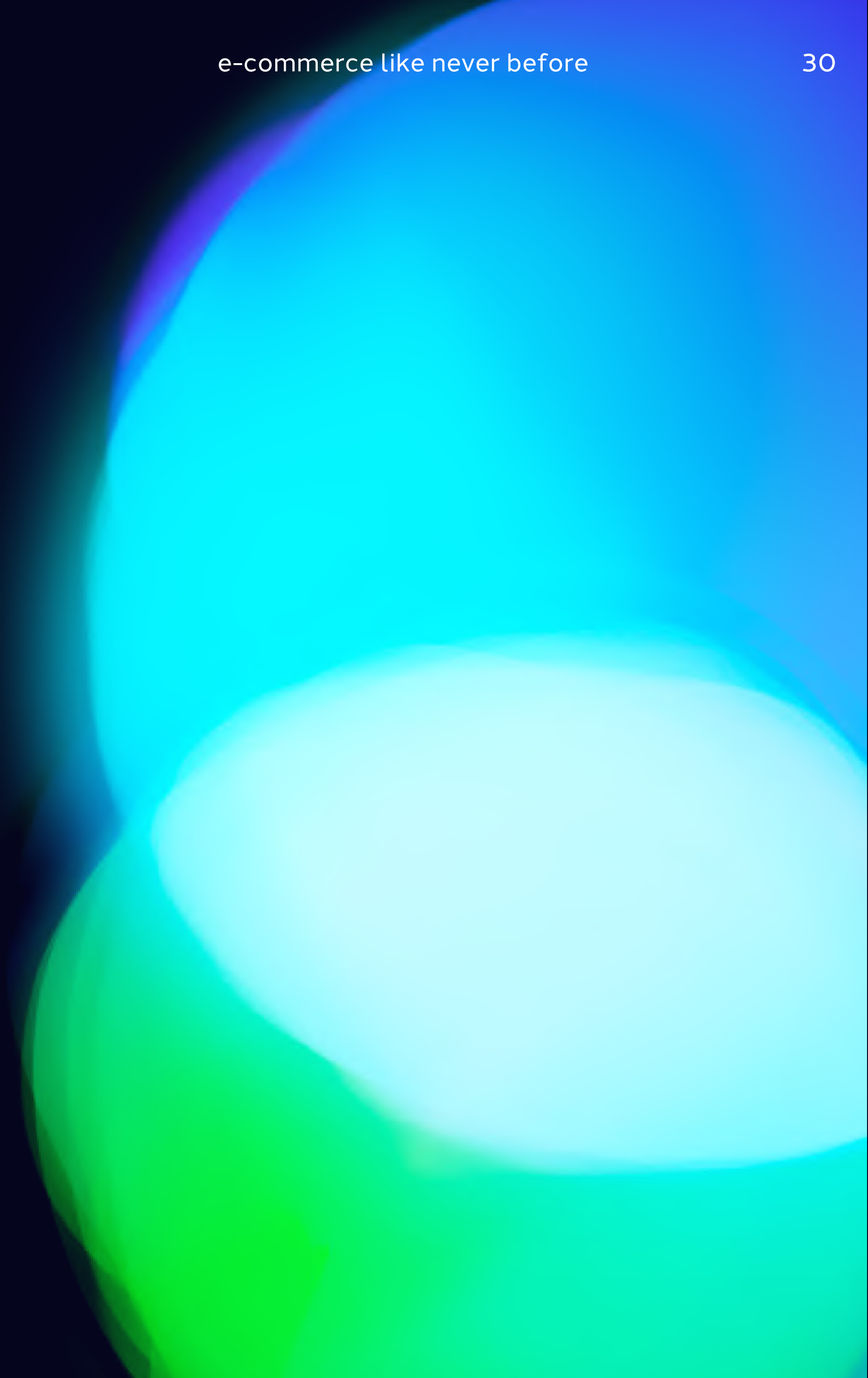
This has been driven through rapid diversification strategies such as vertical product and distribution expansion, as well as the adoption of new partnerships. Businesses that previously relied solely on bricks-and-mortar stores found themselves requiring a swift pivot into the virtual marketplace or to risk shutting their doors for good – as seen with the Pick n Pay partnership with the alcohol delivery app Bottles – and partnering to bring grocery deliveries to consumer homes. To further support social distancing, many delivery and fast-food companies have also adopted contactless delivery by providing click-and-collect services, along with kerbside pick-up, often enabled and supported by mobile apps. And while not all vertical product expansion strategies have remained as consistent, brands such as Yuppiechef and NetFlorist executed their strategies within weeks, ensuring they were able to capitalise on the surge in “essential goods” requirements.

Other businesses looked to online marketplaces such as Takealot and Superbalist to list their products in order to gain exposure and sell their products, also offering multiple payment options, which are appealing to many consumers who were often ineligible in the past owing to high minimum spend thresholds.

New entrants such as Jumia and the soon-to-be-launched Everyshop, a new “one-stop” shopping channel, are set to further shake things up. Couple this with the ease of entry into the virtual marketplace brought about by Facebook Shops, and e-commerce continues to be the space to watch.



# 3.3 **Progressive Commercialisation**





### 3.3. Progressive Commercialisation

Prior to the pandemic, there had been an uptake in the commercialisation of traditional digital media through action-oriented placements and “Buy Now” functionality across a variety of ad units.

Using the power of social influence and the ability to create meaningful conversations to further influence buying decisions, social media platforms are increasingly becoming reliable channels for business conversion, becoming even more exciting as we venture into shoppable social formats.





## What it comes down to for businesses:

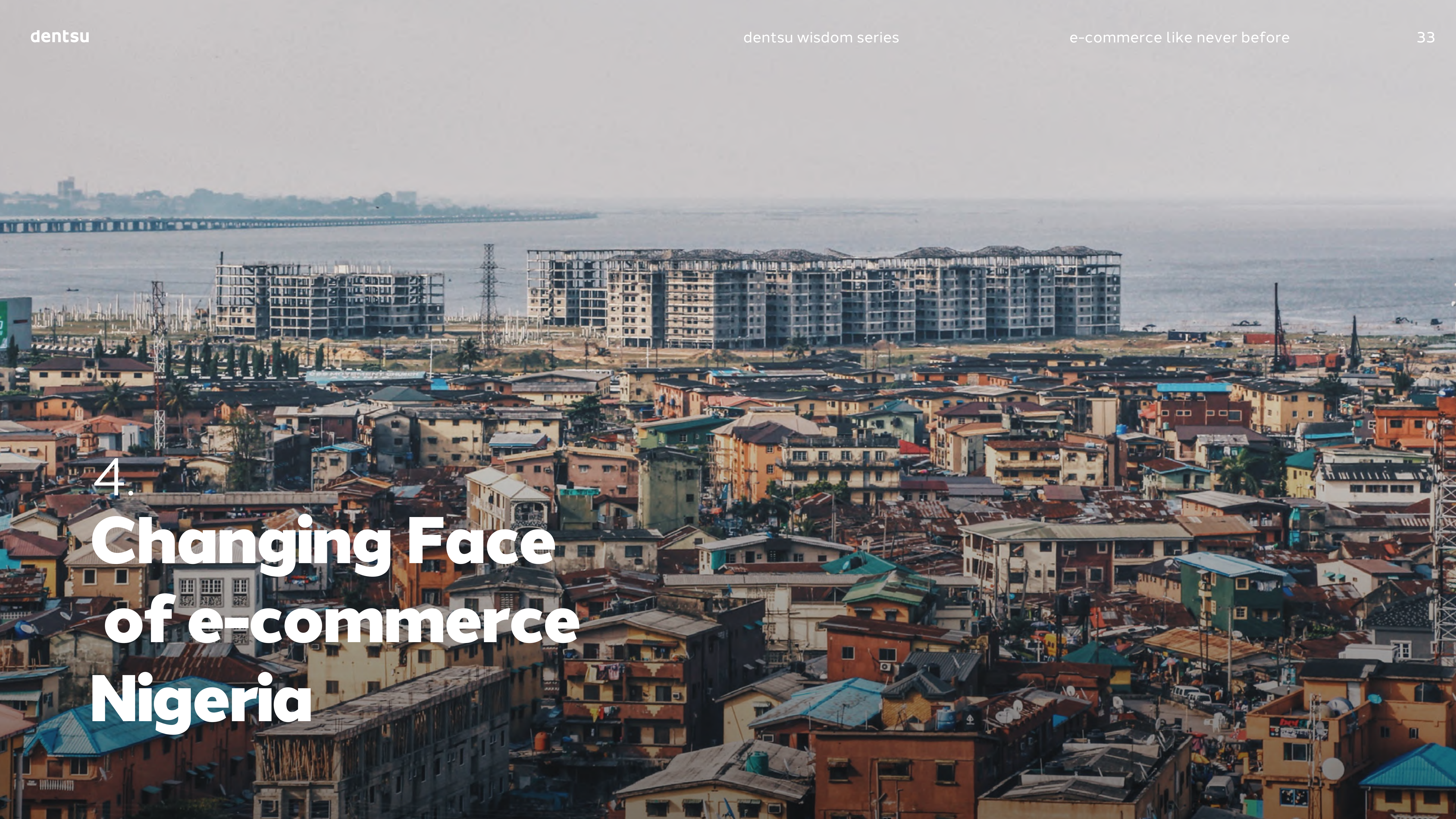
**1.** Where entire stores are wholly available online or not at all, herein lies the opportunity to develop virtual showrooms to further support social distancing, or to move departments or individual product lines into what will be a more accessible, economical and socially viable e-market space.

**2.** Businesses should look to online marketplaces or online stores to support their general ways of working. This will be the best way to gain exposure where in-store foot traffic is lower than it was pre-Covid. To gain exposure online and support an e-commerce strategy, content is always king! Create good content that speaks to the target audience's likes and interests, and link this back to your product offering. This way, your website or products have more chance of getting exposure online when people are looking for things that interest them.

**3.** Failing forward: in order to succeed and truly venture into the virtual marketplace, one needs to be willing to invest in a test and learn strategy. The e-commerce playing field is increasingly competitive and audiences are hard to "find" at times. Brands will need to invest in the right technology and partners, spending time, effort and advertising budget in "courting" their potential customers, and ultimately, determining the best mix of platforms, placements, personas, products and profit levels.

Or simply put, change. Change to meet your customers' needs!





4.  
**Changing Face  
of e-commerce  
Nigeria**



## 4. Changing Face of e-commerce Nigeria

*Damilola Abodunrin, Associate Director at iProspect Nigeria*

Mobile subscription volume has crossed 200 million, with more than 207 million subscribers reported by the Nigerian Communications Commission in October 2020 <sup>1</sup>. This represents a 12.5% growth since November 2019.

In the same period, Internet subscription has shown a faster growth rate at 24.5%, with more than 152.93 active Internet subscriptions in October 2020 <sup>2</sup>.

Nigeria experienced a massive leap in the volume of online transactions between Q3 2019 and Q3 2020 as the volume of transactions grew 90% during the period, while value increased by 70% in the same period. <sup>3</sup>

In April, during the lockdown in Lagos, Ogun and Abuja, the value of instant transfers dropped to N7-trillion from N8.28-trillion in April 2019. However, as lockdown eased, transaction value grew to N15-trillion, almost double in September 2020 compared with September 2019.

Increase in transaction volumes versus value suggests that the Nigerian economy is trending towards a cashless system.

These, along with a fast-growing youthful population and expanding disposable income, are strong indices for e-commerce to thrive.

While most of these hold true, disposable income for the average Nigerian has been shrinking in the last six months. <sup>4</sup> Seventy-eight percent of all households across all socioeconomic classes saw a decrease in income levels between April and May 2020 <sup>5</sup>.

[1] <https://ncc.gov.ng/statistics-reports/industry-overview#monthly>

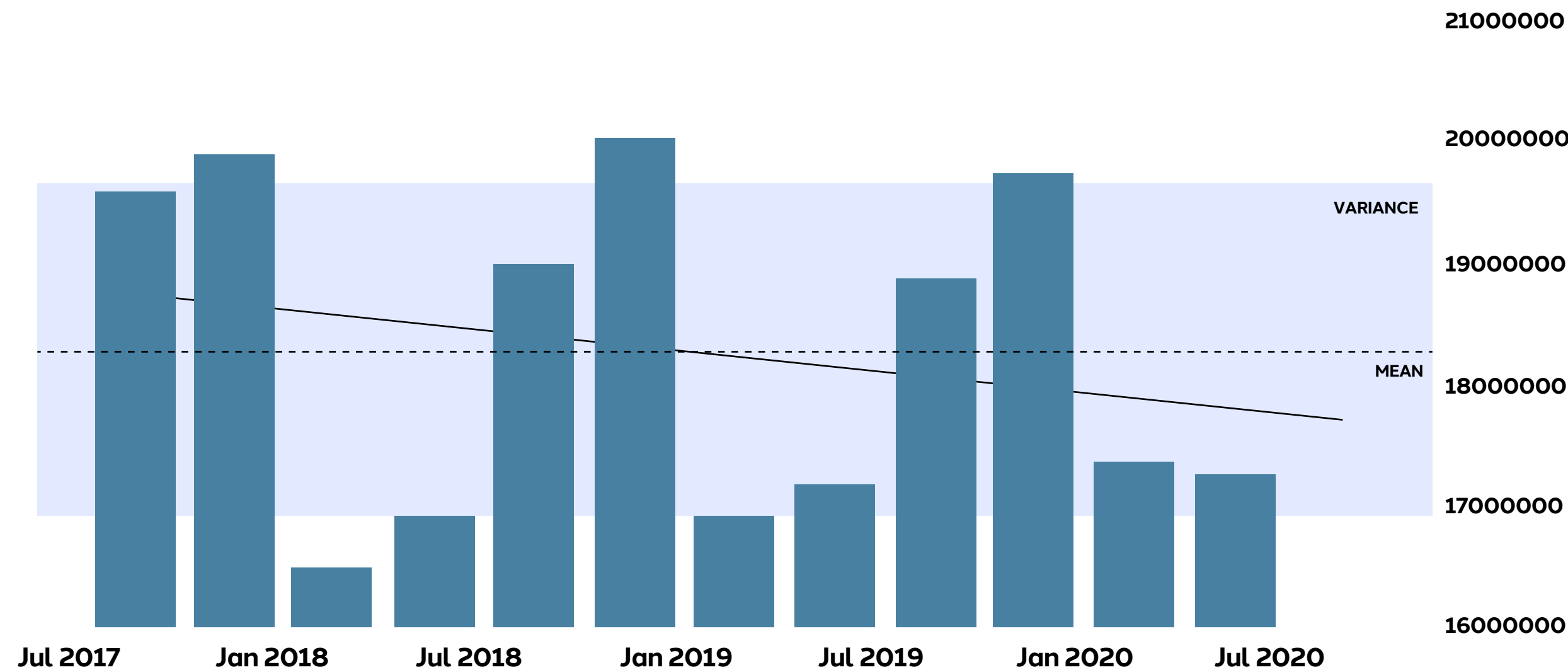
[2] <https://ncc.gov.ng/statistics-reports/industry-overview#view-graphs-tables-5>

[3] <https://techpoint.africa/2020/11/05/instant-payment-nigeria-q3-2020>

[4] <https://tradingeconomics.com/nigeria/disposable-personal-income>

[5] <https://nairametrics.com/2020/07/23/lower-disposable-income-and-rising-food-inflation-is-a-potential-crisis/>





SOURCE: TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS, NIGERIA

While the most valuable e-commerce sector in Nigeria is travel and accommodation <sup>1</sup> food and personal care remains the fastest-growing sector <sup>2</sup>.

A second wave of the pandemic suggests that a second lockdown is imminent. Although the implications for the economy may be dire, more Nigerians are likely to engage e-commerce platforms for their daily needs compared with April 2020 during the first lockdown.

The only significant challenges, however, are inflation and increased forex rates, while disposable income continues to shrink.

Goods mostly purchased by male consumers will continue to lead by volume (electronics, phones, etc) as more males (9.4%) account for online transactions compared with females (2.9%). While food and personal care is the fastest-growing sector, e-commerce presents a big opportunity for FMCG brands to expand and evolve. Cost control and availability will be critical factors that separate winners from losers when the next lockdown hits.

[1] <https://www.statista.com/statistics/1139840/e-commerce-spending-in-nigeria-by-category/>  
 [2] <https://www.statista.com/statistics/1139851/e-commerce-spending-growth-in-nigeria-by-category/>  
<https://www.statista.com/topics/6786/e-commerce-in-nigeria/>





5.  
**Jumia – In conversation  
with an African  
e-commerce giant**



## The Jumia Story


*In conversation with Damilola Abodunrin iProspect dentsu Nigeria  
& Sasha Breuss Jumia MD & Founder Jumia*

**Intro**



01:46

**What is Jumia?**




01:08

**Jumia's 5 year plan**



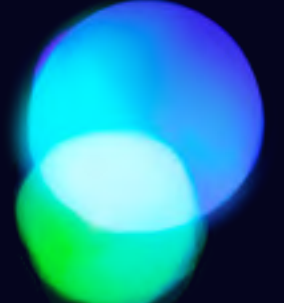
02:44

**Why is Nigeria so big?**



01:09

**Second lockdown**



03:00

**Biggest opportunities**



02:31

**Dentsu + Jumia**




02:10

**Biggest category growth area**




03:12

**What did you have to overcome in Africa?**



02:20

**What's next?**



04:31





6.  
**Soko & Glovo – Kenyan  
e-commerce companies  
re-inventing commerce  
one customer at a time**



## Perspectives from Soko & Glovo

*In conversation with Joel Rao, CEO of dentsu digital brand, East Africa & Joshua Mwaniki, country manager at Soko & Priscilla Muhiu, MD Glovo*

**Intro**




01:53

**Regional ambitions for Soko**




01:29

**Glovo's footprint**



02:43

**e-commerce challenges**



05:40

**Glovo's prime delivery**



02:21

**Trust in e-commerce**



00:49

**Unique challenges**




06:53

**Digital tax and business**




01:39

**Advice to brands getting into e-commerce?**



06:14

**The next few years**



11:08

**Best selling products**



04:30





7.  
**How Technology  
is Enabling e-commerce  
in Africa: Fintech to the Rescue**



## 7. How Technology is Enabling e-commerce in Africa: Fintech to the Rescue

*Paul Stemmet, Chief Data Scientist for Dentsu Data Labs SSA*

### Introduction

E-commerce has become the driving force for Africa's economic development. Joel Rao <sup>4</sup> highlights that the factors contributing to the rise of e-commerce in Africa are numerous, with <sup>1</sup> growing labour force with rising share, <sup>2</sup> rising Internet connectivity, <sup>3</sup> increased access to digital payments, <sup>4</sup> the growing power of super platforms and <sup>5</sup> continued urbanisation driving the adoption of e-commerce in Africa.

Within the context of these social and broad technology factors driving e-commerce adoption, this section of the white paper focuses on the underlying mobile payment technology driving and supporting e-commerce.

### Technologies driving e-commerce change

Increased conversion rates are at the core of the e-commerce industry, driving the selection of technologies that drive the adoption of e-commerce <sup>7</sup>. Some of the essential features driving adoption <sup>7</sup> (Fig 1) are <sup>1</sup> mobile payments and digital wallets, <sup>2</sup> open banking and interoperability, <sup>3</sup> real-time payments and <sup>4</sup> cryptocurrencies.

### Digital Society - The Future of Commerce Payments

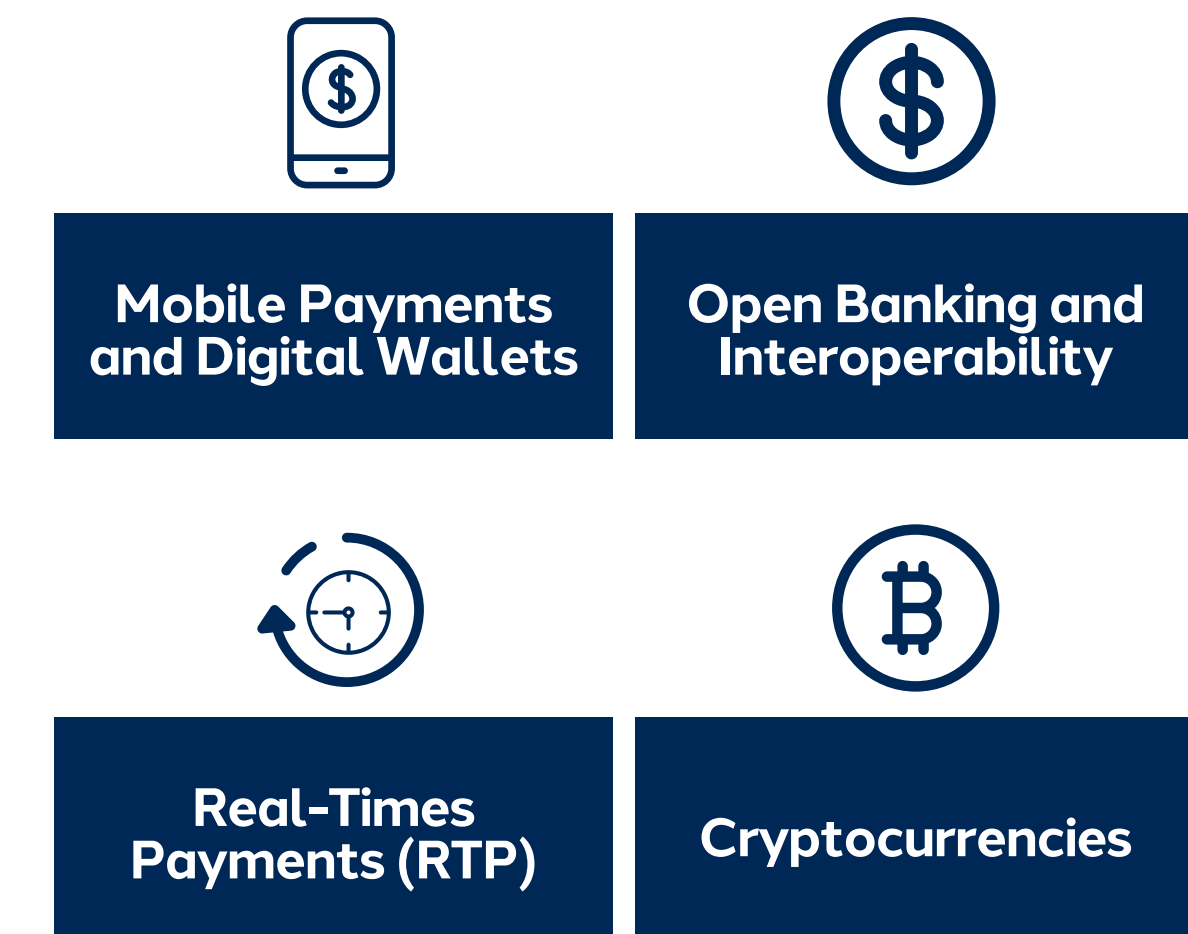


Figure 1: The Future of Commerce Payments

[1] Iman, N. 2018. Is mobile payment still relevant in the fintech era? *Electronic Commerce Research and Applications*. 30, (Jul. 2018), 72–82. DOI: <https://doi.org/10.1016/j.elerap.2018.05.009>.

[2] Kumar, V., Nim, N. and Agarwal, A. 2020. Platform-based mobile payments adoption in emerging and developed countries: Role of country-level heterogeneity and network effects. *Journal of International Business Studies*. (2020). DOI: <https://doi.org/10.1057/s41267-020-00346-6>.

[3] Leong, C.M., Tan, K.L., Puah, C.H. and Chong, S.M. 2020. Predicting mobile network operators users m-payment intention. *European Business Review*. (Jun. 2020). DOI: <https://doi.org/10.1108/EBR-10-2019-0263>.

[4] Rao, J. 2020. The State of E-commerce In Africa. "The Scramble in Africa to Own the 3 Shelves". (2020).

[5] Top 10 Fintech Companies in Africa to Watch in 2021 and Beyond | Netguru Blog on Fintech: <https://www.netguru.com/blog/top-fintech-companies-in-africa>. Accessed: 2021-01-20.

[6] Why South Africa's largest mobile network, Vodacom, failed to grow M-Pesa – Quartz Africa: <https://qz.com/africa/467887/why-south-africas-largest-mobile-network-vodacom-failed-to-grow-mpesa/>. Accessed: 2021-01-20.

[7] 2019. The Future of Commerce Payments in a Digital Society.



### Global Financial Inclusion

By Percentage of Age 15+ With Accounts

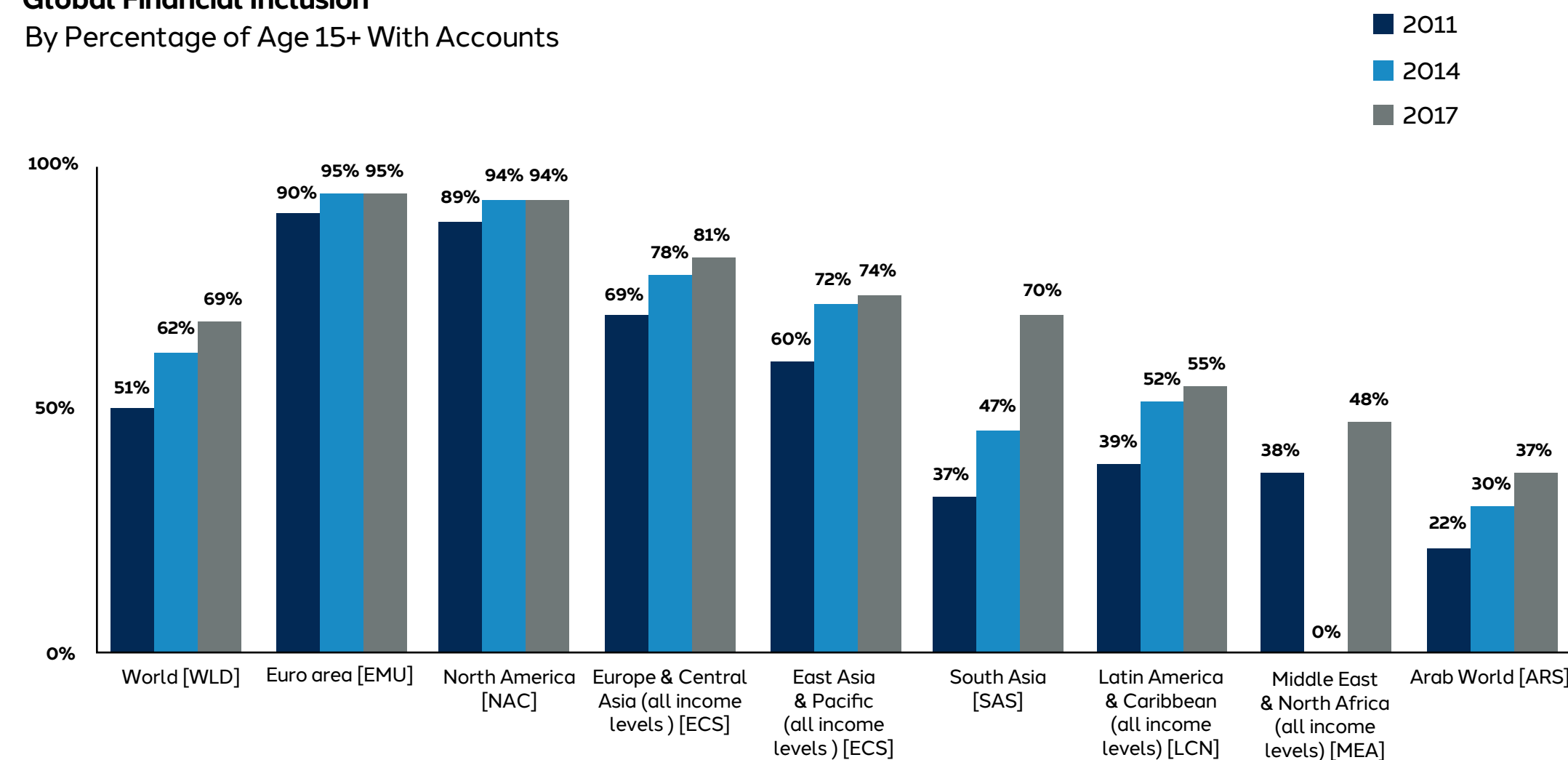


Figure 2: Global Financial Inclusion

Over the years, the lack of bank accounts in the EMEA region (only 48% of people aged 15 and over have bank accounts compared with 95% in the Eurozone) has been driving the necessity for mobile payments (Fig 2) [7].

One of the immense challenges in mobile payments has been mobile payments across Africa (M-Pesa, MTN Momo) and the multidimensional reliance on local in-country telco networks. The complexity of this localised implementation has proven prohibitive to scale across the region<sup>1</sup>.

The failure of mobile payments to be scaled across the area has been demonstrated numerous times, with the M-Pesa failure by Vodacom in South Africa in 2015 one of the more famous examples<sup>6</sup>.

These mobile payment systems' failure has prompted an alternative narrative that mobile payments are no longer relevant in the new fintech era<sup>1</sup> and<sup>2</sup>, with fintech stepping in to add a more comprehensive packaged offering than just pure, simple payments. Research has shown that customers are willing to forgive the complexity and challenges of switching to a new form of payment if they deem the perceived usefulness and ease of use of the payment solution to be of a high value<sup>3</sup>. This is where fintech steps in: "To improve and automate the delivery and use of financial service within the value chain."

In 2018 the amount of pure venture capital funding for African fintech startups had risen by 51% to reach \$195-million. So let us focus on the top 10 fintech companies<sup>5</sup> in Africa and see how they are working with (or could potentially be applied in the future to) Africa's e-commerce growth.

[1] Iman, N. 2018. Is mobile payment still relevant in the fintech era? *Electronic Commerce Research and Applications*. 30, (Jul. 2018), 72–82. DOI: <https://doi.org/10.1016/j.elerap.2018.05.009>.

[2] Kumar, V., Nim, N. and Agarwal, A. 2020. Platform-based mobile payments adoption in emerging and developed countries: Role of country-level heterogeneity and network effects. *Journal of International Business Studies*. (2020). DOI: <https://doi.org/10.1057/s41267-020-00346-6>.

[3] Leong, C.M., Tan, K.L., Puah, C.H. and Chong, S.M. 2020. Predicting mobile network operators users m-payment intention. *European Business Review*. (Jun. 2020). DOI: <https://doi.org/10.1108/EBR-10-2019-0263>.

[4] Rao, J. 2020. The State of E-commerce In Africa. "The Scramble in Africa to Own the 3 Shelves". (2020).

[5] Top 10 Fintech Companies in Africa to Watch in 2021 and Beyond | Netguru Blog on Fintech: <https://www.netguru.com/blog/top-fintech-companies-in-africa>. Accessed: 2021-01-20.

[6] Why South Africa's largest mobile network, Vodacom, failed to grow M-Pesa – Quartz Africa: <https://qz.com/africa/467887/why-south-africas-largest-mobile-network-vodacom-failed-to-grow-mpesa/>. Accessed: 2021-01-20.

[7] 2019. The Future of Commerce Payments in a Digital Society.





### **Branch**

Using machine learning algorithms, the system analyses various data gathered from users' smartphones to verify the users' creditworthiness. Within an e-commerce scenario, users can be vetted for the credit purchase of a product in real time, removing one of the most prominent barriers to completing a purchase transaction.

### **Tala**

Taking this a step further, Tala uses a user's mobile phone behavioural data to assess users' risks and creditworthiness and issue the user with a small loan. For e-commerce providers, Tala offers a glimpse into a future of turnkey solutions where both the client's creditworthiness and the short-term loan to purchase the e-commerce product are wholly outsourced as a platform, removing the constraints of payment and vetting for e-commerce providers.





### **Jumo**

Jumo further expands on Tala's vision to focus on the 1.7 billion people excluded so far from access to financing with financial services. Using predictive data and models, Jumo can offer the client a range of financial products. By working with Jumo, e-commerce players can bundle these products with their offering, ranging from a loan to comprehensive insurance. Jumo's financial service provides an attractive new revenue stream for e-commerce providers that can extend the revenue opportunity presented by a customer past the point of purchase.

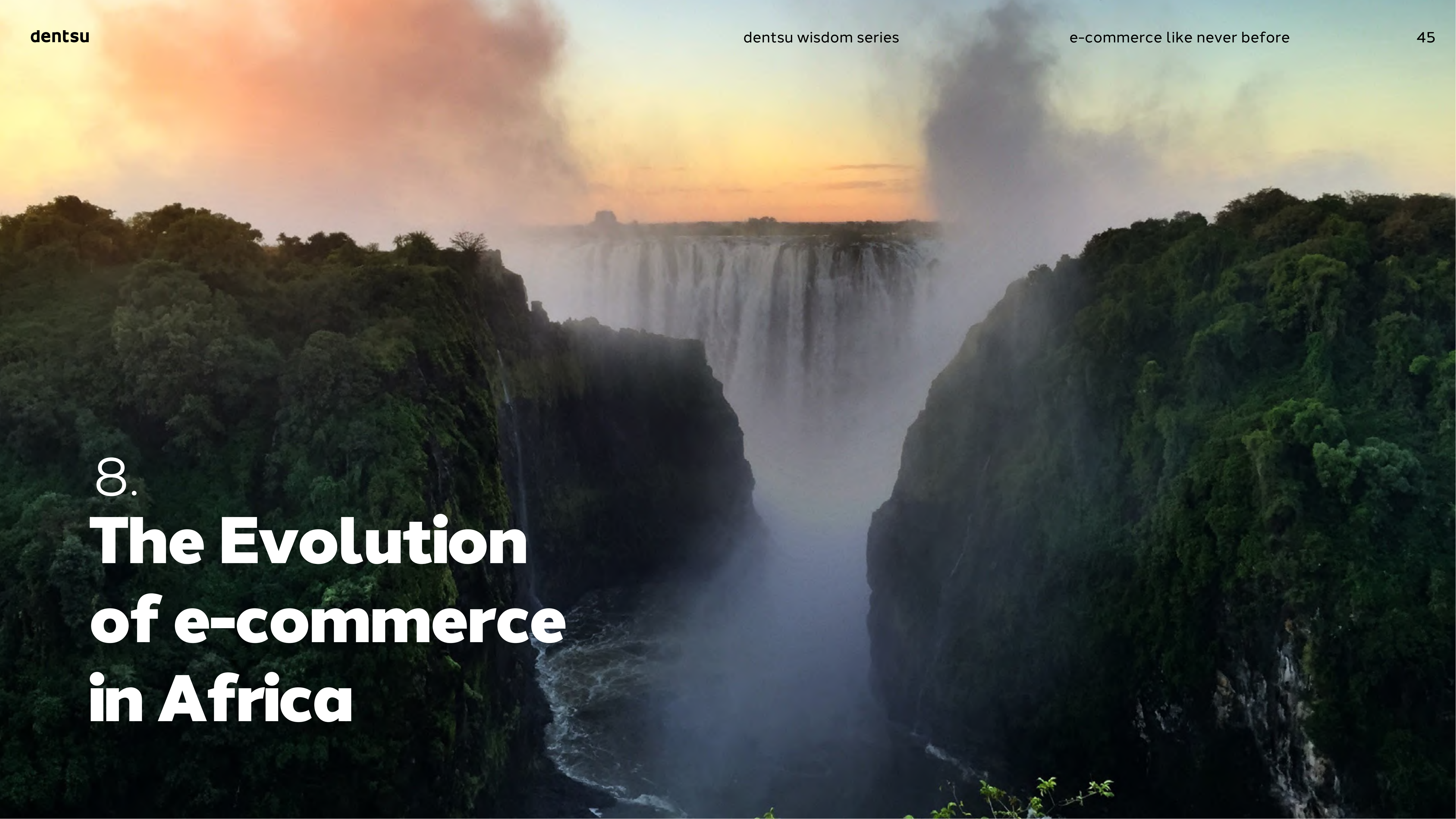
### **Fawry**

Fawry is a platform that supports online and offline payment services in its electronic network, with customers able to purchase goods within the network, withdraw cash from ATMs and pay at traditional retail points.

### **Summary**

Increasing conversion rates for e-commerce is about more than pure-play mobile payments in Africa. It's about incorporating fintech solutions that package the vertical value chain and provide consumers with increased perceived usefulness and ease of use in a simple one-stop solution.





8.  
**The Evolution  
of e-commerce  
in Africa**



## 8. The Evolution of e-commerce in Africa

*Roxanne Boyes, Managing Director of Vizeum Kenya*

Africa tends to march to the beat of its own drum, veering away from the “standard” path of development as seen in the West. This creates an objective observational eye that allows the continent to strategically adopt and leapfrog towards specific technologies that prove to be valuable, as well as identify the existing gaps thereof, and swiftly pioneer towards simple and innovative solutions. The evolution towards e-commerce is no exception.

Just as Africa bypassed landline telephones, skipping straight to mobile devices, so too has it begun to bypass the formal mass mall/bricks-and-mortar shop culture by jumping ahead to online shopping.

However, it has not been a copy and paste adoption. The challenges of e-commerce that were seen to be experienced by leading markets have been observed and accounted for. It is the nature of this evolutionary pattern, typical to Africa, which will result in the exponential surge of e-commerce across the continent, and it's a critical trend to watch very closely in the coming months.

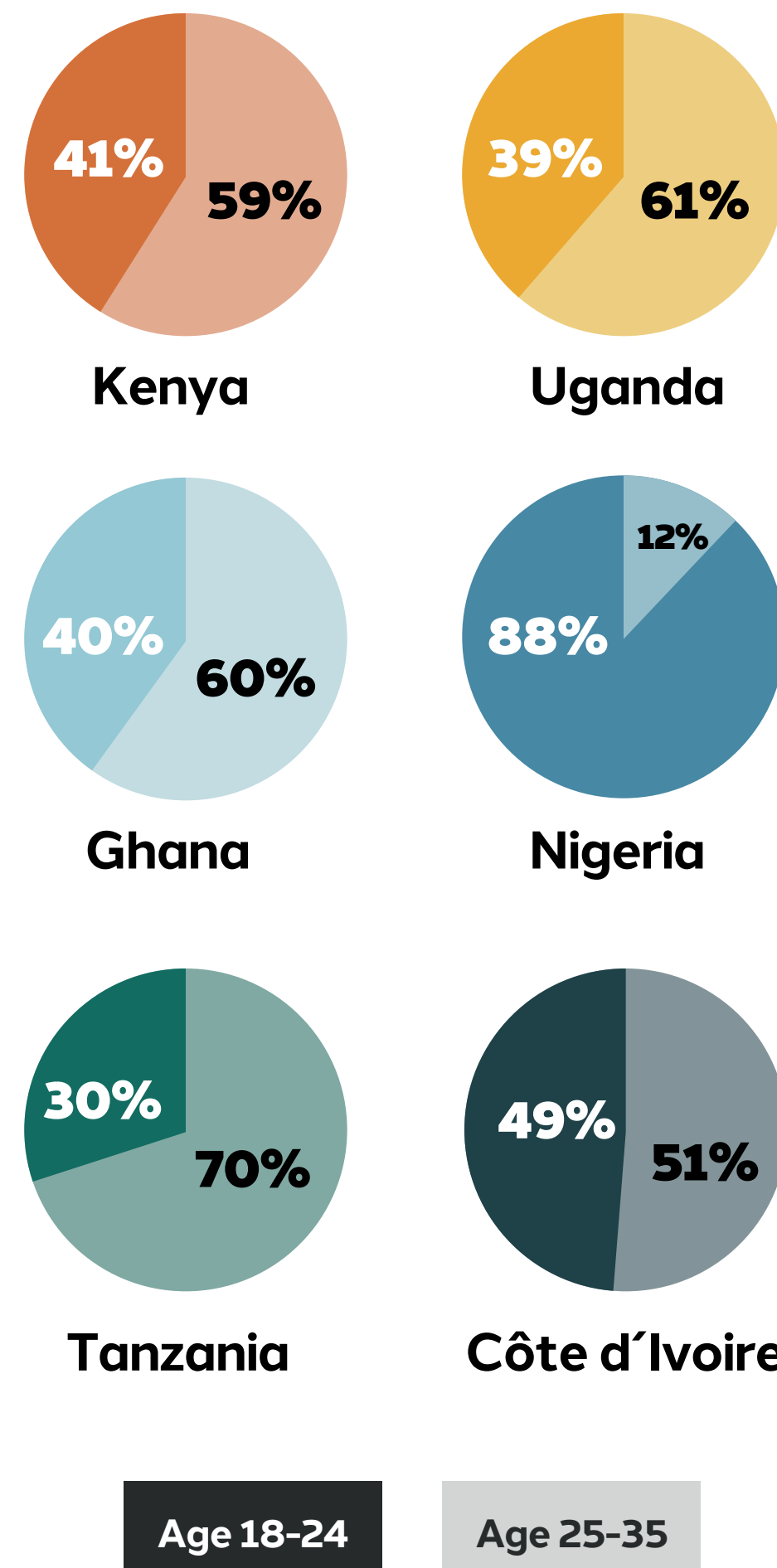
**E-commerce is undoubtedly a large opportunity, but how large an opportunity can we expect it to be?**

To create context, in 2017 the e-commerce industry was already worth \$16.5-billion and by 2022 it is estimated it will be almost double that at \$29-billion.

Looking ahead, we are expecting to see a further 16.4% increase from 2020 to 2025, which will be catapulted forward by Covid-19. In addition to this, we know that only 39% of the African population are currently connected to the Internet, and with an ever-increasing influx of cheaper smartphone devices infiltrating the continent, paired with the growing accessibility to and affordability of the Internet, the proportion of the population that will soon be exposed to this newly introduced consumer culture will rapidly, and inevitably, expand fast.



### Age Distribution of Respondents



The audience groups that are both the early adopters as well as loyal consumers fall within two specific age group demographics: ages 18 to 24 and 25 to 35. However, what is interesting is that the allocation of each age group into that of early adopters and frequent users shifts from country to country. Therefore, as markets continue to elevate in e-commerce adoption, it is critical that companies address both segments equally until a clear trend emerges indicating which audience falls into which pillar.

Despite the varying age brackets, we see a similar pattern of expenditure across product categories, in that purchases tend to be more frequent opposed to intermittent. In terms of share of pocket, most purchases skew very heavily towards electronic devices and clothing.

Lagging behind slightly follow purchases of groceries, beauty, hygiene, baby items, books and home decor. However, the weighting of these categories differs slightly from country to country.

For example, Kenyans purchase approximately 15% more electronics than people from other African countries. Nigerians, on the other hand, who currently report the highest rates of online purchases, have a diverse purchasing pattern across categories, placing more alcoholic and non-alcoholic beverages, home decor, hygiene and automotive parts in their baskets compared with the rest of the continent. This may indicate that Nigeria has a more robust online shopping culture and is a key market to watch for rapid upcoming growth.



The e-commerce success seen thus far is attributed to three key factors. The first factor is the already mentioned access to affordable Internet (39% penetration) and smartphones (44% device ownership), which is predicted to continue its exponential growth trajectory, reaching 65% in 2025. The second factor is a natural gravitation towards e-commerce by shoppers and the third factor is the internal creation and refinement of online platforms and processes, based on lessons from Europe and America, which are then supported by foreign investment.

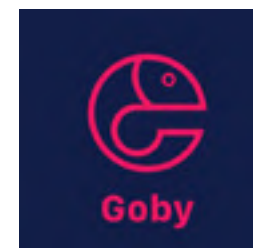
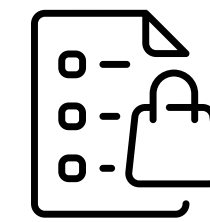
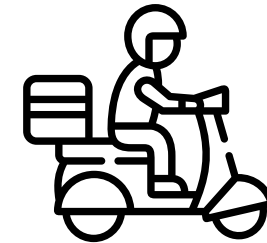
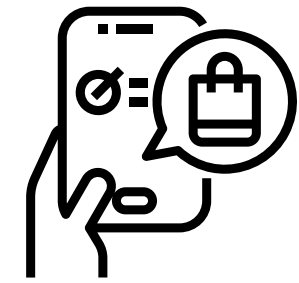
These three trends are not new to Africa, but the convergence and acceleration of these trends most certainly is.

Elaborating on the refinement of platforms and processes, which are layered and extensive, we can refer to a few examples. For instance, certain African countries are well ahead in terms of mobile money (M-Pesa), which is used by all as part of daily life. Highly efficient and affordable logistical systems that take the form of informal motorbike carriers called boda bodas fuel the delivery economy with effortless convenience. New e-commerce entrants such as Glovo are moving away from traditional warehouse models, opting for the lower-risk and lower-liability on-demand product models instead, based on learnings from international markets.





Example: companies in Kenya that are perfecting e-commerce platforms and processes





It is clear that e-commerce has great potential to become a significant part of the economic activity of countries throughout Africa as an increase in Internet access, digital literacy, successful investment rounds and unprecedented new demand are occurring at the same time as breakthrough developments in infrastructure and technology. However, there is an opposing narrative that should not be overlooked: a vibrant domestic digital marketplace versus the poorer development of international e-commerce. The barriers that are hindering the full potential of international digital entrepreneurialism in Africa are as follows:

- A lack of infrastructure such as a reliable electricity supply, road systems, operational ports and affordable air freight and logistical systems, etc.
- Challenges with international banking transfers, as local banks are not set up to facilitate international exchanges.
- Exclusion from international e-marketplaces due to negative perceptions of doing business in Africa. Even if this barrier were to be lifted, the banking systems would still pose a challenge in terms of facilitation.
- Inexperience with sales tax and import duties.
- The remaining digital gaps in less developed markets such as Burkina Faso, etc.
- Consumer perceptions of distrust in select markets, especially among older generations.





We need to ensure that the above aspects are addressed in order for e-commerce platforms to be an equalising force between large and small companies and to allow enterprises from Africa to reach profitable segments in international markets, while reaching their full potential in Africa itself. This is where we see startups popping up left, right and centre to tackle these gaps with impeccable speed, agility and innovation. Ones to watch closely are UTU, which is pioneering a new industry based on building trust infrastructures for the Internet, and Sendy, which is formalising the informal logistical structures across East Africa to facilitate trade from the ports to coastal and landlocked countries such as Uganda.

At present, the top-performing e-commerce companies in Africa are the following:

## 1. JUMIA

Since launching in Nigeria in 2012, Jumia has gained presence in 23 African countries and built a client base of 4 million customers, and was recently evaluated to be worth \$1.1-billion as it listed on the New York Stock Exchange. However, with the influx of new entrants sparked by Covid-19, its agility is being tested as it is being forced to evolve and adapt very quickly in order to maintain its relevance and market share.

## 2. TAKEALOT

The site has been around for more than 10 years since its establishment in 2002.

The platform boasts a broad catalogue of products and its focus on entertainment gives it an impressive edge. Customers can shop anything from books to games, computers and TVs.

Part of the unique selling point that has made Takealot an e-commerce success story is that it strives to provide its customers with the very latest products in the market, coupled with up-to-date product specification.

In April 2017, Takealot locked in a significant investment round of more than \$69-million from Naspers, one of Africa's largest digital companies. This came shortly after receiving a \$100-million investment from Tiger Global Management in 2014.



### 3. KILIMALL

Kenya's largest online shopping mall, which launched in 2014, has already managed to create an intercontinental footprint and has a retail customer base that continues to grow year-on-year. Kilimall is known for providing electronics such as phones, computers and gadgets, stocking top brands such as OPPO, Samsung, Huawei, Lenovo and Philips. The platform also offers other product categories such as home appliances, clothes, books, health and beauty products.

### 4. KONGA.COM

Konga.com has come a long way since its humble beginnings in 2012 as a Lagos-only e-commerce site that specialised in baby and beauty care.

The online platform has since morphed into a significant online store, often referred to as the "Amazon of Africa". In 2015, Konga.com paired up with top Nigerian banks to launch KongaPay, a safe and convenient online payment gateway that addresses the issue of trust that is commonly associated with online payments across the continent.

Creating a payment method of this nature that was integrated with world banks was an African first and with a \$500-million backing from Naspers, Konga.com became a major player in the e-commerce industry across borders.

### 5. BIDORBUY

Established in 1999, South Africa's online store bidorbuy is one of the oldest online marketplaces on the continent.

What makes the site unique is that it acts as an online auction. Consumers can both purchase or bid for products, with the bidding pillar accounting for an estimated 40% of its revenue.

Africa is on a roll and it shows no signs of slowing down. In the next few years, we can expect to see an increased implementation of innovative technologies throughout markets, including drone deliveries, improved infrastructure and widespread fibre-optic installations. This, together with education about the safety and convenience of online payments, makes the future of African e-commerce extremely promising and soon we expect that lessons will be offered back to the West.

**The future is bright, promising and digital!**





9.  
**Changing Face  
of Fulfilment**



## 9. Changing Face of Fulfilment

*Michael Zylstra, Chief Strategy Officer for dentsu SSA*

Cynthia sells skincare products online. When customers make orders via Instagram, her e-commerce store or her website, she gets the item from her inventory and finds a logistics company to deliver it to the customer. Sometimes she makes the deliveries herself. Cynthia can't keep a large inventory like, say, Shoprite can, because she doesn't have the luxury of space. Combine her delivery costs, and the lack of space, and you have a brutal case of stagnation. She often has to turn down orders.

Femi, an online electronics retailer, has the same challenge.

He can't stock bigger items like double-door refrigerators because the warehousing and logistics challenges, as well as the challenges of managing a small business, are too great. Cynthia and Femi would have less to worry about if they had access to a fulfilment company. This kind of company lets them store any amount of inventory, improve operational efficiency, scale up and potentially widen their profit margins.

E-commerce has evolved hand in hand with the logistics industry since the dawn of the Internet.

In the space of only a generation we've witnessed a commerce revolution so complete that the pre-millennium retail landscape would be unrecognisable to modern eyes.

With same-day delivery now as routine as air travel, the whirlwind evolution of the e-commerce industry has been supported by a backbone of logistical infrastructure that has changed in tandem with it.

Fulfilment companies are a new kind of business offering solutions that fit perfectly at the intersection of retail storage and logistics, which are typically the most costly parts of the online retail value chain.





This model allows warehousing services to be scaled back to low levels during off-peak periods, or scaled up to meet peak demand at a fraction of the combined cost. In addition, the fulfilment company also handles delivery to the customer on behalf of the retailer.

With its plethora of infrastructural challenges and hostile business environments, Africa stands to gain a lot from hybridised business models such as fulfilment. The ripple effects of a new crop of entrepreneurs and businesses using the fulfilment model hold incredible potential for online retail in Africa.

And as Covid-19 rewrites the political, economic and sociological history books, that omnipresent theme of change is more pronounced than ever.

Vutlharhi Valoyi, founder of Zulzi, which offers a 60-minute delivery service, attributes his company's growth to meeting promised timelines. "Customers want accurate delivery windows and the ability to have clear visibility during the shopping process."





10.  
**The Rise of Social  
Selling: WhatsApp  
and Instagram**



## 10. The Rise of Social Selling: WhatsApp and Instagram

*Michael Zylstra, Chief Strategy Officer for dentsu SSA*

Social commerce is defined as the use of social networks in the context of shopping. It has been dubbed “the new retail frontier” by many industry professionals, because in Africa, some would go as far as to say that social is the Internet.

What is all this excitement about? Where does it come from?

Early this year, a GeoPoll survey found that 32% of online shoppers buy through social media, with Facebook proving to be a formidable albeit odd player in the e-commerce space heralding the rise of social commerce in Africa.

The vanguards are informal entrepreneurs who use social media channels, primarily Facebook and Instagram, to market and sell their products through Facebook groups, similar interest groups or their followers.

Amid this stratospheric adoption of mobile telephony and use of social media among a youthful population, Africa has one of the highest global unemployment rates. According to the World Bank, youths account for 60% of all of Africa’s jobless.

This young, largely unemployed population, who have access to smartphones and are active on social media, have created the breeding ground for an online gig economy, and from it, a new breed of African entrepreneurs.

## Let’s look at the continent’s consumer landscape:

- 1.3 billion African customers by 2030.
- Customer spending to reach \$1-trillion in 2020 (from more than \$500-billion today).
- 100 million middle-class customers with purchasing power of \$400-million per day, double the figure in 2020.
- Poverty is dropping rapidly, from 40% in 2018 to 20% in 2020.
- In 2050 about 60% of SSA will be in cities.
- There is a rapid shift from the reliance on minerals to consumer spending.



The combination of Africa's explosive population growth and mobile adoption, combined with social media's extensive reach, scream opportunity. In recent years there has also been a rise in the number of micro-merchants/hustlepreneurs who are taking advantage of the above fact to do business right from within Facebook and Instagram. The process is quite manual and starts with these online hustlepreneurs uploading product pictures on their social media platforms with pricing information and a mobile number (often linked to WhatsApp) that consumers can reach them on if they are interested in making a purchase. The conversation then moves to WhatsApp for further negotiations, and if they're in agreement payment is done via mobile money and logistics are agreed on.

**Brand-driven social commerce** is basically putting a "buy button" on advertised products. This commerce in a social context is very difficult to pull off in Africa, as it is heavily rooted in bad UX, forcing people to click on links to websites outside their environment.

**User-driven social commerce** is when communities and friends with common interests come together with the intent to trade. It is a hive of activity driven by referrals, trust and kinship. For example, BrownSense is a Facebook group that is made up of black South Africans who want to trade with each other. It has more than 200,000 members. The "intent" is to trade and support other black entrepreneurs. Everything from clothing, furniture and cleaning products to farm fresh veggies and meat is traded on this group.

## Now let's look at the continent's social media landscape:

- In 2019, 32% of online commerce happened in Facebook Groups
- 170 million Facebook users: 97 million users log in monthly and 97% of them log in via mobile.
- 190 million WhatsApp users: 172 million log in monthly.
- 76% of Internet usage in Africa is for social media.
- The Internet is expected to contribute \$300-billion in 2025, with 77% (\$231-billion) of that expected to be via social media.
- It is estimated that smartphone connections will reach half a billion in 2020.



This is the essence of African commerce, built around the underlying values of community, family and collective progress. This is why 90% of the continent's retail is informal, buying and selling within communities and local markets.

The success of community commerce on platforms like Facebook is because these platforms emulate what we Africans do offline.

- Facebook Groups emulate public marketplaces (32% of commerce in Africa).
- WhatsApp emulates buying from close family and friends.
- Instagram emulates buying from our community role models.

The real transformation taking place is the movement from physical street corners to digital posts and conversations, skipping websites altogether.

In other words, the hidden 90% of consumer spending is coming online, and social is the ordained channel it has chosen to formalise and grow its influence on the African economy.

### **Instagram as Africa's shop window to the world**

This 21st-century marketplace is bustling with prints, dresses, sandals and even furniture, all with a unique take on contemporary style. It's a marketplace not unlike any found in almost any major African city, except that it's accessible to the whole world, 24/7, and shoppers only need their thumbs to navigate it.

In recent years, social media platforms have created a new marketplace for African entrepreneurs, who are now able to access a consumer base far beyond their own locale. And thanks to Instagram and the move to more visual interaction on other platforms, Africa's fashionistas are cashing in.

Instagram alone provides a potential customer base of 1 billion, with 500 million daily users. The scrolling thumbs may not be as intentional as foot traffic to a physical store, but they have brought a global reach to African fashion retailers that was unimaginable just a few years ago. Instagram, in particular, has proven to bring higher engagement than Facebook and Twitter.



## Digitally bespoke

African consumers are more comfortable buying via WhatsApp or direct messaging, says Evelyn Aligba, founder and creative director of House of GDI. Launched in Lekki in Lagos in 2017, House of GDI has successfully integrated several social platforms, such as including a WhatsApp link in email marketing, in order to grow the business beyond Lagos.

“Thanks to the Internet we have serviced clients who we have never seen, and they have also referred others, which has translated to more sales,” says Aligba.

“The culture of having fun online and stumbling across a beautiful fashion item, then reaching out directly on WhatsApp to negotiate the price or clarify the details, is much stronger than intentionally going to an e-commerce website to browse through a catalogue,” she says. “We build our customer base into a community, so it’s easy to get them to come back and have them refer others.”

Reliable customer service beyond online engagement is also key, like ensuring that deliveries arrive on time, ensuring the quality of their products and remaining trustworthy to remote customers.

Like other small retailers using Instagram, none of the three has a specialised e-commerce platform. Instead they are all making use of over-the-top services like cash transfers, EFT or PayPal, depending on what works for the customer.

The online retailers share a strong characteristic with most Instagram influencers – a strong belief in their own taste and aesthetic, based on the idea that if they like it, other people will click “like”. And it’s worked.





11.  
**Just Click “Buy”**



## 11. Just Click “Buy”

*Dawn Rowlands, CEO of dentsu SSA*

In most global markets, the requirement for small purchases and the use of cash would send any large-scale commerce platform packing. “Ah, it’s not worth it!” In this place we call home, it is absolutely normal and many players in our region have found a way to make this a viable business. I hope you draw inspiration and encouragement by reading this collection of thought-provoking and insightful pieces.

If nothing else, the content of this fabulous report has reminded me that Africa will surprise and delight you. For me it’s so inspiring to see local companies like Zulzi and Sendy (and many others) figure out logistics and grow trust on our unique continent.

I am a Zulzi lover, by the way. One-click purchases and being able to call my shopper, if I have forgotten something, well ... that’s my kind of service. If ever there were a place that needed innovation, it’s Africa. Our roads are overcrowded, our shopping habits are varied and we are too busy making a living to evolve into nice neat shoppers at supermarkets, as is the case in most northern hemisphere countries. We do not have time for long processes and we need everything, and I mean everything, on a mobile phone. We like cash and we do like a bit of chaos here, so it stands to reason that our innovation in the commerce space would keep that at its heart.

**“Trust is our biggest barrier and I believe that the pandemic has helped us overcome some of this.”**

*– Dawn Rowlands, CEO of dentsu SSA*



Trust is our biggest barrier and I believe that the pandemic has helped us overcome some of this. Companies like swimwear company Granadilla, which pivoted overnight to offer a fresh fruit and veg delivery service, and on-demand courier service Glovo really makes complete sense. How many times have you needed something to be collected and your shopping done while you are at the office? Now you need it to be done while you are home-schooling and working from home. Growing needs for convenience and safety have been the mother of invention and have helped us to overcome the “trust barrier”.

In every country there is a “new” commerce distribution network using old transport networks, like tuk-tuks in Tanzania, or retailers who have storage and are helping to pass packages on. Piki Piki and Pargo have helped to democratise e-commerce in the region. Purchase size has become less important and the use of cash more ubiquitous with these logistics innovations.

So what’s next? The biggest trend that we are seeing evolving at a rapid rate is the “direct to customer” itch that brands are scratching. Consumer packaged goods are the biggest driver of “direct to customer” development.

Keep your eye out for the next edition of the dentsu wisdom series, which will give you some useful insights into this both globally and locally.

Thank you for downloading our report. We’d love to hear your builds, feedback, likes and ... well, it’s a social world, so emojis are welcome too.

**Safe Shopping, Selling, Delighting and Delivering in Africa.**





# dentsu

Do you want to assess your commerce readiness or facilitate a commerce workshop with our team across the continent?

Please reach out to **[cheryl.steyn@dentsu.com](mailto:cheryl.steyn@dentsu.com)** who will assist you with this or any other queries.