Nigeria Digital Trade Dialogue
30 June 2021
Enabling MSME Ecommerce in Nigeria

Dr. Kati Suominen
Founder and CEO, Nextrade Group
Nigeria Digital Trade Dialogue
30 June 2021
ETRADE ALLIANCE GOALS, WORKSTREAMS AND PARTNERS

Main objectives…

1. Increase number of MSMEs selling online, including on marketplaces
2. Increase MSMEs’ sales volumes online

…attained by breaking main constraints in key areas (~25 projects per year)

1. Policy and enabling environment
2. MSME skills development for e-commerce
3. Logistics and last-mile delivery
4. Access to finance
5. Inclusive trade

https://www.allianceforetradedevelopment.org
Alliance partners’ 360 ecommerce capabilities span the ecommerce sale cycle (also free resources readily available online)

**Operations**
- Visa Enko (in Spanish)
- Visa Practical Business Skills (USA)
- Google Digital skills training
- Google Applied Digital Skills
- Mastercard Small Business Cybersecurity Resource Center (Caribbean)
- Mastercard Trust Center (USA)

**Marketing/Sales**
- Receive Customer Order on Website/Marketplace
- Mastercard Small Business Digital Readiness Diagnostic (USA)
- Mastercard Digital Acceleration Platform - Business Tools (Caribbean)
- Mastercard Biz Resources (USA/CAN/LatAm/Caribbean)

**Obtain Financing/Working Capital**
- Visa Small Business Hub (USA)
- Grow with Google workshops
- Mastercard Biz Resources (USA/CAN/LatAm/Caribbean)

**Purchase Supplies and Produce Product**
- Etsy onboarding resources
- Google Small Business Hub (USA)
- Visa Small Business Hub (USA)
- Visa Enko
- Mastercard Digital Acceleration Platform - Small Business Tools (USA)
- Mastercard Digital Acceleration Platform - Digital Marketing (Caribbean)

**Fulfillment and Inventory Management**
- UPS Knowledge Center for fulfillment strategy

**Ship product (domestic)**
- UPS Small Business Shipping Solutions
- UPS Marketplace Shipping
- UPS My Choice platform
- UPS Billing Center
- Shipping with DHL - 5 Easy Steps for SMEs
- DHL Electronic Billing
- Google Plus Codes for digital addresses

**Ship product (cross-border)**
- UPS TradeAbility
- DHL Business Across Borders
- Mastercard Digital Acceleration Platform - Foreign Trade (Caribbean)
- Google Plus Codes for digital addresses

**After-sale service, reverse logistics**
- UPS Returns Manager
- Google Business Profile Reviews
- Google Forms for surveying

**Ecommerce Sales Cycle**

**Receive Customer Order on Website/Marketplace**
- Etsy onboarding resources
- Visa Small Business Hub (USA)
- Mastercard Digital Doors (USA)
- Google My Business and Google Digital Garage
- Mastercard Digital Acceleration Platform - Digital Marketing (Caribbean)

**Customer Payment**
- Visa Small Business Hub (USA)
- Visa guide to becoming merchant
- Visa Authorize.net Ecommerce Guide to Payments
- Visa Cybersource Support Center
- Mastercard guide to becoming merchant
- Google guide to accepting payments
- PayPal Business Resource Center

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Why are we excited about MSME ecommerce?
Small Nigerian firms are still mostly social sellers, but also starting to use marketplaces

Source: eTrade Alliance and Nextrede surveys of 970 Nigerian firms, August and September 2020.
Nigerian MSMEs benefit significantly from ecommerce in new customers, revenues, cash flow

### Gains from using ecommerce, by type of seller

- **New domestic customers**
- **Improved cash flow**
- **Increased revenue**
- **Become more profitable (better margins)**
- **Improved customer experience**
- **New international customers**
- **Increased sales to existing clients, this time online**
- **Improved interactions with our vendors**
- **Found better suppliers**
- **Cut operating costs**
- **Cut time managing payments and invoices**
- **Contracted new services like logistics and IT services**
- **Diversified into new products and services**
- **Exporters to new markets**
- **Streamlined our workflows and operations**
- **Increased hiring**
- **Increased offline (by phone or in-store) sales**
- **New international customers**
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Online seller MSMEs are likelier to export

Source: eTrade Alliance and Nextrade survey of 2,011 African, including 970 Nigerian, MSMEs, August and September 2020
...and export to multiple markets

Number of foreign markets MSMEs sold to, by type of seller

Source: eTrade Alliance and Nextrade survey of 2,011 African, including 970 Nigerian, MSMEs, August and September 2020
Online exporters also did better in Covid-19

Firms' projected revenue growth in 2020

Source: Visa with Nextrade Group
What are we solving for today?
Nigerian firms’ “top challenges” to grow their ecommerce businesses:

- Customs procedures
- Digital marketing
- Finance
- Cybersecurity

Source: eTrade Alliance and Nextrde surveys of 970 Nigerian firms, August and September 2020.
Customs clearance also impacts African shoppers – 50% have delivery times >2 weeks

Nigerian exporters’ “top challenges” to grow their ecommerce businesses

MSMEs across Africa and across sales channels share similar challenges → common ecommerce agenda

<table>
<thead>
<tr>
<th>Challenge</th>
<th>All countries</th>
<th>Kenya</th>
<th>Nigeria</th>
<th>South Africa</th>
<th>All countries</th>
<th>Kenya</th>
<th>Nigeria</th>
<th>South Africa</th>
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<td>Maintain our online store</td>
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<td>Compete for talent for ecommerce</td>
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<td>Manage our store on a marketplace</td>
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<td>Access to working capital</td>
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<td>Consumer buys from foreign sellers</td>
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<td>Domestic taxes</td>
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<td>Do digital marketing</td>
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<td>Get a quality internet connection</td>
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<td>Last-mile delivery to customer</td>
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<td>Receive international payments</td>
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Source: eTrade Alliance and Nextrade survey of 2,011 African, including 970 Nigerian, MSMEs, August and September 2020
Excellent enabling environment for ecommerce

Very poor enabling environment for ecommerce

Views of challenges vary by geography and channels –

Small rural offline and social sellers and urban micro sellers most constrained
“Top-3 capabilities my company needs to start or expand our online sales”

- Working capital
- Better quality products and services
- Digital marketing capabilities
- Knowledge about how to do ecommerce
- Presence on marketplaces like eBay, Etsy, Jumia, Amazon
- Access to high-quality internet
- Financing of digital and ecommerce capabilities
- Ability to accept payments from customers
- Ability to manage international logistics
- Ability to comply with foreign market access regulations
- Cheaper logistics
- Better access to talent
- Capabilities to manage ecommerce fulfillment
- Customer data analytics capabilities
- Compliance with digital regulations like data privacy rules

Our question: how to enable more firms to grow into online sellers →

1. Improve enabling environment for ecommerce
2. Accelerate firms’ digital transformation
Where is the Nigeria on these two axes?
Nigeria is on the way adopting policies conducive to MSME ecommerce: Alliance’s 2020-21 Ecommerce Policy Index

Source: Suominen, Vambell, Furtek (2021)
### How Nigeria maps on the Index

<table>
<thead>
<tr>
<th>Category</th>
<th>Nigeria</th>
<th>Kenya</th>
<th>Morocco</th>
<th>Sub-Saharan Africa</th>
<th>Middle East North Africa</th>
<th>South Asia</th>
<th>Latin America</th>
<th>Southeast Asia</th>
<th>Advanced</th>
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<td>Digital Infrastructure</td>
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<td>Digital regulations on online behavior</td>
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<td>Cybersecurity readiness</td>
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<td>Ecommerce logistics and trade facilitation</td>
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<td>SME capacity-building and export promotion for ecommerce</td>
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<td>SME finance</td>
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<td>Government eprocurement promotion for SMEs</td>
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<td>Ecommerce diagnostics and strategy</td>
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<tr>
<td>Overall</td>
<td>Top 25%</td>
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<td>Top 50%</td>
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<td>Bottom 50%</td>
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</tbody>
</table>

Source: Suominen, Vambell, Furtek (2021)
Our goal today: Create Roadmap and pilots for MSME Ecommerce in the Philippines

What to do – and how to do it?
Annex:
Domestic and regional policy solutions for African countries to enable MSME ecommerce
<table>
<thead>
<tr>
<th>Enablers</th>
<th>MSMEs’ pain points</th>
<th>Examples of goals</th>
<th>Solutions - Domestic</th>
<th>Solutions - Regional</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Logistics</strong></td>
<td>Slow and arcane customs procedures</td>
<td>Domestic delivery for a median shipment in a day within first-tier cities, 2 days to second- and third-tier cities, 3 days to rural areas by 2022</td>
<td>Accelerate TFA implementation</td>
<td>Full liberalization of trade in goods</td>
</tr>
<tr>
<td></td>
<td>High total cost of delivery to foreign customers</td>
<td>Cross-border inbound delivery times lowered by 25% by 2022 and 50% by 2025</td>
<td>Simplify border clearance for low-value items above de minimis thresholds</td>
<td>Liberalize regional air and ground cargo markets</td>
</tr>
<tr>
<td></td>
<td>Elevated cost of hinterland rural last-mile delivery</td>
<td>Customs clearance times for imports lowered by 50% in 2025</td>
<td>Promote digitization of trade documents and AI and blockchain for customs risk management and automation</td>
<td>“LogTech Academy” to promote companies’ adoption of warehousing and logistics technology solutions</td>
</tr>
<tr>
<td></td>
<td>Poor addresses and cash payments raising delivery times and inefficiencies in the “final 50 feet”</td>
<td></td>
<td>Adopt digital addresses for last-mile delivery</td>
<td>Create African “TradeTech Academy” for governments to pilot disruptive technologies in border clearance</td>
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<td><strong>Finance</strong></td>
<td>Frequent cash flow constraints</td>
<td>Any MSME can use mobile phone to access a loan in 120 minutes by 2025</td>
<td>Adopt FinTech and equity crowdfunding laws</td>
<td>Adopt a regional FinTech sandbox and passporting</td>
</tr>
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<td></td>
<td>Access to fast-disbursing working capital loans to fulfill orders</td>
<td>&gt;20% of MSMEs that seek funding for digital transformation projects secure it by 2025</td>
<td>Guarantee for FinTech-issued working capital loans to online sellers</td>
<td>Pilot a regional credit guarantee to support B2B online buyers’ access to financing to make online purchases</td>
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<tr>
<td></td>
<td>Access to long-term funding for digital transformation projects</td>
<td>Interoperable regional financial ecosystem by 2025</td>
<td>Adopt of FinTech sandboxes</td>
<td>Develop a regional Digital Transformation Fund for online sellers’ digital transformation projects</td>
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<tr>
<td></td>
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<td></td>
<td>Promote open banking and open finance</td>
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<td></td>
<td>Promote e-invoicing and procure-to-pay solutions, including in B2G transactions</td>
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| E-skills | • Limited ecommerce and digital marketing capabilities  
           • Use local and global marketplaces  
           • Management of outbound international shipments | • Increasing the share of MSMEs with online stores to 50% by 2025  
           • Increasing the share of MSMEs that use global marketplaces 25% in 2025  
           • Doubling current MSMEs online sellers’ ecommerce sales by 2023 | • Leverage public-private partnerships to onboard MSMEs on marketplaces and secure logistics, finance, digital marketing, and payment services for ecommerce  
           • Provide mass-customized online capacity-building for social sellers to build capabilities to transact digitally  
           • Work with anchor firms to build MSME suppliers’ ecommerce capabilities  
           • Promote digital capabilities and labor market matching in workforce development strategies  
           • Promote online dispute resolution (ODR) systems for a scalable and quick resolution on disputes in online transactions | • “African 360° eBusiness Academy” to enable MSMEs access holistic capabilities for running a global online business  
           • “Ecommerce Executive Education” program for leaders of established MSMEs to develop ecommerce capabilities and learn from peers across the region  
           • Regional “RegTech” solution to enable MSMEs to access market access data for all products and markets and automate trade compliance  
           • African E-Business Code of Conduct and regional eTrust Mark |
| Payments | • Prevalence of cash  
           • Limited interoperability in cross-border B2C payments  
           • Costly cross-border B2C and B2B payments  
           • Frictions in B2B payments in logistics value chains | • Digital payments in 20% of transactions in Africa by 2022 and 35% in 2025  
           • Cross-border payments available to 50% of African mobile payment users by 2025  
           • Cross-border payment fees cut to global average by 2025 | • Advance regulations governing payment providers that are calibrated to risk  
           • Promote biometric IDs and 3D Secure standards for customer authentication for small purchases  
           • Support open data transfer policies to enable fraud-prevention in digital payments | • Interoperable cross-border mobile payments with ISO 20222, standardized QR codes, APIs  
           • Promote digitized invoicing and automated payments using smart contracts among players moving B2B ecommerce cargo |

Source: Suominen (2021)
## Cross-cutting policies

<table>
<thead>
<tr>
<th>Digital integration</th>
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<th>MSME Digital ID</th>
<th>Cybersecurity</th>
<th>Business formalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ensure compatible and flexible national digital regulations for MSMEs to apply similar rules when transacting across Africa.</td>
<td>• Consider a data transfer regime such as APEC Cross Border Privacy Rules (CBPR) system to enable orderly cross-border data transfers, while respecting national data privacy laws in that are in place</td>
<td>• Promote decentralized self-sovereign regional Corporate Digital ID identity solutions for MSMEs to be authenticated and verified by service providers and customers.</td>
<td>• Adopt cybersecurity laws and Computer Emergency Response Teams (where not yet in place).</td>
<td>• One-stop shop fully online business registration (where not implemented yet).</td>
</tr>
<tr>
<td>• Promote regional Digital Dialogues among public and private sectors to assess how digital and other regulations are impacting ecommerce in Africa and discuss best global digital regulatory practices, including emerging models in regional trade agreements.</td>
<td>• Consider Executive Agreements (as between U.S. and UK) to promote orderly access to data for law enforcement purposes.</td>
<td>• Support and subsidize MSMEs’ cybersecurity training and technology purchases.</td>
<td>• Carrots and sticks approaches – tax holidays and fee exemptions coupled with inspections.</td>
<td>• Promote Africa eTrust Mark among formal companies.</td>
</tr>
<tr>
<td>• Promote permanent regional dialogues and information sharing among specific national regulators (e.g., consumer protection agencies) to discuss and align regulatory approaches.</td>
<td>• Promote public-private dialogues on emerging privacy-preserving technologies such as encryption and confidential computing, and their implications on regulating data.</td>
<td>• Partner with technology companies and VCs to develop cybersecurity solutions tailored to MSMEs.</td>
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<tr>
<td>• Develop common measurements of ecommerce flows and use, for tracking Africa’s ecommerce development and regional digital integration.</td>
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</tbody>
</table>

Source: Suominen (2021)
Thank you