Key success factors for e-commerce in LDCs and LLDCs in Africa

The Rwanda case

A presentation to: WSIS Side Event
“Strengthening ICT Connectivity and Digital Inclusion of LLDCs”

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8th April 2019
13 key success factors for e-commerce in LDCs and LLDCs in Africa

- Favorable e-policy and public incentives
- Growing mobile money market
- Developed logistics and delivery services
- Booming FinTech sector
- Online trust
- Innovative e-commerce business models
- Growing stable middle class
- Affordable price and adapted offer
- Minimum internet penetration
- Young, tech savvy generation
Minimum internet penetration

Growing internet penetration in Africa

Africa has the lowest internet penetration rate in the world

Though, the growth of internet penetration in Africa is very fast

Source: Internet World Stats - www.internetworldstats.com/stats1.htm
330,965,359 estimated Internet users in Africa for Nov 30, 2015
3,366,260,056 Internet users in the World on Nov 30, 2015
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SMEs in developing countries face significant barriers when selling online across borders.

- Limited access to online payment solutions
- High logistics costs
- Unfavourable or absent government policies
- Low visibility
- Lack of e-commerce skills and knowledge
- Poor ICT infrastructure
Min-level of retail and wholesale dev.

Leapfrogging – Some pre-requisites

Classic approach of e-commerce growth

Informal sector (Souk, black market, etc.)

Development of retail and wholesale

E-commerce growth

The leapfrog approach of e-commerce growth

Leapfrog effect

Young, tech savvy generation

Developed mobile payment solutions

Growing middle class

Increased mobile and Internet penetration

Consumer mindset (trust, quality, price, cultural change)

Source: ITC analysis
Case study
Rwanda
Marketing objective

Creating an E-Commerce business in Rwanda, and converting B2C consumers from physical stores to on-line shopping
Background

- Extensive consumer research (814 consumers) has been conducted to understand consumer behavior and preferences and assess the potential for e-commerce in Kigali, Rwanda.

- 150 companies in Rwanda are accompanied on their e-commerce journey through a network of qualified coaches selected and trained by ITC.

- Training of 20 coaches to assist SMEs
  - The coaches and companies are trained on topics such as market research for e-commerce, e-commerce strategy, e-commerce content, online marketplaces, online payment solutions, digital marketing and logistics.

- A marketplace platform is being developed – shared by many of the local firms and other marketplaces – to collectively promote and sell their Made in Rwanda products. Non Made in Rwanda product sellers are assisted and promoted collectively for the domestic market under one portal and brand. Partnership with ECOBANK for online payments.

- In partnership with DHL, ITC has designed the E-commerce Service Centre (ECSC), which combines warehousing and transportation facilities with value added services such as a digital photo studio, a showroom, a training centre and a call centre to better serve Rwandan exporters.
  - By grouping together orders from multiple companies into bigger shipments at the ECSC, transportation costs are lowered.
Factors influencing choice for online purchase website

Whereas “Price”, “Trust & Security”, “Product quality”, “Delivery”, “Payment options” and “Brand name” are the most important factors when choosing an online e-commerce website, “Proximity”, “Partner”, “Online customer experience” and “Regular supply of same products” are less considered.
Key challenges

- eCommerce is not only a technology endeavour but first also marketing one
  - Main competition to eCommerce sites: local market (low prices) and international eCommerce sites (Amazon, eBay, AliExpress) for FMCG ➔ Need to be different
  - Buyers: having a relevant offer and changing their human-relation-based purchasing habits (e.g. negotiating, touching and feeling products)

- From the consumer research, Rwandans want both quality and low price

- Rwandans have a low purchasing purchasing power
  - Important to be focused and not to target all customers

- Low level of eCommerce skills
- Low level of trust from buyers in Rwanda is low
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Marketing mix dimensions
Price and Trust – Recommendations

**Price**

- **Everyday low price** as key driver in positioning
- Pricing to be ‘cheaper’ than physical market and online international sites
- Be competitive and **transparent** on the fee system
- **Cost reduction** for enterprises
  - Centralized customer support / call centre
  - Centralized e-Fulfillment centre (ECSC) and last mile logistic solution
  - Common e-Payment solution with low transaction fee
  - Online platform available: Made in Rwanda, for smaller players willing to export MiR products

**Trust**

- Obtain and leverage the endorsement of the **Government of Rwanda**, as a trusted entity by consumers: online vendors should be “certified”/”qualified” to be part of the promoted rule-based eCommerce online vendor portal
- Establish a **rule-based eCommerce online vendor portal** whereby online vendors have to qualify / **conform to guidelines and principles** to be part of it and to benefit from common advantages – Disqualification based on customers’ ratings and reviews
- **eCommerce Foundation’s label** (safe.shop) for international buyers
- **RwandaID** (à la SwissID) and **Single Sign On (SSO)**
- Ensure **privacy of customer information**
- Security system (e.g. SSL) to ensure **safety of transactions**
- Large scale **communication campaign** with the support of the **highest official personalities**
- **Write all the information about the sellers**: name, address, phone number; All sellers should be able to provide invoices and receipts
Marketing mix dimensions

Product quality/offer & Payment options – Recommendations

**Product quality and offer**

- Create a “guaranteed quality label” (by GoR) to integrate the e-Commerce online vendor portal is a MUST for all consumer targets
- “Guaranteed quality” must be key promise in positioning
- Show very clear product content of the product on the site to avoid consumer disappointment: brand, manufacturer, picture, product, features, country of origin, etc.
- Ensure stability and supply of the offer
- Run occasional “promotions/deals” on key ‘high appeal’ products to maintain excitement and drive traffic to the site
- Incorporate sellers’ ratings by consumers and customer reviews on the site, as reassurance of quality

**Payment options**

- ‘Cash on delivery against extra fee’ is a relevant option
- Make mobile money attractive enough (much lower fee) to counterbalance attractiveness of cash on delivery
- Offer one common e-Payment solution with a large variety of payment methods and low transaction fees
- Look at ‘instalment options at no extra fee’ for big items (furniture, household appliances, and so on), subject to terms & conditions (to be negotiated with bank partners upfront): possibility to only offer to consumers with credit cards
- ‘Allowing consumers to pay for somebody else’s shopping (from overseas mainly), in particular through credit card (i.e. through remittance)
- Reasonable transaction cost, safe and secure transactions
Marketing mix dimensions

Delivery & Brand – Recommendations

**Delivery**

- Expected delivery time is **24h**
- Consider offering **same day delivery against extra fee**
- Lead-times can be longer, but they need to be realistic/reliable and communicated upfront (2-3 days still acceptable)
- Consumers should be able to **pick up** their order at Kigali ECSC/e-Fulfilment centre **for free** or at designated **pickup points** across Kigali (new service offering that neither international sites nor local sites have)
- Flexible delivery locations: **deliver wherever** the consumer is: home, work, etc. (service already offered by local sites, which call consumers before delivery to agree on location and time)
- **Consolidation of orders** with friends and relatives in order to reduce delivery fee (culturally relevant, and in line with our concept to offer cheaper prices to consumers)

**Brand**

- Development of a **label/certification** for sellers and maintenance of the brand
- Develop a brand identity for the eCommerce online vendor portal to better promote e-Commerce in Rwanda
- **Strong ATL** communication to establish **brand name**
- **BTL** communication to **overcome barriers** for online shopping
- **Regular communication with consumers** (catalogue, notifications on product arrivals, birthday gifts, etc.)
- **Loyalty program** to maintain regular purchases, specially that most online shoppers today are occasional users
Marketing mix dimensions

Customer service & Refund policy – Recommendations

Customer service

- Develop 3 levels of customer service:
  - **LEVEL 1**: basic information re. existence, companies… (ECSC)
  - **LEVEL 2**: orders, product-related inquiries (ECSC or seller)
  - **LEVEL 3**: detailed product knowledge and usage (seller)
- Follow up of orders:
  - Offer possibility to **track the order online**
  - Send a **notification** on the smartphone when the order is received
  - Send a **notification** on the smartphone when payment has been made, if it is via credit/debit card
  - Proactively ensure follow-up and communication on the order

Refund policy

- “**Refund policy**” is a secondary element
- Keep main promise of “**guaranteed quality at cheaper prices**”, and maintain services to a minimum acceptable to make sure the site is financially sustainable
- **Refund** should be made available **against an extra fee**, in order to discourage consumers
- Seamless **refund experience** and offer acceptable alternatives:
  - Cancel the order request before the product shipment and/or payment, at zero cost for the site
  - After-sales service if the product is damaged or faulty, at zero cost for the site
  - Get a credit/voucher for a purchase for the same amount on the site (consumers in Rwanda not yet aware of this possibility)
Technology and usability

- **Light / fast website**
- **Product content**: high quality photos, good descriptions, products are well presented, detailed product information and specifications
- Site **MUST be accessible via a smartphone** (following mobile eCommerce usability guidelines) and compatible with USSD technology to allow browsing & ordering from a mobile phone for simple transactions

Partners

- Newly created dimension that does not exist in consumers’ mind and is currently not used by local sites
- Obtain and leverage the endorsement of GoR, as a trusted entity
- Partner with a **trustworthy entity for the safety of payment** transaction and **security of browsing and data protection**
- Partner with a **well-known logistics** player to ensure reliable delivery
Marketing mix dimensions

Proximity – Recommendations

Proximity

- Dimension currently not used by local sites and therefore be a key differentiator, especially vs. international sites
- **Dependent on the local and imported offering**
- Cater for the needs of consumers that do not have purchasing power: cheaper pricing, competitive service fee, potentially instalment options for big items, etc.
- First class customer service: offline call centre located in Kigali, accessible in *Kinyarwanda language* at the price of a local call in Rwanda
- **Showroom** and **pickup from Kigali ECSC**