Opportunities and challenges of ecommerce for African SME

Workshop on E-Commerce, Development and SMEs

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The Internet Economy

• $2.3 trillion in 2010 and estimated to reach $4.2 trillion in the G-20 economies by 2016

• $8 trillion dollars exchanges hands globally each year through e-commerce

• In developed countries Internet contributed to 21% of the GDP growth in the last 5 years

• In emerging countries such as China, India and Brazil Internet contributed to 11% of the GDP growth in the last 5 years

• Source: Mckinsey, Internet’s Impact on Aspiring Countries & The Great Transformer: The Impact of the Internet on Economic Growth And Prosperity
E-commerce and SMEs

• Among SMEs, 2.6 Internet jobs for each job lost to technology-related efficiencies

• 150,000 Internet-related businesses start up each year in emerging and developing economies

• The impact of internet on SMEs is mainly on non pure Internet players

• SMEs that use web technologies extensively grow more than twice as much as those that don’t

• Source: Mckinsey, Internet’s Impact on Aspiring Countries & The Great Transformer: The Impact of the Internet on Economic Growth And Prosperity
Successful African E-commerce

- Selling arts and crafts
- Entertainment
- Clones of successful e-businesses
- Diaspora oriented
Opportunities

- Fast growth of Internet penetration in Africa
- Improving infrastructure in Africa
- Africa leapfrogging technologies
- Quickly growing market in Africa
- Innovative payment systems
- E-commerce opens larger, more prosperous markets
- Increasing technical competence
Challenges

• Inadequate policy and legal framework

• Bureaucracy and lack of government support

• Electronic payment systems not developed everywhere

• Lack of supportive industry (ex. Delivery) and infrastructure (ex. Street names)

• Cyber criminality

• Unreliable infrastructure (ex. lack of IXPs)
Conclusions and Recommendations

-E-commerce is critical for SMEs in developing world

-Some windows of opportunity might be closing

-Recommendations
  – Insure that the Internet supports innovation by remaining open
  – Support the trustworthiness of the Internet
  – Learn from best practices to remove barriers
  – Develop supportive industries and infrastructure
Thank you.