

Uqalo Research



An Overview of the Online Retail Space in sub-Saharan Africa

October 2016

Contents

Introduction	2
African e-commerce today	3
Limitations	3
Mobile e-commerce	5
Major players	7
Jumia Group	8
Jumia	9
Kaymu	10
MallforAfrica	12
Konga	13
Kilimall	14
Conclusion	16

Introduction

Online retail or e-commerce¹ is evolving across Sub-Saharan Africa (“SSA”). The rhetoric of “Africa rising” with its burgeoning African middle class and consumer market has been slightly deflated since the beginning of 2016 with average GDP growth across Africa sinking below 5%.² Perceptions of the size and growth trajectory of the consumer sector also vary with some forecasts claiming that online retail sales in South Africa, will rise to US\$770m by 2018³ whilst others⁴ suggest the market will be worth US\$50bn by then.⁵

Growth of the consumer market in SSA is still set expand as the “young and connected middle class is growing fast and still deciding on its favourite brands, in short it’s brimming with potential”.⁶ In this context, online retail remains relevant as African consumers turn to new and innovative ways to transact.

The optimism of the expansion of the online retail sector has been tempered by limited broadband exposure and slow changes in consumers’ shopping cultures and as it stands today, online retail, even in the more developed markets of South Africa and Nigeria, largely remains in its infancy. According to a 2016 report⁷ for the first time in the South African consumer market, online retail in South Africa could reach 1% of overall retail during 2016⁸

“While 1% represents a very small proportion of overall retail, it is also a psychological barrier for investment in e-commerce initiatives by physical retailers”⁹

Given these limitations, measured optimism and extensive potential, the e-commerce space presents a unique value proposition for investors, retailers and consumers in SSA.¹⁰ Most of the online retail space in SSA remains uncharted with potential lying in innovative ways to encourage African consumers to move towards transacting online.

Several dominant players have emerged across the region, attempting to apply the e-commerce models of e-commerce giants such as Amazon and eBay and China’s answer to eBay, Alibaba. The sector continues to be dominated by African Internet Group, now known as Jumia Group, whose suite of online platforms continues to gain traction across various markets, especially its two retail sites Jumia and Kaymu. The other platforms include Konga, MallforAfrica and Kilimall which are seeking to apply traditional e-commerce models in the African context in order to capture consumers to the online retail space.

¹ There are many different terminologies for online retail, including e-commerce and e-tailing. This report uses these terms interchangeably but notes the definition used for this means of retailing as the OECD definition of “the sale or purchase of goods or services, by enterprises, individuals, governments, and other public or private organizations conducted over computer networks”. This report has focused specifically on the private consumer sector.

² Nielsen, February 2016, *Africa’s Prospects: Macro Environment, Business, Consumer and Retail Outlook Indicators*

³ Financial services company PwC

⁴ Market research consultancy Frost & Sullivan

⁵ <http://qz.com/689864/the-dawn-of-an-african-e-commerce-goldrush-may-be-a-false-one/>

⁶ AT Kearney 2015 African Retail Development Index report

⁷ South African market research company World Wide Worx report *Online Retail in South Africa*.

⁸ <http://www.worldwideworx.com/retail2016/>

⁹ Arthur Goldstuck, managing director of World Wide Worx

¹⁰ <http://www.howwemadeitinafrica.com/sectors/retail-sectors/>

African e-commerce today

E-commerce currently presents a similar picture to that of formal retailing across the SSA region; that of stark contrasts from one country to the next with the formalization of retail taking place at very different rates owing to regulatory and infrastructure limitations. These include high import tariffs and the ability to source products locally. Owing to the lack of a manufacturing base, retailers are often forced to source goods from overseas which increases their costs and makes supply less reliable as a result of poor transport infrastructure and the high cost of transport.¹¹ These limitations have played a role in influencing the development of e-commerce owing to the potential value-added posed by online retailing.

Online retail offers immense value for African city dwelling shoppers who do not want to sit through gridlocked traffic to reach markets or shopping malls and even greater value for those living outside the big cities where the choice of goods available may be limited.¹² Potential also exists for online retail in terms of more streamlined sourcing of goods and, in turn, a reduction in prices for consumers.

Limitations

Various obstacles to e-commerce exist across the region including unreliable internet connections, logistical challenges, low bank card penetration as well as a general distrust of transacting online. Internet access poses as the most inhibiting limitation for the sector across SSA as this remains inadequate and expensive with restricted broadband across the region and home internet access constrained to a small wealthy elite. Internet usage across the continent is predicted at only 26.8% of the population making use of the internet, with only a 7.231% increase in internet penetration from 2000 to 2015.¹³

Infrastructural issues have also affected online retailing in the same way as formal retail has been affected in the region. Non-functioning postal services and poor logistics networks negatively affect lead times. Some online businesses such as Jumia and Konga in Nigeria and Kilimall in Kenya have turned to the use of delivery motorbikes to reduce lead times and thus the cost of doing business.

Coupled with these limitations is the need to change consumer mindsets. The growth of online retail worldwide has been hindered by the need to adjust consumers' perceptions to trusting online payment methods. This includes trusting that they will receive the correct product that they ordered, in a timely manner and in an acceptable state.

In most African countries people are often sceptical of online shopping due to online fraud.¹⁴ In Nigeria, for example, where phishing is common, people are sceptical of putting their credentials online. This has led to some companies offering the option of cash-on-delivery to mitigate this challenge.¹⁵

¹¹ KPMG 2015 Report *The African Consumer and Retail*.

¹² <http://www.howwemadeitinafrica.com/sectors/retail-sectors/>

¹³ *African Business Magazine*, July 2016

¹⁴ Nielsen, February 2016, *Africa's Prospects: Macro Environment, Business, Consumer and Retail Outlook Indicators*. Citing 2012 Nielsen Emerging Markets Insights report with information sourced from Nigeria, Ethiopia, Uganda, Kenya, Tanzania, Zambia, DRC, Angola, Ghana, Mozambique, Namibia, Zimbabwe, Cameroon, Madagascar, Botswana and Cote D'Ivoire

¹⁵ <http://techcrunch.com/2014/11/26/rocket-internet-backed-jumia-raises-150m-for-its-african-e-commerce-business/>

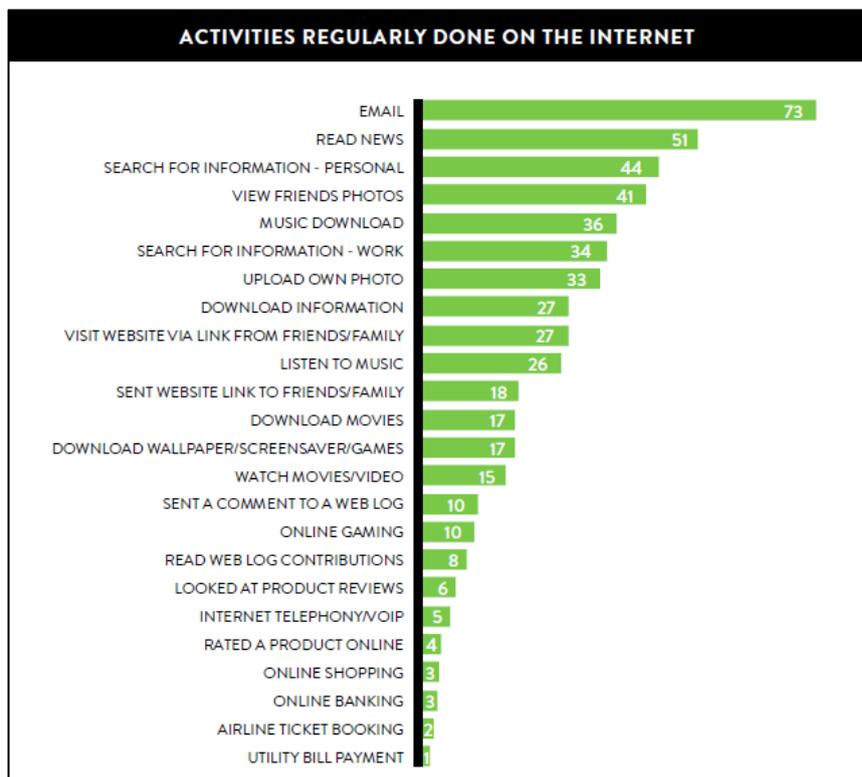


Figure 1: Internet usage activities in SSA

A more challenging mindset change in the SSA context is that of the open market and the informal market which still dominate retail in most countries.

In most countries there are “markets” everywhere; from informal pavement stores, to open markets, supermarkets and even unemployed youth selling goods at traffic stops in major cities.

An e-commerce company would have to beat these entities on prices to be

competitive and owing to nearly all e-commerce firms being formalised for access to the banking system, they pay taxes. For example, in Rwanda, an 18% VAT could put an online business at a disadvantage when informal competitors do not collect the same.

Because the formal consumer sector is still in its infancy in most African countries, the adoption of e-commerce in Africa is more about adapting and creating shopping habits. This often entails people making their first big buys, like smartphones and first online purchases simultaneously. For example, to promote the cross over to online retail, regional e-commerce retail platform Jumia has developed “customer adoption centres” where prospective shoppers can navigate the company’s website with the assistance of company representatives.¹⁶

Coupled with the issues of infrastructure and integration, an even greater restriction to online retail is the issue of illiteracy. For example in countries like Chad, Niger and Burkina Faso, were literacy rates lie at less than 30%¹⁷, illiterate citizens may be unable to participate directly on e-commerce sites that require reading and writing skills.¹⁸ In conjunction with illiteracy among potential consumer lies the limitation of computer literacy which is likely to hinder user access.¹⁹

¹⁶ <http://www.newyorker.com/business/currency/e-commerces-african-challenge-selling-to-people-who-arent-online>

¹⁷ http://theafricaneconomist.com/ranking-of-african-countries-by-literacy-rate-zimbabwe-no-1/#.VPeY0fnF_Ow

¹⁸ <https://hbr.org/2015/03/the-challenges-facing-e-commerce-start-ups-in-africa>

¹⁹ In April 2016, the online classifieds platform OLX rolled out a new service called Do It For Me (D.I.F.M), a paid user support service that will allow users to manage the posting and selling of items on the site. OLX believes the move would allow it to increase its user base in that OLX users would entrust the sale of their goods to the OLX Champs who are sales experts. The service is described as making the platform easier and safer for users, especially users who are not computer literate but have items to sell.

Mobile e-commerce

These various restraints on internet access, along with declining prices of mobile handsets and data, have led to increased mobile internet access across the region.²⁰

MEDIA PENETRATION RANKINGS							
SSA AVERAGE PENETRATION		89%	84%	77%	45%	39%	
							
COUNTRY	OVERALL RANK	MOBILE RANK	TV RANK	RADIO RANK	PRINT RANK	INTERNET RANK	INDEX TO AVG.
ANGOLA*	1	1	1	1	1	8	125
SOUTH AFRICA	2	10	3	4	4	4	123
NAMIBIA*	3	9	9	10	2	5	116
KENYA	4	3	8	3	6	3	116
BOTSWANA	5	5	11	13	3	1	116
NIGERIA	6	2	2	5	12	2	113
GHANA	7	7	6	6	16	7	103
COTE D'IVOIRE	8	6	4	14	9	9	100
UGANDA	9	12	14	2	8	11	99
ETHIOPIA	10	8	7	7	11	14	98
TANZANIA	11	11	16	11	5	13	96
CAMEROON	12	4	5	16	15	6	94
ZIMBABWE*	13	12	13	15	7	10	91
DRC*	14	15	9	12	17	15	82
MOZAMBIQUE	15	14	12	17	10	12	79
ZAMBIA*	16	16	15	9	13	17	78
MADAGASCAR	17	17	17	8	14	16	73

Figure 2: Media penetration in SSA.

Mobile internet penetration in SSA has been boosted by the rise of cheap smartphones which allow access to mobile broadband from the middle class customers in the cities to small businesses in rural areas.²¹ According to a 2014 report by Swiss technology company Ericsson, 70% of users in SSA browsed the web on mobile devices, compared with just 6% of those who use desktop computers. The report also predicted that by 2019 voice call traffic in SSA will double, with mobile data usage growing 20 times between 2013 and 2019, twice that of anticipated global expansion.^{22,23}

Given the scale of growing internet penetration through smartphones, it is conceivable that online retail could, to an extent, leapfrog traditional brick and mortar trade if consumers were to turn to this more reachable channel of accessing the internet and in turn change their spending pattern. However, mindsets need to be changed and technological issues addressed in order to open up the internet fully for the African consumer.

²⁰ Owing to mobile phone networks being that much more developed than the fixed network giving access to the Internet; m-commerce or online retail through the use of mobile devices can be differentiated from e-commerce.

²¹ Nielsen, February 2016, *Africa's Prospects: Macro Environment, Business, Consumer and Retail Outlook Indicators*. Citing Nielsen Emerging Markets Insights report 2014/2015

²² The report predicted that by the end of 2014, it is forecast that there will be more than 635 million mobile subscriptions in SSA which was predicted to rise, to about 930 million by late 2019, where it was estimated that three in four mobile subscriptions will be internet inclusive

²³ <http://www.theguardian.com/world/2014/jun/05/internet-use-mobile-phones-africa-predicted-increase-20-fold>

The proliferation of mobile internet access has also meant that a number of African online retailers are developing mobile applications as distribution platforms, and making use of mobile money systems such as the phone-based money transfer, financing and micro-financing service M-PESA²⁴.

This has been most evident in Kenya where the growing young working population have embraced simplified and secure payments platforms through M-PESA²⁵ and debit cards, therefore promoting the rise of internet purchases in Kenya. M-PESA online payments have been successful for the large amount of Kenyans who cannot afford the cost of acquiring a credit card, which previously locked them out of the online market.

Recently, the leading mobile telecoms provider Safaricom partnered with the South African firm PayGate, a global payment solutions provider and credit card processor, to provide e-payment solutions to the retail industry through M-PESA.²⁶ This move was regarded as opening up M-PESA to the lucrative retail payment market. The websites of various service providers such as airlines, hotels and supermarkets would have their websites enabled to accept real-time online M-PESA payments for goods, services and invoices.²⁷

The potential of mobile-driven e-commerce presents investment opportunities. In July 2016, Jumia Group received a US\$56m equity investment from the UK-based development finance group CDC.²⁸ This investment was described as one in a company “playing a leading role in Africa’s growing ecommerce market ... smartphone-driven ecommerce will be one of the most important technological and economic trends in Africa in the next decade. More and more Africans can now access the internet, with half the population expected to be online by 2025”.

A number of e-commerce companies are seeking to position themselves better, to capture the market share, by developing mobile shopping applications that are optimised to load faster and offer a seamless shopping experience through the integration of mobile money payment services courtesy of network providers such as Safaricom, Airtel and Orange among others.

²⁴ M-PESA was launched in 2007 by Vodafone for the two largest mobile network operators in Kenya and Tanzania; Safaricom and Vodacom. M-PESA is regarded as most accepted and pervasive payment method in Kenya. More than half the Kenyan adult population has access to M-PESA, which has contributed to a large increase in the percentage of adults with access to formal financial services since 2009. Kenya has 21.1 million mobile money users who transact across six platforms — M-PESA, MobiKash, Airtel Money, yuCash, Orange Money and Tangaza.

²⁵ <http://www.cgap.org/blog/10-myths-about-M-PESA-2014-update>

²⁶ <http://www.businessdailyafrica.com/Safaricom-targets-online-shoppers-with-SA-firm-deal/-/539552/1686914/-/2aetjz/-/index.html>

²⁷ M-PESA is reported to have also partnered with international money transfers through Western Union and HomeSend in a bid to tap the multi-billion diaspora remittances market.

²⁸ <http://www.cdcgroup.com/Media/News/CDC-makes-new-investment-in-Africa-Internet-Group/#sthash.Jlh4bjNr.dpuf>

Major players

Although consumers in Africa have been able to purchase goods from major international online retailers such as the two US-based e-commerce giants Amazon and eBay, this process has its challenges in the timeliness and cost of delivery as well as limitations in delivery of certain products to certain countries. The customer experience of African online shoppers making use of these sites is generally associated with long lead times, delays and general distrust.

This environment has resulted in a niche for African online retail, in which operators know the operating environment, its challenges along with evident opportunities. Currently, most of the dominant players in various SSA markets are locally established companies who have attempted to apply a business model from companies such as Amazon or eBay.²⁹

Despite the various limitations facing online retailers, those operating in the bigger African markets, where slightly more developed infrastructure and consumer sectors have contributed to online retail penetration, have presented dynamic developments in their approach to e-commerce. This has been most evident in the growth of companies such as Jumia Group, who continue to dwarf other retailers operating in the region, through sheer size and value.

There are other companies which have shown substantial growth across the region. This includes international players such as Jumia Group's local C2C equivalent Kaymu as well as the "digital mall" MallforAfrica or companies whose growth has been localised such as the Kenyan online mall Kilimall, and the Nigerian online electronics company Konga.

²⁹ <http://www.asos.com/>

Jumia Group

Company Profile

Business Model: Online services

Founded: 2012

Founders: Sacha Poignonnec, Jeremy Hodara (French)

Companies: Jumia, Jumia Market, Jumia Travel, Jumia Food, Jumia Deals, Jumia House, Jumia Jobs, Jumia Car, Jumia Services

Countries of operation: Nigeria, Egypt, Morocco, Algeria, Kenya, Ethiopia, Uganda, Rwanda, Ghana, Senegal, Gambia, Tanzania, Madagascar, Mauritius, Cote d'Ivoire, Democratic Republic of Congo, Republic of Congo, Cameroon, Namibia, Angola, Zimbabwe, Zambia

Investors: MTN, Rocket Internet, Millicom, Orange, Axa, Goldman Sachs and CDC Group

Jumia Group, previously known as African Internet Holdings^{30,31}, is the largest e-commerce company in Africa with eleven digital ventures³², ranging from food delivery, classified advertising sites, hotel bookings and the e-retailer Jumia.com (“Jumia”). Since its establishment in 2012, through an initial investment by the Berlin-based start-up incubator Rocket Internet,^{33,34} Jumia Group has shown double-digit growth month-on-month since.³⁵ In March 2016 Jumia Group received more than US\$300m in funding from new and existing investors, including a previously announced funding commitment from AXA, the global insurance and asset management company. This round of investment was led by existing investors including MTN and Rocket Internet as well as a later round of funding from Goldman Sachs.³⁶ These funds were said to significantly strengthen the balance sheet of Jumia Group, enabling the company to leverage the significant growth of Jumia and to capitalise on the significant opportunities in Africa.³⁷

Jumia Group’s success in the various countries where it has a presence is said to have been built on trust and applying the same vertical integration and level of quality as companies like Amazon. The

company aims to do this by offering same or next day delivery in larger cities such as Lagos, and delivery within seven days in all of Nigeria; by having a liberal return policy and allowing customers to pay cash on delivery so people have the assurance they can pay when the product arrives.

In Nigeria, the company has 500 vehicles that deliver to its customers in the eight biggest cities. The company’s delivery fleet is larger than courier service companies UPS, Fedex and DHL in Nigeria. Jumia Group also has its own call centre, IT team, online marketing team. All of which result in the company controlling its value chain from start to finish.

The recent rebranding of the Jumia Group companies to operate under the same brand name is seen to reinforce the legitimacy of proposing other services to both customers and sellers. This brand

³⁰ <http://techcabal.com/2016/06/16/jumia-is-swallowing-all-the-startups-under-africa-internet-group/>

³¹ In June 2016, AIH set about renaming its companies in the African market to be part of one Jumia brand, this included travel company Jovago becoming Jumia Travel, real estate site Lamudi changed to Jumia House, food delivery company HelloFood changing to Jumia Food, car company Carmudi becoming Jumia Cars, Vendito, the online classified advertisement site changing to Jumia Deals and the job search site Everjobs becoming Jumia Jobs.

³² This includes African versions of Hotels.com (Jovago), Uber (EasyTaxi), Gilt (Zando), and Zillow (Lamudi), among others.

³³ <https://www.rocket-internet.com/>

³⁴ Rocket Internet builds and invests in Internet companies that take proven online business models to new fast-growing markets. The company focuses on five industry sectors of online, mobile retail services that make up a significant share of consumer spending Food & Groceries, Fashion, General Merchandise, Home & Living and Travel.

³⁵ <http://www.forbes.com/sites/marcbabej/2014/06/16/how-jumia-is-adapting-e-retail-to-africa/#27cc3bbd1537>

³⁶ <http://www.newyorker.com/business/currency/e-commerces-african-challenge-selling-to-people-who-arent-online>

³⁷ <http://rocketinternet.pr.co/123518-africa-internet-group-parent-of-jumia-the-leading-ecommerce-platform-in-africa-secures-over-300m-of-funding-from-mtn-rocket-internet-a>

recognition is also aimed at building one strong brand that is trusted by customers across the continent.³⁸

Jumia

Jumia Group's flagship online retailer is the Nigerian online retailer Jumia, originally established in 2012 with an initial US\$1m investment from Rocket Internet, the company is currently operating in Kenya, Cameroon, Côte d'Ivoire, Ghana, Morocco and Egypt. Jumia has gone on to become Africa's leading online shopping store with more than 100 million visits to the site in 2015 in Nigeria alone³⁹

Jumia has taken advantage of some of the more enabling conditions for e-commerce companies in Nigeria, especially its large and growing young population, coupled with government investment in power-generation and transportation systems as well as public-private partnerships to improve its technology infrastructure. This success has been evident in the company's figures with the company generating US\$149m in revenue in 2015.⁴⁰ Based on an Amazon business model, in that the company sells goods directly to customers through its online platform, Jumia has been viewed as aiming to mimic Amazon's success by delivering a wide range of items across a number of African countries.

Jumia faces the well-known institutional and infrastructural challenges for any African e-tailer but has recognised the structural gap between supply and demand which could be filled by e-commerce. In Kenya, Jumia has entered into various partnerships to streamline delivery of products. Partnerships between Jumia and logistics companies have made it possible for consumers to collect products ordered online at a Posta Kenya, Aramex or G4S offices and pay upon collection. Through this initiative, Jumia reported a 15% increase in product delivery in remote parts of Kenya.⁴¹

In Nigeria, the nuances of the local market have led to the company having to adapt its offering in order to appeal to this specific audience. This has resulted in every step of the sales process entailing some form of tailored solution. Once the orders are sent out, first-time shoppers might get a call from a specialist who confirms the order, payment, and delivery details. Because many neighbourhoods in Nigerian cities don't have numbered address grids, drivers might ask customers to direct them to their residences by mobile phone.⁴²

Most Jumia customers also pay cash on delivery, which means drivers are responsible for handling and keeping safe much of the company's cash. Jumia also accommodates orders from unstable areas, including Boko Haram-controlled parts of the northeast, building a premium into the prices and requiring payment in advance, then striking deals with outside delivery services.⁴³ Despite the challenges, the company managed to ship ten thousand packages a day in 2015 throughout Nigeria.

The success of Jumia has been regarded as a result of the company's extensive advertising budget, which makes use of print, media and radio advertising, as well as its tailored customer service which is innovative and responsive. These have solidified the company as a major player in the e-commerce

³⁸ <http://allafrica.com/stories/201606270310.html>

³⁹ <http://www.ft.com/cms/s/0/c99c6d98-c370-11e5-b3b1-7b2481276e45.html#axzz4GGLYE8Kp>

⁴⁰ This is in comparison to the US\$ 400-billion that McKinsey's Global Institute estimates that Nigeria's consumers spent in 2014 on consumer products.

⁴¹ <https://www.jumia.co.ke/blog/5-trends-that-shaped-kenyas-e-commerce-market-in-2015/>

⁴² <http://www.newyorker.com/business/currency/e-commerces-african-challenge-selling-to-people-who-arent-online>

⁴³ <http://www.newyorker.com/business/currency/e-commerces-african-challenge-selling-to-people-who-arent-online>

space. In October 2013, Jumia was awarded the "Best new retailer launch of the year" at the international World Retail Awards⁴⁴, making it the first African company to ever be awarded.⁴⁵

In 2015, Jumia introduced an affiliate programme as a type of performance based marketing initiative, which allows "middlemen" to promote a company's products on different online platforms including their own social media accounts. These middlemen are then allowed to get commission on items purchased via the promoter's link. The program was pioneered by Jumia in Kenya and has seen the listing of thousands of individuals and hundreds of bloggers within the first three months. The initiative has also given rise to the now popular social commerce which allows customers to buy products promoted on social media sites and complete the transaction within the same platform.⁴⁶

Kaymu

Recently rebranded as Jumia Market, Kaymu, operates as the online marketplace subsidiary of Jumia Group. After receiving seed funding from Rocket Internet in 2013, the company launched in Nigeria to provide localised C2C and B2C products, and since has seen extensive tractions in numerous African countries.

The platform, modelled on eBay's C2C and B2C model allows for buyers and seller to meet to make deals on new and used fashion items, mobile phones, jewellery and home appliances. The company has expanded to a number of countries including Algeria, Angola, Cameroon, Ethiopia, Gabon, Ghana, Ivory Coast, Kenya, Morocco, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Tunisia, Uganda and Zambia.

The portal operates on a simple model. For one to sell, they list an item on the site and choose whether to accept bids or to ask for a specific price for their article. Customers are also able to search via brand type, function, model or product name and then continue to either bid or buy the item. The site operates as a marketplace and does not sell any of its own merchandise. Merchants and private dealers are able to post their goods on the site with their own pictures and descriptions. Various pricing models are also offered in that goods with "fixed prices" and "auctions" have fixed prices whilst those under "classified" listings can be discounted as agreed on between the buyer and seller as they contact each other.⁴⁷

eBay business model

eBay is regarded as one of the original B2C and C2C e-commerce success stories of the dot-com bubble. The eBay site operates as an online auction and shopping website in which individual consumers and businesses buy and sell goods and services.

Users are able to list up to 20 items for free, with eBay charging a final value fee when the item is sold. The company's e-commerce payment facilitation company, PayPal, contributes to half the organization's revenue. PayPal partly accepted Nigeria into its system in 2013, after citing various security risks associated with the country.

The Chinese e-commerce giant Alibaba's core business model also resembles that of eBay, in that the site acts as a middleman between buyers and sellers and facilitates the sale of goods between two parties through its extensive network of websites.

In 2014 Kaymu launched a Seller Referral Scheme and Seller Pathway programme which enables users to earn money by recommending the service, for sellers to increase their overall performance

⁴⁴ <https://www.worldretailawards.com/>

⁴⁵ <http://www.businesswire.com/news/home/20131215005064/en/Millicom-International-Cellular-MTN-joins-Millicom-Rocket>

⁴⁶ <https://www.jumia.co.ke/blog/5-trends-that-shaped-kenyas-e-commerce-market-in-2015/>

⁴⁷ <http://techmoran.com/rocket-internet-at-it-again-launches-ebay-clones-in-nigeria-pakistan>

and for the platform to improve its overall traffic and quality. The Referral Scheme allows sellers to generate revenue by recommending the service driving high quality traffic to the platform. Existing sellers can take part by asking a potential seller to successfully list products on Kaymu.⁴⁸

The Pathway Programme encourages vendors to improve their performance by helping to increase the number of orders, improve delivery times and ensuring all transactions are completed efficiently. The programme functions as a reward system similar to that of eBay⁴⁹ and is designed to promote better overall customer service. Sellers are awarded bronze, silver, gold, and ultimately platinum by going through a performance rating system. Participants go through a step-by-step process in using the Pathway Programme where sellers have the opportunity to gain additional benefits. These include increased visibility on the website, competitor analysis, visibility on Facebook advertisements and newsletters.⁵⁰

In Abidjan, Côte d'Ivoire's economic capital, Kaymu is reported to have begun to recruit its "sellers" from existing markets and has more than 200 market sellers with a presence on the e-commerce marketplace. According to Ivorian country manager Mehdi Ben Abroug:

"These guys in this market have very low margins because they are wholesalers...They go to Dubai, to China and bring back containers and they sell as wholesalers so the margin on the product is really low. But on Kaymu, he says, they can sell directly to the customer and get a higher margin."⁵¹

Owing to issues of cybercrime, most merchants still operate on a cash-in-hand basis which means deliveries are arranged in advance by delivery drivers, to arrange delivery and collect payment when the goods are delivered. This poses the risks on non-payment or cancellation of orders. The company hopes to address this through the use of mobile payments.⁵²

In 2015, in a move to sharpen logistics, operation management and infrastructure development for both companies, Kaymu partnered with Jumia to launch a joint initiative logistics network called AIG-Express. This initiative planned to incorporate existing logistics providers into a single network aimed at meeting the growing demand in the online marketplace. The initiative also planned to partner with local logistics entrepreneurs, where it would carry out training sessions on technologies to handle e-commerce logistics.⁵³ The initiative is forecasted to create thousands of jobs.⁵⁴

⁴⁸ <http://ventureburn.com/2014/03/kaymu-nigeria-launches-new-schemes-to-improve-quality-and-performance/>

⁴⁹ eBay users are able to provide ratings for individual and business sellers as a means of providing feedback on their service which in turn allows for transparent customer rating of sellers making use of the platform.

⁵⁰ <http://ventureburn.com/2014/03/kaymu-nigeria-launches-new-schemes-to-improve-quality-and-performance/>

⁵¹ <http://www.bbc.com/news/business-28242797>

⁵² <http://www.bbc.com/news/business-28242797>

⁵³ <http://techcabal.com/2015/05/18/kaymu-and-jumia-launches-aig-express-across-africa/>

⁵⁴ <https://www.jumia.co.ke/blog/jumia-and-kaymu-partner-to-launch-aig-express-in-kenya/>

MallforAfrica

Company Profile

Business model: Online service providing distribution of foreign products.

Founded: 2011

Founders: Chris Folayan and Tope Folayan (Nigerian)

Countries of operation: Nigeria, Kenya

Investors: Helios Investment Partners

MallforAfrica⁵⁵ is a Nigerian online retail portal that allows shoppers to order products online from foreign retailers, to pay in local currency and to have the items delivered to their homes or local distribution points.

The business was founded in 2011 by the Nigerian nationals Chris Folayan and Tope Folayan, the former based in the USA and the latter in Nigeria. After studying and working in the US, the idea of MallforAfrica was inspired from a common request to Africans living abroad to bring goods home. This highlighted a gap between supply and demand for the continent's consumer markets.⁵⁶ Unlike its Nigerian counterparts, MallforAfrica offers the option for its users to shop on the likes of Amazon through its interface.⁵⁷

The company is reported to have generated millions of dollars in revenue, having grown their user base six times in 2014 and expanded to Kenya⁵⁸ with plans to move into Botswana, Tanzania, Ethiopia, Ghana and Congo.⁵⁹ MallforAfrica received backing from UK private equity firm Helios Investment Partners in 2013.⁶⁰ Helios is reported to have agreed to provide growth capital to build MallforAfrica, backing the company's entrepreneurial management team. Helios is a key strategic investor, helping to drive value through the team's experience in starting, scaling and institutionalising growing businesses, and through Helios' operational capabilities.

MallforAfrica is viewed as the solution to a problem facing many African shoppers when trying to order items from various international online stores, which either wouldn't deliver their products to African countries or deny Nigerian payment sources.⁶¹

MallforAfrica has positioned itself as a middleman between African consumers and US and UK companies⁶² and has established partnerships with companies such as the menswear brand Hawes and Curtis and department store Macy's. The company claims to be a zero-risk option for US and UK retailers to gain access and sell product in Africa without concerns of fraud, theft or additional customs charge claims. The operational model works by retailers shipping goods to MallforAfrica's US warehouse from where MallforAfrica ships goods to Africa.

The company claims that, in using MallforAfrica's services consumers should "feel confident knowing they will receive their order because of all of the local resources, knowledge, channels and infrastructure MallforAfrica has in place".⁶³ Through MallforAfrica's mobile application and online

⁵⁵ <https://www.mallforafrica.com/>

⁵⁶ <http://www.itnewsafrica.com/2016/06/nigeria-ebay-partners-with-mall-for-africa/>

⁵⁷ <http://www.ficleaves.com/us/>

⁵⁸ <http://www.blackenterprise.com/money/consumer-affairs/mall-for-africa/2/>

⁵⁹ <http://www.howwemadeitinafrica.com/mall-africa-thriving-business-linking-shoppers-western-retailers/>

⁶⁰ <http://www.heliosinvestment.com/our-investments/private-equity/portfolio-companies/mall-for-africa>

⁶¹ <http://punchng.com/e-commerce-experience-mall-africa-advantage/>

⁶² <http://www.blackenterprise.com/money/consumer-affairs/mall-for-africa/2/>

⁶³ <http://www.blackenterprise.com/money/consumer-affairs/mall-for-africa/2/>

platform, buyers can shop from over 180 stores in the UK and the US, including Amazon and E-bay, and have their items delivered anywhere in Nigeria or Kenya.⁶⁴

The company generates revenue through service fees charged to the shopper. These are added onto the customer's order as a separate and transparent line item. MallforAfrica has implemented a system by which shoppers don't even have to use their credit card. When customers join MallforAfrica, they receive a MFA card, a prepaid "webcard" that they are able to use to make their purchases online.⁶⁵

In 2016 MallforAfrica entered into a partnership with eBay to launch a new "eBay Powered by MallforAfrica" dedicated platform. The platform is said to enable inventory from eBay US individual and business sellers with a 300+ star rating⁶⁶ to be purchased by buyers initially in Nigeria and Kenya, with Ghana and then more African countries to follow. This partnership includes financial, marketing and logistics arrangements, with eBay not having taken any equity stake in MallforAfrica.⁶⁷

Konga

Company Profile

Business model: Third party online marketplace.

Founded: 2012

Founder: Sim Shagaya (Nigerian)

Country of operation: Nigeria

Investors: AB Kinnevik; Naspers

Nigerian businessman and entrepreneur Sim Shagaya established Konga in 2012⁶⁸. The company initially focused on electronic goods but now offers various goods from fashion, home appliances, books and personal care products. Shortly after its establishment the company secured US\$3.5m of seed funding from the Swedish investment company AB Kinnevik through which the company secured a 34% stake in Konga⁶⁹.

This was closely followed by a US\$10m investment from AB Kinnevik and Naspers. In late 2013 Konga further received a new round of venture funding to the value of US\$25m from AB Kinnevik and Naspers⁷⁰ with the latter acquiring a 40.22%

holding in the company.⁷¹ This investment was followed by another round of funding in October 2014 which reportedly raised between US\$40m and US\$60m, thereby putting the market value of Konga between US\$160m and US\$200m.⁷²

Konga is widely regarded as the major competitor to Jumia and as "the Amazon of Nigeria". The company operates two business units; Konga Online Services, which manages the e-commerce platform and operates some proprietary trading, and Konga Logistics Services K-Express⁷³, a fully licensed courier company which coordinates third party logistics providers to enable e-commerce logistics. In 2013 the company struck a deal with logistics company UPS as a technical integration

⁶⁴ <http://punchng.com/e-commerce-experience-mall-africa-advantage/>

⁶⁵ <http://nigeriaonlineshopping.com/mall-for-africa.htm>

⁶⁶ Based on eBay's seller rating system.

⁶⁷ <http://www.itnewsafrica.com/2016/06/nigeria-ebay-partners-with-mall-for-africa/>

⁶⁸ Shagaya stepped down from his role as CEO to take on the position of Chairman of the Board of Directors of Konga.

⁶⁹ <http://www.kinnevik.se/en/Investments/e-commerce-marketplaces/Konga/>

⁷⁰ <http://techcabal.com/2014/01/03/exclusive-konga-raises-25-million-dollar-series-b-kinnevik-naspers/>

⁷¹ <https://www.naspers.com/pdf/financials/interim-results/2015/interim-results-english.pdf>

⁷² <http://innovation-village.com/with-about-60million-new-funds-konga-com-market-value-stands-around-200-million/>

⁷³ <https://track.konga.com/>

which would allow Konga to leverage the courier’s extensive logistics footprint across Nigeria, by facilitating not only nationwide delivery but also adding tracking capabilities to their orders.⁷⁴

The company launched Konga Mall in 2013 as a platform in which entrepreneurs would be enabled to establish their own online store. This was achieved by Konga leveraging its unique store front, robust delivery infrastructure, warehousing logistics and nationwide coverage and secure payment systems, for entrepreneurs and small businesses to use for their own individual online stores, free of charge.^{75,76} By the end of 2014 it had over 8000 merchants operating on the platform.

By transforming itself into an online platform and marketplace that enables merchants to connect with consumers, Konga has been successful in connecting a vast and dispersed Nigerian population, solving the logistics challenges and enabling commerce between sellers and buyers who do not have any digital means of exchanging money.

Like many of its e-tailer counterparts operating in Nigeria, Konga has embraced pay-on-delivery as a method of payment. The company boasts a vertically integrated operation which ties in last mile logistics and retail operations. Konga increasingly acts as a payment gateway via K-Express, whose delivery personnel either collect cash from customers or carry point-of-sale equipment on their mobile devices to complete transactions.⁷⁷

Konga has developed nuanced services to enable the transaction process. This includes a proprietary messaging tool “K-Talk” built into its ecommerce platform that allows for real-time communication between buyers and sellers, and KongaPay⁷⁸ a buyer protection service which encourages upfront direct cashless payments for ordered goods. K-Talk has proved incredibly popular amongst Konga buyers and sellers, as it allows for trade and commerce to happen in a manner that speaks to the African’s cultural need to communicate before concluding a transaction.

Kilimall

Company Profile

Business model: Consolidated shopping mall of local and foreign goods

Founded: 2014

Founder: Yang Tao (Chinese)

Country of operation: Kenya

Operating in a similar manner to the Nigerian MallforAfrica, Kilimall, a Kenyan online shopping mall, established in 2014 by Chinese national Yang Tao, hosts hundreds of different goods from more than 50 local and international merchants. Tao was reportedly motivated to start the platform to address the high cost of imported products in Kenya.

“In the traditional ways of trading there are many middlemen in the supply chain, and the margin increases each time the product switches hands. This makes the price in Kenya almost three times more expensive than in developed economies. I think that technology and internet can change this and reduce the costs”⁷⁹

⁷⁴ <http://techcabal.com/2014/01/03/exclusive-konga-raises-25-million-dollar-series-b-kinnevik-naspers/>

⁷⁵ <http://techloy.com/2013/04/09/konga-mall/>

⁷⁶ <http://www.techcityng.com/konga-mall-the-best-place-to-sell/>

⁷⁷ <http://www.forbes.com/sites/faraigundan/2015/01/14/sim-shagaya-on-building-the-next-big-thing-konga-africas-version-of-alibaba-part-two/2/#65eeab074116>

⁷⁸ <http://www.konga.com/kongapay/>

⁷⁹ <http://www.howwemadeitinafrica.com/kilimall-kenyan-ecommerce-company-sees-opportunity-in-secondary-cities/>

Kilimall's network of merchants operate by either selling their products via the platform or through physical outlets, with some small traders operating from their home. The company offers its merchants free warehousing in Nairobi, from where sold goods are transported by the firm's fleet of motorcycles and vehicles. The value proposition offered to merchants is cost saving, in that they don't have to pay goodwill, rent, electricity or warehousing and in turn receive access to a wider market.⁸⁰

Customers are either able to choose their purchases, ranging from kitchen appliances and electronics to fashion items from Kilimall's series of offline locations or from the Kilimall website itself. For items ordered off the website, the company boasts a standard delivery time from 15 minutes to a maximum of 48 hours anywhere in Kenya.⁸¹ The company also boasts a strong quality assurance team to make sure each product delivered to customers is authentic and in good condition.

The site is positioning itself as offering Kenyans the benefits of e-commerce which simplifies the product supply chain, keeping prices competitive, and allow for shopping convenience. According to Kilimall's marketing director Kariuki Maina:

"Other e-commerce players are basically retailers, that is, they source for products from traders then sell at a profit. We're a platform that gives traders professional service where they can manage their shops. Each merchant has his own unique back-end where they can be able to track their shops' activities in real-time."⁸²

Kilimall has been cited for its innovative strategies in attempting to attract shoppers to its online space. In 2014, Kilimall initiated negotiations with the Kenyan government and the Kenyan Civil Aviation Authority to allow it to use unmanned drones⁸³ to deliver goods to its customers.⁸⁴ In January 2015 Kilimall launched a new business model dubbed "Flash Sale" which aims at cutting buying costs to online shoppers for selected products at specific times. The company's Operations Director Qui Wen explains that the model of flash sales is intended to fulfil the e-commerce ideal objective of making online shopping cost effective to its customers.

"Since Kenya has embraced technology, we intent to open more time-saving and convenient ideas hence encourage more people to opt for online shopping"⁸⁵

⁸⁰ <http://www.howwemadeitinafrica.com/kilimall-kenyan-ecommerce-company-sees-opportunity-in-secondary-cities/>

⁸¹ <http://www.businesstimesafrica.net/index.php/component/tags/tag/97-kilimall.html>

⁸² http://www.newstoday.com.bd/index.php?option=details&news_id=2401963&date=2015-02-03

⁸³ The Unmanned Aerial Vehicles System (UAVs), flight is controlled either autonomously by on board computers or by the remote control of a pilot on the ground or in another vehicle. The firm intends to charge KSH200 for delivery of parcels weighing less than 3 kilograms within Nairobi.

⁸⁴ <http://www.businessdailyafrica.com/Corporate-News/E-commerce-firm-target-local-market-with-drones-delivery/539550-2496896-icf6anz/index.html>

⁸⁵ <http://smartinvestor.co.ke/1028/kenyas-online-shops-adopt-flash-sale-grow-traffic>

Conclusion

The various operating models of SSA-based e-commerce companies provide a clear depiction of firms which have adapted to the various limitations and idiosyncrasies of the African markets where they are based. Jumia and Kilimall make use of motorcycles as delivery vehicles in order to beat the gridlocked traffic of Lagos and Nairobi, whilst Kaymu allows sellers to list online and have the customer collect the item offline from the retailer's store without playing intermediary.⁸⁶ The methods of payment accepted by firms are also indicative of adaption to the African context with most still accepting cash payments or mobile money options. These strategies of adaption have seen the integration of offline and online, as retailers are adopting e-commerce as a bridge between to reach a wider market.

Owing to the substantial investments that Jumia Group has enjoyed and its numerous online offerings, the company is regarded as currently dominating the online retail sector across SSA. Taking into account the growth and dynamism of the sector, the company could soon face growing competition on the continent as African e-commerce grows and the market becomes more attractive to both African-based companies and those based outside the continent.

This interest is evident as Uber, a potential competitor to Jumia Group's EasyTaxi, is operating in seven countries, including Kenya, Nigeria, and South Africa. Facebook opened its first permanent Africa office in 2015 to broaden its advertising reach, which could challenge Jumia Group's classified-advertising platform Jumia Deals. It's also widely believed that Amazon and its Chinese counterpart, Alibaba, are planning to enter Africa in earnest, which could pose a concern, or an opportunity, for Jumia.⁸⁷

*"For longevity and success in Africa, you simply cannot just parachute technology into an area"*⁸⁸

If and when Amazon arrives on the continent in force, it could try to build its own infrastructure, or it could buy an existing network such as Jumia Group. Until this takes place, the online retail space remains open for the innovative, adaptable, yet well-funded companies who are able to adjust established e-commerce business models to the developing African retail context. Although there are relatively few players given the potential size of the market, the successful will need to understand that the e-commerce marketplace in Africa is complex; they need to know the nuances of the region's geography, culture, and language, the fabric and texture of the local lifestyle, as well as the history and aspirations of the local communities in order to succeed in this space.⁸⁹

Researcher: Gina Edmonds

⁸⁶ <https://www.jumia.co.ke/blog/5-trends-that-shaped-kenyas-e-commerce-market-in-2015/>

⁸⁷ <http://www.newyorker.com/business/currency/e-commerces-african-challenge-selling-to-people-who-arent-online>

⁸⁸ Sim Shagaya, founder of Konga

⁸⁹ <http://www.forbes.com/sites/faraigundan/2015/01/14/sim-shagaya-on-building-the-next-big-thing-konga-africas-version-of-alibaba-part-two/2/#65eeab074116>