

Making money on the internet in Africa

 By [Vanessa Clark](#)

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Despite a lack of appropriate electronic payment systems and expensive shipping costs continuing to plague the African e-commerce sector, making money on the internet is increasingly a reality for many African entrepreneurs.

To get the low-down on making money on the internet in Africa, I chatted to four e-commerce outfits: two are selling local products internationally via the internet, one based in Ghana and the other in South Africa; a UK-based e-commerce site selling handmade products from Rwanda; and a Cameroonian business selling SMS services via the mobile web.

eShopAfrica.com, www.eshopafrica.com, is one of the oldest e-commerce businesses in sub-Saharan Africa. This fair trade market for traditionally produced arts and crafts from Ghana, Ethiopia, Zimbabwe and Mali started trading online in 2001. The company has grown into a sustainable business while still maintaining traditional supply chain dynamics. So, for example, a customer may have to wait for goods to be produced by the artisan during busy agricultural times when the artisan has to attend to planting or harvesting their crops.

Accessing the international market

According to Kawther el Obeid, eShopAfrica.com CEO, the internet allows them to access an international market - main markets are the USA and UK - while still staying close to the artisans in order to give them feedback, arrange special design requests from customers and support their creative efforts.

On the flipside however, she said, "Our three greatest challenges are processing credit cards, the cost of shipping from Africa and marketing. All of these problems have economic roots.

"Businesses in Africa (maybe with the exception of South Africa) cannot currently use the merchant services of credit card processing services. We are forced to use third parties that add cost and slow down transaction clearance time.

"As for shipping, people in Western economies are used to cheap - or even free - shipping. However, the courier companies don't offer similar competitive rates to their clients in Africa."

Many customers are put off by the cost of shipping even though eShopAfrica.com has arranged a discounted rate from DHL, which it does not mark up.

Marketing is expensive

"Marketing is another challenge," she said. "As an African fair trade business that is rooted in an African economy, we cannot afford expensive marketing campaigns. We use what free marketing we can; many of our products are unique and would benefit from more targeted marketing."

At the southern tip of Africa, Heather Moore, an illustrator and designer ended up running an e-commerce business when, as she describes it, her hobby "ran out of control" about five years ago. "The reason that it grew so quickly and so globally is due to the fact that I started spreading word about my designs and textile via my blog and online shop."

In fact, her brand, Skinny laMinx, www.skinnylaminx.com, received recognition internationally, particularly in the US and Australia, before it did so at home in South Africa. Now 80% of her sales are online thanks to two online shops, one selling in US dollars and the other, South African rands.

The challenges

On the downside, however, Moore agrees with El Obeid, that shipping and taking payments are the biggest challenges she faces running an e-commerce business in South Africa.

"It is expensive to ship products all over the world, and I think this can act as a disincentive to shoppers. Also, South Africans don't have direct access to the Paypal payment gateway - we are obliged to transact through [First National Bank], which means that there are substantial fees to pay on online payments, which adds to costs," she said.

Moore, who also opened a bricks and mortar store in Cape Town at the end of last year, said although she expected people to be quite wary about buying something from so far away, "people [are] marvelously gung-ho about it all, and quite excited about buying something from an exotic location."

Taking a slightly different approach, the founder of Beauty of Rwanda, www.beautyofrwanda.com, Salha Kaitesi, first bulk transports the crafts, which are handmade by Rwandans rebuilding their lives after the genocide, to the UK before selling them worldwide. However, she also considers shipping costs a challenge: "Shipping costs are high as they isn't any competition. More companies need to set up business in Rwanda." Most of her customers are in the US, UK, Ireland and Australia.

The mobile space

No look at e-commerce in Africa would be complete without touching on the mobile space. Keeping things local is Fritz Ekwoge, founder of Iyam.mobi, www.iyam.mobi, a group SMS service via web or mobile phone. Where previously Ekwoge's sales initiatives were all offline, this has shifted online. "We've transitioned from offline marketing (door-to-door via marketing agents) to online marketing via online ads on some popular sites (both global and local). Being an online company targeting the consumer-market, selling via the internet reduces our costs in setting up physical sales points in many cities, without significantly reducing our reach."

Although Ekwoge's service is delivered online so he does not have physical shipping to deal with, he has a payment challenge to face: receiving payments in a cash-based economy. He said that collecting revenue is his main bottleneck, "there are alternatives to payments via credit cards in many African countries, though with probably less room for automation. In Cameroon we have Express Union and MTN Mobile Money for cash transfers."

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ABOUT VANESSA CLARK

Hi! I'm a freelance journalist, copywriter and editor based in Cape Town, South Africa. I write as a journalist and for corporates and agencies. My specialties are business-to-business and technology writing. I like unpacking complex ideas so they are more easily understood - especially when it involves innovation taking place in South Africa, and the rest of Africa.

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