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E-COMMERCE OUTLOOK

by TR Cutler

Post-pandemic Manufacturers' eCommerce Surge in Africa and Latin America

Emerging markets in Africa and fast-growing markets in Latin America have posted immense eCommerce growth in the post-pandemic period. Consumers in these markets actively participate in global eCommerce and increasingly shop cross-border. To support this increase in activity, new payment infrastructures that reflect native consumers' habits and preferences are emerging in these regions.

Despite the inflationary and supply chain concerns, 2022 has seen a strong, post-pandemic rebound in online shopping as the global eCommerce market is estimated to amount to 13 trillion dollars in value. This online sales increase from emerging markets will contribute 20% to all retail sales in

2022. Local payment methods (LPMs) played a crucial role in supporting the growth of this economic activity by setting a native and stable payment infrastructure to support the demand for online shopping both locally and cross-border.

Frank Breuss, the CEO of Nikulipe and an expert on LPMs and cross-border payments, shared some of these insights for this content.

Sub-Saharan Africa

Mobile payments dominate the sub-Saharan region as a preferred Local Payment Method, with adoption in countries such as Kenya reaching up to 72%. The context is very important — only around 35% of the region's population has a bank account. The estimated transactional value of mobile payments was 701.4 billion dollars in 2021, which accounts for 70% of the world's \$1 trillion mobile money

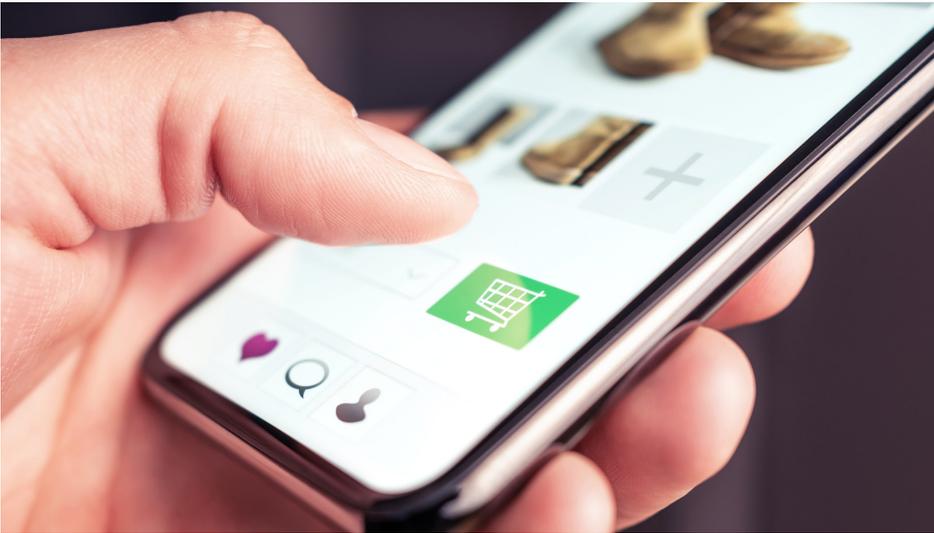
value. Last year in Kenya alone, the transactional value reached 60 billion dollars. Mobile payments have become the norm amongst African consumers as Internet access and smartphone usage in the region are rapidly increasing.

Breuss suggested, "The demand for eCommerce and cross-border shopping is growing in the African region, which means merchants entering the market will have to solve the challenge of catering to the consumers' payment preferences. For this reason, the merchants will have to work together with PSPs (Payment Service Providers) to establish efficient infrastructures including Mobile Payment providers, banks, or the companies which can facilitate access to local LPMs."

Latin America

It is no surprise that the LATAM region transactions are mainly dominated

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by cash and card payments with Visa and Mastercard as the main providers. Some countries in the region have started initiatives to foster alternative payment methods. Breuss noted, “The payment industry landscape of Latin America is quite diverse, but cash and card are still kings in the region. While the unbanked population still relies on their mobile phones and cash to make payments, some countries are working on payment innovations involving Open Banking technology. The maturing payments infrastructure is in line with the growing appetite for international goods, and it is only a matter of time until this market skyrockets to increased eCommerce activity.”

Emerging markets will continue to grow and take a more significant share of the global eCommerce market. Merchants entering the aforementioned markets will have to solve unique challenges by offering native LPMs preferred by local consumers. The preferred LPMs range from mobile payments to online banking and eWallets instead of traditional card payments seen in established western markets. One of the fastest growing markets in the region is Colombia, according to Rafael Atehortua, the country manager for the Manufacturing Media Consortium.

More Africa Data Revealed ... \$33.3 billion in 2022

Africa is shaping up to be the next

hotbed for Internet-based businesses. As smartphones and the Internet become more prevalent in African countries, the population has started to shift towards online shopping. According to the stats available on Statista, the African eCommerce industry is expected to grow at a compound annual growth rate (CAGR) of 24.7% between 2017 and 2024. In 2017, the industry’s annual revenue was just \$7.7 billion, and it is expected to increase to \$42.3 billion in 2024. Thus, the yearly income stands to increase by almost 500% in seven years.

In the last couple of years, the pandemic has also helped the industry, like everywhere else on the globe. Thus, one can also expect the recent surge in growth to slow down in the coming years. In 2021, the African eCommerce industry brought in \$28 billion in revenue. Compared to \$21.4 billion in 2020, the 2021 figure represented a 31% annual increase. As per the report, the annual growth rate is expected to gradually decline to 9% by 2025.

In 2022, the African eCommerce industry is predicted to produce \$33.3 billion in revenue, following an increase of 19%. Next year, the industry will grow by 14.7% to \$ 38.2 billion. In 2024, the annual growth rate will further drop to 11%, with \$42.3 billion in revenue. In 2025, the annual revenue will reach \$46.1 billion on the back of a 9% annual increase.

African eCommerce worth \$46.1 billion by 2025 - As smartphones and Internet technologies become increasingly accessible in Africa, the continent will become a lucrative market for the eCommerce industry. According to the numbers presented by StockApps.com, the African eCommerce market will reach annual revenue of \$46.1 billion by 2025.

500 million eCommerce African users by 2025 - The growth in the African eCommerce industry is primarily down to the expanding eCommerce user base on the continent. In 2017, only 138.9 million people shopped online in Africa. This figure is expected to grow up to 519.8 million in 2024, at a CAGR of 17.9%. It is interesting to note that the revenue growth rate is higher than that of the user base. The eCommerce penetration in the African population in 2024 is expected to be 40%.

Author Profile:



Thomas R. Cutler is the President and CEO of Fort Lauderdale, Florida-based, TR Cutler, Inc., celebrating its 24th year.

Cutler is the founder of the Manufacturing Media Consortium including more than 9000 journalists, editors, and economists writing about trends in manufacturing, industry, material handling, and process improvement.

Cutler authors more than 1000 feature articles annually regarding the manufacturing sector. Cutler has established special divisions including African manufacturing, Colombian manufacturing, Gen Z workforce, and Food & Beverage. Cutler was recently named the Global Supply Chain journalist of the year for the second time in a row. Over 5200 industry leaders follow Cutler on Twitter daily at @ThomasRCutler. Contact Cutler at trcutler@trcutlerinc.com. ■