

Spotlight on Sub-Saharan Africa: The last billion connections—SSA's ecommerce potential

Visa Consulting & Analytics

For the last decade, ecommerce has experienced phenomenal growth rates around the world and isn't expected to stop any time soon. In fact, ecommerce sales are projected to grow to \$7 trillion across the globe by 2024.¹ In this article, we explore Sub-Saharan Africa (SSA), one of the globe's smallest ecommerce regions, but one with high growth potential.

Africa has been undergoing a major digital transformation in recent years as more consumers connect to the internet and subscribe to mobile services for the first time. The percentage of the population with internet access in Sub-Saharan Africa in 2021 was 43 percent while the percentage of unique mobile subscribers in 2021 was 46 percent.²

However, despite rising technological adoption rates, Africa still lags behind the global average of internet (60 percent) and unique mobile subscribers (67 percent) as of the end of 2021.³

The pandemic only accelerated this trend by highlighting the importance of social and economic connectivity amidst restrictions on mobility and movement in the last year. As a result of lockdowns, millions of people in Africa have had to depend on digital platforms for shopping, work, entertainment, education, and healthcare.

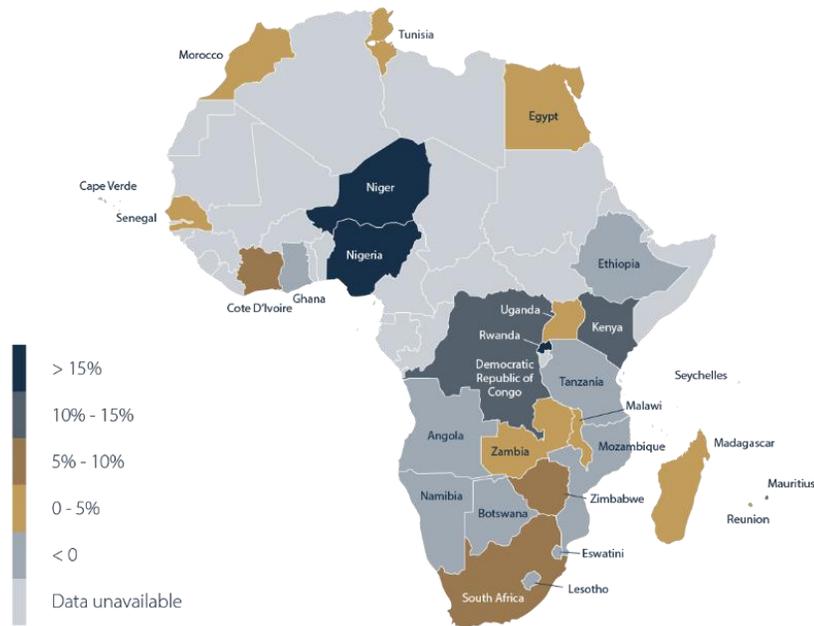
African ecommerce growth in 2020 compared favorably to the increase in online retail sales as a share of total sales in more economically advanced regions, and it was higher than many other emerging markets. Nigeria, Niger, Rwanda, and Mauritius led these gains, followed by Kenya and the Democratic Republic of the Congo.

¹ *The Wall Street Journal: E-Commerce to Total a Quarter of Global Retail by 2024, GroupM Forecasts, December 2020*, <https://www.wsj.com/articles/e-commerce-to-total-a-quarter-of-global-retail-by-2024-groupm-forecasts-11608116401>

² *Internet World Stats* <https://www.internetworldstats.com/stats1.htm>
https://www.gsma.com/mobileeconomy/wp-content/uploads/2021/09/GSMA_ME_SSA_2021_Infographic_Spreads.pdf

³ *Statista: Global Internet Penetration Rate*
<https://www.statista.com/statistics/617136/digital-population-worldwide/#:~:text=How%20many%20people%20use%20the,the%20internet%20via%20mobile%20devices>.

E-commerce sales by retailers advanced across Africa, as the pandemic led to reduced in person sales: (Q4 2020 vs Q4 2019 change in the card not present (CNP) retail trade as a share of total sales)*



*Sources: Visa Business and Economic Insights analysis of VisaNet

The secret to Africa's pivot to greater ecommerce sales was faster growth in B2B sales, which layers online sales onto the existing network of informal retailers in the region rather than supplanting them. SSA's B2B ecommerce platforms thrived because they overcame issues of consumer trust and logistics by working with and tapping into the informal markets, rather than working around these sales channels. This allowed the B2B platforms to provide goods beyond urban areas and well into remote regions.

Cross-border transactions have also played a key role in driving ecommerce. They make up more than half of all ecommerce transaction volumes in SSA.⁴ A portion of these cross-border volumes in SSA come from consumers accessing the rising domestic African ecommerce players across local borders, such as Jumia (Nigeria), Kilimall (Kenya) and Takealot (South Africa). Domestic ecommerce provision in SSA is only just beginning, and it presents an opportunity for SSA to develop its own big hitters in the market and increase the continents' connection to the rest of the world.

⁴ yStats.com Global Cross-Border B2C Ecommerce, 2020

Top SSA eCommerce Merchant Categories (2020-2021)

Top Merchant Categories by Volume	Top Merchant Categories by Transactions
 1. Professional Services	 1. Retail Goods
 2. Discount Stores	 2. Transportation
 3. Business to Business	 3. Discount Stores
 4. Retail Goods	 4. Telecom/Utilities
 5. Education and Government	 5. Business to Business
 6. Telecom/Utilities	 6. QSR
 7. Department Stores	 7. Entertainment
 8. Airlines	 8. Professional Services
 9. Entertainment	 9. Food & Grocery
 10. Lodging	 10. Electronics

Source: VisaNet Sep. 20 to Aug. 21

Economic and demographic factors support the digital transformation

While the pandemic contributed to the acceleration of digital commerce in SSA, the wider macroeconomic and demographic fundamentals are set to support continued ecommerce growth. Household income levels are projected to rise in the near term, with almost two thirds of households in SSA expected to earn \$5,000 USD or more by 2025.⁵

On top of that, greater technological adoption and young, growing populations will provide further impetus for the rising opportunities in ecommerce in SSA. GSMA Intelligence projects the number of mobile subscriptions in SSA will more than double and reach 1 billion connections by 2024, up from 495 million in 2020.

⁵ McKinsey & Company, *Lions (still) on the move: Growth in Africa's consumer sector*. October 2017.

<https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/lions-still-on-the-move-growth-in-africas-consumer-sector>

What role do issuers, acquirers and merchants in Sub-Saharan Africa have to play?

Opportunities for the payments ecosystem

- **Design ecommerce for mobile:** Ensure that customers have a strong UX experience that appears seamless through mobile channels, no matter the often low or intermittent internet connectivity, particularly when it comes to making digital payments.
- **Ensure a variety of payment channels are available:** Payment facilitators are a good potential partner by providing access to digital payments acquiring. Customers want options, so digital payment providers need to respond with multi- to omni-channel options. They need to provide customers with choices that span not only payment instruments, such as cards and mobile money, but multiple channels such as online gateways or SoftPOS/mPOS on delivery.
- **Make cross-border transactions seamless:** Ecommerce in the region is being driven by cross-border transactions. Enable multi-currency options that remove the risk of currency fluctuations and increase the ease of transacting across borders; and ensure access to payment instruments that enable safe cross-border payments.
- **Cater for local:** While global cross-border merchants play a key role, local SSA merchants are on the rise. There is an opportunity to support these players by not only providing digital payments support, but broader merchant value added service offerings.

Consumers quickly shifted to digital channels – and remained there

A survey by Visa in June 2020 found 59 to 81 percent of consumers in South Africa, Nigeria, and Kenya had tried online shopping for the first time for groceries, pharmaceuticals, or food delivery services.⁶ Most consumers surveyed in these three countries were satisfied by their first online shopping experience and said they would continue shopping online even after the pandemic.

“Interestingly, **consumer spending on digital channels in SSA remained elevated even once governments lifted restrictions and people started to venture out and move around more,**” said Mohamed Bardastani, Director at Visa Business and Economis Insights, CEMEA. The average share of ecommerce spending as a percentage of total consumer spending in the post-lockdown period was 1.8 times the average share in the pre-lockdown period in Sub-Saharan Africa.

This suggests that consumer habits may have changed permanently by shifting spending to digital channels versus offline channels.

“We also found consumers in Nigeria, South Africa, and Kenya have increased their usage of contactless cards, mobile payments, and digital wallets as substitutes for cash, because these payment methods were considered safer and more hygienic,” explains Bardastani.

⁶ Visa COVID-19 Impact Tracker, 6,614 consumer interviews and 1,583 merchants across 7 key CEMEA markets

- **Keep the customer at the center of product design:** Digital enables providers to personalize their products at scale; maximizing this opportunity means that providers can create the best customer experience for the emerging digital-savvy SSA ecommerce customer.
- **Go virtual:** Prepaid cards have a strong ecommerce value proposition, but this opportunity can be taken one step further with virtual cards.
- **Ensure strong fraud protection controls aren't impeding growth:** Fraud controls are essential to protect all parties involved in ecommerce – customers should be educated about them so they feel safe spending – but these controls shouldn't stop customers from completing trustworthy ecommerce transactions.