

JOINING FORCES FOR E-COMMERCE

HOW SMALL AFRICAN FIRMS SUCCEED WITH
COLLABORATIVE BUSINESS MODELS



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FOR GOOD

Joining forces for e-commerce

How small African firms succeed with collaborative business models

About the paper

Micro, small and medium-sized enterprises in Africa can tackle e-commerce barriers such as formalization, e-payments and delivery by joining forces through collaborative business models. This paper examines the pros and cons of three models – associations, consortiums and cooperatives – and finds that cooperatives are the most suitable to connect small African firms to cross-border e-commerce.

By working together, these companies can pool their resources, address competition issues and jointly develop new market opportunities online. Governments have a vital role to play by ensuring that business-friendly conditions are in place to enable the private sector to capitalize on these opportunities.

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Foreword

Connecting small firms to cross-border e-commerce matters, because these firms make up the majority of businesses and employ the most workers in the manufacturing and services sectors. When micro, small and medium-sized enterprises become more competitive and do business across borders, it can have a direct impact on more and better jobs, higher incomes and inclusive economic development.

By making it possible for companies to scale across global markets without having to invest in a significant physical presence in multiple countries, the internet has helped small businesses export to an unprecedented degree.

But while we have seen many cases of such micro-multinationals trading internationally from emerging economies, there are still far too few from Africa. ITC's experience across Africa, including in the West African Economic and Monetary Union and in Rwanda, Senegal and Kenya, have shown us the practical difficulties encountered by local firms wishing to engage in e-commerce. We saw how small companies find it challenging to take part in cross-border e-commerce without access to soft and hard infrastructure, market knowledge and e-payment services. Export procedures, customs regulations and compliance with tax, privacy and payment norms present additional burdens.

Despite the challenges, I am optimistic about the opportunities for African e-commerce to flourish. For one, the trend lines are pointing in the right direction. Africa is home to nine of the world's 15 fastest-growing economies. In Nigeria, 32 million people started to use the internet between 2012 and 2015. The rapid adoption of smartphones combined with the world's youngest population means Africa places first in global internet penetration growth, with digital connectivity rising from 167 million to 412 million people in the last five years.

We know that young people are more inclined to accept digital solutions, and with the rise of the middle class in Africa, the willingness to buy online will only increase in the coming years. Women entrepreneurs are also increasingly finding success in going digital, as it often removes some of the gender barriers that offline selling can perpetuate.

Governments have a crucial role to play by ensuring that business-friendly conditions are in place to enable the private sector to capitalize on the opportunity.

But how can the private sector respond and deliver the opportunity for small firms? We believe that by working together, companies can pool their resources, address issues of competitiveness and jointly develop new market opportunities online. This paper explores how the use of associations, consortiums or cooperatives finds new application in the era of e-commerce and adds an incentive for small firms to take part in the formal – and digital – economy.



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