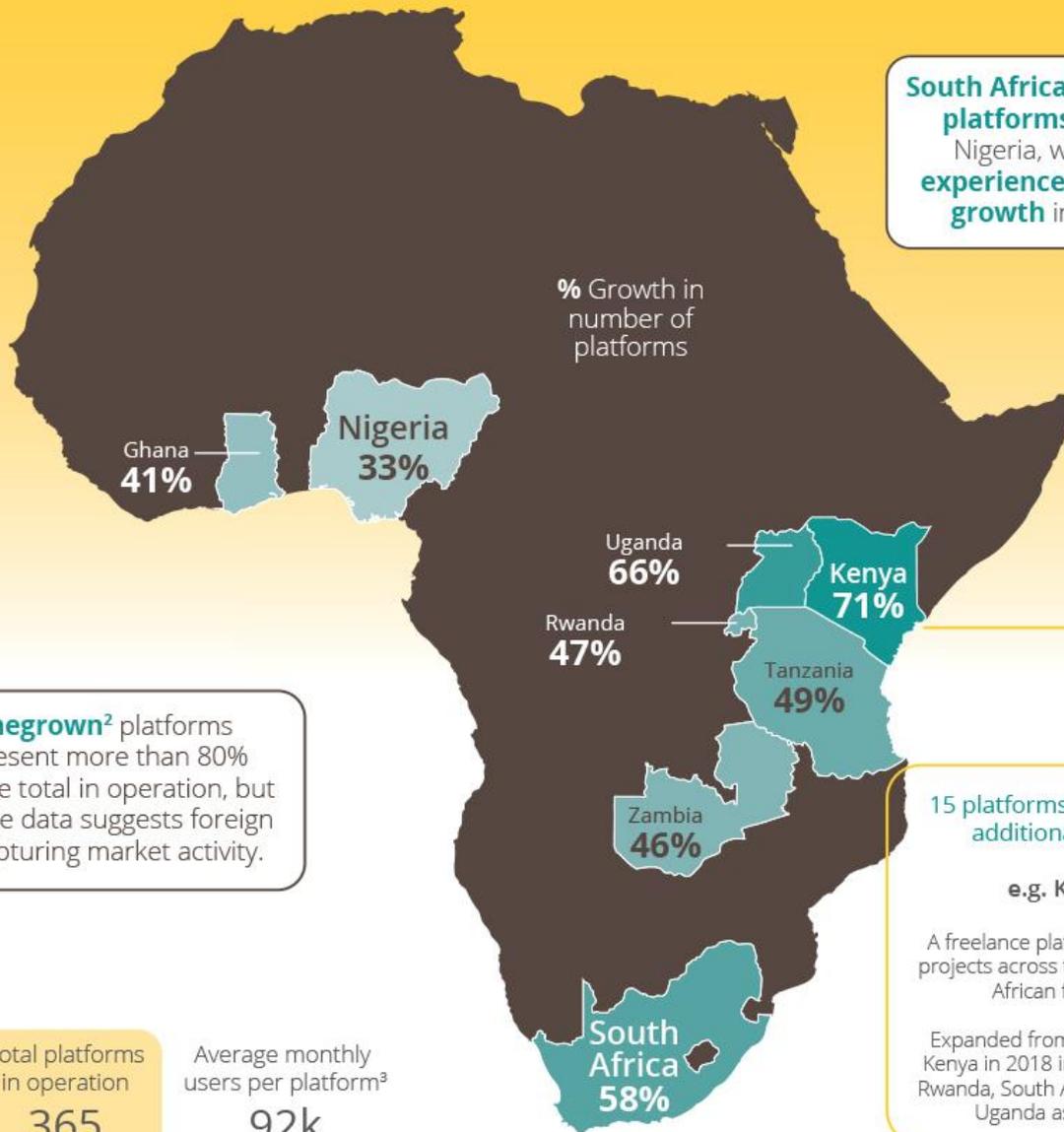


Africa's digital platforms

Overview of emerging trends in the market

Digital platforms¹ continue to expand operations in Africa at a robust pace, with **37% more platforms operating between 2018 and 2019**.



South Africa has the most platforms, overtaking Nigeria, while **Kenya experienced the fastest growth** in platforms.

Homegrown² platforms represent more than 80% of the total in operation, but scale of usage data suggests foreign platforms capturing market activity.

15 platforms expanded into additional countries

e.g. Kuhustle 🇰🇪

A freelance platform that sources projects across the globe for skilled African freelancers.

Expanded from only operating in Kenya in 2018 into Ghana, Nigeria, Rwanda, South Africa, Tanzania and Uganda as well in 2019

	Total platforms in operation	Average monthly users per platform ³
	365	92k
South Africa	142	122,000
Nigeria	122	73,000
Kenya	118	34,000
Ghana	96	15,000
Uganda	68	3,000
Tanzania	64	7,000
Zambia	57	4,000
Rwanda	47	1,000

Annual growth of **18%** in monthly user base, across all countries

1 Digital platforms are multi-sided virtual markets places for goods and services that facilitate transactions.
 2 **Homegrown** platforms originate within our eight focus countries and in Africa more broadly. **Foreign** platforms originate outside of Africa.
 3 Based on average monthly domain traffic for 2019.

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About insight2impact

insight2impact is a resource centre that aims to catalyse the provision and use of data by private-sector and public-sector actors to improve financial inclusion through evidence-based, data-driven policies and client-centric product design.

insight2impact is co-hosted by Cenfri and FinMark Trust and is funded by the Bill & Melinda Gates Foundation in partnership with The MasterCard Foundation.

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Introduction

Africa is experiencing a wave of platform businesses emerging, and few economic sectors are untouched by the influence of digital platforms. Relying predominantly on mobile-app-based technology, digital platforms have an impact on livelihoods through matching supply and demand for goods and services, opening up new channels for employment and distributing additional value-added services (e.g. digital financial services) to consumers, workers and SMEs.

“Place-based” digital platforms (such as the e-hailing platform Safeboda), which mediate activities where there is close physical proximity between worker and consumer, provide a promising source of job creation for Africa’s large and informal labour force. Moreover, digital platforms have shown to play a role in delivering essential goods to consumers as COVID-19 lockdown measures were implemented in key geographies in Africa.

insight2impact has updated its landscape study of Africa’s digital platforms¹ to provide trend insights on the nature and prevalence of digital platforms that are operating across eight focus countries² in Africa, supplemented with insights on the scale of usage of platforms. In this note, we discuss key findings from the aggregate data and take a look at dynamics that are emerging by region.

Emerging trends in a nutshell

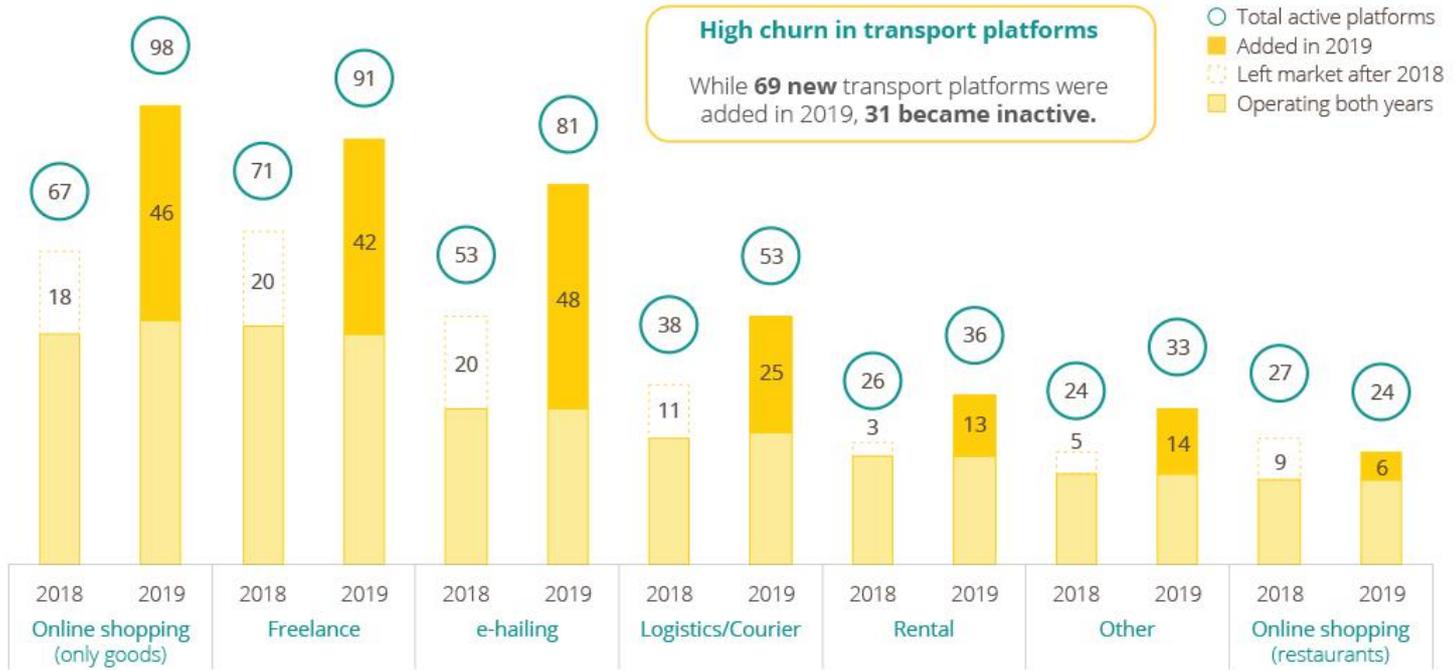
Robust growth in digital platforms recorded in 2019. A total of 365 unique operating platforms were identified in 2019, which represents a 37% increase year on year. Digital platforms that match online shopping (98), freelance (91) and e-hailing (81) activities represent the majority of platforms identified in the study (see the figure on the next page); however, each of these platform categories also experienced a high degree of churn³. As Africa’s platform economy continues to grow, new players are entering markets and are offering a more diverse choice and more opportunities for individuals, resulting in intense competition for incumbent platforms. Moreover, 64% of the total platforms in operation intermediate place-based activities, thereby contributing directly to the absorption of local labour capacity.

1 Through this study we observed 277 unique platforms in operation. Online shopping (91) was the most prevalent platform business. We also found 4.8 million individuals earned an income through transactional platforms and over 50% reported this income as being essential for meeting basic needs. See https://cenfri.org/wp-content/uploads/2018/11/i2iRICTA-infographic_V2.pdf

2 Ghana, Kenya, Nigeria, Rwanda, South Africa, Tanzania, Uganda and Zambia

3 Churn refers to high numbers of both new platforms entering the market and incumbent platforms exiting the market.

A competitive and fragmented platform ecosystem



Average monthly users per platform⁴

Largest three platforms by user activity⁵



Platforms that originate in Africa

⁴ Based on average monthly domain traffic for 2019, aggregated across the eight focus countries.

⁵ Platforms may fall in more than one category, e.g. Mr Delivery matches between different restaurants and acts as a platform for drivers.

Box 1: What is a multi-sided digital platform?

Multi-sided digital platforms are virtual marketplaces that connect providers of goods and services with consumers. Platforms that connect buyers and sellers, such as village market squares, are as old as human economic interactions. The digital nature of emerging platforms allows for the matching of new services (e.g. e-hailing) with fewer geographic constraints (e.g. online shopping and freelance). Advances in online payment instruments also allow for the payment of goods and services on these digital platforms.

For this systematic review we defined multi-sided platforms (referred to in this note as digital platforms) as a company or organisation that derives revenue (or value) from facilitating interactions between two or more distinct groups of users (providers and consumers of goods and services). This review included platforms where interactions and transactions between buyers and sellers are settled on the platform. This excluded online classifieds or traditional advertising that makes buyers aware of a provider's goods and services but does not observe and facilitate the underlying transaction.

The possibility that there may be more than two users that are connected by a digital platform reflects the multi-sidedness of digital platforms. Consider, for example, a platform like Uber Eats. In any transaction on the platform, three types of users are involved: 1) the consumer placing the order, 2) the restaurants preparing the order, and 3) the driver delivering the order. In categorising digital platforms, the multi-sided features of the activities of each participant are considered. In the instance of Uber Eats, the platform is classified across more than one side: "online shopping (restaurants)" as well as "logistics/courier".

Based on our selection criteria, we included digital platforms that have the following capabilities to execute their business:

- Two or more distinct groups of users
- The ability to observe and record the transactions between users on either side of the platform
- The ability to facilitate secure payments between various types of users, often splitting out proceeds for different types of users from a single transaction
- The ability to extract value from these transactions (A common way of doing so is through charging commission on transaction values, but there are other options, depending on the exact model of the platform.)

Platform usage in Africa has grown. In 2019, we estimate that 92,000 unique users were active on average per month, per platform captured in the i2i database⁴, representing an 18% increase from 2018. We continue to think that expanded internet access and improved financial inclusion have enabled more individuals to transact in the digital platform economy. For instance, the International Telecommunications Union (ITU) estimates that sub-Saharan Africans’ internet usage increased from 7% in 2010 to 28% in 2019⁵. This has also been accompanied by an increase in the digital readiness of consumers⁶ in the region, which could suggest greater levels of comfort and willingness to engage on digital platforms.

Homegrown platforms account for the largest number of platforms in operation, but usage data suggests foreign⁷ platforms have a larger user base on average. Eighty-two percent (82%) of digital platforms operating in Africa are homegrown⁸. However, scale-of-usage data suggests that the average number of users per platforms is three times larger on platforms originating from outside of Africa’s borders, than on homegrown platforms. Based on data we have available for the date of launch of platforms, we find that foreign platforms on average have launched operations five years earlier than homegrown platforms. This may have resulted in a first-mover advantage for foreign platforms in terms of attracting and retaining users within their platform network, thereby having made it challenging for homegrown platforms to meaningfully compete. Close to 90% of platforms that ceased operations in 2019, originated from within the eight African focus countries studied, suggesting that local platform players are not yet able to scale their operations in a sustainable manner.

Most platforms connect consumers to service providers. Service platforms⁹, rather than asset-sharing or product-matching platforms, are found to be most prevalent: Figure 1 illustrates that 66% of the total active platforms in 2019 are service platforms¹⁰. In comparison, platforms that match goods and asset-sharing activities make up just over one-third of total platforms identified in 2019. In a region where asset ownership is relatively low (vehicle ownership in sub-Saharan Africa is only 2%¹¹), labour capacity is the major resource that platform workers can offer, and service-based platforms enable individuals to utilise under-utilised capacity to find a range of opportunities, from high-skilled to low-skilled tasks.

4 Based on high-frequency available data from SEMRUSH

5 ITU. (2019). [Measuring digital development](#)

6 GSMA. (2018). [GSMA Mobile Connectivity Index](#)

7 Foreign refers to platforms originating outside of Africa.

8 Homegrown refers to platforms originating in Africa, including the eight focus countries under consideration in the study.

9 Service platforms match consumers to providers of services, e.g. SweepSouth matches consumers with domestic workers. A major subset of service platforms are “Freelance” platforms mentioned above.

10 The total share of platforms may sum to greater than 100% due to certain platforms matching across multiple activities, e.g. Uber Eats would be considered both a product and a service platform.

11 Globalfleet (2019). [Africa’s importance on fleet world map destined to grow](#)

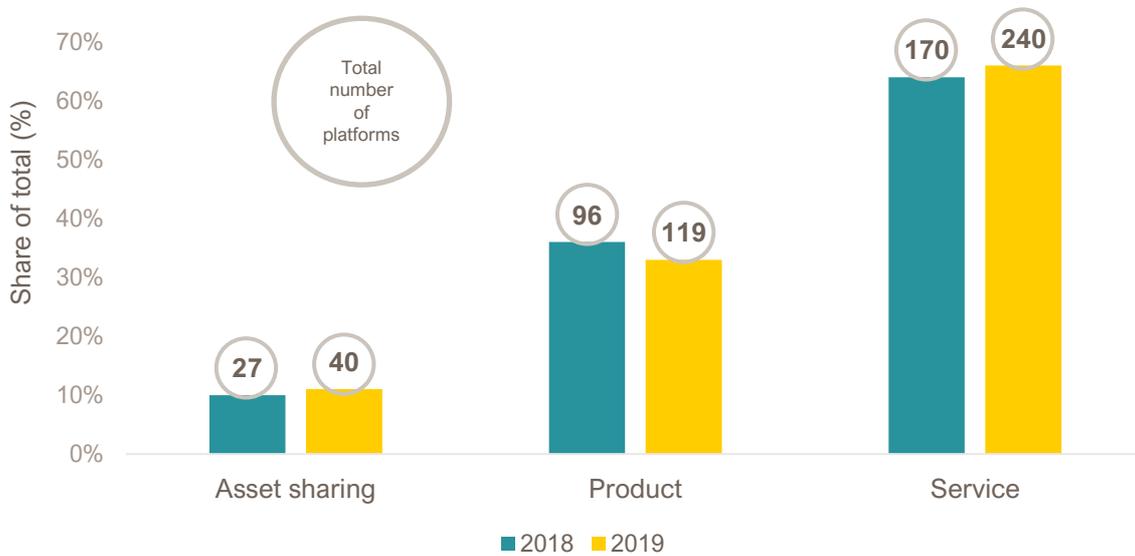


Figure 1: Platforms by broad classification of matching activity

Highest usage in established markets. South Africa, Kenya and Nigeria boast the highest number of unique platforms users (see Figure 2) and the highest number of platforms in operation. Interestingly, in seven of the eight countries in this study, the rate of growth in the number of digital platforms is greater than the rate of growth of the user base, which supports our hypothesis that the platform economy is still largely fragmented. Only in Zambia has growth in the number of users exceeded that of platforms, which suggests greater concentration of users around fewer platforms. Prospective platform entrants may consider the market power of established platforms and whether they would be able to successfully compete for market share before entering new geographies.

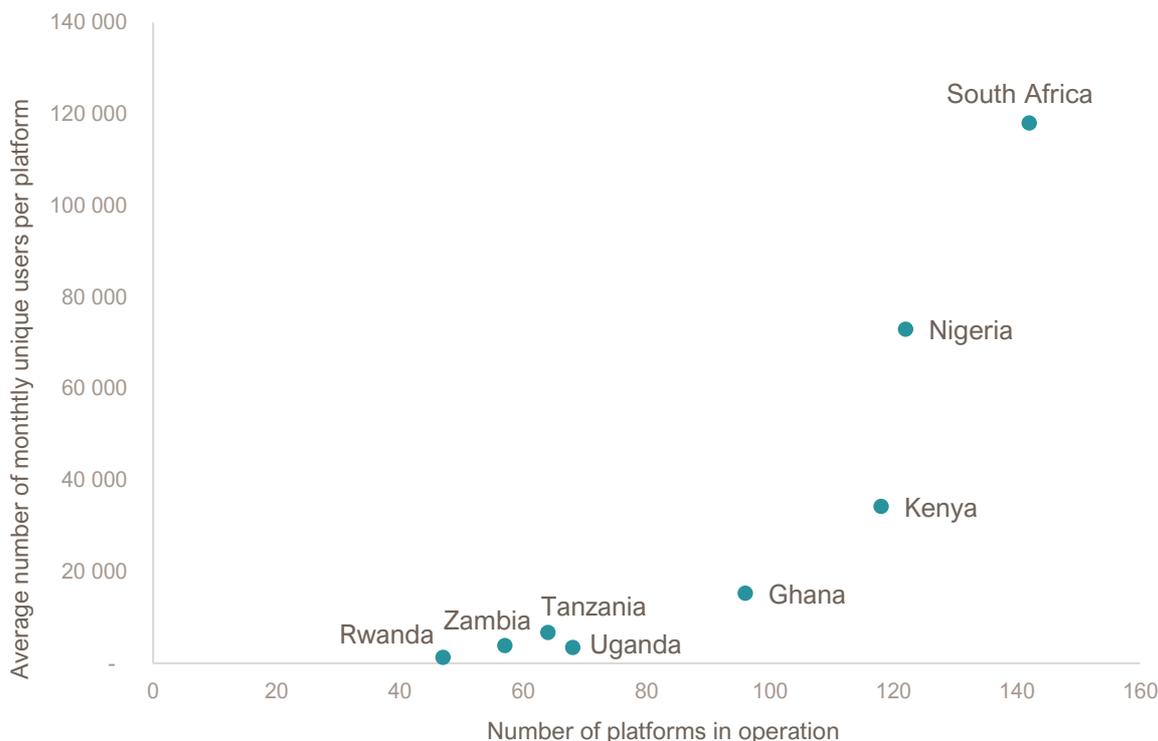


Figure 2: Platform operations per country in 2019

Source: Authors' own calculations, insight2impact (2020), SEMRUSH (2019)

Platform business model affects scale of usage. In 2019, online shopping (goods) platforms had one of the highest number of monthly users at just over 192,000 per platform, on average. One possible reason for this is that online shopping platforms such as Jumia and Takealot invest strongly in advertising, as a way to draw users to their platform to capture their attention, and there are therefore relatively more active users recorded. This observation supports the theory that online shopping platforms are able to secure a relatively larger user base than other platform business types by drawing a high volume of user engagement and repeated interactions through advertising strategies.

Cross-border platform expansion underway. As platforms grow and become more adept at meeting the needs of their local market, there may be an opportunity to expand operations into other markets across the continent. At present, only a small proportion of platforms (i.e. 6%) have expanded their operations into at least one other African focus country. Kuhustle – a Kenyan platform that connects freelance workers to gig work¹² opportunities – has for instance achieved the widest migration out of platforms originating in Africa, moving into six new markets, namely Ghana, Nigeria, Rwanda, South Africa, Tanzania and Uganda. The ability of platforms to scale across geographical bounds will be affected by a number of factors, including trade policy harmonisation, development of intra-Africa payments infrastructure and local market demand.

¹² Jobs in the gig economy. Short-term or defined-term work can be facilitated through digital work/services platforms, e.g. Uber.

A snippet of regional trends

East Africa leading the way. The highest growth in the active number of digital platforms has been in East Africa¹³, which recorded 58% year-on-year growth in 2019. This growth has been strongly led by developments in Kenya, the region's largest economy. In total, Kenya has both the highest number of platforms (118) in East Africa and the highest growth (71%) in the region. Furthermore, as the leading economy in the East African community¹⁴, Kenya often plays an important role in determining the direction of neighbouring countries. On the demand side, Kenya has the enabling conditions to support access to digital platforms, such as high smartphone penetration¹⁵ and mobile data subscriptions¹⁶. On the supply side, Kenya remains an attractive hub for fintech and digital innovation¹⁷. These conditions appear to support the entry and growth of the platform economy in the region.

West Africa platform economy lagging. Platforms in West Africa, by comparison, have increased by just 37%, the lowest growth rate across the regions considered. A noticeable difference between West Africa and other regions appears to be the introduction of adverse regulatory measures that may hinder new entrants or growth of existing platforms in these markets. For instance, in early February 2019, Nigerian regulators imposed a ban on all forms of commercial motorcycles (okada) in 15 local government areas (LGAs), which has heavily restricted the activities of bike-hailing platforms such as MAX, Gokada and ORide in Lagos. According to data from insight2impact's systematic review, e-hailing platforms account for a fifth of all transactional platforms in the country, and it will be interesting to observe the impact of these measures on commuters and workers going forward.

South Africa the biggest platform market. Across Southern Africa, platforms have grown by 52% on average since 2018. The most significant growth has been in South Africa, which continues to boast the highest number of platforms across our eight focus countries (142).

Conclusion

As digital platforms continue to evolve, data-informed insights can support key role-players in making strategic decisions with respect to shaping Africa's digital economies. What is clear is that platforms are branching out across regions, economic sectors and industries in Africa, and they are quickly becoming a vital part of the livelihoods of many individuals in the region. The largest evidence gap in research on Africa's digital platforms is around the size of the market and measuring the potential scale at which platforms can contribute to the Sustainable Development Goals.

insight2impact will publish further research and digitally convene stakeholders, with the aim of unpacking the dynamic and complex nature of digital platforms and their contribution to economic development in Africa. To get in touch with our team to collaborate on this initiative, please contact digitalplatforms@cenfri.org.

13 Kenya, Rwanda, Tanzania and Uganda

14 [The East African. \(2019\). EA to post best GDP growth as North, West, reel under load of oil shocks](#)

15 [Business Today. \(2019\). Kenya leads Africa in Smartphone usage](#)

16 [Communications Authority of Kenya. \(2019\). Sector Statistics Report Q1 2019-2020](#)

17 [Business Africa. \(2020\). Is fintech in Kenya too successful?](#)

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