

# E-commerce could challenge bricks and mortar retail in Africa

E-commerce has a bright future in Africa, according to Sascha Breuss, Managing Director at South African online fashion retailer Zando.

By [Kate Douglas](#) 3 Jul 2014



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Speaking at [Source Africa](#) - a pan-African textile and clothing trade event recently held in Cape Town - Breuss said e-commerce will make up for the lack of modern bricks and mortar retailers in many African countries.

"Lagos today has a population probably between 20 million to 25 million people ... and they have two malls he said, making a comparison with Cape Town that has around 10 larger shopping malls that serve a population of under four million people.

Furthermore, traffic congestion in cities like Lagos, Cairo and Nairobi can make shopping a hassle. Breuss said he is not exaggerating by saying that it takes around four hours to travel the short distance from the airport to the city centre in Lagos.

## Top online retailers in Nigeria

Two of the top online retailers in Nigeria are Jumia and Konga. Both companies sell a variety of products from mobile phones to fashion.

According to Breuss, Jumia is currently Nigeria's biggest retailer, a status it achieved after being in the market for just two years. "So e-commerce is already dominating this country."

Zando and Jumia are part of Africa Internet Holding. The group also owns a number of other online properties in Africa, including real estate portal Lamudi, hotel booking site Jovago and vehicle marketplace Carmudi. Jumia has also expanded to Egypt, Morocco, Côte d'Ivoire and most recently Kenya.

Both Jumia and Zando want to sell more locally-made products to reduce the challenges and costs associated with importing goods into countries like Nigeria.

In South Africa, Zando has introduced its own private fashion label, and only around 25% of its products are international brands.

Jumia and Zando's free returns policy allows customers to try on garments in the comfort of their homes. According to Breuss, the number of returns the companies receive are relatively low.

"In terms of our return rate, I cannot share that number, but I can tell you that using the international benchmark - if you look at our sister companies in Europe and Asia and elsewhere - it is tiny... significantly lower than what we expected when we came here... specifically in South Africa but that applies to all Africa countries."

## **The rise of e-commerce in Africa**

According to a report by McKinsey & Company released in November last year, e-commerce will open up new shopping experience for Africa's growing middle class.

"By 2025, it could account for 10% of retail sales in the continent's largest economies, which will translate into some US\$75bn in annual revenue."

While McKinsey estimates that just 16% of the continent's one billion people are currently online, this number is expected to grow considerably over the next few years.

"Despite a slow start, Africa's digital development is now accelerating," states the report. "As the continent grows more connected, it is already producing innovative web-based applications and dynamic new business models. For now, the internet in Africa remains a wide-open space where companies can capture large opportunities if they move rapidly and decisively."

McKinsey's research also indicates that more than half of urban African consumers already have internet-capable devices. Africa's smartphone penetration could reach 50% in leading countries and 30% overall in the next decade, spurred by the introduction of low cost devices.

Breuss said growing smartphone penetration will play an important role in e-commerce on the continent, as it leapfrogs fixed-line internet infrastructure that is vastly lacking.

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