

## Marek Zmyslowski on plotting a realistic e-commerce growth strategy in Africa

Enthusiasm surrounding e-commerce in Africa is arguably at an all-time high, driven in part by the consumer shift to online as a result of the Covid-19 pandemic. However, investor and serial entrepreneur Marek Zmyslowski urges businesses to employ a more level-headed approach to mapping e-commerce growth on the continent.

 By Lauren Hartzenberg 23 May 2021

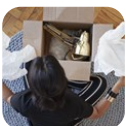


Marek Zmyslowski

Polish-born Zmysłowski is the co-founder and former CEO of Jumia Travel, and has been involved in numerous online ventures in emerging and frontier markets. Having driven the development of Jumia's travel business for four years beginning in 2012, working in Nigeria, Zmysłowski witnessed the advent of e-commerce in Africa, or more specifically the early rise of Jumia, today dubbed 'the Amazon of Africa'. The company became the continent's first unicorn in 2016, when it was valued at over \$1bn.

Zmysłowski reflected on the early days of Jumia – then backed by Rocket Internet – during last week's PayFast eCommerce Virtual Summit.

“Back then I think the perception was clear: when it came to e-commerce, Africa seemed like the last uncharted territory. Rocket Internet was successful in Europe, Amazon was doing amazing things in North America, and Alibaba was winning Asia, so there appeared to be space for one more player of that sort in Africa.”



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The plan was for Egypt to be the hub for North Africa, Nigeria to be the hub for West Africa and have Kenya be the hub for East Africa. However, misconceptions around market growth and mistakes related to the overall Jumia strategy led to a few teething troubles, Zmysłowski said.

The company started out with seven separate online verticals, covering everything from fashion and electronics, to classifieds, ride-hailing in the form of Easy Taxi, and the online travel division then called Jovago, which Zmysłowski headed up.

The Jumia we recognise today is essentially the product of a merger of several verticals, and the addition of a few more services like digital payments.

“We had seven different verticals, assuming that the market would grow fast enough for each vertical to make sense. We looked at what the biggest business models were online in other markets ... We thought that each vertical would expand very fast across Africa and we would expand our own verticals. But the market didn't grow as planned.”

A key mistake, Zmysłowski said, was to base the company's growth strategy on markets like the US and Europe. Jumia was fixated on how US and European startups were growing, instead of mapping the growth of startups in India or China instead and learning from that.

“If we looked early enough we would have noticed the emergence of super apps like WeChat. After time we realised we should go the Asian way more than the western or European way in how the business is developed, which is why Rocket merged all those [verticals] into one 'super platform', and added JumiaPay on top of it. The financial solution was a key missing part and it's so crucial in Africa, while that was never the case in Europe. Then things really started growing.”

In a similar vein, Zmysłowski explained that consumer behaviour differs vastly in Africa compared to more developed markets. Careful to not generalise user behaviour across a large continent like Africa, Zmysłowski said that broadly speaking the reasons Africans opt for e-commerce are different from what draws people to it in the States or in Europe.

“When you question why users [abroad] went to e-commerce so rapidly over the last 20 years, the convenience factor would be very high on the list. In Africa the speed of delivery is important but it was never the case because the infrastructure was always a problem. African users who moved to e-commerce did so because of price, not convenience.

“So the approach to building e-commerce in Africa needed to be different simply because the reason to switch from offline purchases to online purchases for a typical Nigerian/Kenyan was much different than for a typical German or French person,” he said.

## Adjust your time frame

Sharing his views on the future of business growth in Africa, Zmysłowski said that he's bullish about e-commerce on the continent, but growth may not be as rapid as many expect, and a more realistic time frame in terms of market growth would serve businesses well.

“Besides fintech, I think any other sector related to tech will not grow as fast as everyone wants. First, we assumed the market would grow like it did in the US and Europe. Then everyone overestimated the growth of African economies – we expected them to be stronger, and for typical customers to have more purchasing power.

“And then Covid happened. I would say that out of all the continents and economies, the economies around the African continent will be the ones that will suffer the most. So I would, unfortunately, say that an additional five years should be added to how we look at future opportunities because I think Africa will be hurt the most and for the longest.”

He added, “I'm always looking at the next 10 to 20 years, but for those expecting big results in the next five years to come I think you may need to ride this out for a while.”

E-commerce will be crucial for Africa, but I don't think we'll have a clear Amazon model like there is in the States simply because it's just too easy right now to import stuff from China or the States. In many countries in West Africa, it's sometimes cheaper and faster to order something from Alibaba than the local e-commerce business.



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## How smaller, local companies can get ahead

Zmysłowski said that for local e-commerce players across Africa, he believes the opportunity lies in specialised localised services.

“I think the focus will be on the hyper-localised e-commerce offerings like grocery deliveries in under 60 minutes. When it comes to electronics and fashion I think the big players will take over simply because by the time we solve intra-African logistics the international players like Amazon and Alibaba will solve their international logistics to an extent that it will be much faster and easier to order something from them.”

For small and medium-sized e-commerce businesses specifically, Zmysłowski's advice was to find a niche and focus on expansion.

“The play for the smaller businesses is to go after niche markets where the margins are still high, because it’s difficult to increase your profitability by increasing your scale. Only the biggest guys can afford to build profitability based on, for example electronics, which is such a tiny margin game.

“The good thing about Africa is that it’s very urbanised, so if anyone has money to buy your products they’ll live in [the main] cities, which means the logistics is doable. Be more aggressive when it comes expanding across countries, because it’s really just expansion from city to city, there’s no need to cover a whole country.”

Zmysłowski concluded, "I'm bullish about e-commerce in Africa, but you must have the right time frame."

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