

How has e-commerce developed?

Globally, the e-commerce sector is experiencing rapid growth. In Africa alone, 335 million consumers were engaging in online purchases on e-commerce platforms in 2021 ([ITA](#), 2021). Projections indicate a surge to half a billion African users by 2025, which is anticipated to contribute approximately US\$180 billion to the region's GDP. Likewise, in Asia, consumers are choosing to use online channels more than ever - not least as a response to COVID-related restrictions on in-person engagement, which made e-commerce a more practical solution for shopping. Asia's e-commerce sector expects an increase in user penetration from 53.3% in 2021 to 68.2% by 2025 ([Asia Fund Managers](#), 2021); enabling the e-commerce market volume to grow from \$1.26 trillion in 2021 to \$2.12 trillion by 2025. In fact, e-commerce activity in Asia has surpassed the Americas and Europe, as the region is expected to project an e-commerce growth rate of 8.2% between 2020 and 2025, versus 5.1% and 5.2% for America and Europe, respectively ([Asia Fund Managers](#), 2021).

Initially, e-commerce primarily targeted affluent populations residing in easily accessible locations, such as large cities, due to challenges associated with reaching remote customers; including lower purchasing power, higher transport costs, and digital connectivity issues. However, there exists an exceptional opportunity today to foster inclusivity in e-commerce and extend its reach to remote, or "last mile", areas, while ensuring all consumers have access to quality products.

The fundamentals required to support this appear to be strong, namely:

- 1. Expansion of mobile internet connections:** In sub-Saharan Africa today, 25% of people use mobile internet, up from 12% in 2015; while in South Asia this number has increased from 20% to 44% ([GSMA](#), 2023).
- 2. Improvements in logistics and online platform technology** which have made both delivery and ordering activity more practical for both the seller and the buyer.
- 3. Rise of social media**, which offers the opportunity to create a virtual shopfront on e.g., WhatsApp or Facebook, and the availability of specialised e-commerce software solutions for the last mile (look them up in the [GDC Digital Service Catalogue](#)).
- 4. Increasing uptake of mobile money by customers**, with mobile money account registrations in sub-Saharan Africa and South Asia growing by 10 to 20% per annum ([GSMA](#), 2024).
- 5. Innovative e-commerce business models** trialled by trailblazing last mile distributors (LMDs), that prove rural, traditionally hard-to-reach areas can be reached profitably.

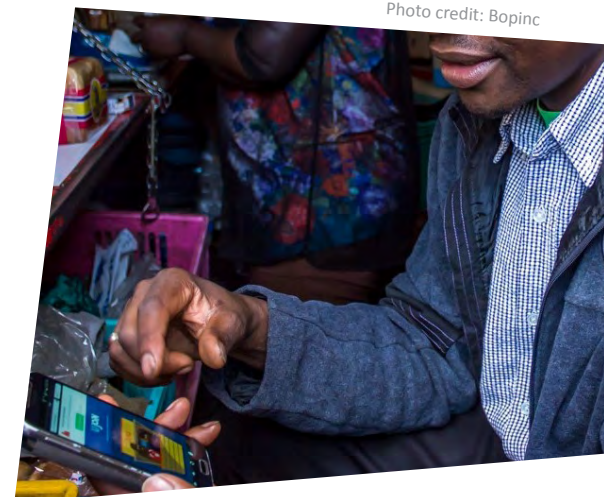


Photo credit: Bopinc

Several generic e-commerce models have emerged, that are not specific to LMDs

Social e-commerce

This is the selling of goods via social media services such as Facebook, Instagram, X (previously known as Twitter), Telegram and WhatsApp. Social e-commerce is most accessible to micro-, small- and medium-sized enterprises (MSMEs) due to there being low barriers to entry in using these channels for commerce. Exclusive use of social e-commerce, especially informally, limits the professionalisation of the business. Much of the sales process in informal social e-commerce may remain manual, from arranging payments to delivering offline.

Marketplace e-commerce

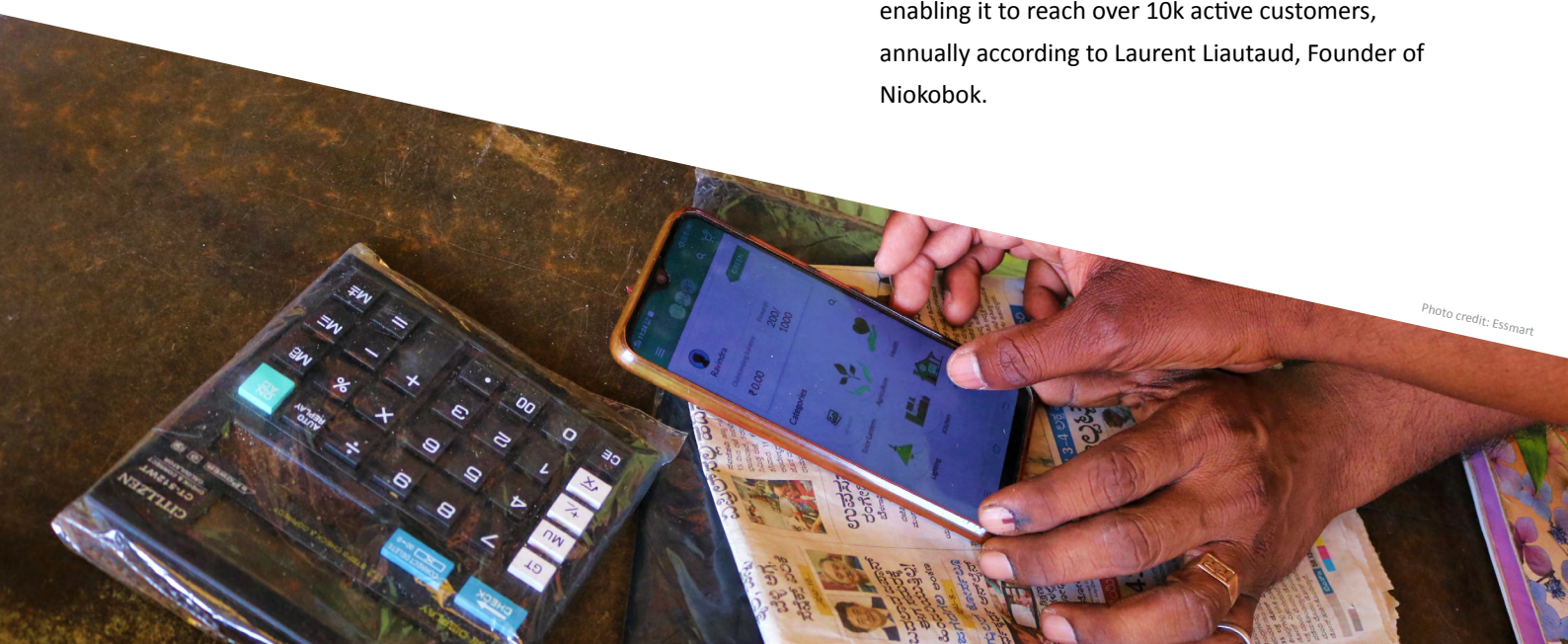
This is the aggregation of large numbers of sellers on a single platform. E-commerce marketplaces digitalise the entire sales process for MSMEs, from receiving orders to processing deliveries. But, this comes at the cost of commission charges as well as decreased visibility with competing sellers. One example of this is [Soko Kijiji Groceries](#), who has been working with over 1,500 small-scale food vendors in Kenya to digitalise their trade activities through an e-commerce phone application.

Adapting own brand or company websites to also function as e-commerce platforms

This helps create unique brand identities and trust with customers but requires more capital and digital know-how than the other models, for example to set up a webshop on Telegram. Open-source software solutions like [WooCommerce](#) and [Shopify](#) have made it a lot easier for smaller companies to create their own e-commerce presence.

Examples of the most successful e-commerce platforms include:

- [Jumia](#), a leading e-commerce company in Africa, which launched its operations in 2012. As of 2023 it serves 5.7 million active customers annually ([Jumia, 2024](#)), and has a logistics network across 11 countries, which includes more than 16 warehouses and over 1,590 drop-off and pick-up stations.
- [Copia Global](#), which has been operating since 2013 in Kenya and now has a network of 50,000 delivery points (through local entrepreneurs), serving more than 2 million customers ([Copia Global, 2024](#)).
- [Niokobok](#), which was created in 2012 to allow Senegalese living abroad to support their families back home by purchasing products for them, delivered to their doorstep. Since 2023, the company has pivoted towards direct online sales and is exploring innovative sales channels, enabling it to reach over 10k active customers, annually according to Laurent Liautaud, Founder of Niokobok.



Is e-commerce a relevant model for last mile distributors?

Last mile distributors (LMDs) are well versed in the difficulties involved in reaching rural or peri-urban customers in a commercially viable way: namely, high logistical costs involved in physically transporting products to customers, combined with customers' low and/or unstable incomes. LMDs already recognise that these customers' aspirations are largely unmet and that the range of products on offer to them is typically limited.

The potential benefits to an LMD introducing an e-commerce platform can include:

- The capacity to provide underserved customers with a broader variety of high-quality products than they would otherwise have access to.
- The facility to sustainably deliver benefits by leveraging both data and field experience to drive sustainability. For example, Copia Global uses a Geographic Information System (GIS) to select the most promising new locations, leveraging market and logistical data to validate the potential market in terms of commercial viability over the medium- to long-term; drawing on their own operational experience in Kenya.
- The opportunity to collect customer data through a digital platform which typically makes subsequent data analysis more practical and helps reduce the risk of human error associated with recording data on paper.

Some of the most successful and well-established e-commerce organisations – such as Copia, Jumia, and Niokobok - are significantly larger than the majority of LMDs that the GDC represents; with more than 75% of GDC members having annual sales revenues of less than US\$500k ([Global Distributors Collective, 2022](#)). They tend to operate in mainly urban and peri-urban areas (Copia Global being a notable exception), with correspondingly high population densities in comparison to the sparser, lower density rural areas typically served by LMDs. The most popular products they sell (e.g., fast-moving consumer goods like food and cosmetics) also require far less customer education and demand creation than the kinds of durable products that LMDs sell, such as solar home systems, clean cookstoves and productive use of energy appliances. [Frontier Markets](#), with over 15,000 social entrepreneurs, has been successful in incorporating much of the traditional LMD product portfolio into their e-commerce offering.

Photo credit: Frontier Markets



What are some of the challenges last mile distributors may face when introducing e-commerce?

Challenge 1: Customer unfamiliarity with e-commerce solutions

Last mile customers are typically less digitally proficient, may lack access to internet-enabled devices and digital payment systems, may face relatively high data costs in some geographies, and may experience low levels of confidence when switching to online purchases. This can be particularly true for groups that have been traditionally marginalised, including women and girls and older consumers. [Upaya](#), an online delivery service in Nepal, recognises that, while people have generally become more confident about the service provided by e-commerce retailers since the COVID pandemic, [sustaining this confidence has not been easy](#). Many of their customers still prefer seeing the product at a physical store, where they can touch it.

One response to this challenge is to involve intermediaries who can help customers overcome their lack of digital experience and alleviate any fears or lack of trust they may have in e-commerce platforms.

Two options for leveraging local agents (some e-commerce companies use both) include:

- **Cash payments to local agents:** According to Hystra, Jumia boosted sales in smaller cities by adding local agents who accept cash payments upon delivery, which helped overcome customer distrust of digital payments. Only 8% of their orders are prepaid, while the rest are settled with cash or mobile money after delivery.

- **Sales agent-assisted online purchases:** GDC member [Econome](#) found their customers were unable to navigate through e-commerce apps without support. Econome sales agents would therefore bring a smartphone and tablet to the customer and guide them through the company's catalogue on a bespoke app, placing an order on the customer's behalf. Read more in their trailblazer story, below.

An alternative to leveraging an agent to increase trust in new technology is to initially introduce a more familiar electronic channel before adding a mobile app. Copia Global initially relied on traditional methods like WhatsApp and SMS to build trust with consumers before transitioning to a bespoke mobile app. This move catered to the growing smartphone use in Kenya and improved user experience. By making their app free and addressing data costs, Copia emphasized inclusivity and expanded its user base. Incorporating digital marketing and social media further widened its reach and improved customer acquisition and retention.

Photo credit: Practical Action



Challenge 2: Local logistics

As LMDs will be aware of from their existing experiences, last mile customers tend to live in locations that experience unreliable delivery services and prolonged delivery times and suffer from poor local networks and infrastructure. This can be made more problematic in scenarios where there is also a lack of street names and numbers.

Some e-commerce companies (both LMDs and non-LMDs) partner with local third-party logistics firms (3PLs) to overcome this challenge. This may be as simple as working with a member of the local community who has a motorbike, or it may be a more sophisticated solution. For example, GDC member [OX Delivers](#) offers a transport-as-a-service solution to entrepreneurs in locations where there is poor road infrastructure and low access to capital, using a fleet of purpose-built trucks.

Accurate, timely service delivery is a critical success factor for e-commerce players, so implementing a consistently reliable solution is vital. 3PLs are often better placed to provide such a service than more formal, larger scale distributors as they are more likely to:

- Understand and speak the local languages
- Know the best local routes, particularly during challenging weather conditions
- Be familiar with community members

For LMDs interested in exploring e-commerce and thinking about outsourcing the delivery and/or logistics to a 3PL, it will be important to consider the extent to which the selected 3PL can operate with a sufficiently high level of formalisation. For example, do they provide the level of documentation (such as delivery receipts) that would be required of a formal logistics supplier? Do they have appropriate levels of accountability to ensure consistently high levels of service delivery? LMDs will also need to consider what impact the related costs have on the unit economics of the products on offer.

LMDs which already deploy an effective fleet of delivery vehicles may wish to consider how the addition of 3PLs to their logistical toolkit might provide supplementary, flexible resources to help manage peak demand periods; for example, when demand among rural customers (who are so often involved in farming) rises during harvest seasons.



Photo credit: GDC

Trailblazer story

Frontier Markets

“Led and anchored by our Saheli champions, our e-commerce pilot facilitated access to multiple products and services, bridging the accessibility gap and boosting their incomes.”

About the company

Frontier Markets is India's leading rural social commerce platform, offering an essential last mile connection to rural households, working with and for women. Leveraging a community of women entrepreneurs, Frontier Markets aims to provide gender-inclusive, quality products and services to the rural Indian communities they serve.

Why did Frontier Markets introduce e-commerce?

Frontier Markets saw an opportunity to provide customers with a more accessible online channel through which they can purchase the products they need, while at the same time continuing to leverage their face-to-face distribution network to learn and maintain increased awareness of customer needs and dynamics.

How did Frontier Markets introduce e-commerce?

Frontier Markets invested in a community of rural, women digital entrepreneurs supported by a comprehensive digital platform: [Meri-Saheli](#).

These entrepreneurs were trained to:

- Collect household data via the digital platform to help Frontier Markets better understand its customer base
- Create demand for products (including clean energy, agriculture, payment services and health products) through in-person demonstrations
- Facilitate access to these products by using the platform to showcase products to customers.

Frontier Markets' Meri-Saheli platform integrates all services in a single-entry point to help facilitate training, collect survey data, and conduct awareness campaigns. It is also an end-to-end marketplace, from lead generation to fulfillment, all with real-time data management.

Key learnings

Frontier Markets felt it crucial to ensure the women entrepreneurs in their network earn a real income by using the platform; in this case, through both the data collection activities and commissions on sales. In this respect, it's important to keep a close watch on churn in the agent network, as this is one indicator of whether the offering is creating meaningful value for them.

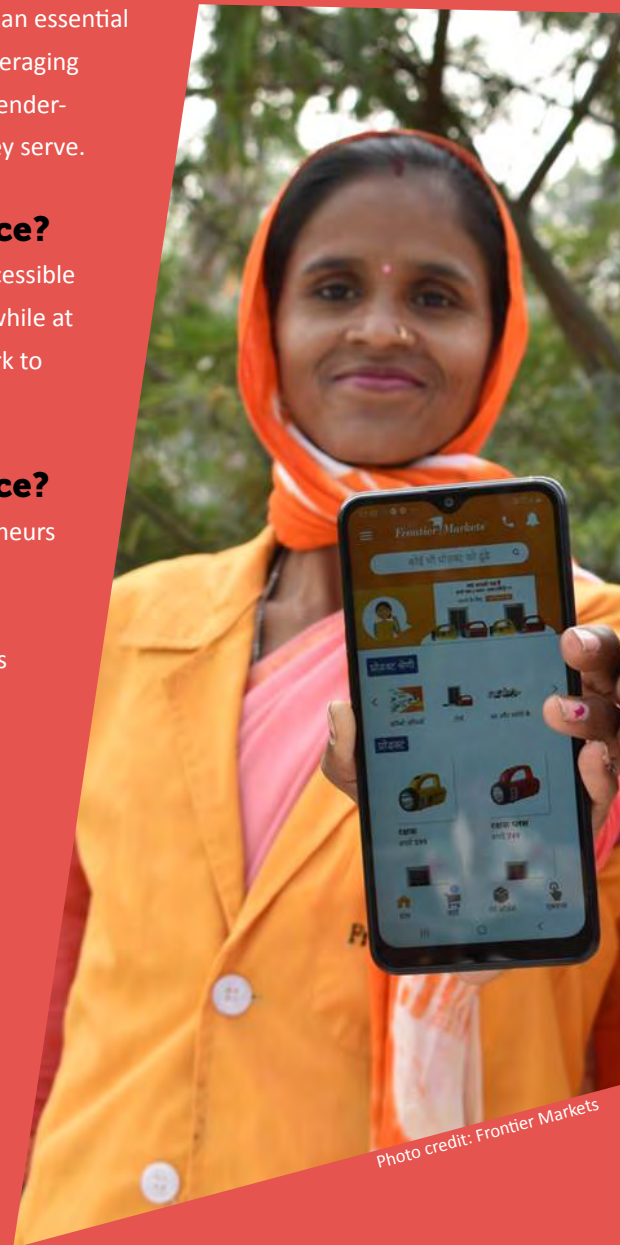


Photo credit: Frontier Markets

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Trailblazer story

Econome

“Our venture into e-commerce was about finding a way of digitally connecting rural customers to modern goods. Yet, use of smartphones and digital literacy is not universal – particularly for the older demographic and rural consumers.”

About the company

Econome offers affordable financing for a range of energy access products that increase productivity and savings for rural consumers in Kenya.

Why did Econome introduce e-commerce?

Econome recognised that their rural customers lack access to the products they need, due to their low incomes and inability to secure the financing needed to purchase products. Seeing an e-commerce channel as potentially helping to address these challenges, Econome chose to integrate with Sevi's 'Buy Now, Pay Later' app for smartphone sales, which offers flexible repayment options for customers and is integrated with the WooCommerce payment plugin to create an online shop. The GDC helped design, develop, and finance the pilot of this e-commerce solution.

Key learnings

While it presents an opportunity to reach more customers, developing a digital platform can be time consuming and expensive. Econome found their customers had a low level of digital literacy and were unable to navigate the e-commerce app without support, so they worked with the Sevi app developers to make sales agents (rather than the customers themselves) the primary users. In this model, the Econome sales agents sit with customers as they look at what's on offer on the app and generate an order on the customer's behalf. Econome also learned they needed to factor mobile money payment costs into the unit economics of the products sold through this channel. From a partnership perspective, a key learning was the importance of each partner to focus on its core competencies and to maintain a high level of communication prior to and throughout implementation.

Photo credit: Econome



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GETTING STARTED

Assessing the opportunity for your company to explore e-commerce

LMDs considering whether to introduce e-commerce should think carefully about what they want to achieve. Are they looking to reduce their operational costs, to increase their reach to a new market segment, to improve data collection through the digitalisation of a stage or stages of the sales process – or, perhaps, some combination of these benefits? Ultimately, LMDs thinking about whether to add e-commerce to their sales channel mix should start by considering whether there is a sufficiently strong business rationale to do so, asking themselves the following questions.

Is my business rationale sufficient and clear?

- Will I reach new market segments?
- Will I enable my existing customers to access more/different beneficial products?
- Might I inadvertently alienate a segment of my target market, e.g., women or older consumers, who may not have access to or feel comfortable using the technological device(s) required to leverage the e-commerce channel? What measures can I put in place to mitigate this risk?
- Will I be able to cross subsidise the lowest income customers?
- Will I reduce customer acquisition costs?
- Will I reduce operational costs?
- Will additional revenues gained from this activity be sufficient to offset the ongoing operational expense?

Is my business model cost effective?

Should customer acquisition be managed online or offline?

- Is the target customer base sufficiently comfortable with the technology they will need to use to access the channel?
- Does the product on offer rely heavily on an in-person demonstration? Could online product demonstrations (e.g., via a virtual call or pre-recorded video) provide a sufficient substitute for in-person activities? Is such an alternative solution also practical?

Should I build my own platform or leverage an existing one?

- Does the commercial upside from this opportunity outweigh the costs of delivery?
- Do I have ready access to cost-effective human resources familiar with the tools, systems, and processes required to develop a platform?

Should I manage payments and logistics myself or outsource these to a partner?

- Does the product require installation?
- Does the product require consumer credit?

While many LMDs might not intend to become a full-service e-commerce company, given the persistent challenges in their markets, they could instead consider which elements of the sales and delivery value chain – e.g., marketing, customer acquisition, ordering, payment, delivery and installation are most appropriate to digitalise, e.g., many LMDs (Frontier Markets is a notable exception) are likely to select one or more of these functions to digitalise, based on their own specific capacity and the available opportunities, while maintaining other functions “face-to-face”.

Does e-commerce offer a promising future to LMDs?

There is undoubtedly potential for e-commerce to foster inclusive economic growth, and the building blocks are in place for it to become a valuable sales channel in a variety of locations, including at the last mile.

However, to add an e-commerce sales channel to an existing distribution network requires available capital, alongside a high level of logistical and operational expertise and sufficient organisational bandwidth. It should not be overlooked that the e-commerce players who have demonstrated success so far are relatively large compared to most LMDs, which may suggest the resources required to add an e-commerce sales channel are currently beyond the reach of most LMDs.

LMDs may choose to digitalise specific parts of the sales process or form strategic partnerships with established e-commerce platforms that are yet to serve harder to reach customers, since LMDs have strong, pre-existing local agent networks that are ripe to reach more rural and peri-urban communities. However, to accommodate the partner's costs while avoiding an increase in product pricing, LMDs will need to anticipate a reduction in the gross margin earned and reflect this in the relevant unit economics calculations. The potential synergy of partnering with established e-commerce platforms represents a promising avenue for LMDs to play an additional role in driving inclusive growth in Africa and contributing to the socioeconomic development of underserved communities across the continent.

Opportunities to pursue your e-commerce ideas

- Listen to CEOs from leading companies on how to make e-commerce more inclusive in [this 2023 GDC webinar](#), delivered in partnership with Hystra and British International Investment.
- Look up e-commerce software solutions in our [GDC Digital Services Catalogue](#).
- Check out [UNCTAD eTrade for all](#), which offers courses and opportunities for small businesses wanting to start with digital commerce. UNCTAD organises recurring events on the topic, such as its E-commerce Week, and they have an [e-commerce impact measurement working group](#).
- Take a look at GSMA's resources, including annually updated data about the state of [mobile internet](#) and [mobile money](#) adoption across regions, which could help you assess the market readiness for e-commerce.
- Learn how Frontier Markets leveraged e-commerce to improve [the performance and impact of women sales forces](#) (Hystra, 2022).
- Explore how Jumia used e-commerce to add [online marketplaces across secondary cities](#) in Côte d'Ivoire (Hystra / Bopinc in partnership with BII, 2022).

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Innovation Spotlight

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Practical
ACTION

