**Tsinghua University Certificate Program on** "Innovation & Entrepreneurship for Digital Economy"



**E-Commerce Project Group Draft**

**Project Group Focus**

**“Impact of E-Commerce on the development of Africa”**



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**Overview of e-commerce in the region**

**Trends and the big players in the market.**

**The growth Mobile e-commerce**

New data shows that the South African online e-commerce market has grown rapidly and is currently estimated at just under R200 billion per annum. Companies such as Takealot, Woolworths and Checkers are all adapting to new consumer habits.

An increase in the e-commerce estimated value indicates how Covid-19 exponentially accelerated the use of e-commerce.

Before the pandemic, e-commerce accounted for 8% of total card payments spent in the retail space, with 35% of the sector being made up by spending on travel and accommodation. At the end of 2021, e-commerce accounted for 14% of total card payments sales, with travel and accommodation only taking up 11%.

“E-commerce has already exceeded our conservative estimates initially published at the peak of the pandemic.

South Africa’s e-commerce market will reach more than R400 billion by 2025 on the back of more than 1 billion transactions per annum, estimated.

Statistics show that total online sales in 2020 jumped by 55% and another 42% in 2021, driven by increased spending in less traditional e-commerce industries.

Online spending on products – other than travel or accommodation – doubled in 2020 by reflecting a 102%increase which saw an additional 39% of growth in 2021,

Transaction volumes remained robust with an estimated 500 million in 2021, up from 200 million in 2019 and 345 million in 2020.

However, people were spending less online with smaller retail and lower basket items gaining traction – the average purchase value of R390 was R60 less than the average in 2019.

“Not all major retailers were prepared for the sudden change, but those that were successful were the ones who would adopt a fast, reliable logistical solution in meeting the delivery demand.

**Opportunities and challenges**

E-Commerce is growing at unprecedented rates in South Africa. Some of this growth has undoubtedly been fueled by the coronavirus pandemic, and while it remains to be seen if the demand will hold up, the expectation is that culture is shifting for the long term.

The increased appetite of South Africans for online shopping has not gone unnoticed by retailers as they seek to offer customers greater freedom and more options to transact. More and more businesses, both small businesses and established retail giants are following the demand and are establishing e-commerce as an essential sales channel.

Also, the rise and rise of mobile and internet penetration is laying the foundation of more day-to-day activities, including shopping, going digital.

For this digital revolution to be completed, however, the players in the market need to innovate and invest in overcoming the challenges that belabor the e-commerce sector in South Africa. Data costs remain incredibly high, residential addressing system is not well defined, and access infrastructure such as internal road and rail system is not up to par. Insecurity also remains high, and many South Africans still have trust issues with shopping and paying remotely.

Once these challenges are met, e-commerce in South Africa should be able to break the ceiling and achieve the immense opportunity it holds.

Key challenges to overcome were consumer trust in the fulfilment of sales where physical products had to be delivered, and logistical solutions to meet spiking demand,”

More market competition

The shift to e-commerce has increased the competitiveness of smaller, independent retailers, who recognise that their client base can be expanded beyond their immediate regional presence.

Despite larger retailers having bargaining power with potentially significantly lower input costs than an SME going virtual, their digital prices are substantially higher since they need to maintain a unique digital offering whilst ensuring data security.

The lure of marketplaces offered by Takealot, Bidorbuy, Facebook Marketplace, and similar solutions have opened avenues for those unable to invest in a professional digital platform to sell their products.

Below are some examples of e-commerce growth among some of the country’s largest retailers:

Takealot

In April 2021, the Naspers group acquired the share capital held by non-controlling shareholders of Takealot for roughly R830 million. As a result, the group holds 100% effective interest in Takealot.

Takealot continued to benefit from the shift to online, growing gross merchandise value by 72% and revenue by 63% for the six months ended September 2021.

“The fastest-growing categories were consumables, home, lifestyle and media,” said Naspers.

The interim financial results for 2021 indicated that third-party marketplace sales on Takealot outpaced first-party offerings, with first-party retail sales growing 15% and third-party marketplace sales by 55%.

Other increases in smaller Naspers e-commerce companies were seen:

•Mr D – As Takealot group’s food-delivery business, Mr D also benefited from the shift in consumer spending to online delivery and saw an increase of 88% in orders.

•Superbalist – The online fashion website saw gross merchandise value increase by 77% despite increasing competition from brick-and-mortar fashion retailers.

Woolworths

According to the unaudited interim group results for Woolworths Holdings Limited, trading conditions earlier in the reporting period [26 weeks ended 26 December 2021] were impacted by the ongoing effects of Covid-19, the civil unrest in July, power outages and international supply chain disruptions, and supplier delays.

Despite this, the South African division of Woolworths saw the following increases in online sales:

•Woolworths Fashion, Beauty and Home – Online sales growth of 19.2%, compared to December 2020, contributing to a total of 4.4% of sales.

•Woolworths Food – Relative to the comparative period, overall sales grew by 15.2%, and online sales saw a significant increase of 55.8%, contributing to 3.1% of its food sales.

Woolworths South Africa stressed that their overall expenses grew by 6.3% due to ongoing investment in online capabilities and higher energy costs. As a global group, Woolworths Holdings Limited saw a 22.4% increase in online sales, thus contributing 13.7% to the Group’s total turnover.

Checkers

Shoprite Holdings as the holding company of Checkers released its unaudited results for the 26 weeks ended 2 January 2022. It showed that Checkers was a key driver for the R2 billion increase in the group’s gross profit.

Regarding online engagement and sales, Checkers Sixty60, the group’s on-demand grocery delivery app maintained its growth, expanding its services to 266 stores [233 stores in FY 2021], said Shoprite.

Pick n Pay

Pick n Pay’s unaudited condensed interim financial statements for the 26 weeks ended 29 August 2021 showed an increase in engagement with the company’s online shopping options.

“Online clothing sales increased 150% year-on-year (for the first comparable month), with the value of online baskets more than doubling those of in-store purchases,” said Pick n Pay.

**Online identity verification**

Mobile penetration in Africa is growing impressively [at about 46%](https://www.gsma.com/mobileeconomy/sub-saharan-africa/) as more people come online for the very first time. In turn, this has increased the market opportunity for startups, especially fintechs and e-commerce, which try to provide various solutions to meet the financial needs of the populace. But to do that, these businesses must carry out certain identity verifications and KYC to combat fraud, among other things. Many platforms power these KYC processes, and one of them, [Identitypass](https://myidentitypass.com/), is today announcing that it has raised $2.8 million in seed funding, months after graduating from Y Combinator. The round also comes a few months after the startup [raised $360,000 in pre-seed investment](https://techpoint.africa/2021/11/09/identitypass-secures-360000-pre-seed-funding-to-change-digital-identity-verification-experience-across-africa/) last November, bringing its total funding to $3.1 million.

Reports say African businesses lose $4 billion annually to cybercrime. The global figure for this occurrence stands at $1 trillion. Thus, the need for fintechs and digital businesses in Africa to perform stringent KYC and verification checks on their customers.

However, for the folks at Lagos-based Identitypass, it wasn’t the love for reducing the high rates of fraud that led them to start the company. According to co-founder and CEO Lanre Ogungbe, the team was initially building a platform that required consumers to use biometrics (face, fingerprints or voice) and cards to make payments. But while developing the platform, they encountered issues performing verification checks. Hence, the decision to pivot.

Today, we have basic authentication using OTPs or a four-pin password, but by starting **Identitypass,** more authentication options into the market need to be introduced.”

**Identitypass** approached various agencies and authorities countrywide to get licenses and certifications needed for authorizing checks across a full spectrum of verification points. It launched with one data point in January 2020. But now, 200 active businesses across fintech, e-commerce, education and mobility connect to 18 data points to verify their customers’ identities on the platform.

**Ecommerce platforms in Africa**

The increasing access to the internet is seeing a rapid emergence of e-commerce sites eager to tap into the continent’s growing online consumerism. The likes of Nigeria, Kenya, and South Africa are at the forefront of this evolution. Companies such as Jumia, a Lagos-based online retailer, are dipping their finger in almost all major markets on the continent, cutting themselves an enviable piece of every pie. Jumia is also among Africa’s best-funded e-commerce sites, having raised US $150 million in funding in 2014. As more people take to the internet to do their shopping, the demand for devices such as smartphones also increases.

Some of the top e-commerce platforms in Africa that are reaping the benefits of the booming internet penetration on the continent:

**JUMIA**

With a mission statement and ethos for connecting African consumers and entrepreneurs to do better business together, Jumia is blazing the trail of e-commerce sites in Africa.

The company is creating a platform where small, medium and large African companies link with their potential market, thus creating a new-age ecosystem that bypasses the middle man.

Launched in 2012 in Nigeria, the site has solidified a footprint in over 23 African countries, with a network of over half a million sellers since its inception. Jumia has managed to create a stellar reputation for being a hub for products and services spanning across the retail, food and hospitality, talent recruitment, concierge and the hotel and catering industries. Apart from servicing the needs of consumers and businesses, Jumia has also been upskilling and aiding employment for many Africans who are qualified in areas such as Engineering, IT and online marketing and web development.

**TAKEALOT**

South Africa’s Takealot is the go-to online retailer for the shopper that seeks a convenient and simplified online buying and user experience. The site has been around for over a decade, having been established in the year 2002. Its broad catalog and variety of products in entertainment gives it an impressionable edge. Customers can shop anything from books to games, computers and TVs.

Part of what makes Takealot an e-commerce success story is that the online retailer strives to provide its customers with the very latest products in the market, coupled with up-to-date product specification.

In April 2017, Takealot scored a significant investment of over US $69 million from Naspers, one of Africa’s biggest digital companies. This came after the online retailer received US $100 million investment from investment firm Tiger Global Management in 2014. Naspers boasts a 53,5% stake in Takealot, while Tiger Global owns about 34%.

**KILIMALL**

Kenya’s largest online shopping mall, Kilimall is relatively new in the e-commerce space but has remarkably managed to create an inter-continental mark since its launch in 2014. The site, now established in other countries such as Nigeria and Uganda, has a retail customer base that continues to boom.

Kilimall is known for providing electronics such as phones, computers and gadgets, stocking top brands such Samsung, Huawei, Lenovo, and Phillips. The site also offers other products such as home appliances, clothes, books, health and beauty products, and more. All its services are accompanied by a 7-day free return policy on their premium range of goods, making it an attractive choice for consumers.

**KONGA**

Konga has come a long way since its humble beginnings in 2012 as a Lagos-only e-commerce site that specializes in baby and beauty care. The online platform has morphed into a major online retailer, often dubbed “The Amazon of Africa.” In 2015, Konga joined forces with leading Nigerian banks to launch KongaPay, a safe and convenient online payment method to tackle the issue of trust in Africa when it came to online payments.

The online marketplace was one of the first in Africa to create a system of payment that was integrated with world banks – an innovation that uses a click system that eliminates the sharing of sensitive information during payments.

With a backing from the South African media giant, Naspers, Konga is now a major player in the e-commerce space. In 2014, Naspers, which has a 50% stake in Konga, invested US $50 million in the online store.

**Customer) experience, automation,AI**

**Ecommerce automation** is software built to convert tasks, processes, or campaigns within your business to automations that intelligently execute exactly when needed. It’s how businesses can do more with what they have. It is about giving your people and yourself the most important thing you can: time. More than that, it unleashes your teams to invest in high value work in our current climate: retraining staff on new fulfillment processes, crisis communications, working out new deals with suppliers, dealing with HR challenges, experimentation, sales and marketing, and product iteration. Automating your eCommerce business is the key to taking much of that weight off your shoulders. With eCommerce automation, you can streamline the repetitive or mundane parts of your business that would otherwise start to consume too much of your time. Ecommerce automations can take a host of different forms like tagging customers for segmentation and marketing, standardizing visual merchandising, streamlining tracking and reporting, and halting high-risk orders. With each workflow, the goal is the same: to simplify tasks.

**Below are some examples of reduced manual tasks:**

· Fulfilments: When an item is ready to be in store, trigger an email or SMS or Facebook message to the customer

· Inventory levels: Unpublish out-of-stock products and send a Slack message or email to your marketing team so they can pause advertising.

**AI in e-commerce**

With AI, eCommerce businesses can automate everything from featuring new products on multiple channels to synchronizing sales, identifying high-risk transactions, offering discounts to loyal customers, etc. Additionally, shifting the burden of answering routine queries to automated chatbots allows eCommerce business owners to focus on more complicated requests.

With the help of AI computer vision, an eCommerce business can identify the behavioural pattern of every customer on the basis of sales generated and the most viewed or purchased items. This data can be used later to attract them back to your eCommerce website. Push notifications are the most powerful retargeting strategy here. These notifications are brief and straightforward, so there's little risk of customers getting annoyed. An eCommerce business can also use personalized push notifications that provide one-on-one communication.

AI plays an enormous role in adding better customer experiences and innovative solutions in the eCommerce industry. Product recommendations, personalized shopping experiences, virtual assistants, chatbots, and voice search are some of the most distinctive uses of AI in eCommerce.

The advantages of gaining insights from customer data collection and then breaking it down can be further enhanced with AI to tailor online merchandising services to the interests and tastes of every customer.

With the help of AI and data collected from customers and businesses, today's eCommerce businesses make informed decisions by using that data more efficiently to forecast future results and adjust their marketing campaigns accordingly.

**Benefits of Using Artificial Intelligence in Ecommerce Companies**

1. More targeted marketing and advertising.

2. Increased customer retention

3. Seamless automation.

4. Efficient sales process.

**AI Use Cases in Ecommerce**

· Personalized product recommendations.

· Pricing optimization.

· Enhanced customer service.

· Customer segmentation.

· Smart logistics.

· Sales and demand forecasting.

**How to Implement Artificial Intelligence into Ecommerce**

1. Create a strategy.

2. Find narrow use cases that are relevant to the overall corporate strategy.

3. Leverage third-party expertise.

4. Build a full-scale solution.

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**Delivery (Reliable & Fast shipping and Sustainability)**

**Payment system)**

**(\*Ecommerce security & fraud prevention,data protection)**

**Solutions**