The Emerging Platform Economy Series **No. 2**

The Rise of African Platforms

A Regional Survey

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1. Introduction

Fiber optic networks, smart devices and a host of other digital capabilities are not only opening up new business opportunities across Africa, but also new ways of organizing business. One way we have seen this happening is through the rise of enterprises that are based on platform business models. Like their counterparts in North America, Asia and Europe, platform-based enterprises are facilitating interactive ecosystems that connect people, organizations and resources in ways that enhance the efficiency of matching, exchange and innovation. In the process, platforms are making it easier for people across Africa to find and purchase goods, get rides, find accommodations, access movies, make payments, locate jobs and much more.

While there has been growing attention to platform business models in North America, Europe and Asia, there has been little systematic analysis of these types of companies operating in Africa. How many platforms are operating in Africa? In which countries? In what sectors are they active? Do they tend to operate in a single country or do they operate across multiple countries? How are these platform companies being established? Are they arising organically or are they backed by companies from outside Africa? Or is it a mix of both?

We undertook this survey to begin to answer these questions. This report focuses on the 42 top platform companies operating across the Sub-Saharan region. These companies were identified through reviewing more than 600 digital/tech companies. The cohort of African platform companies surfaced through this analysis is quite young — most have been launched since 2010. They represent vibrant experimentation with new approaches to organizing and managing business. The survey offers insights into where they are located, the scope of their coverage, the sectors in which they operate and the mix between indigenous and foreign players.

Through this research we found that platform companies reflect a duality in contemporary business formation in Africa. On one hand, platform companies face significant constraints in getting off the ground and scaling. These constraints include poor infrastructure, limited banking institutions and wary customers. At the same time, platform companies are solving problems that hold the potential to accelerate the development of dynamic next-generation markets. This is particularly true in the areas of e-commerce, ride sharing, payment systems, streaming media and freelance/workplace engagement.

We also found an interesting blend of foreign and local capabilities being brought together in the formation of African platform companies. There are few indigenous only or wholly foreign-owned platform companies. Many are a blend that combine capabilities and resources brought from the global marketplace with African entrepreneurship and deep knowledge of local markets.

2. Survey Background and Objectives

In 2015, the Center for Global Enterprise launched an initiative to better understand the global implications of the emerging platform economy. As part of this initiative, the Center developed a global database of platform companies in collaboration with experts from Africa, China, Europe, India and the U.S. To capture the largest companies, a threshold of $1 billion market cap or valuation is required to be included in the dataset. This analysis uncovered 176 platform companies operating across the world in a wide range of sectors. The results are summarized in the report "The Rise of the Platform Enterprise: A Global Survey."[1]

The Africa platform survey deepens the global survey by providing a closer look at platform companies operating across Sub-Saharan Africa. Before turning to the type of data that was collected and approach that was used to collect this data, it is useful to explain what we mean by a platform enterprise.

3. Platform Definition

The Africa survey draws on the definition developed for CGE's broader "Rise of the Platform Enterprise" project. As in the global survey, we are concerned with platform business models and the design choices that allow these business models to grow.

Network effects are a key characteristic that distinguish platforms from other business models. As more users engage with the platform, the platform becomes more attractive to potential new users. When more users attract more users, a dynamic is created that in turn triggers a self-reinforcing cycle of growth. There are two kinds of network effects: direct network effects (where more users attract more users) and indirect network effects (where more users of one side of the platform attract more users on the other side of the platform). Platforms can be two-sided, as in the case of freelancers being matched with projects. They can also be multi-sided, as in the case of media platforms, which serve viewers, content providers and advertisers.[2]

The conditions for platform creation have grown with the expansion of the internet, mobile devices and software development. Digital technologies greatly facilitate the establishment interactive

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1 Peter C. Evans and Annabelle Gawer, "The Rise of the Platform Enterprise: A Global Survey," The Emerging Platform Economy Series, No. 1, The Center for Global Enterprise, January 2016.

2 There is now a large literature on platform business models. See, for example, Jean-Charles Rochet and Jean Tirole. "Two-sided markets: a progress report." ***The RAND Journal of Economics*** 37, No. 3 (2006), pp. 645-667; Geoffrey G. Parker, Marshall W. Van Alstyne and Sangeet Paul Choudary, ***Platform Revolution: How Networked Markets Are Transforming the Economy,*** New York: W.W. Norton & Co. 2016.

networks and efficient matching. A key result is the ability to aggregate and match one side of a market to the other side with a level of efficiency and speed that was not possible in the past. Greater scale contributes to attracting more users, which creates more value, producing a virtuous feedback mechanism.

Another dimension of platforms is the ability to accelerate innovation and the contributions of third parties. This is achieved by opening the platform to external innovators. Instead of seeking to maximize the value of a particular product or service, platforms grow and innovate faster when they concentrate on maximizing value across the entire ecosystem, which often involves third parties outside the traditional boundaries of the enterprise.[3] Successful platform entrepreneurs have found that establishing open interfaces, such as Software Developer Kits and Application Programming Interfaces (APIs), can enhance complementary innovation. In these ways, platforms often result in better business models that are disruptive to existing industries.

To operationalize these definitions and recognize that platforms have a range of attributes, we consider four types of platforms:

Transaction platforms:

A transaction platform is a technology, product or service that acts as a conduit (or intermediary), facilitating exchange or transactions between different users, buyers or suppliers.

Innovation platforms:

An innovation platform is a technology, product or service that serves as a foundation on top of which other firms (loosely organized into an innovative ecosystem) develop complementary technologies, products or services.

Integrated platforms:

An integrated platform is a technology, product or service that is both a transaction platform and an innovation platform. This category includes companies such as Apple, which has both matching platforms like the App Store and a large third-party developer ecosystem that supports content creation on the platform.

Investment platforms:

Investment platforms consist of companies that have developed a platform portfolio strategy and act as a holding company, active platform investor or both.

In the case of Africa, the two most prevalent categories are transaction platforms and investment platforms. Innovation platforms and integrated platforms have yet to become established.

[3] Annabelle Gawer and Michael A. Cusumano. "Industry platforms and ecosystem innovation." ***Journal of Product Innovation Management*** 31, No. 3, 2014, pp. 417-433.

4. Survey Methodology

The data for this study was collected through several means. First, a review was conducted of known African platform company websites. Second, information from portals such as VC4A, a website dedicated to African technology start-ups, was analyzed to identify new platform companies.[4] Searches were also performed using various keywords or combinations of keywords (e.g., digital, e-commerce, platform, marketplace) on both open-source search engines as well as paid services such as Quid Web Intelligence.[5] Additional information was collected directly from companies by phone or via an email survey questionnaire. These approaches yielded a list of more than 600 candidate public and private companies.

To narrow the list and reveal the most significant platforms, the candidate companies where screened against the platform definitions presented above. In addition, the list was narrowed by selecting companies that had: 1) secured investment funding of at least US$1 million, or 2) where companies that operated a portfolio of platform companies operating in Sub-Saharan Africa. This resulted in a final list of 42 platform companies.

For each company in the final list, we collected specific information. This included the location of company headquarters, the industry in which it operates, the number of countries in which it operates and whether the company is public or private. We also made an effort to collect information on investment trends; however, because the majority of African platform companies are privately owned, it was difficult to obtain even basic financial data for each platform.

Although they are not a focus of this analysis, we recognize that many of the large U.S. multinational platform companies have expanded into Africa. For example, Google's search engine is widely available. At least one of the Google Play services (books, movies, paid apps and music) is now available in 25 countries.[6] Uber is now available in several cities across Africa, namely in South Africa (Cape Town, Durban, Johannesburg and Port "Elizabeth", Nigeria (Lagos and Abuja) and Kenya (Nairobi and Mombasa).[7] Other major platform are also expanding into Africa, such as Airbnb and LinkedIn.[8] Most are relying on traditional internet providers, however, some companies, such as Facebook, are working to tap satellites to provide access across 14 Sub-Saharan Africa countries.[9]

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[4] See: Venture Capital for Africa at https://vc4a.com/
[5] For details regarding the Quid Web Intelligence tool see: http://quid.com/product/
[6] See: https://support.google.com/googleplay/answer/2843119?hl=en
[7] See: https://www.uber.com/cities/
[8] "Airbnb to expand further across Africa," Biztech Africa and "LinkedIn usage grows 40% in South Africa," ITWeb Africa, September 16, 2014.
[9] Heather Kelly, "Facebook to beam free internet to Africa with satellites," ***CNN Money***, October 5, 2015.

5. Survey Results

The survey revealed that platform companies are now found operating throughout Sub-Saharan Africa. We identified 42 companies operating across 33 countries. As shown in Figure 1, the highest density of platforms are located in South Africa, Nigeria and Kenya. Ghana, Tanzania and Uganda also have a growing number of platforms in operation. The scope of platform operations vary greatly by company. As shown in Figure 2, companies like Jovago, a travel matching service, and iROKOtv, a streaming video service, have broad country coverage. There are E-commerce platforms such as Cheki, which focuses on automobiles, and Kaymu, which focuses on general merchandise across 10 countries. However, the geographic scope does not necessarily indicate the full scale of a platform. For example, Takealot, a large e-commerce platform, only operates in South Africa.

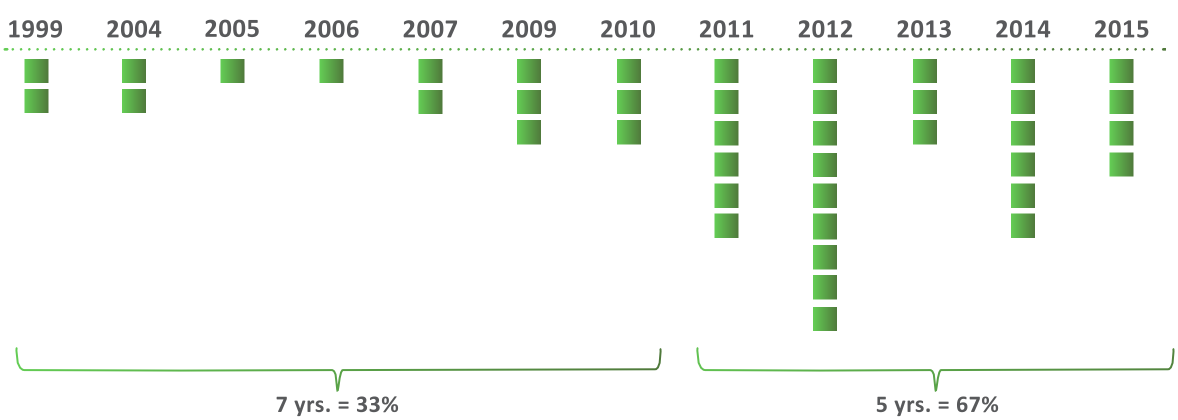
The age of the platforms vary. While some of these companies have been in operation for more than 10 years, most are still quite young. A total of 14 of the companies or approximately one third were founded in or before 2010. A total 28 companies or approximately two-thirds have been established within the past five years.

In the sections below, we present the results in greater detail, focusing in particular on the location of platform clusters, indicated by platform headquarters and/or important centers for regional operations, the sectors in which the platforms compete and the type of platforms they operate.

Geography of Innovation

While platform companies now span most of Africa, the operational centers are clustered in a few key places. Three clusters in particular stand out in West Africa (Lagos), East Africa (Nairobi) and Southern Africa (Cape Town). An important additional dimension are key global linkages, especially to Europe.

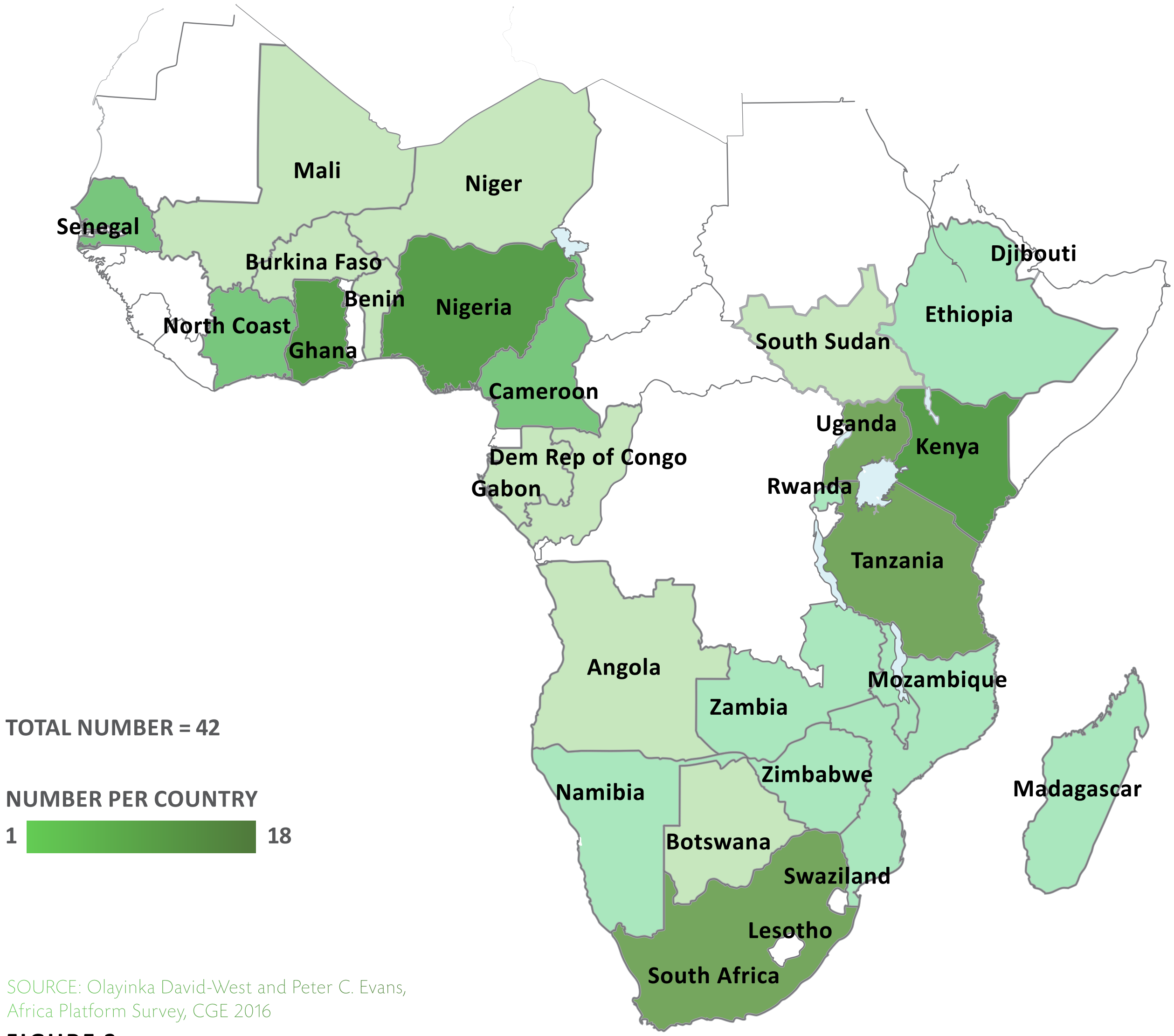
AFRICAN PLATFORM ESTABLISHMENT BY YEAR



SOURCE: Olayinka David-West and Peter C. Evans, Africa Platform Survey, CGE 2016

FIGURE 1

SCOPE OF LEADING SUB-SAHARAN PLATFORM COMPANY OPERATIONS



SOURCE: Olayinka David-West and Peter C. Evans, Africa Platform Survey, CGE 2016

FIGURE 2

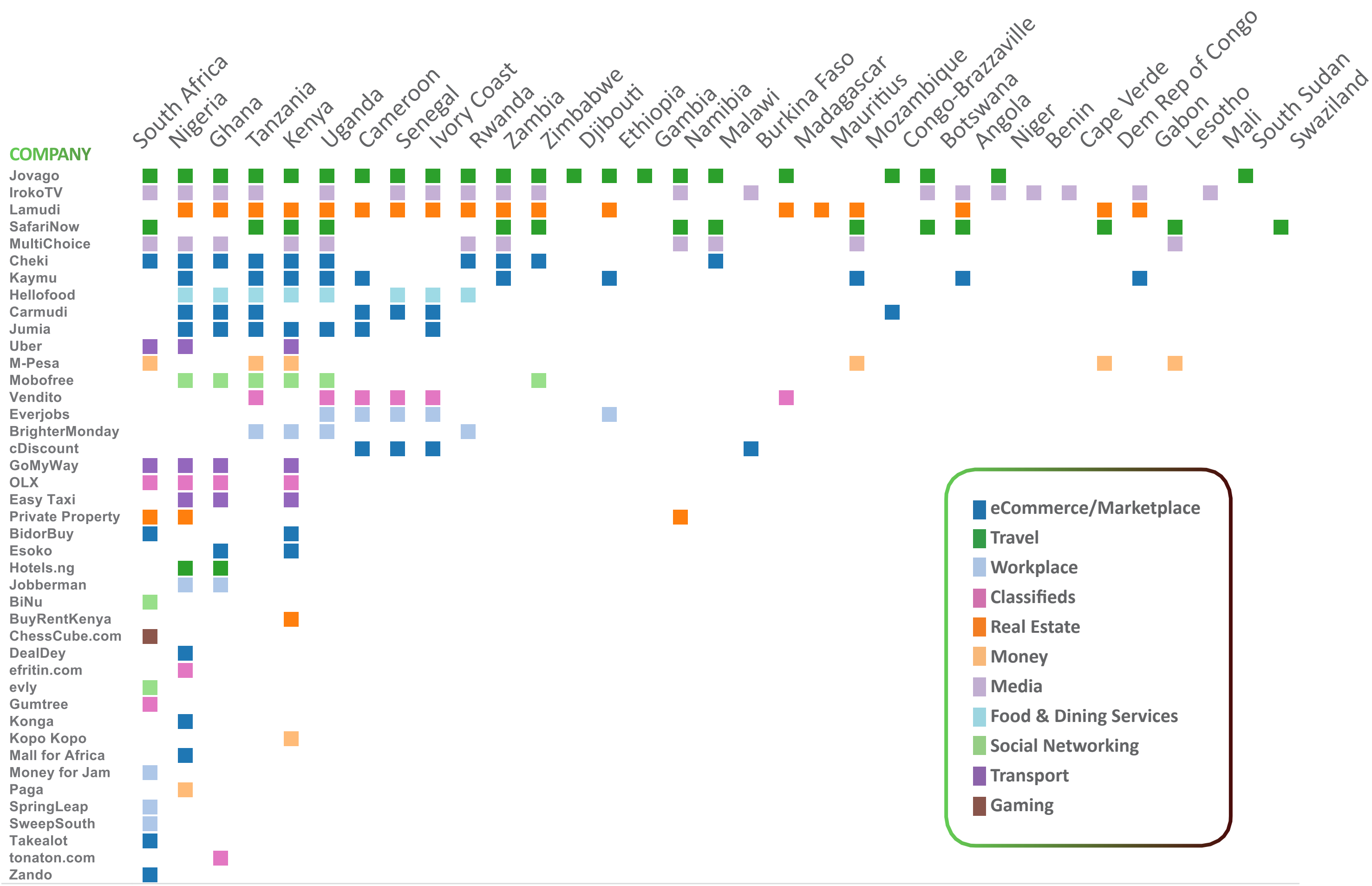
WEST AFRICA HUB

West Africa has become a vibrant hub for platform activity, especially in the past five years. By far the most important city in the West Africa is Lagos, Nigeria. A cluster of platform companies have been launched from Lagos, benefiting from Nigeria's rise as Africa's most populous and largest economy. Nigerian platforms are predominantly privately owned and self-funded. They benefit from a large overseas diaspora with strong connections both to the United States and to Europe, especially the U.K. Platforms established in Lagos are also proximate to nearby markets such as Ghana, Senegal, Ivory Coast and Cameroon. We have seen a number of platform companies such as iROKOtv, Hotels.ng and Jobberman move from Lagos into these markets.

EAST AFRICA HUB

The East Africa platform hub centers on Nairobi. Kenya's foray into platforms can be traced back to 2005 and may be related to government policy initiatives focused on enhancing the ICT sector and Kenya's status as Africa's information and communication technology hub. Kenya's platform space includes a growing number of companies, the most important of which are M-Pesa and Kopo Kopo. Unlike Nigeria and South Africa, money platforms are more common. With a vibrant mobile money market, a third of the world's more than 60 million mobile money users are Kenyans, contributing about half of the estimated $10 billion mobile money transactions as of 2012.[10]

LEADING AFRICAN PLATFORMS RANKED BY SCOPE OF COUNTRY OPERATION



SOURCE: Olayinka David-West and Peter C. Evans, Africa Platform Survey, CGE 2016

FIGURE 3

[10] Javier Ewing, et al. "ICT Competitiveness in Africa," Report prepared for World Bank, African Development Bank and African Union, February 2012.

SOUTHERN AFRICA HUB

In Southern Africa, Cape Town and Johannesburg are centers for platform creation and operations. Indeed, Cape Town is arguably the most well-established, being the headquarters for both Naspers and One Africa Media. The city has high-quality infrastructure and a strong talent pool, which is supplied by a number of strong universities including University of Cape Town and the University of the Western Cape. Johannesburg has also become a platform incubator, with companies such as BidorBuy and SweepSouth emerging.

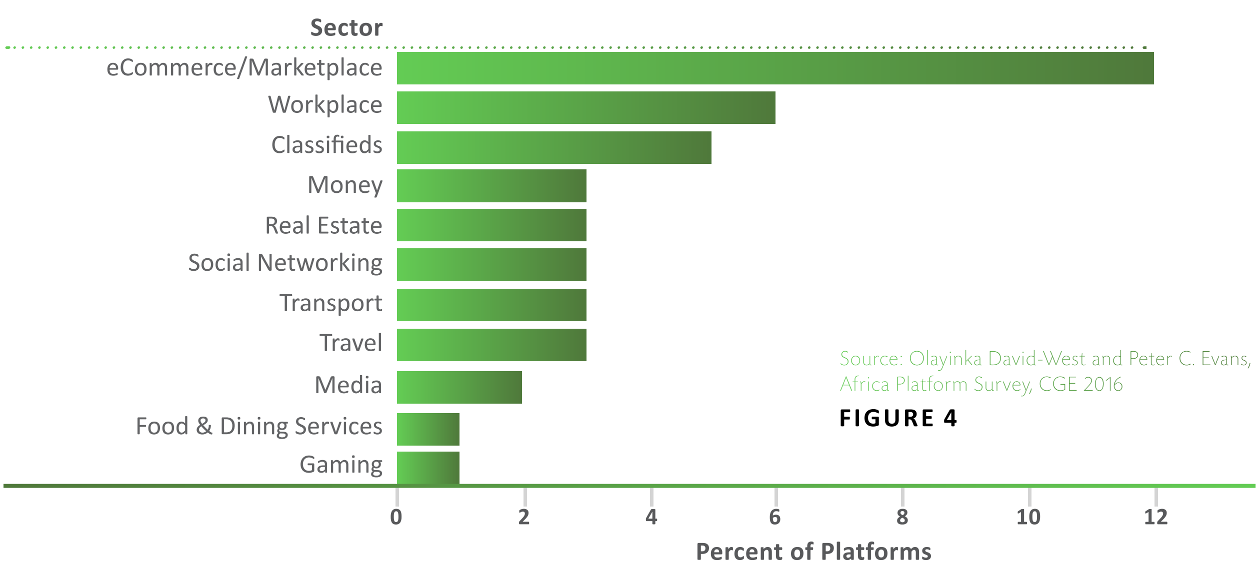
GLOBAL LINKAGES

Some the largest and most well-established platforms in Africa have benefited from global connections. Europe has been particularly important as a source of investment, managerial talent and software applications, especially from Berlin and Amsterdam, but also London and Paris. Some African platforms have also benefited from linkages to the United States, particularly New York and San Francisco. Those with U.S. ties tend to gain more from investment and managerial talent than on back-end IT infrastructure. Finally, there have been some international linkages to Asia, particularly Australia. These latter connections have been largely through investments. Our survey did not reveal other strong flows from Asia to Africa. However, the reverse is the case with African platform companies investing in Asia, especially China and India.[11]

Platforms Sectors

Platforms now operate in a wide range of sectors. This distribution by the number of platforms is illustrated in Figure 3. The largest number of platform companies can be found in the area of e-commerce. These companies make up 29 percent of the platforms identified in the survey. This is followed by workplace platforms with 14 percent and real estate with 12 percent. Money-related companies, Classifieds, and Social Networking and Travel approximately 7 percent of the platform companies. Media, Food and Dining, and Gaming round out the list, ranging from 2 percent to 5 percent of the companies.

NUMBER OF PLATFORMS OPERATING IN SUB-SAHARAN AFRICA BY SECTOR



Source: Olayinka David-West and Peter C. Evans, Africa Platform Survey, CGE 2016

FIGURE 4

[11] See for example, "Naspers to invest $250 million in ibibo Group," ***Daily News and Analysis***, February 24, 2016.

Platform Type and Ownership

The vast majority of platforms operating in Africa are transaction-based platforms. These platforms are bringing together two sides of a market — buyers and sellers, travelers and accommodations, jobseekers and employers. A few of these transaction platform are three-sided in that they may also involve an advertiser. The survey did not identify any innovation platforms, typically associated with large software and other tech companies that have built large ecosystems of third-party complementors. It also did not identify any integrated platforms, which combine matching with large third-party innovation.

There are a number investment platforms operating across Africa. These are discussed in more detail below.

Platform Investment/Holding Companies

Many of the platforms operating across Africa are affiliated with one of several larger companies that have built a portfolio of platforms operating throughout the region. Each of these platform investment companies takes a different approach based on the history of the company, ownership structure and investment strategy. The three most significant companies in this category are Naspers, One Africa Media Group and Rocket Internet. We briefly review each of these companies and their role in promoting Africa platform investments.

MAJOR PLATFORM INVESTMENT COMPANIES OPERATING IN AFRICA

Major Investor	Sector	Company	Year Founded
NASPERS	Classifieds	OLX	2012
	eCommerce/Marketplace	Konga	2012
		Takealot	2011
	Media	MultiChoice	2011
	Workplace	Money for Jam	2014
ONE AFRICA MEDIA GROUP	eCommerce/Marketplace	Cheki	2010
	Real Estate	BuyRentKenya	2012
		Private Property	2011
	Travel	SafariNow	1999
	Workplace	Jobberman	2009
		BrighterMonday	2006
ROCKET INTERNET	Classifieds	Vendito	2015
	eCommerce/Marketplace	Carumudi	2013
		Jumia	2012
	Food & Dining Services	Hellofood	2012
	Real Estate	Lamudi	2014
	Transport	Easy Taxi	2013
	Travel	Jovago	2013
	Workplace	Everjobs	2014

SOURCE: OLAYINKA DAVID-WEST AND PETER C. EVANS, AFRICA PLATFORM SURVEY, CGE 2016

TABLE 1

Naspers Group: Naspers is a long-established publicly traded media company based in South Africa. It was founded in 1915 as a private media company that published newspapers and magazines. In the 1990s, the company went public and began the move into digital, beginning with the establishment of pay-television operations. In the following years, the company embraced a digital strategy as well as an increasing international focus. The company now refers to itself as a "multinational global platform operator" with investments and operations in more than 130 markets and more than 1.3 billion visitors daily to its various digital platforms.[12] The company is organized into several global units that manage its platform investments in China, India, Southeast Asia, Russia, Central Europe, the Middle East and Latin America. Naspers benefited from being an early investor in the rise of digital platforms in China, with an early investment in TenCent. That investment paid off handsomely, giving the company resources for its platform ventures.[13]

In Africa, Naspers has focused on a combination of e-commerce, media and classifieds platforms. Naspers also provides online and mobile payment services under the PayU brand, which is available on its own e-commerce platforms as well as on third-party-operated e-commerce platforms. In 2010, Naspers invested in OXL, a global classified transaction business with a presence in 90 countries in 40 different languages.[14] The company has contributed to the consolidation of e-commerce in South Africa with an investment in the platform Takealot, which took over the operations of Kalahari, a competing South African e-commerce platform. Naspers now holds a 47 percent stake in takealot.com. It also holds a 40 percent stake in the Nigerian e-commerce platform Konga. Finally, it has also expanded its video streaming services through MultiChoice, DStv, Gotv and SuperSport. Content for these video platforms are sourced internationally as well as commissioned locally within Africa.

Rocket Internet/Africa Internet Group: Rocket Internet and its regional operations arm Africa Internet Group were established in 2007 by internet entrepreneurs based in Berlin, Germany. The company has an explicit strategy of incubating platform companies outside of the U.S. and China.[15] Since its founding, it has launched more than 100 platform companies, largely in emerging markets. In Africa, Rocket Internet's platform investments are coordinated through the Africa Internet Group. AIG's operations in Africa span marketplace, travel, real estate and transportation platforms, facilitating e-commerce (Jumia, Kaymu, Carmudi), travel (Jovago), food (Hellofood), classifieds (Vendito, Everjobs) and ride sourcing (Easy Taxi).

Unlike traditional VC companies, Rocket seeks to accelerate the process of launching new companies, or follows what some call a "company builder" model.[16] This regional entity provides start-ups with a range of supporting resources, such as office space, marketing services and access to investors. It also accelerates the speed and efficiency of launching new businesses by using standard business processes, management approaches and sharing resources. Rocket is able to facilitate global knowledge exchange across its portfolio, plugging into Rocket's broader network. Local entrepreneurs

[12] Naspers website: http://www.naspers.com/group-profile.html

[13] TenCent has grown to become Asia's largest platform company by market capitalization. See Manny Salvacion, "Tencent Now Asia's Biggest Internet Firm after Alibaba's $141B Slide." Yabada.com, September 11, 2015.

[14] Leena Rao, "Naspers Makes Strategic Investment in Craigslist Competitor OLX," Techcrunch.com, August 26, 2010.

[15] See Rocket Internet's homepage, which states: "Our Mission: To Become the World's Largest Internet Platform Outside the United States and China": https://www.rocket-internet.com/

[16] Rebecca Köhler and Oliver Baumann. ""Organizing for Factory-like Venture Creation: The Case of Company Builder Incubators." In Academy of Management Proceedings, Vol. 2015, No. 1, Academy of Management, 2015. p. 11699.

that become part of the Rocket network can benefit from expertise on platform launch strategies, unique operational knowledge, access to specialized talent, IT systems and an insider track on platform management best practices from other companies in the network.

In return, Rocket expects active ownership and management control. Founders receive a small equity stake from Rocket in the companies they start (e.g., 5 percent to 10 percent). There are also long vesting periods. Founders in the network are also subject to higher levels of administrative control and monitoring than is typical of traditional venture capital models. But while the upside potential is less, there is also less risk since there is a broader support network and founders enjoy relatively high fixed wages, a feature that can be attractive in regions with challenging business conditions.

One Africa Media: One Africa Media was established in 2013 through the merger of South African-based Private Property Holdings and Kenyan-based Cheki Africa Media.[17] This brought together a portfolio of online marketplaces focused on cars, property and travel. The company operates from three hubs in South Africa, Kenya and Nigeria, with more than 600 employees in eight countries. The strategy has been to tap local talent for software engineering, business intelligence, HR, sales and marketing. In 2011, the company began to expand into workplace platforms. The company made investments in BrighterMonday, which is a leading jobs platform in East Africa. The company also

Funding Launch and Growth

Funding is a constant challenge for entrepreneurs seeking to launch platforms as well as for businesses that are looking for additional resources to grow. The shortage of either local seed or venture capital has resulted in a significant number of self-funded ventures. However, there are a small number of Africa-centric funds being established. For example, Hotels.ng raised $1.2 million from EchoVC, which runs the Pan-Africa Technology Fund established in 2013. Paga, the mobile payments company, secured funding from Adlevo Capital private equity fund, which is focused on Sub-Saharan African technology companies.[18]

Hedge funds have also played a role in funding African platforms. One of the most active has been Tiger Global Management. Tiger has played an important role in backing One Africa Media. It has also backed other ventures, including an $8 million investment in iROKOtv, helping it to become the largest streaming distributor of Nollywood films. Tiger also played a key role in the $100 million that South African e-commerce company Takealot.com raised in 2014. Finally, some funding has come from companies making strategic investments. For example, Australian-based SEEK, the Australian workplace platform, has progressively invested in One Africa Media to enable the latter company to expand its African workplace platforms.[19]

[17] Okuttah Mark, “Kenyan online sales firm merges with SA operator,” Business Daily, March 29, 2013.
[18] Bankole Oluwafemi, “Paga Raises $13 million Series B from Adlevo, Omidyar, Other Investors,” Techcabal, October 6, 2015.
[19] Lilian Mutegi, “SEEK injects U.S. $10 million into One Africa Media,” All Africa, May 4, 2015.

Competition

One concern voiced about platform companies is the potential for "winner-take-all" outcomes.[20] Riding on the power of network effects, the platform is able to tip the market in its favor, emerging triumphant by crushing all competitors and erecting a moat that makes new market entry all but impossible. While this outcome is possible, so far we do not yet see these results in Africa. At present, there is significant platform-on-platform competition, at least in the major markets (Table 2).

SELECTED PLATFORM ON PLATFORM COMPETITION IN KEY MARKETS

Category	Nigeria	South Africa	Kenya
RETAIL MARKET PLACE	Jumia	Takealot	Jumia
	Konga	BidorBuy	BidorBuy
AUTOMOBILE MARKET PLACE	Cheki		Cheki
	Carmudi		Carmudi
TRAVEL	Jovago	Jovago	Jovago
	Hotels.ng	SafariNow	StayNow/SafariNow
REAL ESTATE	Lamudi	Private Property	Lamudi
	Private Property		BuyRentKenya
	ToLet		
CLASSIFIEDS	OLX	Gumtree	OLXL
	Ojabuy	OLX	Biashara
	Jiji.ng	Howzit	Kilakitu

SOURCE: OLAYINKA DAVID-WEST AND PETER C. EVANS, AFRICA PLATFORM SURVEY, CGE 2016

TABLE 2

6. Platform Constraints

Every stage of platform business in Africa — from launch to growth to consolidation — face numerous constraints. These constraints range from the limitations cause by poor physical infrastructure to deficits of stable governance.[21] There are also the less tangible but no less real issues of talent to run platform business and consumer trust to engage with platform for goods and services. We highlight a number of these constraints below:

[20] Michael R. Baye and John Morgan. "Winner-take-all Price Competition." ***Economic Theory*** 19, No. 2, 2002, pp. 271-282.
[21] David B. Zoogah, Mike W. Peng, and Habte Woldu, "Institutions, Resources, and Organizational Effectiveness in Africa." ***The Academy of Management Perspectives*** 29, No. 1, 2015, pp. 7-31.

Infrastructure: Africa's infrastructural deficit, exemplified by poor road networks and insufficient power generation, remains a significant growth and development delimiter. Specifically in the ICT sector, African countries consistently rank poorly in the annual World Economic Forum Global Information Technology studies.[22] Even though these infrastructural deficits impact service- and product-oriented platforms differently, they inherently increase operating costs with the need for additional assets for reliable electricity production, logistics, etc. While connectivity has grown significantly over the past decade, penetration rates are still below half the population and those who do have connections often suffer from poor or intermittent quality.[23]

Payment Systems: Across Africa, cash remains the predominant exchange medium for most commercial activity. Access to formal banking services (financial inclusion) and electronic payment systems varies. For the banked, South Africa's adoption of electronic payment platforms like credit and debit cards is gradually evolving in other markets. However, low financial inclusion rates have inhibited card-based payments and e-commerce access, leading to the adoption of payment on delivery. With the exception of Kenya, which has excelled in mobile money payments, their application in e-commerce transactions is yet to evolve. Currency controls have been an issue in some countries, especially for foreign platforms that depend on debit/credit cards that are settled internationally. For example, as a result of falling oil prices and capital flight concerns, the Nigerian government has recently either reduced daily transaction limits or prohibited their use outright.[24] As a result, platform services such as Uber have been forced to accept cash payment in local currency or use alternative payment systems like Paga. The inability to process card payments can hinder business operations.

Digital Content/Internet Penetration: Access to digital content not only influences online utility (internet penetration), but is employed in the computation of the ecosystem maturity — a measure of depth and diversity of content. In spite of Nigeria's ranking among the top internet users countries (internetlivestats.com), social media and search websites remain under-utilized. Thus, digital content from local sites are yet to become as prominent.

Delivery Logistics: The combination of weak institutions and low investment in government-owned and -operated postage services created opportunities for private-sector courier services. Yet, the emerging e-commerce industry requires low-cost courier services on a scale that is generally unavailable. For product-based marketplaces, this has resulted in alternative delivery and logistics strategies such as ownership of transportation assets (delivery trucks and motorbikes) and the need for human operators and nationwide distribution centres. In cities like Lagos, Nairobi and Dar es Salaam, plagued by incessant traffic jams, motor bicycles have demonstrated to be a more effective delivery mechanism.

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[22] ***The Global Information Technology Report 2015: ICTs for Inclusive Growth***, World Economic Forum, Geneva, 2015.
[23] Ndubuisi Ekekwe, "The Challenges Facing E-Commerce Start-ups in Africa," ***Harvard Business Review***, March 12, 2015.
[24] Nigeria's foreign currency earnings are predominantly earned from the sale of crude oil.

Warehousing: The seller community of product marketplaces are predominantly owner-managed small businesses lacking formal business systems and structures mentioned earlier. Thus, to avert service failures and reputation damage, marketplace operators are backward integrating, offering sellers warehousing, inventory management and delivery services.

Consumer Distrust: African consumers have good reason to be wary of purchasing goods online. The availability of sub-standard or malfunctioning products in African markets has introduced pre-purchase product testing in the offline purchase process. In the online space, this impacts consumer trust perceptions that limits marketplace use to product browsing, while actual transactions are consummated at brick-and-mortar outlets. Consequently, new Nigerian marketplace Yudala offers online and offline retail access.

Talent: Limited access to substantive start-up financing (venture capital and other investment vehicles) makes platform self-funding popular. While most of these self-funded platforms focus on technology development, little or no emphasis is placed on complementary business management activities such as strategic planning, business design, marketing and advertising, inventory management, financial management and the like. Even though only 9 percent of the platforms have since either closed or are inactive, these lapses ultimately impact long-term platform sustainability.

7. Platforms as Market Enablers

But while there are many constraints facing platform launch and growth, it is also true that platforms are confronting these constraints with a variety of innovations. Close examination of platform operations suggests that platforms are providing solutions that are helping to facilitate market development at a rate that might not otherwise happen. Here are a few examples:

Offline Orders: In addition to Yudala's online/offline business model, low internet penetration rates has resulted in offline orders through sales agents (order-takers). Offline order-takers equipped with tablets visit markets and other densely populated areas promoting marketplace offers. Short message service (SMS) codes are another alternative mechanism for offline orders. Using predefined SMS-codes, customers are able to order marketplace goods and services.

Offline Distribution: In markets like Kenya and Nigeria, product-based marketplace platforms operate physical distribution (pick-up) and payment centers that serve as aggregators for distribution and payments, respectively, thus exempting customers from delivery surcharges.

Payment on Delivery (PoD): Limited access to electronic (card and mobile money) payment systems implicitly limits e-commerce transactions. This has resulted in payment on delivery (PoD) or integration of alternative offline payment mechanisms. PoD splits the order processing process, with electronic entry and offline payment at fulfillment. This not only entrusts delivery personnel with cash, but also increases the likelihood of rejections and returns (restocking). On the business side, this post-pay service distorts the cash cycle and working capital availability.

Shared Services: The provision of supply chain and logistics services — warehousing, human resources, motor vehicles, etc. — increases operating costs. As such, platform holding companies consolidate country operations and services (co-location, human resources, etc.). An example of such consolidation is the launch of AIG-Express in Kenya to support the fulfilment operations of platforms Jumia and Kaymu. It is anticipated that this initiative will be transplanted across similar markets.

Retail and Logistics: SSA's economic growth between 2011 and 2015 increased middle-class populations, creating a consumer market in search of convenience. As such, transactional e-commerce platforms have met this need and transformed retail practices once dominated by informal open markets.

IT Competencies: The need for competent human resources in this emergent platform economy cannot be understated. Thus, development clusters — accelerators, incubators and hubs — are evolving continent-wide to address gaps such as space, connectivity, technical and business advisory services and seed funding. To date, over 100 such initiatives are in existence to provide the much-needed human capacity to support the development and growth of tech-based ventures.

Platform Management: There are new capabilities being built across Africa that are specific to managing platform-based companies. While still relatively small, a class of managers is emerging who understand platform launch strategies, how open or closed should the platform should be, how to price services and how to manage the ecosystems. More will be needed as platforms grow in size and scale and continue to penetrate more sectors.

8. Conclusion

This survey suggests that there is a growing platform economy across Africa. While there remain many constraints facing the launch and growth of platforms, these new business models are nevertheless tapping into as well as helping to accelerate the place of digital technology adoption throughout the region. This report has highlighted the key platform innovation clusters that are emerging, the sectors in which platforms have gained the most ground, and some of the unique solutions they are creating to launch and expand their services. While there remain many challenges, not the least of which is building a strong pool of managerial talent to lead these companies, the opportunities for further platform growth seem very large. Also, and perhaps most promising, as generators of solutions to operational challenges, platforms offer a way to catalyze markets and advance economic development and job creation throughout the region.

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Dr. David-West is an information systems (IS) professional with more than two decades of experience in the Nigerian IT industry. With a passion for the effective use of IT in business, Dr. David-West not only makes IT understandable, but assists organizations seeking business value from information and related technologies through systematic decision-making and managerial processes. She is currently a senior fellow in the Operations, Information Systems and Marketing Division of Lagos Business School. She is also academic director at Lagos Business School and Enterprise Development Centre (EDC) of the Pan-Atlantic University, respectively. Dr. David-West holds a doctorate in Business Administration (DBA) from Manchester Business School; an MSc in Business Systems Analysis and Design from City University, London; and a BSc in Computer Science from the University of Lagos. Dr. David-West is the author of numerous academic papers and case studies. She has also presented her research findings in local and international conferences.

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A Regional Survey

The Rise of African Platforms