

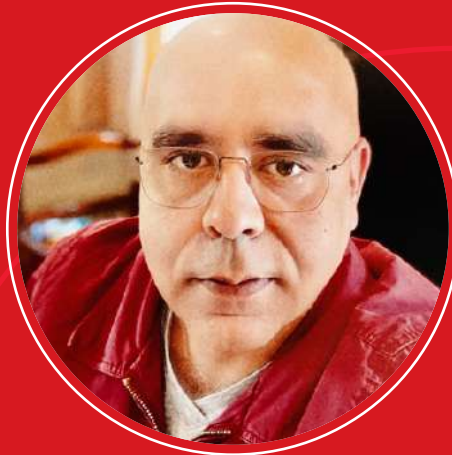
E-COMMERCE

CONVENIENCE OR
NECESSITY IN THE
NEW NORMAL



SCANAD

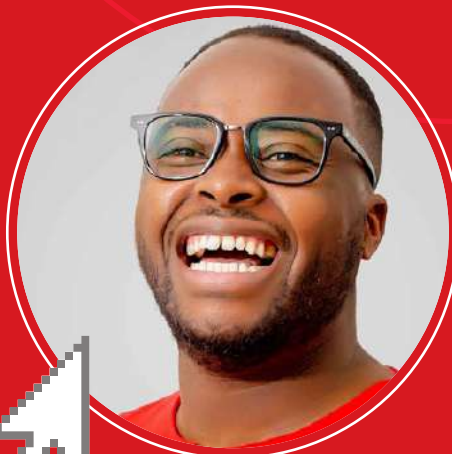
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INTRODUCTION

Could COVID-19 inspire a digital economy in emerging markets?

Can African consumers truly transition from the comfort of physical stores to online platforms?

Are African businesses ready for this shift?

Do they have the logistical capacity to make the shift from brick & mortar?

These questions sit at the heart of this paper as we set out to understand the growth of E-commerce in the New Normal.

Running an E-commerce business in Africa's overwhelmed cities has been a thankless task due to the basic infrastructure gaps and reluctant customer base.

However, the Coronavirus Pandemic seems to be turning the tide for E-commerce. It has rapidly changed consumer behavior towards online channels, and the shifts are likely to stick post- pandemic.

While many companies are challenged to survive in the short-term, the crisis also presents an opportunity for businesses to find an advantage by pivoting and adapting to this new retail normal.



Today, in the midst of this disruption, this report investigates how E-commerce is evolving into more than just convenience.

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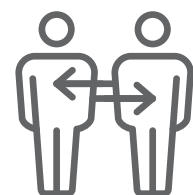
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SECTION 2 RETAIL DISRUPTED

SECTION 3 ACCELERATING SHOPPING

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SECTION 5 THE REGIONAL OUTLOOK



E-COMMERCE IN AFRICA



World Bank Suggests

Economic Growth in SSA will decline from 2.4% to between -2.1% & -5.1% in 2020 as a result of the ongoing pandemic measures. Despite this, Africa stands to make a quick recovery if right policies are implemented.

African E-Commerce

Due to lockdowns, movement restrictions, curfews and other measures taken by various governments, the businesses with minimal presence in E-commerce sector have found themselves FORCED to shift to online commerce out of necessity. Statistics demonstrate that the closure of brick and mortar businesses on the continent has led to a spike in B2C & B2B in terms of value and volume.

Barriers

Poor road network & waning infrastructure in Sub Saharan Africa costs 5X more to ship goods than in the US. Poor digital infrastructure, less than 45% internet coverage across SSA, and minimal cybersecurity capabilities have contributed to slow growth of online marketplaces.

E-Commerce: From Convenience to a Necessity

We all know that for any merchant, (small, midsize or big) an eE-commerce presence is not a nice to have, but a 'must have'. Of course there are several factors that go into supporting this position, like 24/7 sales opportunities, not being limited by geography anymore, data collection, up-selling opportunities, etc. But it isn't so simple. The costs of shipping, inventory management, integration with payment platforms, targeted marketing costs, continuous site improvement, online fraud, etc. all play into making this a daunting task for big merchants, leave alone small sized ones.

The world is however changing for merchants, service providers, shoppers, etc. This new season is an amazing opportunity that has leveled the playing field for big and small.



The Glimmer of Hope

Digital transformation has been accelerated across all sectors. The biggest behaviour change in SSA has been precipitated by COVID-19. It is impacting the way we think, behave, consume, order, communicate, etc. It is the springboard Africa needed to equalise the playing field.

6X

growth in P2P transfer over mobile money in Rwanda (April over January 2020)

264

E-commerce

start ups operating in 23 countries in Africa. Growth of 'Home Economy'

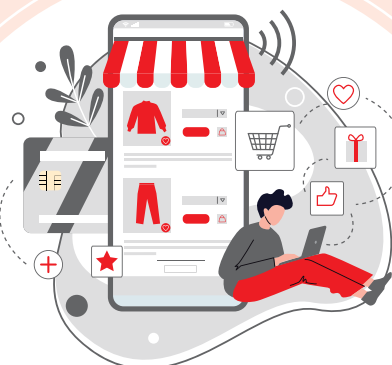
4X

increase in demand by both customers & sellers as reported by Jumia in Q1, 2020 over Q1, 2019.

Launch of
Goby.shop
in East Africa

Flutterwave

Store in West Africa & Facebook Shop are all indicators of significant industry shift on the continent.



It is David vs Goliath but the both operate on four key parameters:

a.
TRUST

b.
SERVICE

c.
EXPERIENCE

d.
PRICE

If the David (in this case small / medium merchants) delivers on the above parameters, there is a real chance that in a post-Covid world we will see a more equitable distribution of wealth, of opportunities and a better world.

Quick Takeaways:

The New Normal - E-commerce is here to stay

The early days of the store closures across the world were full of stories reflecting the imbalance between supply & demand. The 'Just In Time' warehousing & delivery formats got challenged. The rise of David is clearly seen through:

Vivian Flowers
613-228-6967

Vivian Flowers in Ontario, Canada having seen a near zero sales for the first two months & now with the line of VC's chasing equity in the business as the sales have gone through the roof with online neighbourhood delivery.

Naples Beauty

Naples Beauty Salon had to transform into 'order a salon at home' and at Home and has seen sales like 'never before'

YEGOMOTO

YegoMoto, a Smart Transport Solutions Company had to reimagine the business model to be able to provide contact tracing services, shopping services and became a neighbourhood delivery service.



E-commerce surge won't stop

It is now becoming a habit that won't be easy to shake off. Even though people feel safer being outside and in public spaces, the anxiety around stores, especially in developing countries seems to poll very high. A recent report from McKinsey indicated that the shift to E-commerce is here to stay. It might taper down slightly as the panic subsides across the markets, but the huge shift to E-commerce is here to stay.

Rise of New Tech

Contactless payment shift is also quite significant across the globe. With platforms like Apple Pay, Visa, Mastercard, PayPal, Venmo, etc. experiencing 30% plus shifts, the move to mobile money in African markets, new acceptances and services is new services is impacting customer experiences, loyalty & therefore becoming the new normal. Tap & Pay services with NFC environments is becoming the new investment areas for most fintech companies.

Agile, Flexible & Adaptable Ecosystems

Globally, online grocery marketplaces sales jumped 27X Times, home upgrades (office furniture & appliances including laptops / iPads / smartphones) grew 4X, at the start of the pandemic. Who would have imagined? Of course the numbers are fantastic, but there's a deeper message - organisations that doubled their growth were not dependent upon 'the Just In Time' warehousing. They recognised that delivering what your customer needs right now isn't about 'scaling owned assortment'. They took an ecosystem approach and are strengthening their relationship with customers. That's why we are seeing most 'David' companies doing extremely well. These companies recognise the value of their service, their product, their quality and their relationship with their customer; one on one.

Innovations

As people get used to spending longer periods of time at home, they are moving past the necessity phase. The shift being witnessed across the world of E-commerce can only accelerate innovation in E-commerce across industries. Innovation in the form of delivery times (masoko), updating product information (Jumia), utilising ratings & reviews (Glovo / Yego), brands need to continue to provide a seamless informative online experience to succeed during & post COVID world.

RETAIL DISRUPTED

As the Coronavirus pandemic continues to surge across Africa, societal trends related to how we work, learn and shop continue to be disrupted.

A few months ago, shopping malls were teeming with life as shoppers happily browsed around. Today, the mood is dismal with most malls either shutting down or on the verge of it, owing to declining footfall.

Consumers no longer view physical shopping as a joyful experience as it is now, coupled with the risk of contracting the dreadful virus.

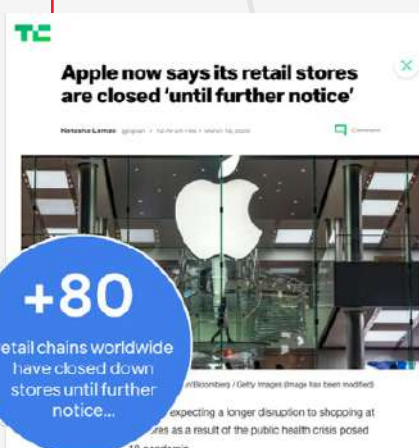
Despite initial fears that the virus would devastate poor African countries, the continent has so far recorded lower infection rates compared to the more developed western countries.

Africa's efforts to combat the virus have nonetheless dealt a heavy blow to economies, with retailers hit especially hard following government orders to shutdown makers and restrict the flow of goods and people.

This sudden shift drove many new and contagion-wary consumers to test out E-Commerce platforms.

“The fact that people could not go out increased awareness and curiosity around online shopping and delivery services. People have become excited about using delivery services and those who did not know about it now know...”

A Nairobi E-grocer says.



LIFE GOES ONLINE

The pandemic has also triggered a growth in internet usage across world, and more so in Kenya.

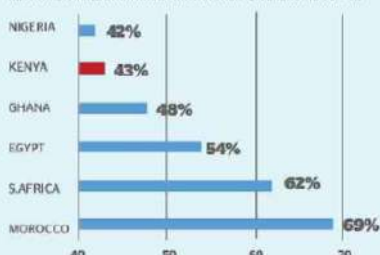
According to a report by Hootsuite, Kenya continues to be a technology hub in Sub-Saharan Africa with 17% social media penetration, positioning Kenya 3rd in Africa only after Egypt 42% and South Africa 37%.

The internet has served as a great substitute for the isolation after the partial lockdown was imposed across the country. News consumption, online shopping, entertainment and remote working have been identified as the top online activities.

Social media has been particularly useful for Kenyans during this pandemic, helping people cope, stay in touch with friends and family, as an educational tool. Top social platforms have registered growth in active usage in the recent months.

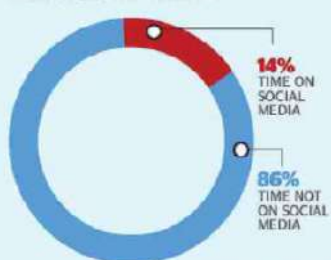
Top countries in internet penetration in Africa

KENYA WAS RANKED 5TH IN AFRICA WITH AN INTERNET PENETRATION OF 43%



Pct of day spent on social media

KENYANS SPEND OVER 3 HRS OF THEIR DAY ON SOCIAL MEDIA AND HAVE UPTO 7 SOCIAL MEDIA ACCOUNTS



SOURCE: DIGITAL 2020 BY WE ARE SOCIAL

Platform growth since February 2020, according to MediaCom



900K
New active users



2M
Conversation volume



16%
Usage growth



16%
New active users

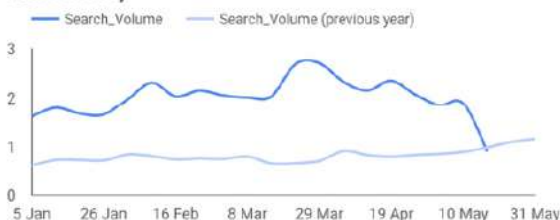
GLOBALLY...

The COVID-19 pandemic has inspired E-commerce growth the world over, and this trend shows no sign of abating. Brands in sectors such as FMCG are seeing rapid increases in online orders leading to a growing range of channels to reach customers through.

Marketplaces such as Amazon & Alibaba have seen exceptional growth, omni-channel retailers like Walmart & Target are expanding their online offering and platforms like Shopify & Instacart have risen in prominence.

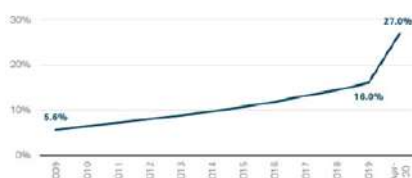
With more people stuck at home, they're turning to delivery to treat themselves. Delivery Apps such as Deliveroo, JustEat, Postmates & UberEats have responded by introducing contactless delivery options. They've also expanded into grocery deliveries due to the spike in demand, announcing partnerships with supermarkets and convenience stores that will allow customers to order a selection of essential foods, cleaning & hygiene products to be delivered to their homes.

Food Delivery



US, e-commerce penetration
% of retail sales

WARC



Amazon

Total net sales reached
US \$75.5bn in Q1 2020

This is a year-on-year
increase of 26.4%

Walmart

74% Growth in Q1 2020

It will partner with Shopify to grow
its online offer
Walmart+ will compete with
AmazonPrime

Target

An increase of
**141% in digital sales
during Q1 2020**

accounting for 9.9% sales growth

Instacart

Became the
**Number one online
grocery platform**

in the U.S in March 2020, surpassing
Walmart

Facebook

**Facebook is becoming
a retail destination**

Shops and firms set up online stores
and are selling goods and services

Shopify

**New stores created via
Shopify increased 62%**

(March 13 April 24) versus the previous
six weeks

Alibaba

Gross Merchandise Value reached
CNY698.2 billion

(US\$ 98.5bn) during the 618 sales
event in China

JD.com

**Transaction volumes
rose 33.4% YOY to
CNY269.2 billion**

(US\$ 38bn) during the 618 sales
event, in June 202

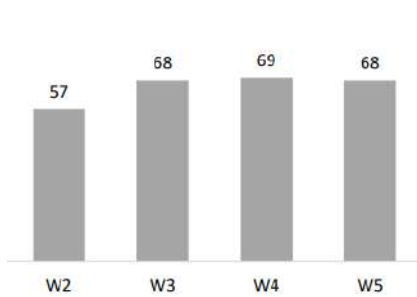
Source: WARC

LOCALLY...

Kantar 2020

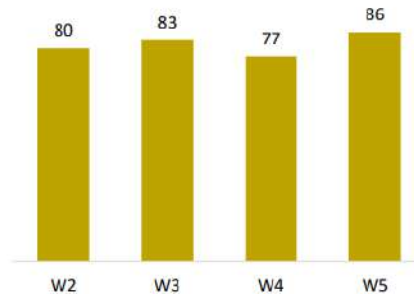
Concerns for the economy continues to grow

... consumers believe it will take the economy a long time to recover



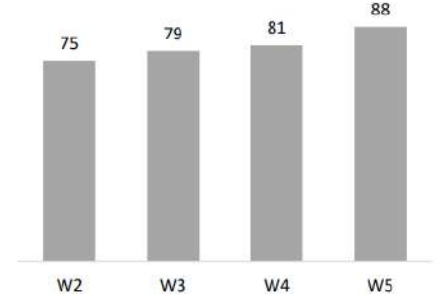
...and the reality of that impact is being felt

...the percentage of consumers whose income is affected by COVID-19 is increasing



...resulting in an increased attention to prices and promotions over time

...more than 80% of consumers pay more attention to price than before



Locally, the disruption has more or less been the same. According to the Kantar Barometer Report, the social & economic implications of the pandemic have changed the shopper's entire context.

Financial uncertainty remains a major concern despite pockets of recovery being seen around the country. This has resulted to an increased attention to prices, as 80% of sampled consumers are reported to pay more attention to price than before.

Brand loyalty is at an all time low and adventure is taking stage as consumers set out to look out for brands that give them comparatively more value.

Online shopping has presented a broad avenue for businesses and consumers to give and find value respectively.

This, among other factors, has inspired the extraordinary demand for online shopping, digital entertainment, etc. We explore businesses that have responded accordingly to this changing retail landscape.

JUMIA & TWIGA

E-commerce giant Jumia and Farm produce aggregator, Twiga have partnered to enable consumers to buy fresh produce from the platform during the pandemic.



Jumia offers Twiga a marketplace and last mile delivery in order to reach eventual consumers. This has enabled Twiga, previously a B2B business, to pivot to a B2C. Through this deal, shoppers will be able to buy pre-packed bundles at 50% less than the average supermarket prices.

Coincidentally, both companies are backed by venture capital from US Investment Bank Goldman Sachs.



SAFEBODA

In Uganda, SafeBoda and other E-commerce platforms have seen a triple-digit increase in business following the outbreak of the pandemic.

By giving market vendors access to the app, it allows them to sell goods while sustaining the livelihoods of 18,000 'bodaboda' riders whose incomes have been affected by the pandemic.

The app's E-commerce platform is the result of a partnership between the United Nations Capital Development Fund and SafeBoda Uganda, supported by the Swedish International Development Cooperation Agency.



ACCELERATING SHOPPING



To truly understand just how much E-commerce has permeated Kenya's shopping landscape, we had a chat with Glovo's newly appointed General Manager, Priscilla Muhia.

One of the most affected industries as a result of the pandemic has been Food & Beverage (F&B). The curfew, movement restrictions and the alcohol ban significantly impacted consumer spending and by extension revenue for F&B businesses

According to Priscilla, grocery spending on Glovo skyrocketed as consumers try to reduce virus exposure while still being able to purchase essentials.



However, she also noted a decline in non-essential goods in segments such as a home appliances, beauty and clothing. This implies that the consumer is prioritizing the purchase of essential goods over non-essential goods given the uncertainty casted over their income.

Source: Kantar Barometer

It's the same script for businesses. The movement restrictions and social distancing guidelines greatly reduced foot traffic to malls and shopping centers.

Businesses were greatly affected by this, and have either had to close, scale down or pivot. The internet has presented a lifeline.

Priscilla notes an increase in businesses (mostly restaurants) signing up on Glovo to reach their customers through online channels.

She makes 5 bold predictions for the future of online shopping and what businesses will have to do to win in this new retail normal:

VOLUME OF BUSINESS

For a business to fully take advantage of their online channels, they'll have to expand the volume of online sales by reaching more customers, and having multiple pick up points.

COST OF DELIVERY

In Kenya, the cost of last Mile Delivery remains high and continues to act as a barrier to customers. As delivery volumes increase, we'll probably see both consumers and businesses begin to optimise costs.

CUSTOMER JOURNEY

Today, online shopping has presented a convenient way of shopping. That also translates to the consumer journey. Users expect to have everything in one place, just like they would offline. It's upon businesses to replicate a similar model even when they go online.

DELIVERY EXPERIENCE AS A BRAND ASSET

Online shoppers are unable to feel or touch a product which makes the wider customer experience vital. To offset the loss of in-store interaction, marketers must provide superior customer experiences. Delivery can now also be an opportunity for creativity and brand experience.

DIGITAL AVAILABILITY

Brands need to plan for digital availability. This means being available in the right digital environments and leveraging factors such as social proofing that can sway consumers.

THE 5 P INVENTORY OF BRAND AND BUSINESS

WARC

Businesses have to review all aspects of marketing for E-commerce, according to David Carr at Publicis Sapient.

PRODUCT	PACK & PRICE	PROPOSITION	PEOPLE	PLACE
<ul style="list-style-type: none"> • Brand streaming and weakness assessment • Do I have any issues with performance or user experience? • Am I launching a new ASIN(s) or a new brand (to Amazon or to the world)? • Who are my competitors in brick and mortar and are they the same on Amazon and E-Commerce? 	<ul style="list-style-type: none"> • Is this pack / product designed and tested for eComm? Cost / shipping considered? Pack and run rate on product figured into the equation? • Am I Amazon Retail Ready? • What is my pricing and promotion strategy vs rest of category and other marketplaces? 	<ul style="list-style-type: none"> • What does my brand stand for? What is my message to consumers? • What is my campaign plan for the year? • Are my messages and images consistent in all marketplaces and all brands? • Can we use the scale and target Walmart and Amazon to ensure 360° and reinforcing our calendar? 	<ul style="list-style-type: none"> • Who am I taking to? • Is it the same person on every platform I sell on? • How and what do they shop for E-Commerce? • Are we using customer data to ensure we message and offer the right things at the right time to the right people? 	<ul style="list-style-type: none"> • Is this an Amazon eRetail exclusive product? • What are the category dynamics on Amazon, Walmart, etc.? How am I addressing trends? • How will this product relate to brick and mortar (if applicable)? • Why would a customer shop on Amazon vs brand.com or Brick and mortar vs click and collect? Where should I focus my efforts?

DEMOCRATIZING ACCESS TO THE E-COMMERCE OPPORTUNITY



When you think of E-commerce, very few names come to mind; globally it would be Amazon, Alibaba, Flipkart and closer to home in Africa it would be Jumia. These are extremely well-capitalized businesses with access to best in class technology, and marketing capabilities. On the other end of the spectrum there are millions of small businesses who are selling on Facebook, Instagram and Twitter. In Kenya alone, there are 2 Mil+ Facebook business pages where small businesses like bakers, grocers, artists are selling their products. They have great products and services but have no access to the sort of capabilities e-commerce businesses need.

Goby was created to democratize access to the e-commerce opportunity, enabling small businesses to sell like a pro. Named after the species of the smallest fish in the world, Goby is an E-commerce enablement platform for the hustlers. Goby allows its users to build, manage and grow their business online. Goby is designed to work for people with little to no technology understanding. All they have to do is to download the app, create their website name, add product pictures, write a short and sweet description and add prices. The

In Kenya alone,
there are
2 Mil+
Facebook
business pages
where small
businesses
like bakers,
grocers, artists
are selling their
products.

e-commerce store gets launched automatically, in a manner of minutes.

Available as an app on Google Playstore, currently Goby is available in Kenya and Tanzania. Available for as low as 300 Kes a month subscription fee in Kenya, Goby charges no commission on sales on the sales of Goby merchants. With more than 6,000 merchants and thousands of orders so far, Goby has seen massive acceleration in growth.

Having your own e-commerce store has significant advantages. For one, you don't have to pay any commission on your sales. Given the tough economic environment, this directly adds to the bottom-line of our merchants. Secondly, our merchants do not have the fear of competing with other merchants on the platform. The competition between merchants on online aggregator e-commerce platforms has been forcing them to give discounts they can't afford. And lastly but most importantly, our merchants have full access to their own customer data who shop from them. This allows our merchants to build customer database and cross-sell new products to them in future.

The COVID environment has dramatically changed the retail landscape. With the store footfall dropping dramatically, thousands of stores have shut down. These businesses are however beginning to evolve into their new avatars of e-commerce shops with a little help from Goby. It's a learning curve for most small businesses as they find their ways around learning the trick of selling well online – using quality pictures, detailed product descriptions, offering special online discounts, etc. And that's where the Goby merchant advisors come in. Their job is to review the online merchant shops and then call and advise them on how to improve shop quality.

So, what does the near future look like for Goby merchants? Goby is launching last-mile delivery and online/mobile payments capabilities for its merchants within August'2020. These capabilities will make Goby a comprehensive, best-in class e-commerce solution. Goby will also be available on Apple App Store and in 5 more countries across Africa. Goby is a testimony that your dreams are valid. Every small business as a big ambition and that's what Goby is there to fuel.



Goby

Available as an app on Google Playstore, currently **Goby is available in Kenya and Tanzania.**

We spoke to Karanvir Singh, the CEO of Yego Innovision Ltd, the company behind YEGOMOTO and YEGOCABS, to gain an understanding of East Africa's digital revolution and the implications of COVID-19 on it.

THE REGIONAL OUTLOOK



What factors do you think have aided East Africa's readiness for a digital economy?

The number one factor has definitely been the prevalence of mobile money and the increasing smartphone penetration. Mobile money saw a 7X increase in transactions during the lockdown period.

The start-up culture has been instrumental to this change, many small, young companies came up with innovative ways to solve indigenous problems; we saw 20-30 start-ups come up with different kinds of delivery and transport services during lockdown, as public transport was partially banned and people

struggled to get food and basic necessities.

Although the start-up landscape in Rwanda nowhere near what Nairobi has, we still have seen a spurt in the number of new start-ups in Rwanda. Again, the fact that Mobile money has been adopted widely, helped these start-ups use mobile money for payments, which lowers the cost of transaction costs and integration time, both of which are important for a start-up's viability.

As an extension to the first question, what has been the experience for YEGOCABS since the onset of the pandemic, have you noted an increase?

Well, this has been dependent on the kind of restrictions that were placed by the Government. When we had a total lockdown, people had no choice, of course, but use cabs. But other means of transport like Moto Taxis simply stopped, while deliveries spiked because people didn't have the opportunity to get out of the house and shop.

But when the lockdown was lifted, the demand for delivery services dropped rapidly, as people ventured to cure their cabin fever. However, we see delivery services slowly coming back up because people now understand the cost-benefit of being able to order from home.

Now, it's probably at 40-45 % of what it was during lockdown. We expect a slow, incremental rise over a period of time, as the services get better as well.

And once people have sampled online shopping, they're past the biggest hurdle...

You're absolutely right! At one point in time, you had to apply for a special permit online to leave your house or to. It was a cumbersome process. So, Covid-19 definitely acted like a catalyst. People who've had a taste of the services would basically prefer it. The main challenge is that most of the start-ups are not well funded and will lose steam and may not survive period of lowered demand.

Additionally, some services are charging a premium which makes them expensive and is kind of self-defeating. Imagine a pizza goes for, say, 7,500 Rwanda Francs. But when you order online, he marks it up by 1,000 Rwandan Francs and costs 8,500. They further charge 1,000 for delivery, so the Pizza ends up costing 2,000 more than if you had picked it up yourself. This short-term price gouging mentality does not build customer loyalty.

What do you see as the main challenges for businesses trying to set up an online channel?

Brick-and-mortar or traditional minimarts and establishments simply don't have the technology or capacity to satisfactorily fulfil orders.

We found that we had to training people, in restaurants and shops, on how to accept orders, have them packed and deliver the correct order to the correct delivery person. This was a key gap that made it difficult to partner quickly with restaurants and stores. We even faced situations where the owners would ask us to provide our people help them handle online orders.

All in all, I think the solution will come together from both sides. If the e-commerce company generates adequate demand, then it kind of forces the shops to say, "If I don't start to work with these guys, I'm not going to survive", and that will bring about the required adjustment in recruitment and training that is focussed on fulfilment.

What do you see as the fundamental elements needs for a business to be successful online?

First, you have to be solving a real-world problem.

A lot of start-ups still believe that, they can survive by giving discounts to customers once they have venture capital money. In the last 2 years, we have heard of more than one company that has burned through their venture capital funds.

If you don't have a viable business model, your business won't last. If you're not solving a real problem, then regardless of how good your app looks or how good your pitch deck is, or how much marketing you're going to do, it's eventually going to die.

Another important lesson is to build your



business one step at a time, rather than trying to say, for instance, “I want to become the Amazon of Africa.”

Even Amazon started with just books, right? Today, you can find virtually everything on their store. While Amazon added categories, they also worked on their supply chain, logistics, fulfilment, customer interaction, recommendation engine, reviews. All of this takes years to build.

Do you think E-commerce has now matured to the point where it's no longer a luxury, but a necessity?

I would turn it around a little bit and say that actually e-commerce now needs to broaden its base and expand to cover all kinds of goods and services even the smaller mom-and-pop shops. Once, that is achieved then E-Commerce would have matured and would become a part of everyone's everyday lives.

In your opinion, what role has social media played in establishing E-commerce in East Africa?

It's a low-cost way of getting the word out. We have many companies that are almost exclusively advertising on Facebook, Instagram and even on WhatsApp groups. But there is so much content on social media, that one needs to be creative and find a niche and stand out. Social media has done wonders for small businesses!

What's your outlook on the future of online shopping and the digital economy in East Africa?

From what I have learnt, the pandemic is not going away any time soon. We have to learn to live with Covid, which means adapting to a new way of life. Since we don't want to get infected, we will be forced to go on-line. In the last 6 months I've even seen elderly people who were previously technology averse, downloading Apps and ordering online.

As more and more people experience the comfort of shopping from home and realize the convenience of going cashless, I believe the digital economy and online shopping will have only one way to go and that is up!



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Google

Google internal data 2019 - 2020

THANK YOU

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