

# Challenges and Opportunities of E-Commerce in the African Market: A Case Analysis of Amazon.Com

**Dada I. Lemi**

Graduate faculty of Business Administration, University of the People, Pasadena – California, USA.

## Abstract

E-commerce has grown to be one of the most significant global business drifts over the last few years. The ongoing e-business transformation is supported by the advancement in technology, big data, and analytics, and artificial intelligence (AI) offers broader opportunities for improved, data-driven decision-making (Leonardi, 2020). The enrolment of the Internet of Things (IoT) including smart and connected devices that create interactive performance as well as manage data makes a business agile today. The connected global ecosystem has created many benefits including virtual trading (e-commerce) and taking advantage of these is going to generate a competitive edge for businesses that operate in the global space. The technological advancement and industrial revolution allow for better, cheaper, and faster production and global business networking. It is transforming the way businesses are conducted, and producers and consumers (customers) including suppliers engage and interact in e-commerce. The potential for the rapid growth of e-commerce in Africa offers compelling opportunities for private and public sectors in the continent e.g. enhancing governmental agility and performance, lower cost of production and supplies, increasing flexibility and agility, opens up wider scale and scope of products and services, increases transparency and accountability as well as speed up business transactions across the world.

**Keywords:** e-commerce, African market, internet of things (IoT), artificial intelligence (AI), regulations, population, web stores.

## INTRODUCTION

The overall aim of this analysis is to establish how local and international businesses such as Amazon Inc. (Amazon.com) can reap the benefits (profits) from the potential business opportunities in the e-commerce industry investment in the African economy while overcoming hurdles or impediments or risks that may come along with its investment in the industry in Africa. It further seeks to examine the potential risks or challenges the company may face in investing in the e-commerce industry in the continent as well as look into the critical areas of concern for African governments to pay attention in order to attract foreign direct investments into their respective countries and earn more benefits and growth opportunities from these FDI's. This analysis provides insights on impediments and risks confronting the adoption and expansion of e-commerce business by global players like Amazon.com in the African continent; potential e-commerce business opportunities for firms like Amazon.com can attract and benefit ROI from its investment in the African market; evolution and growth of Amazon.com as a global e-commerce giant and its presence in Africa; and viable approaches, policies and regulations that can promote the adoption

of e-commerce in most African countries and create an attractive space for foreign domestic investors like Amazon.com to tap into the industry in the African market.

### **E-COMMERCE BACKGROUND - GLOBAL CONTEXT**

E-commerce has been looked at by the OECD as “*the sale or purchase of goods or services, by enterprises, individuals, governments, and other public or private organizations conducted over computer networks*”. It was estimated that only 30% of the African population were engaged in e-commerce activities, compared to 45% and 50% in South America and Asia in 2019 (Naliaka, et al., 2022). The availability and continued innovation in information systems and or technologies (IS/IT) have fashioned great beneficial opportunities for users across the globe to benefit from IS/IT services and apply these systems/technologies in varied ways in the daily lives of private individuals, businesses and governments in the world. IS/IT surely helped shape the emergence of e-commerce which is rapidly transforming traditional trade within a country and its neighbors to a global platform for trading.

This analysis looks into the potential as well as risks or impediments for e-commerce growth in greater parts of the African continent and further seeks to determine the connection and population attitudes towards e-commerce in the developing African e-commerce market. The rapid population growth, high youth-aged population, increasing expansion of internet penetration and the use of information systems including mobile telephony, have opened up great opportunities for innovations that have greatly boosted e-commerce in developing Africa. However, on the other hand, high illiteracy rates, fragile economies i.e. laws and regulations governing the e-commerce sector, cyber-crimes, wars, corruption and poor cross-border harmonization of policies and regulations among African nations constrained African e-commerce rapid growth in most of these countries. Internet users’ population globally has increasingly grown over the last five years with recent statistics showing that one-third of the world’s population is now online (Howe, 2015). This has supported the development and growth of e-commerce globally. Noting the enormous contributions of e-commerce towards national and private business development including facilitating trade and other income-generating activities with the world, increasing Gross National Product (GDP) and balance of payment through export and employment creation and enabling intergovernmental exchanges, enabling domestic businesses to gain cost benefits from electronic transacting and further open up to new and wider world markets through the internet.

However, despite the global rapid increase in e-commerce and its benefits to the world nations, e-commerce has not really penetrated very much in developing countries including African economies compared to the developed world including Western countries; the disparity is great between the developed and developing worlds. Despite high demand, most upcoming businesses (enterprises) in Africa are struggling to venture into the online trading platform business due to the high cost of establishment, infrastructure sustainability in their respective countries etc., while many customers seem to be cautious about online purchases fearing safety issues, cybercrimes etc. This study analyses the potential opportunities and risks that have repressed the penetration and development of e-commerce in the African continent with the aim of scrutinizing major digital divide factors, opportunities e-commerce presents to the African communities (business, government and civil population); the impediments and risks in venturing into e-commerce in these African countries. *Amazon.com* shall be analyzed as a case reference for this study to help in understanding the trends of e-commerce among others. A probable solution to the impediments and risks shall be identified and recommended. With the advancement in technologies and use of the internet; Governments, businesses (especially emerging firms), and private

consumers now look up to e-commerce to access a variety of innovative and competitive services and products from all over the globe to maximize benefits at minimum costs while increasing and diversifying market products and services. E-commerce has become a new playground for producers and consumers including regulators/policymakers in the world market encouraging and promoting innovative competition, quality of services and products and ease of transactions.

In the recent past two decades, e-commerce studies have increased considerably based on Technology buy-in of especially developing countries. Despite the broad analysis of e-commerce adoption in developing countries, most of the analysis focused on developed countries. The developed countries witnessed importance of e-commerce through increase of efficiency and productivity in various sectors that experience is yet to be felt developing countries of the African continent. The slow adoption of e-commerce in developing countries especially in the African continent is due to inadequate infrastructure, poor socioeconomic conditions, fragility, poor policies, socio-cultural rigidity and the lack of a national framework to drive the general ICT Sector and particularly digital economy in most African countries. This prevented African countries from reaping the benefits of e-commerce experienced by the developed world.

### ***EVOLUTION OF AMAZON.COM AS E-COMMERCE' GIANT GLOBAL PLAYER***

Amazon is an American company established by its founder Jeff Bezos in 1994. The company started as a college platform for online textbooks and later transformed into a diverse e-commerce service provider offering nearly all kinds of products and services sold online. Over the past decades, Amazon has transformed their mission and vision from being “Earth’s most customer-centric company, where customers can find and select anything they want to buy online at the lowest prices possible” to becoming customer-centric i.e. accommodating the world masses. The company mainly focuses on e-commerce, cloud computing, digital streaming, and AI among others. In 2020, Amazon's stock increased nearly by 70%, ROI of nearly 23% and over a 5years period (2015 – 2020), its stock increased by 405% (Pisal, 2021), and the top 5 tech companies that offer e-commerce platforms are estimated at 3.5 trillion with Amazon accounting for 160.47 billion of that in the year (Amazon, 2020). The company’s goal is to swiftly transform to solidify and extend its existing position while pursuing e-commerce opportunities in other areas. The company targets to tap into substantial opportunities in large markets across the world. A strategy that requires serious risk-taking on investment in other locations out of its traditional base (Onyusheva, & Seenalatataporn, 2018). Riley, et al., (2020) described Amazon’s core values linked to: Customer Obsession; Innovation and Prudence; Hire and Develop best personnel; Insist on the Highest Standards; Thinking Big; Self-motivated to serving; Earning customer Trust; Diving Deep to customer needs; and Deliver Results at convenience to customers. This has indeed made the company prosperous in the e-commerce industry.

Initially, Amazon’s business focus was limited to online books but today, the company's market has grown to cover computer games, electronics, clothing, gardening equipment, home decor, and renting or distributing video files from Netflix etc over the Internet among other various other products (Amazon, 2020). With the shift to diversify its offers to customers, the company's popularity and trust grew in recent years as it continued to prioritize its clients by providing quick support such as access to everything they need on the internet, discounts and special offers (Alshmrani, 2021). The company garnered a global 8th ranking in the Fortune Global 500 list of the giant US corporations in net sales as it accrued annual sales of \$ 232.887 billion, with \$ 10.07 billion profit in FY 2018, while in between 2018 and 2019, Amazon

increased its net income by 15% (Riley, et al., 2020). Today, Amazon has become one of the largest and best companies in global e-commerce and most people want to source products.

**SWOT/PESTEL analysis of Amazon.com**

These analyses provide an inner understanding of the status of Amazon.com in the context of expanding its business worldwide.

**SWOT analysis:**

<b>Strengths</b>	<b>Weaknesses</b>
<p>Amazon is one of the major e-commerce global giants with good infrastructure, quality of products and an efficient delivery system including reasonable product prices that are affordable to all customers across the world.</p> <p>It has the resource capacity to expand business anywhere it deems feasible and profitable. The company had already a plan to establish over 1,500 Amazon hubs in cities and suburbs across the U.S and its delivery network would provide over \$100 billion worth of business for non-Amazon packages, the company already planned to spend over \$18 billion on small business retailers that helps accelerate the growth of the 8 suppliers (Luo, 2020). This is a great opportunity and benefit to a developing continent like Africa to take advantage of its investments.</p> <p>The company's honesty to its customers in the conduct of business earns it a strong reputation hence, great strength</p> <p>Also hiring the most qualified personnel and developing them ensured the quality of service to customers and made it a great place to work in.</p>	<p>Regardless of its history or successful background, the company has its weaknesses just like any other business. Some of these weaknesses include their high taxes on products which makes them quite more expensive than other online web stores (Charles, &amp; Uford, 2023).</p> <p>The openness of their business model which is easily accessible by other emerging and existing industry players makes their business model easy to replicate. This will allow other companies to tap into their weakness and improve the already existing model to become more competitive with Amazon.com or even might lead to out-competing it in the market.</p> <p>Amazon.com's website has a very large number and variety of goods, which makes it quite hard to ensure they are tailored to the customer's needs and specifications. Even customized monitoring of customer needs and preferences becomes quite difficult for the company.</p> <p>There is safety risks with the organization of Amazon.com's physical stores. Its personnel are exposed to dangers of injury, pollution among others in the stores due to congestion of goods and difficulties of moving them where necessary.</p>
<b>Opportunities</b>	<b>Threats</b>
<p>Amazon.com has both good expertise and financial strengths that opens a high opportunity to penetrate to any economy (developed or developing countries) in the world. It has both technology (systems) and resources that takes to invest in those diverse economies.</p> <p>Given their global status, financial and technical riches, it has a high opportunity to partner with</p>	<p>Volatile political and economic conditions of other economies make it quite difficult to Amazon.com to deliver its goods to certain countries.</p> <p>There are existing and emerging rivals including Walmart, eBay, Alibaba, Jumia etc that pose a sharp competitive space for Amazon.com to thrive and dominate the industry globally.</p>

<p>domestic and regional companies as well as acquire other companies in both developing and developed economies to expand and increase their market share in the industry.</p> <p>The variety of their products and services that targets all age groups can easily attract more new customers in a new environment or market, amazon has to make new offers and coupon codes for newly registered users to encourage them to make purchases.</p>	<p>The threat of fake products that are a replica of the originals sold through Amazon.com and its hosted clients are increasing the risk of an increase in sales due to loss of trust and loyalty in their products as customers pay prices of original products but end up getting the dubious product.</p> <p>The risk of cybercrimes and personal information such as addresses and card numbers etc fetched by cyber monsters from Amazon.com's transactions platforms impends customers' safety and challenges trust in the company's security protocols in safeguarding their private information in their systems. This makes the company risk losing prominent repeat customers and decreasing sales in the future.</p>
--	--

### **PESTEL analysis:**

**Political Factor;** Political issues in the different countries pose a great challenge to Amazon.com's investment and operations in those economies. Most developing countries' economies and political space are unstable for investment to thrive. Political chaos or violence is common in developing countries including Africa hampering any form of business regularization and subsequent investments.

**Economic factors;** For companies like Amazon.com to fully invest in a country, there must be favorable economic conditions including stability, high production, good population, good support infrastructure like roads and energy etc and high incomes of workers, low cost of living among others. The economic potential of a country is an attractive factor to any foreign investment that needs to be guaranteed by the people and government of the country.

**Social Factors;** The central focus of Amazon.com is the customer. It created a business (selling and shopping) space that is socially attractive to the young and all other age groups. Literally, everything a human needs can be obtained from its online platform. Cultural learning through the sale of cultural products and services has changed the social behaviors of many people through different product use, communication, and conduct.

**Technological Factors;** Amazon.com is a great tech company with advanced technologies for e-commerce. It has innovative personnel that all the time improve on and adapt to the use of technology. The company has strong communication, CRM, and payment systems including a good privacy policy that binds it with its customers. They keep building strength in capacity building and technology advancement (investments) and preserving property rights while managing cybercrime. In 2019, *"Amazon.com created a new initiative to upskill 100,000 employees by investing over \$700,000 in new training programs. While expanding on the Career Choice program for its employees, the company introduced five other plans entitled Amazon Technical Academy, Associate2Tech, Machine Learning University, Amazon Apprenticeship, and AWS Training and Certification"* along with investments in Robotics to ease operations. (Kirby, et al., 2020).

**Environmental Factors;** Preservation of the environment has always been in the heart of Amazon.com. Driven by the urgency of climate change, the company pledges commitment to contribute to achieving

net-zero carbon emissions by 2040 through powering operations with 100% renewable energy which it has started doing and intends to achieve the goal by 2025, fifteen years before the 2040 plan. The company has been at the core of honoring environmental legislation by reducing any products that negatively affect the environment. The company is striving to lower carbon emissions by 43% from online grocery deliveries per item. In 2019, it invested over \$100 million in nature-based climate solutions and reforestation projects (Luo, 2020). These are good concerns and contributions to preserving the environment.

**Legal Factors;** It is crucial that companies like Amazon among others must be consistent with regularization of operations, respecting laws of the countries including international law and subsequent regulations governing online businesses and environmental protection. In Western countries and other nations Amazon.com has invested, it is focused on respect for all legalization. Issues of transparency were not a big deal to the company as it always has been open to the authorities. However, due to flexible policies and regulations in countries, and especially limitations (restrictions) on import and export which have become an obstacle to the company, it has forced it to increase cost operations which is a burden to it. This made the company share the burden with customers by reasonably increasing the prices of products.

## STATUS OF E-COMMERCE IN AFRICA

In most African countries, e-commerce is considered an advanced innovation that the country cannot dive into without risks. Most issues hindering e-commerce adoption include security and privacy concerns, literacy issues, and understanding of e-commerce applications and or systems, including high investment and maintenance costs are among the fundamental barriers to e-commerce adoption by small and medium-sized enterprises (SMEs) in Africa. Africans and their governments are very concerned of their individual privacy and the dilution of their cultural norms and values. Agadjihouédé, et al., (2021) studies identified the need to provide Internet security awareness and understand e-commerce acceptance issues including privacy and personal needs in determining the intention to use online transactions for personal or business benefits. Many studies agree that e-commerce offers enormous benefits to both consumers and businesses in terms of expanding product choices, enabling shopping anytime, anywhere, and allowing for product customization, efficiency, and access to low-cost and quality products from anywhere across the world. E-commerce further increases sales as goods are opened to the global market, operational efficiency, employee productivity, improved customer/supplier relationships, enhanced competitive advantage, and increased financial returns on the investment. Brown, et al. (2020). The most necessary requirements for a viable e-commerce industry in a country include communications infrastructural development e.g. roads, telecommunications, electricity, and broadband and low cost/high-speed Internet access, access to technology, secure online transactions, a good space for enterprising and robust legal system among others in a country. Given the African prospects as stated by Mthuli Ncube, former vice president of the AfDB, that “*the African middle class would reach 1.1 billion people in 2060, equivalent to 42% of the continent's population and would consume \$ 2.2 trillion in goods and services, or 3% of global consumption in 2030*” means a lot of potentials to invest on the continent (Wen, & Guy, 2019).

In the recent past, e-commerce has been seen as Africa’s next high-growth market. One of the reasons is that the continent has a huge market base i.e. a population of about 1.4 billion people, almost the size of China and India markets. It also has a rapidly growing population and a high number of young population who are energetic and innovative. Also, the continent has increasing mobile internet and

telecommunication services penetration fast-growing middle-class individuals, and rising disposable income in the world (David, & Grobler, 2020). It is further a high consuming economy of finished goods and services aspiring to grow its industrialization rapidly in the few years ahead. The growing industrialization and globalization of trade have increased the demand for African e-commerce platforms such as Jumia (Nigeria), Takealot (South Africa), and Kilimall (Kenya), and their market's potential has grown within the continent compared to global e-commerce giants such as Amazon.com, Alibaba among others.

The continent is unique to the rest of the world and has unique opportunities and challenges facing the growth of e-commerce including issues of logistics, poor and limited infrastructure, poor systems of governance and operations, security issues, un-harmonized policies inherited from the colonial era by different colonial masters, etc. looking into the flourishing economies of South Africa, Kenya, Morocco, Nigeria, Ethiopia, Egypt and Algeria among other few states, e-commerce can be seen shaping trade in these economies in Africa. Out of the 54 African states, the majority are virgin and offer potential opportunities for any development sectors including e-commerce. The continent is a “green space” for business opportunities and progress. E-commerce is only effective with a flourishing banking system including e-payments systems. In Africa, almost all countries trust traditional payment systems through cash payments or bank deposits/transfers despite the increasing number of people acquiring e-payment cards. Online payment systems are challenging work-in-progress in most African countries (Agadjihouédé, et al., 2021). Logistical issues and online confirmations are issues confronting e-commerce in Africa, many goods ordered online are rejected upon arrival/delivery as most buyers are either helped by a third party or impressed with pictures of the products ordered with the hope that they are actually what they think in terms of size, usability among other features but at the end not exactly what they really want. There is somewhat trust in e-payment platforms such as VISA, Master Cards, etc that are traditionally believed to be risky and deceitful (Olanrewaju, et al., 2017). Mobile point of sales for major e-commerce players mentioned above (Amazon.com, Alibaba, Jumia, etc) are not domesticated or are limited in African countries or regions, this makes it quite difficult to address some of the challenges confronting the e-commerce transactions domestically.

### **FINDINGS ON CHALLENGES FACING E-COMMERCE PROGRESS IN AFRICA**

Despite the progressive status of e-commerce business or its potential in the African economy, several obstacles impede its progress and massive investments by multinationals in the industry. Some of the challenges and risks include the following:-

**Infrastructural limitations;** ICT infrastructure is generally related to technology, telecommunications and wireless technologies. Most SMEs in Africa are lacking online stores, there is great opportunity for entrepreneurs to gain a competitive opportunity and expand their businesses online to reach more and new markets but they are unable to tap into that opportunity due to limited access to online stores and expensive development by an individual emerging business. There are poor telecommunications infrastructure in most African countries, broadband penetration or development is still at a very low level yet, with strict limitations on bandwidth use. This makes it quite challenging to e-commerce which is highly reliant on ICT infrastructure as a core enabler of the industry business. It is important that African governments invest in ICT, energy and road infrastructure to boost e-commerce in their respective countries. Access to information on new products at low costs as well as delivery of these products and supplies to and from

the local population shall be made easier with improved infrastructure and subsequently increase productivity and economies of scale as access to the market shall be made easy (Afolabi, et al., 2018).

**Limitation to access to advanced technology including e-payment systems;** Wireless technologies are still in their infancy, there is still a big gap in technological advancement between developing countries across the world including Africa and the developed world. For instance, in Africa, 2G technology is widely used in the telecommunications sector which is already rudimentary in developed countries that are already moving forward from 4G to 5G technologies. E-payment systems are limited in most African countries to facilitate e-commerce. Banking systems are very strict and too procedural which prolongs e-commerce transactions. The penetration of credit cards is low in most African countries. A good alternative to these challenges includes African governments increasing investments in Telecommunications infrastructure, which is important for e-commerce adoption. An example in Kenya with Safaricom is the establishment of M-Pesa which has been one of the most successful mobile phone-based financial services in the East African region and Africa at large. In 2013, the World Trade Organization recognized that the continuing success of M-Pesa in Kenya is “*the result of the development of a highly popular, affordable payment service with only limited involvement from a bank*”. Safaricom established M-Pesa branches throughout the country that enable users to complete basic banking transactions without having to visit a bank branch. It also offers customers with mobile-based payment and money transfer services, including depositing money into an account saved in a customer’s mobile phone and sending balances using SMS technology to other users, which include sellers of goods and services (Hussain, 2013). This can be a good approach the governments in Africa can encourage and adopt to boost e-commerce in their respective countries.

**Literacy and skills gaps (poor educational systems, language barrier, and issues of trust and confidence);** There is a huge rate of illiteracy in most African countries. Most countries are below 60% literacy rate an example is South Sudan in the East African Region with the lowest literacy rate i.e. less than 30%. Digital literacy follows basic literacy or education, if most population in a country is illiterate, e-commerce penetration will be low, and the uptake of e-commerce will be low making investing in the sector un-profitable to investors. Also, language barriers and ICT literacy are key determinants of the use of e-commerce. Most e-commerce platforms use languages that are not compatible with local languages in African countries e.g. English, Chinese or Arabic (Kalantari, et al., 2012). An Arabic speaking country may find it difficult to adapt to English platform for online business conduct etc. Therefore, in order to promote investment in e-commerce industry by both local and global players, it is important for African governments to enhance capacity building and digital literacy in their respective countries. Investing in higher education and Institutions of training including vocational centers that provides language proficiency etc are paramount for a country to increase literacy and attract investment in the e-commerce industry. Other elements to consider include enhancing technical and managerial skills in handling customers online. This can be done by the prospectus companies interested to invest in the industry. Investments in human capital are especially very crucial to promoting e-commerce investment in a country (Mbhele, et al., 2018).

**Economic conditions;** Lack of awareness on the importance of e-commerce, instability, market entry barriers, sociocultural set-up, limited awareness, etc are some fundamental challenges that makes investment in the sector risky (Mbhele, et al., 2018). The unfolding political events in West and East Africa today are challenging such investments, where populations are unstable, governments are unstable and the economy is fragmented, and e-commerce investments are put at risk. Also, the customer's tendency to



accept online business transactions matters a lot in this sector. There are local traditions and customs that seem to be impacted by the entry of e-commerce investments that make people resistant to adapt to it, awareness is paramount to clear such doubts. For African countries to make e-commerce flourish, the institutional environment needs to be an online trading system. The government needs to create a space that builds trust in online business conduct and allows for the security of online transactions between companies, customers, and government entities (Mbhele, et al., 2018). It is important for governments to establish attractive policies that foster socio-economic development and frameworks that allow the private sector to develop in terms of encouraging the growth and sustainability of businesses, especially in the adoption of ICT. Kenya has done that and is encouraging it starting with digitizing the Cabinet and boosting the digital economy to create more jobs for Kenyans. Additionally, instituting democratic culture, equitable and fair allocation, disbursement and sharing of national resources at all levels of governments, regions and communities is key to stabilizing economic conditions that can subsequently support the progress of online businesses that are highly costly to invest in and need a stable environment.

**Governance issues (poor policies, poor legal frameworks etc);** Some African governments resist the adoption of e-commerce in order to strengthen and reaffirm their authority at the expense of SMEs with a belief that e-commerce reduces its ability to collect more revenues from business transactions online. Other governments do not trust the security of online transactions it cheats citizens (Zaied, 2012). Also, the negative perception of the citizen towards the security and confidentiality of e-commerce decrease their confidence in e-commerce and in turn affect the development of e-commerce in those African countries (Saad, et al., 2018). Alternatively, it is important for interested companies to approach those governments are educate leaders more on the importance of e-commerce in job creation and revenue generation from opening up market for domestic products and services to the international community. While, African governments to institute attractive legal frameworks that governs and promotes e-commerce adaption and investments in their respective countries (Afolabi, et al., 2018).

**Logistical challenges (poor roads and logistical systems etc);** Logistics costs are high in most African countries due to infrastructure that are still under development. In general view, African infrastructure such as roads, ports and air transport is still poor and under development, the power supply and postal services are not reliable enough to support e-commerce investment in some of African countries, creating untimely and unreliable delivery systems for physical products from abroad (Li, J., & Bode, J. (2020). To overcome the challenges of logistics systems, companies investing in the industry need to investigate various execution approaches or models to ensure that products are delivered timely to customers. In addition, potential customers of Amazon.com in Africa should be able to transact payments with cash, meaning the company need to establish a point of presence in different locations within the country or region to enable payment processes and manual delivery follow-up in most underdeveloped countries in Africa where automated or online logistical systems for product tracking cannot sufficiently operate due to poor infrastructure. Other models that can be used in the African context include micro-jobbing and mobile payment options where customers sign up via mobile phones to do small jobs such as making orders, payments and deliveries like what M-Pesa is doing in Kenya; or acquiring entire logistics processes for conduct of logistics business.

**Limited access to investment capital;** The Financial problems and high level of uncertainty in the e-commerce market for SMEs in Africa are some of the negative factors affecting the adoption of e-commerce by SMEs on the continent. To invest in e-commerce, a company may need, in addition to managerial/technical skills, to have the financial strength to be able to acquire the equipment and

technologies to run the online business. Insufficient investment in the business may yield negative consequences to a company, this has made business managers very cautious in investing in the e-commerce industry due to the fact that the sector requires advanced technology for long-term investment at a high cost of IT setup. This makes most SMEs with limited financial strength not to invest in the sector. Hence, this favours strong companies like Amazon.com, Alibaba, and Jumia among other giant players (Chandra, & Kumar, 2018). Alternatively, Governments in Africa should be able to establish policies that support investments in the ICT sector including infrastructure and service delivery through instituting concessional Microfinancing, credit facilities and capital support like equipment mortgages for these SMEs interested in investing in the e-commerce business. Other additional support could be subsidizing entry into the industry or relaxing charges and requirements for an SME to enter the industry.

### **E-COMMERCE OPPORTUNITIES FOR AFRICAN ECONOMIES**

***Increases innovation (entrepreneurship), job creation and national productivity/production;*** There is already an increase in e-commerce platform-based business in the African continent, more opportunities can be opened up for African young and innovative entrepreneurs through e-commerce investments. With e-commerce infrastructure and platforms, more businesses shall emerge on the continent and this shall create more jobs for young people who constitute the majority of the African population. The growth of *micro small- and medium-sized enterprises (MSMEs)* is boosted by access to ICT-enabled financial services and infrastructural investments. This young population shall be turned productive to the African economy and increase the continent's production of goods and services that are marketable within and across the world.

***Increase incomes and revenues for businesses and government;*** With the potential increase in entrepreneurship brought about by e-commerce and other ICT investments on the African continent, there shall be potential increase in productivity (efficiency) and production for both domestic consumption and exports supported by online trading. Movement of or continental and oversea trade in goods and services shall be enhanced and subsequently, balance of trade and balance of payment shall improve in the continental.

***Opens up the market for domestic products and access to foreign goods and capital;*** With the potential of creating more MSMEs and increasing production caused by these emerging enterprises, there is a greater opportunity that e-commerce shall contribute to significantly increasing net exports, both goods and services produced by these innovative enterprises, of the African countries to the rest of the global markets whether in Asia, middle-East or West. On the other hand, e-commerce shall open up opportunities for domestic firms that are emerging including the government to be able to access capital for investing in the ICT industry and subsequent businesses that shall generate more income to them and crude revenues to the government in return. Access to low-cost and quality foreign goods and services shall be enhanced through e-commerce and African well-being and efficiency in production shall be improved.

***Direct selling to customers both within African countries and abroad;*** With increased investment in the ICT industry and e-commerce in particular, goods and services shall be traded directly with buyers, this removes middle-people or brokers and lowers the cost of the goods or services delivered to the end user. Also, diversification shall be made easy as businesses shall engage directly with product/service users, get their feedback and diversify products to suit the interests of the end-users. The e-commerce CRM, e-payment and delivery systems dealing directly with consumers shall enhance products' modification and usability in the interest of the end-user, delivery mechanisms can easily be enhanced and pricing be

reasonable to both the buyer and seller. This increases the chances of loyalty, product market and profitability of the businesses.

***Increases uptake, adaption and investment in ICT infrastructure;*** With the present pick-up and rapid increase in mobile communications services penetration among youths and women of the continent, even, in rural areas, the increasing mobile money transactions etc, e-commerce investments and its trade goodies will increase trust and acceptance in the minds of the continent's majority population who are the youth and the disadvantages groups i.e. the women and people with special needs. With e-commerce, everyone has the opportunity to become innovative and earn a living regardless of status or physical disability as long as one can hold a communication device and make use of it, he/she can be self-employed or job-creator or even be a direct customer to a supplier or producer.

***Government to open up the market to foreign investments;*** The World Bank identified the African continent as a huge potential for investment as it has "*a total population of about 1.3 billion people and, with 60% of the entire continent aged below 25, is home to the youngest population in the world*". It noted that Africa is now *digitalizing faster than anywhere else in the world* and this increases the opportunities and potentials for investors to invest and expand businesses in to the continent. Other studies by the World Bank and other entities found that more than 50% of all mobile money services in the world are in Africa (Ismail, 2020). This is enough to open great opportunities for foreign investors like Amazon.com among others to expand operations in the e-commerce business in the African market, increase their market base and profitability as well as increasing the Gross Domestic Products (GDP), Gross National Products (GNP) and Balance of Trade (BoT) as well as Balance of Payment (BOP) of the respective African countries.

***Increases opportunities for African Integration and governments' accountability to the AU protocols and long-term strategic plan;*** E-commerce shall play a great role for the African Union (AU) to realize its 2018 African Continental Free Trade Agreement (AfCFTA) aimed towards the creation of a common market using African Regional Economic Communities (REC) as building blocks. With the acceleration in digitalization of the global economy, e-commerce promises shall play a great role in promoting cross-border, intra-regional trade, economies of scale and efficiency, as well as growth and development of the African economy at large. It shall increase accountability of governments towards their commitment on AfCFTA and particularly acceleration of the 2020 Addis Ababa *Phase III Negotiations* on an AfCFTA protocol on E-commerce (Ismail, 2020). E-commerce investments shall accelerate the integration process, especially on ensuring free and seamless movement of goods and services within the continent.

***Increase access to information and lower cost of Research and Development (R&D);*** E-commerce shall reduce the cost of market R&D through access to Big Data technologies online at lower cost. With access to big data and analytic technologies (free patents), manufacturing and industrial technologies shall be enhanced, efficiency in production and product/service quality improved, economic development and growth enhanced and the Quality of living of the people shall be improved within the African continent. Also, access to information can increase digital literacy among Africans which shall subsequently boost innovation and turn redundant labor-force active into production.

## DISCUSSIONS

Given the enormous challenges, Africa's economy is growing and among the nearly 1.4 billion people on the continent, ICT innovation is increasing, telecommunication services penetration is expanding and internet broadband deployment and access is growing fast. Nearly 1/3 of the youthful age own a

smartphone and ICT as well as innovative/industrial skill courses are increasing in Institutions of higher learning in the continent. This gives ample opportunity for the African economy to grow fast and for e-commerce to become a lucrative sector for firms in most African countries. The African Continental Free Trade Area (AfCFTA) is one of the largest areas by number of member states, after the World Trade Organization (WTO) a firm seeking to grow or progress fast cannot afford to miss the opportunities it presents. 44 out of the 55 AU members are subscribers to the AfCFTA. These member-states are committed to removing tariffs on most goods and services over a certain mid or long-term period (5-13 years, depending on the country's level of development or the nature of the products). This is aimed at creating a single liberalized market for the African continent reducing barriers to investment capital and labour flow across the African member states, this can boost job creation and economic prosperity on the continent (Ngambeket et al., 2019). In 2022, the United Nations Economic Commission for Africa (UNECA) estimated that AfCFTA will boost intra-African trade by 52% by 2022. Also, a 2022 report by the World Bank anticipated that AfCFTA enhances the standard of living of 30 million Africans, boost the incomes of nearly 70 million people, and generate \$450 billion in income by 2035. On January 13, 2022, the AfCFTA took a major step towards its objective with the establishment of the Pan-African Payment and Settlement System (PAPSS), which allows payments among companies operating in Africa to be done in any local currency (Naliaka, et al., 2022). All these are great opportunities for e-commerce to flourish in the continent.

#### ***Opportunities for amazon.com rollout in to Africa economy***

**Tap into new and wide market;** Amazon.com will have the opportunity to expand its customer base into the 1.3 billion population in Africa, one of the largest markets in the world, with a fast-growing digital economy. This will increase the potential of making huge profits for the long term in this large economy for the company.

**Cheap labour;** the labour cost in all developing countries including in Africa is lower than in any of the developed countries. Amazon.com can have the opportunity to get qualified personnel at cheaper rates for its operations on the continent. This will save the company more income that is supposed to be wasted on the labour force.

**Cheap supplies for production;** most raw materials for production/manufacturing are cheaper in Africa than anywhere in the world. Establishing a manufacturing plant may be quite expensive due to the importation of the equipment and or heavy machines into Africa, but the cost of value addition and accessing raw materials or supplies for producing finished goods is much lower in Africa. Amazon.com can be able to even establish a global warehouse/store as a supply hub in Africa for the world. The cost of land lease or purchase is cheap and industrial support staff are of low cost for the company to benefit from. Establishing a presence in Africa and having a manufacturing plant on the continent will help the company diversify its products and services for the diverse African and world population (market).

**Growing young population and growing entrepreneurship;** Africa is a young continent with most of its population at a young age. The young people of Africa are becoming more and more innovative, and emerging firms from creative young Africans are growing almost every day on the continent. This is a great opportunity for Amazon.com to partner with these emerging enterprises in promoting its brand while benefiting from hosting (through AWS) their sites as part of the company's promotion of these innovative entrepreneurs' initiatives from the continent.

**African Union's move on continental integration and digital economy;** the good news is that the AU is closing tightly into the move on integrating Africa exemplified by the commitment of the African

governments and its people, particularly on continental free trade (AfCFTA), e-commerce will gain greater opportunity to play a bigger role in the free trade integration. The challenge of restrictions, high tariffs etc shall be minimal or eliminated in the near future, which means Amazon.com will gain the benefit of cost-cuts with regards to the logistical facilitation of goods to its customers within the continent. At the moment, African regional economic blocks are integrating faster than before, Amazon.com should start with the regional economic blocks will be a good move to gain the benefit of regional integration within the African continent while awaiting the bigger AfCFTA. The company can even choose to establish regional hubs and later integrate them once full continental integration is realized by the AU. These regional hubs can provide specialized products that are best produced within the region at a lower cost or supply of products that are highly demanded by the population in the region.

### **RECOMMENDATIONS:**

#### ***From the lens of effective policies and regulations from governments and the AU:-***

- African Governments need to ensure peace and stability in the continent to allow investors to get attracted to invest in the continent. Democratization is paramount to supporting economic planning and development in any of the African countries. African Union and the governments must seek the support of its allies to ensure in ensure democracy, rule of law and accountability are stabilized through institutions that are respected by leaders first before the citizens.
- Development of robust and liberal policies and programs within the respective countries that support entrance of emerging enterprises and investments in the ICT sector and e-commerce industry. This can be done by developing policies that guarantee free entry as suggested by Ndonga, (2012), and exit in the market, facilitating access to finances from international financial institutions for investment in the sector for reputable companies that are in partnership with the government etc.
- Develop regulatory frameworks that protect and control properties and information such as assets, intellectual property, patents etc and prevent misuse while increasing Cyber security through the establishment of robust Cyber Crime Response Teams and their capacity building to ensure adaptability of the response team.
- Governments to increase massive public awareness of the importance of ICT literacy and e-commerce. Amazon.com can support with technical and financial resources as part of partnership agreements with the governments to accelerate digital literacy through ICT support training programs to institutions of basic and advanced learning such as high schools, colleges and Universities.
- Also, Governments in Africa need to improve on the legal infrastructure such as privacy law, e-signature, e-payments and knowledge acquisition-related legislation to support e-commerce in the respective countries within the continent
- Further, governments need to establish policies that accelerate the rollout of broadband and telecommunications connectivity in all parts of each country and access affordability i.e. at a reasonably low cost, this is the fundamental determinant of the customer base with regards to e-commerce transactions. Subsidizing and prioritizing funding on investments in the sector for a certain period can boost its rapid development (World Bank., n.d).
- Furthermore, governments to design policies that promote public-private partnership (PPP) models in ICT infrastructure development in the countries, this is to speed up investment in the technology infrastructure within the respective African countries. Amazon.com can have the opportunity to

partner with the government in the establishment or increasing rapid development of ICT infrastructure and technology development in the African continent.

- Governments need to improve the banking system and establish policies and legislations that boost online banking and e-payment systems. Partnerships with global financial entities can be struck by governments to ensure the penetration and application of digital credit cards like VISA, and MasterCard, among other electronic payment cards and systems (platforms). This is important in boosting e-commerce transactions through paperless bank transactions and instant payment transfers.

***From the lens of Amazon.com's business expansion into the African economies (countries):-***

- ***Strategic prioritization;*** Amazon.com needs to identify strategic priorities for e-commerce acceleration into the African continent through regional entry and redesign some of the actions in order to cope with the provision of e-commerce and legal frameworks of the respective countries, regions and the AU. Seeking and signing investment agreements with the authorities of these jurisdictions shall pave the company's way to access the African market.
- ***Customization of operations;*** Amazon.com needs to focus on improving technical customization of e-commerce infrastructure and systems necessary for delivering suitable services in the context of Africa. Partnering with national companies in logistical support systems, designing web-stores that are convenient to the African cultures, tradition and values etc shall attract ownership and trust in the business.
- ***Power issue;*** the power supply in most African countries is low, insufficient and alternating. Most SMEs operate generators to run their businesses, this makes the cost of operation high given the cost of fuel supply and maintenance of generators is high too. Amazon.com needs to establish a green power system (Solar power) and own a self-power generator as a backup to run operations consistently other than relying on low and alternating city power supply. Online business requires a stable and constant power supply without causing internet connectivity downtime.
- ***Poor internet connectivity;*** most African countries did not scale out broadband connectivity throughout their countries, which makes online business almost impossible in remote areas. However, in urban areas, there is fiber connectivity though not to the expectation. Amazon.com can source internet connection from Internet Service Providers (ISP) including telecom operators to offer its offices reliable connectivity to run its operations like in the case of South Sudan.
- ***Unreliable data;*** there is no reliable information about the customer base in the respective countries to be able to understand internet penetration level, literacy rate, internet users and active mobile subscribers who can take advantage of e-commerce transactions (Rajwani, et al., 2022). Amazon.com may need to conduct a feasibility study in some of these African countries it wants to invest in and reach out to the mobile telecoms operators, existing International Banks, and ICT Sector regulatory bodies to be able to get a better understanding of the ICT sector growth trends in these countries before diving into investing in the industry.
- ***Regulatory challenge;*** most African countries have ambiguous regulations for foreign companies to regularize in their territories, sometimes, this hinders foreign direct investments (FDIs) in these countries. Amazon.com needs to partner with a local company or secure a local legal consultant to help maneuver with the domestic regulations of those countries in regard to acquiring a license and other operations documentation
- ***Cyber uncertainty and crimes;*** this has been one of the greatest fears of online business by SMEs, governments, and customers in the African continent. Too many online scams, attacks, flaws etc make

trust in online transactions especially those that involve payments difficult (Kitukutha & Oláh, 2018). Amazon.com needs to establish a well-secure system and conduct massive awareness on domestic Television, radio and print media including social media and promotional activities for its customers while establishing customer care points with dedicated personnel that help customers go through the processes when purchasing online.

- **effective payment models;** Amazon.com needs to help reputable and loyal customers with the processes of getting digital payment cards like VISA, Master Cards etc with international banks. Also, the establishment of strong CRM systems that allow interactions and feedback with suppliers and customers will build trust in online business easily in the continent.
- **Logistical challenge;** the challenge of poor infrastructure and logistical systems in most African countries, Amazon.com may face difficulties in delivering to the end-users their products. The company may need to establish outsourcing partnership agreements with domestic logistics firms in the country to ease the movement of supplies to their customer's locations. Establishing agreements with third-party reputable logistics firms to supplement Amazon.com's own delivery system is fundamental for shifting liability to the third party that is well-known by the people. It localizes the operations of Amazon.com and builds brand value, trust and attracts loyalty in dealing with the company.
- **Low online business activities and Small market base;** in some African countries, e-commerce activities a low due to the fact that there are limited domestic facilitators or players in the industry with good mobile e-commerce applications (Orji, et al., 2020), despite the high growth in other parts of the continent. Amazon.com need to open up its doors for partnership with local SMEs interested in engaging in the business but lack the platform. It should be able to establish a business agreement to host them (their stores) so that e-commerce activities increase and the market base is enhanced.

## CONCLUSION

There are numerous challenges and opportunities governments and companies like Amazon.com can face in investing in e-commerce in the African continent and or countries. Internet penetration, telecommunications services, political and economic volatility, poor policies and regulations, limited infrastructure investment capital, cybercrimes, e-commerce trust and acceptance issues due to traditional rigidity, poor banking systems, illiteracy among other are hindering growth of the ICT sector and e-commerce in the African countries. However, there are unlimited potentials that companies and countries can benefit from e-commerce investments. Some of these include access to foreign direct investments, access to capital assets and goods that are found within Africa at a lower cost, access to advance technologies, increased integration of African countries, improved innovative skills through partnerships, increased enterprises and job creation that subsequently increases incomes, revenue generation and reduce unemployment rates, among many others.

What is required of African governments and investors are establishing attractive policies, programs, frameworks and legislations (regulations) including techniques that promotes and supports investment in the ICT sector and particularly e-commerce industry, create conducive political and economic condition for investment to guarantee growth and development by improving and stabilizing political and economic systems in the respective countries, creating space for partnerships and supporting entrepreneurship among others.

**BIBLIOGRAPHY/REFERENCES**

1. Amazon. (2020) Strategic Report
2. Alshmrani, H. M. (2021). An analytical view of amazon success in the worldwide. *Life Science Journal*, 18(6).
3. Chandra, S., & Kumar, K. N. (2018). Exploring factors influencing organizational adoption of augmented reality in e-commerce: empirical analysis using technology-organization-environment model. *Journal of electronic commerce research*, 19(3).
4. Charles, I. I., & Uford, I. C. (2023). Comparative Analysis and Evaluation of Business and Financial Performance of Amazon. Com: A Three-Year Period Critical Review of Exceptional Success. *European Journal of Business, Economics and Accountancy*, 11(2), 69-92.
5. David, O. O., & Grobler, W. (2020). Information and communication technology penetration level as an impetus for economic growth and development in Africa. *Economic research-Ekonomska istraživanja*, 33(1), 1394-1418.
6. Flamand, O. J., Wisher, A., & Riley, S. (2020). Strategic Plan: Amazon.
7. Hajli, M., Bugshan, H., Hajli, M., & Kalantari, A. (2012). E-Commerce Pre-Adoption Model for SMEs in Developing Countries. In *Proceedings of the International Conference on e-Learning, e-Business, Enterprise Information Systems, and e-Government (EEE)* (p. 1). The Steering Committee of the World Congress in Computer Science, Computer Engineering and Applied Computing (WorldComp).
8. Hussain, A. (2013, October). E-COMMERCE AND BEYOND opportunities for developing country SMEs. In *International Trade Forum* (No. 4, p. 24). International Trade Centre.
9. Howe, J. (2015). International e-commerce in Africa: The way forward. *Switzerland: The International Trade Centre*.
10. Ismail, Y. (2020). Mobilising E-Commerce for Development in Africa through AfCFTA. *Geneva: CUTS*.
11. Ibam, E. O., Boyinbode, O. K., & Afolabi, M. O. (2018). E-commerce in Africa: The case of Nigeria. *EAI Endorsed Transactions on Serious Games*, 4(15).
12. Igue, C., Alinsato, A., & Agadjihouédé, T. (2021). E-commerce in Africa: issues and challenges In M. *Adapting to the digital trade era: challenges and opportunities*, 118-139.
13. Khoo, V., Ahmi, A., & Saad, R. A. J. (2018). E-commerce adoption research: A review of literature. *The Journal of Social Sciences Research*, (6), 90-99.
14. Kitukutha, N., & Oláh, J. (2018). Trust and E-commerce-case study on Jumia company. *The Annals of the University of Oradea. Econ. Sci*, 27, 313-319.
15. Lemma, A., Parra, M. M., & Naliaka, L. (2022). *The AfCFTA: unlocking the potential of the digital economy in Africa* (Vol. 13). ODI.
16. Li, J., & Bode, J. (2020). Cross-border e-commerce trade between China and Africa: Review of the literature. *Journal of Business and Enterprise Development*, 9, 45-59.
17. Laber, J., Thamma, R., & Kirby, E. D. (2020). The impact of warehouse automation in amazon's success. *Int. J. Innov. Sci. Eng. Technol*, 7, 63-70.
18. Luo, N. (2020). Amazon. com, Inc Strategic Audit.
19. Mthembu, P. S., Kunene, L. N., & Mbhele, T. P. (2018). Barriers to E-commerce adoption in African countries. A qualitative insight from Company Z. *Journal of Contemporary Management*, 15(Special Edition1), 265-304.



20. Masihuddin, M., Khan, B. U. I., Mattoo, M. M. U. I., & Olanrewaju, R. F. (2017). A survey on e-payment systems: elements, adoption, architecture, challenges and security concepts. *Indian Journal of Science and Technology*, 10(20), 1-19.
21. Ndonga, Dennis. (2012). E-Commerce in Africa: Challenges and Solutions. *African Journal of Legal Studies*. 5. 243-268. 10.1163/17087384-12342009.
22. Ocloo, C. E., Xuhua, H., Akaba, S., Shi, J., & Worwui-Brown, D. K. (2020). The determinant factors of business to business (B2B) E-commerce adoption in small-and medium-sized manufacturing enterprises. *Journal of global information technology management*, 23(3), 191-216.
23. Olagunju, T., Oyebode, O., & Orji, R. (2020). Exploring key issues affecting African mobile e-commerce applications using sentiment and thematic analysis. *IEEE Access*, 8, 114475-114486.
24. Onyusheva, I., & Seenalatataporn, T. (2018). Strategic analysis of global e-commerce and diversification technology: The case of amazon. com inc. *The EURASEANs: journal on global socio-economic dynamics*, (1 (8)), 48-63.
25. Pisal, S. (2021). Rise of facebook, amazon, apple, netflix, google during COVID-19 pandemic.
26. Peprah, A. A., Giachetti, C., Larsen, M. M., & Rajwani, T. S. (2022). How business models evolve in weak institutional environments: The case of Jumia, the Amazon. com of Africa. *Organization Science*, 33(1), 431-463.
27. Patrick Dupoux, Lisa Ivers, Amane Dannouni, Zineb Sqalli, and Guy Ngambeket. (March 26, 2019). How Online Marketplaces Can Power Employment in Africa. *BCG*. [Online] <https://www.bcg.com/publications/2019/how-online-marketplaces-can-power-employment-africa>.
28. World Bank. (n.d.). Digital Africa: Technological Transformation for Jobs. <https://openknowledge.worldbank.org/> and <http://documents.worldbank.org/>
29. Wen, L. Z., & Guy, H. A. (2019). Factors and Barriers to Adoption of E-Commerce: The Case of Developing Countries. *Journal of Entrepreneurship & Organization Management*, 8, 265.
30. Zaied, A. N. H. (2012). Barriers to e-commerce adoption in Egyptian SMEs. *International Journal of Information Engineering and Electronic Business*, 4(3), 9.