

African Platforms

Key Concepts Defined

Platforms growth are enabled by widely available fiber optic networks, smart mobile devices and software development. They allow efficient matching, the contributions of third parties & accelerate innovation.

Types of Network effect



- **Direct network effects:** the more users use the platform, the more it attract new users
- **Indirect network effects:** users of one side of the platform attract more users on the other side

Different Sides of platform



- **Two-sided platform:** bring together two sides of a market eg. freelancers are matched with projects.
- **Multi-sided platform:** bring together three sides of a market or more. eg media platforms: viewers, content providers and advertisers.

Types of Platforms

Transaction platform



Facilitate exchange or transactions between different users, buyers or suppliers.

Jumia | Jivago | hotels.ng

Innovation platform



Foundation on top of which other firms develop complementary technologies, products or services.

Amazon | IOS

Integrated platform



Both a transaction platform and an innovation platform.

Apple | Amazon

Investment platform



Company that has developed a platform portfolio strategy & acts as a holding company, active platform investor or both.

Naspers | One Africa Media | Rocket Internet

Most African platforms are transaction and investment platforms

Key Sub-sahara Platforms

42 key platforms at least \$1 million funding

3 Leading countries South Africa | Nigeria | Kenya

3 Following countries Ghana | Tanzania | Uganda

14 born before 2010 28 born after 2010

Main Hubs and Cities

West Africa Hub



Lagos | Nigeria
Mostly privately owned & self-funded

Key type: Transaction platforms
Jumia | irokotv | Hotels.ng

East Africa Hub



Nairobi | Kenya
Strong government ICT policy & status as Africa's ICT hub.

Key type: Money platforms (1)
Mpesa | kopo kopo

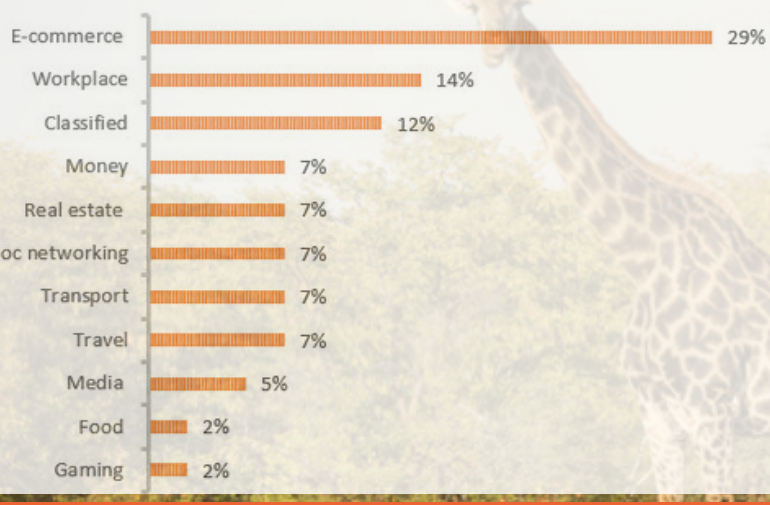
South Africa Hub



Cape Town, Johannesburg | South Africa

Key type: Wide range of platforms
Takealot | BidorBuy | SweepSouth

Main Sectors



Global Linkages

Europe Links



Berlin, Amsterdam, London, Paris

Provide investment, managerial talent & software applications.

United States Links



New York & San Francisco

Provide investment and managerial talent.

Asian Links



Australia mainly

Provide investments.

Funding & Growth

Funding is a constant challenge for entrepreneurs



Self-funded ventures
Most African platforms are self-funded



Small number of Africa-centric funds
EchoVC(Hotels.ng) | Adevo Capital private equity fund(Paga)



Hedge funds
Tiger Global Management | One Africa Media | irokotv | Takealot.com



Strategic investments
Australian-based SEEK (One Africa Media)

Transforming Constraints

The plethora of constraints facing platform launch and growth in Africa are source of innovations.

Challenges



Infrastructure. Poor road networks, insufficient power generation, logistics challenges, low penetration rates of internet, poor or intermittent quality.



Payment Systems: cash is the main exchange medium for most commercial activity, except Kenya. Access to formal banking services & e-payment systems restricts access to foreign platforms.



Consumer Distrust of purchasing goods online due to sub-standard or malfunctioning products.



Delivery Logistics: weak institutions and low investment in government-owned and operated postage services. Low-cost courier services unavailable; need for transportation assets (delivery trucks and motorbikes) and human operators and nationwide distribution centres.



IT Competencies & Complementary Skills
Need for a critical mass of competent human resources. Due to lack of resources, there is little or no emphasis on business management activities such as strategic planning, business design, marketing and advertising, inventory management, financial management, platform management.



Increasing Consumer Demand
The growing middle-class populations enable to create a consumer market in search of convenience.



Digital Content: social media and search websites are under-utilized. Local digital content minimal.



Opportunities



• **Offline Orders.** Low internet penetration rates result in offline orders through sales markets (order-takers are equipped with tablets to visit markets and other densely populated areas and promote marketplace offers too).
• **BRCK,** develops a connectivity device that can support 40 devices, 8h battery to cope with power cut and jump between Wi-Fi, Ethernet and 3G.

• **Mobile banking** created to overcome the lack of banking service. **M-pesa**

• **Payment on Delivery (PoD)** for those with limited access to e-payment systems.

• **Predefined SMS-codes** enable customers to buy online.

• **Pre-purchase product testing** in offline process.

• **Offline Distribution.** Physical distribution (pick-up) and payment centers serve as aggregators for distribution and payments. **Yudala** offers online and offline retail access.

• Opportunity for **private-sector courier services** to provide services or **Shared Services** supply chain and logistics services. Platform holding companies consolidate country operations and services with co-location, human resources, etc. to support the fulfilment operations of platforms. **AIG-Express** in Kenya with Jumia & Kaymu.

• Increasing development of **clusters, accelerators, incubators and hubs** to address gaps such as space, connectivity, technical and business advisory services and seed funding. More than **314 tech hubs** in 42 countries(2) across Africa and many other initiatives provide the resources to support the development and growth of tech-based ventures. **Ihub, Endela(3), DemoAfrica.**

• **Transactional e-commerce** platforms have met this need and transformed retail practices once dominated by informal open markets. Opportunity to transform the informal sector further.

• **E-limu,** Edtech startup sells content, apps and tablets with content in Swahili and English to Kenyan primary schools.