China should help build Africa e-commerce

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Illustration: Luo Xuan / GT

Cross-border e-commerce is key to China's drive to upgrade its foreign trade companies. Africa has increasingly become an emerging market for global cross-border e-commerce given its growing Internet access, rising number of cell phone users and consumers' increased interest in online shopping. But the barriers to the African market cannot be ignored.

First and foremost, Internet security issues are the key factor that undermines consumers' confidence. Given the low educational and economic development level as well as high unemployment rate, African residents do not readily accept e-commerce and cross-border e-commerce and most consumers are worried about online payment fraud. Some cyber criminals impersonate the websites of Africa's leading e-commerce platforms such as Jumia, Kaymu and foreign platforms and direct consumers to bogus sites. The impact of such fraud on the development of e-commerce in Africa is devastating. About 64 percent of African online users lack confidence in the security of online transactions, 77 percent are worried about online financial fraud and 45 percent of users have suspended online transactions halfway due to security concerns, according to media reports.

Commodity credit risks inhibit demands. Given the diverse differences in laws and rules in African countries, a unified credit identification criterion is absent and an international credit management system is not in place, which poses huge risks to cross-border e-commerce transactions. Inadequate supervision of cross-border e-commerce and poor management of customs and commodity inspections, payment and logistics and reverse-logistics add to security concerns. Online shoppers in Africa are mostly social elites who value quality and creditability of goods. However commodity credit risks dampen their cross-border e-commerce demands.

Electronic payment means are limited, which prevents the customer base from expanding. Consumers rely on cash and on-the-spot card swipes for payment given the low penetration of credit cards and e-banks as well as concerns about online payment security. According to a report by IT News Africa in 2015, most Kenyan consumers could not make cross-border e-commerce transactions due to the limited use of credit and bank cards. Among the 42 million Kenyans, only 200,000 credit cards were in circulation with a penetration rate of 0.3 percent, in a sharp contrast to the high penetration of Internet and mobile Internet.

Furthermore, underdeveloped logistics systems prevent the expansion of cross-border e-commerce which requires extended supply chains as well as complicated procedures such as customs formalities, commodity inspection, cross-border logistics and delivery, which increase transaction costs. Instead of adopting widely used logistics models such as overseas warehouse and international logistics specialized lines, cross-border logistics in Africa mostly use a small package model.

Given these challenges, the Chinese government needs to start building supply chains and guiding e-commerce players to enter African markets and tap local potential.

First, the government should orient Chinese business operations toward being fully localized when it comes to building cross-border e-commerce platforms. Chinese firms should be fostered to form strategic partnerships with Africa's local e-commerce businesses.

Global heavyweights including eBay and Amazon have performed poorly in the African market. By comparison, many African countries have viable local e-commerce firms. For example, Cote d'lvoire residents have a deep knowledge of and frequently use Kaymu, which is available across 15 African countries. In Nigeria, online retailer Jumia not only takes the lead in its home market, but is becoming popular in Egypt, Cote d'lvoire, Cameroon and Ghana. In light of this, Chinese firms could mull buying or merging into African online stores to enable their expansion into the African market to be based on the well-received local platforms.

Second, the Chinese government should play its part in strengthening China's cooperation with African governments, telecom operators and international platforms to improve payment platforms. The Chinese government needs to enhance communication with the telecom authorities for African countries and guide Chinese businesses toward venturing into the local markets in a targeted manner. Also, Chinese firms should be encouraged to build closer ties with local telecom carriers, and ramp up joint efforts to develop mobile shopping and payment apps to move the continent's cross-border e-commerce development forward. On top of that, China's e-commerce platforms should be guided toward creating strategic tie-ups with international payment platforms such as PayPal to build the payment network available in the African market.

Last but not the least, Chinese e-commerce businesses should work out smart and flexible logistics systems to ensure continued success. The establishment of special airfreight routes could address the plight currently haunting the African e-commerce marketplace, as it helps in alleviating the pressure caused by heavy inventory loads and also ensures timely and convenient delivery. In addition, Chinese online retailers should push to set up overseas warehouses in Africa to facilitate safer and more efficient delivery services. It is also advised that the monitoring and forecasting should be given more importance in the creation of a logistics systems applied to the African market, allowing local consumers to get a package's detailed location at any time.

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