

E-Commerce in Africa & Sector Opportunities

Compiled by Enterprise Africa



E-Commerce industry in Africa is Booming!

While trading with most countries in the world and having long-established links and relationships with the European Union, the African continent has a significantly thriving E-commerce market, which was not born under the coronavirus pandemic, but accelerated to new turnover heights firmly based on a growing number of regular online shoppers in urban and rural areas alike.

Statistics show that African companies spent €2.13 Trillion on the B2B market in 2015 – 40% of which was in South Africa and Nigeria alone. It is clear to see that Africa's E-Commerce market has grown rapidly in recent years. This trend is predicted to continue as the African B2B market alone is forecasted to grow by €1 Trillion to reach ca. €3.13 Trillion in 2025. The demand for online products spreads through all areas, whether it be B2B or B2C transactions, all ethnic groups, all age groups, and income levels have shown an increase in online shopping trends. From weekly grocery shopping to furnishing a new home, no purchase is too small and none too big in order to find its rightful shelf on any of the online retail platforms.

E-Commerce growth in Africa

Several factors contribute to the impressive growth of Africa's E-Commerce industry. The African continent has the youngest and second-largest population in the world. This offers good potential for growth in the digital sector as well. Smartphones and other mobile devices are spreading rapidly. This also increases internet penetration. In addition, digital payment options are becoming more widespread.

Besides the B2C segment, the B2B segment in E-Commerce is also growing strongly. African B2B platforms are mostly industry and country-specific. The most successful sectors in the African E-Commerce space include machinery & tools, automotive, medical equipment, industrial equipment, office supplies, and food. Further growth is also expected following the announcement that the African Union is holding talks on the contribution of E-Commerce to the African Continental Free Trade Area (AfCFTA).



E-Commerce growth statistics in Africa

In African business centers, annual E-Commerce growth is expected to be between 20% - 30%.

- In 2019, the revenue generated by E-Commerce in South Africa alone was estimated at € 3.04 billion EUR.
- In 2019, the E-Commerce potential of the African continent was estimated at € 16,78 billion EUR. The consulting firm "McKinsey" expects further growth to € 63 billion EUR by 2025.
- In 2019, there were more than 525 million internet users in Africa. This is more than in North America and the Middle East combined.
- In 2019, there were already more than 469 million active users of so-called "mobile financial services" (i.e. banking via mobile phone) in sub-Saharan Africa.
- In 2020, there were 850 million smartphone connections in Africa. By 2025, this number is expected to rise to 1.05 billion.
- In 2020, Africa's E-Commerce market was worth approximately € 22,7 billion EUR, representing only 0.5% of the global E-Commerce market. However, with an average growth rate of 17.19% per year, the market is growing steadily and faster than the global average. (6.3% per year).

E-Commerce in South Africa

More than half of South Africa's population of around 58 million people have access to the internet. Sales platforms that are mobile-friendly are particularly promising, as around 96 % of regular internet users in South Africa access the internet via mobile devices. By 2024, a total of 36.9 million people in South Africa are expected to participate in online shopping.

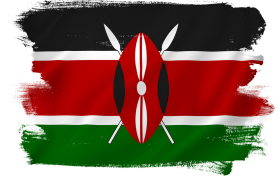


Even before the Corona crisis, the E-commerce sector in South Africa was growing steadily with a current market turnover of €3.27 Billion. Annually, the market was growing at 20 - 35% and it was projected that even without the crisis, the market would have exceeded a turnover of approximately ZAR 60 billion in 2020, growing three times faster than traditional retail between 2018 and 2023.

Since the pandemic, consumers have become more health-conscious, and online shopping has become an increasingly popular trend. As consumer trends change, South African businesses have had to adapt their retail strategy and focus on digital transformation to keep up with the online consumer trend. The largest E-Commerce shopping segments were Toys, Hobby & DIY with a market volume of € 934 million in 2020. In absence of giants like Amazon or eBay, South Africa saw its own E-commerce pioneers rising from the shift of traditional shopping and with the boost of the COVID-19 pandemic, the E-Commerce sector has reached new heights.

With the expected longer road to normality, the importance of E-Commerce will increase even further and is likely to play an important role in people's shopping behaviour even after the crisis, which could change permanently.

E-Commerce in Kenya



Kenya's E-Commerce sector had a revenue of € 926 Million in 2020 and is one of the largest in Africa while the growth rate showed a staggering 66% compared to 2019. From 2020 until 2024 the Kenyan E-Commerce sector is predicted to grow with an average annual growth rate of approx. 20%. In 2021 it is predicted to reach approx. € 1.2 Billion EUR.

In 2020, the online market penetration was 24%, meaning that 24% of the population had bought at least one item online. This number still shows great growth potential for the sector.

E-Commerce in Nigeria



The Nigerian E-Commerce sector had € 2,86 Billion in revenue in 2019 with with projected revenue of € 6,57 Billion in 2023. Until then, the E-Com sector is estimated to grow by approx. 23,3% per year.

In 2019 approximately 93.9 million Nigerians were using the internet. This represents an internet user penetration rate of 50% and is likely to grow further in the coming years.

In the first half of 2020, around 60% of the population in Nigeria had an Internet connection. Investments in digital infrastructure and the new National Digital Economy Policy and Strategy are expected to further increase this share. Currently, the information and communications technology sector is responsible for around 10% of Nigeria's GDP. The new digital strategy is expected to double this share in the next five years.

Why should you consider selling your products on an E-Commerce platform?

E-Commerce sales figures have been growing rapidly over the last few years with a growth rate in the US of 44% in 2020. The global E-Commerce sales in the B2C sector alone increased from € 2,82 Trillion in 2019 to € 3,6 Trillion in 2020. The global B2B E-Commerce market is estimated to be 5 times the size of the B2C E-Commerce market.

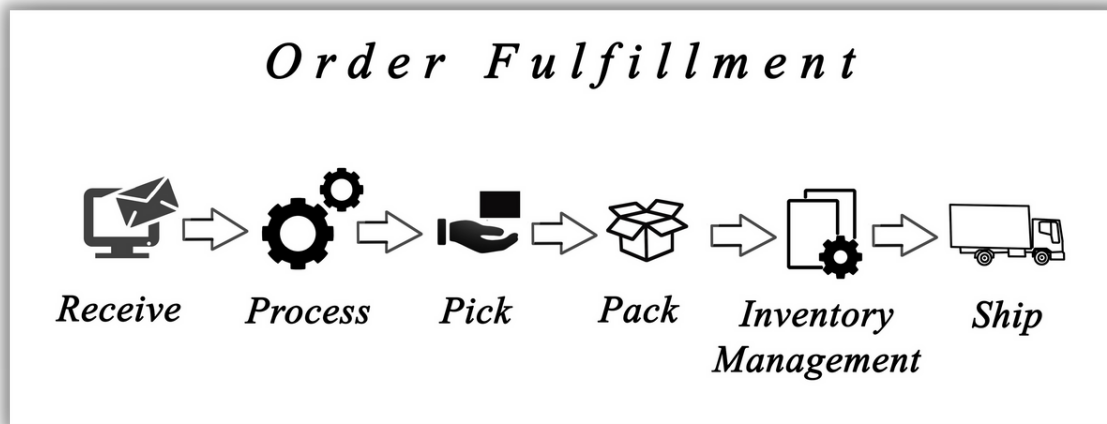
Benefits of conducting E-Commerce include:

- ✓ Sellers have full control over their products
- ✓ Sellers gain access to new markets and new customer groups risk-free.
- ✓ Sellers enjoy easy and affordable market entry
- ✓ Sellers easily increasing brand awareness in new markets.
- ✓ Sellers' products are available to buyers 24/7.
- ✓ Potential to greatly increase profits margins.

Shipping Fulfillment

There are various fulfillment and sales options available when selling products online to ensure a profitable sales margin and risk-free transactions:

- **Wholesale:** Sellers can choose to implicit a minimum sales quantity. This would ensure that products are bought in bulk quantities by B2B buyers.
- **Local storage:** Sellers have the option of storing their products in a local warehouse in the African market that they are selling their products. This would positively contribute to a quick lead time from when an online buyer purchases the product to when it is delivered.
- **Dropshipping:** If the seller is not yet convinced that there is a large market/demand for their products, then the seller can opt to store their products at their own facilities – therefore saving money on warehousing. When an order is received, the seller will then be required to ship the product to the buyer. Depending on the method of transportation – the lead time to delivery could take between 4 – 10 weeks.



Industry Sector Opportunities for B2B E-Commerce in Africa

FMCG

In Africa, FMCG brands have yet to realise the full potential of E-Commerce platforms. Global FMCG brands are increasingly recognising the importance of an online presence to build a closer relationship with their end consumers and improve margins. The online sales channel is proving to be rewarding in terms of building a direct channel to consumers, improving conversion rates, increasing brand awareness and customer lifetime value.

As African countries are implementing the African Continental Free Trade Area (AfCFTA), FMCG brands in Africa can invest in E-Commerce platforms to significantly increase intra-African trade.



Furniture & Office Furniture

Furniture retailers in Africa have been increasingly adapting for the E-Commerce sector. In the South African market, a trend towards more luxury furniture has developed through high-end retailers.

The trend towards E-Commerce makes it imperative for furniture shops to offer online shopping in addition to traditional physical shops in the coming years. At the moment, there are good opportunities for furniture manufacturers to focus on E-Commerce and to address the growing online community in South Africa, Kenya and Nigeria.

In the South African E-Commerce sector, the Furniture & Appliance segment is projected to reach a revenue of € 602 Million in 2021. In the following years it is estimated to grow by a yearly average of 8,8% which would result in a revenue of approx. € 842 Million in 2025.

In Southern Africa, South Africa is the largest furniture consumer, where consumption is approximately € 842 Million. South African furniture imports stand at € 673 Million and satisfy 50% of market demand. Kenya is one of the fastest-growing African economies and national furniture consumption sits at € 505 Million. It represents the largest furniture market in East Africa and is growing by approximately 10% yearly.

Renewable Energy

The African continent offers high potentials for the production of renewable energies. Especially in South Africa and Nigeria, that mainly uses coal to produce power, is unable to always provide electricity to the population.

South Africa presents big opportunities for companies operating within the renewable energy sector with the country's President Cyril Ramaphosa having recently announced that South Africa's private electricity production threshold increased from 1 MW to 100 MW to combat the country's electricity shortage. The reform is expected to unlock significant investment in new generation capacity in the short and medium-term, enabling companies to build their own generation facilities to supply their energy needs.

E-commerce in the Energy segment provides good opportunities to connect with B2B buyers and use Africa's unlocked potential in the sector while growing your own business.



Medical equipment

Many African countries and their developing health systems have long been excluded from access to some of the most important medicines and medical devices. Challenges for African countries in the sector include high prices of originator brands, outdated and inefficient distribution systems, and the high cost cost associated with purchasing the required equipment.

Local E-Commerce marketplaces can help distribute medical equipment to where it is needed. The demand for medical equipment in Africa has always been significantly high, and has become even more so since the Covid pandemic struck in 2019. By listing their products on an E-commerce platform, medical manufacturers and wholesalers will improve their online presence to target markets that they might have previously considered to be too far out of reach.



Cosmetics

The cosmetics industry in Africa has been booming in recent years. It is expected to grow further in the coming years. Overall, the African market for beauty and personal care products in 2018 was estimated at €9.2 Billion and is currently growing between 8% and 10% per, outperforming the global market growth rate of almost 4%.

The Personal Care segment in the South African E-Commerce space alone is projected to reach € 228 Million in 2021 and to grow by approx. 8,2% yearly to reach € 262 Million in 2025.



Agricultural devices and equipment

To add value to agriculture, South Africa imports machinery. The machinery sector is the second most imported product in 2020 with a total import value of \$9.1 billion.

Opportunities are mainly in the exporting of tractors, combines, balers, planters, precision agriculture equipment and technologies, sprayers, soil testing equipment, as well as in irrigation, fertiliser and technology devices to Africa.



Digitalisation in Africa has increased in recent years, leading to the development of agricultural technology, smart farming and agricultural E-Commerce.

In 2020, Kenya was the country in sub-Saharan Africa with the highest number of active digital agriculture services, with a count of 95. Nigeria and Ghana followed with 47 and 45 digital agriculture-related services, respectively.



Conclusion

The key to success is information and expert advice as well as a strategic partnership with a company such as [Enterprise Africa](#). The partner's role includes engaging in active networking that provides sellers with relative market feedback so that sellers have a good understanding of the opportunities as well as the shortcomings of the African markets.

From the perspective of a European manufacturer or producer, who wants to enter African markets by means of E-Commerce, there are plenty of sectors and sector-related product placement opportunities. Africa has long left the infant stages of E-Commerce and with double-digit growth figures combined with innovative logistics- and payment systems offers a national platform conducive and ready for almost any kind of imported product.

While the decision whether to enter the market with an own chain of subsidiaries or to rely on one or more local partners has to be decided individually, the remaining facts speak clearly of an opportunity over the coming years to successfully place new products.

Our B2B E-Commerce sales platform, Enterprise Africa, specialises in marketing high-quality, international products to African businesses and selling them at wholesale prices. With 20 years of experience in African markets, our team understands the needs of international businesses in Africa. Any risk factors are minimised by us to give you an optimal and risk-free entry into African markets.

Become a seller now and list your products on Africa's B2B E-Commerce platform!

For more information on how to register for free, contact our sales team by sending an email to: sales@enter-africa.com

Enterprise Africa - We bring brands to Africa!

