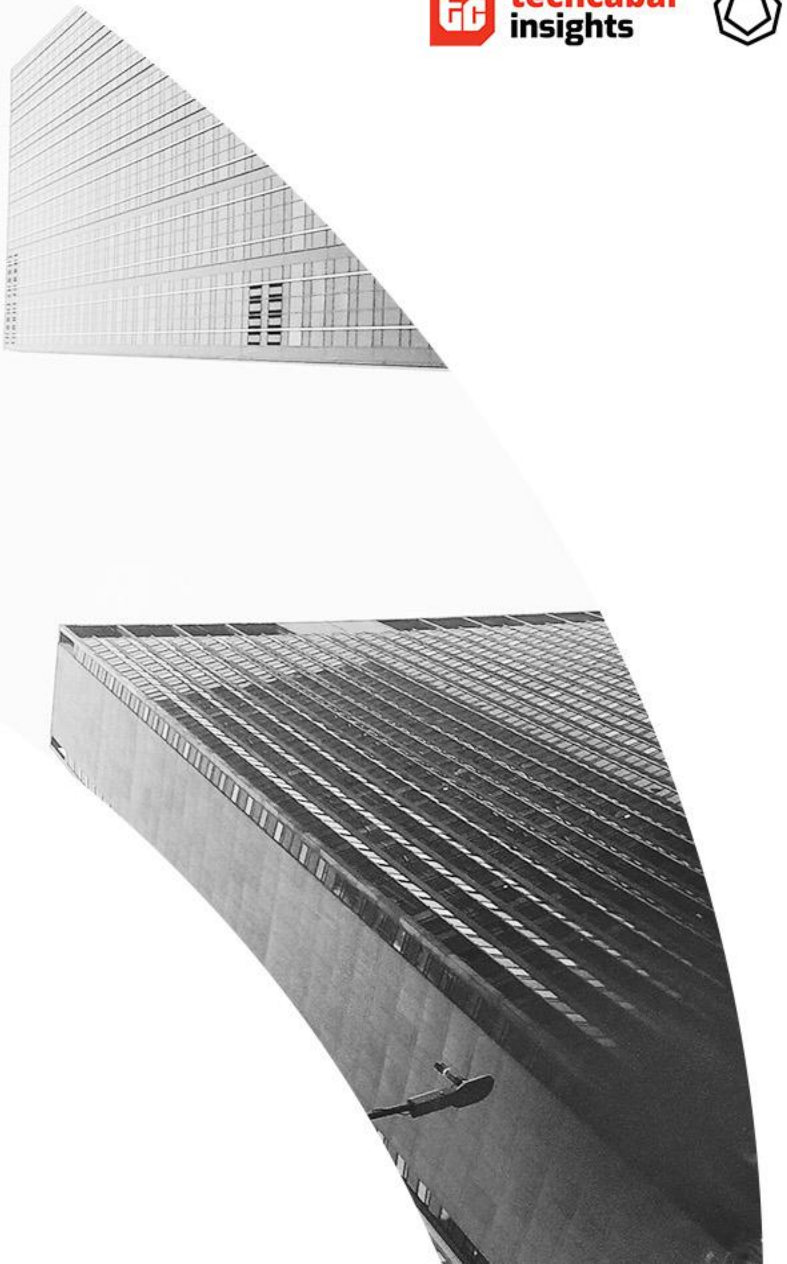


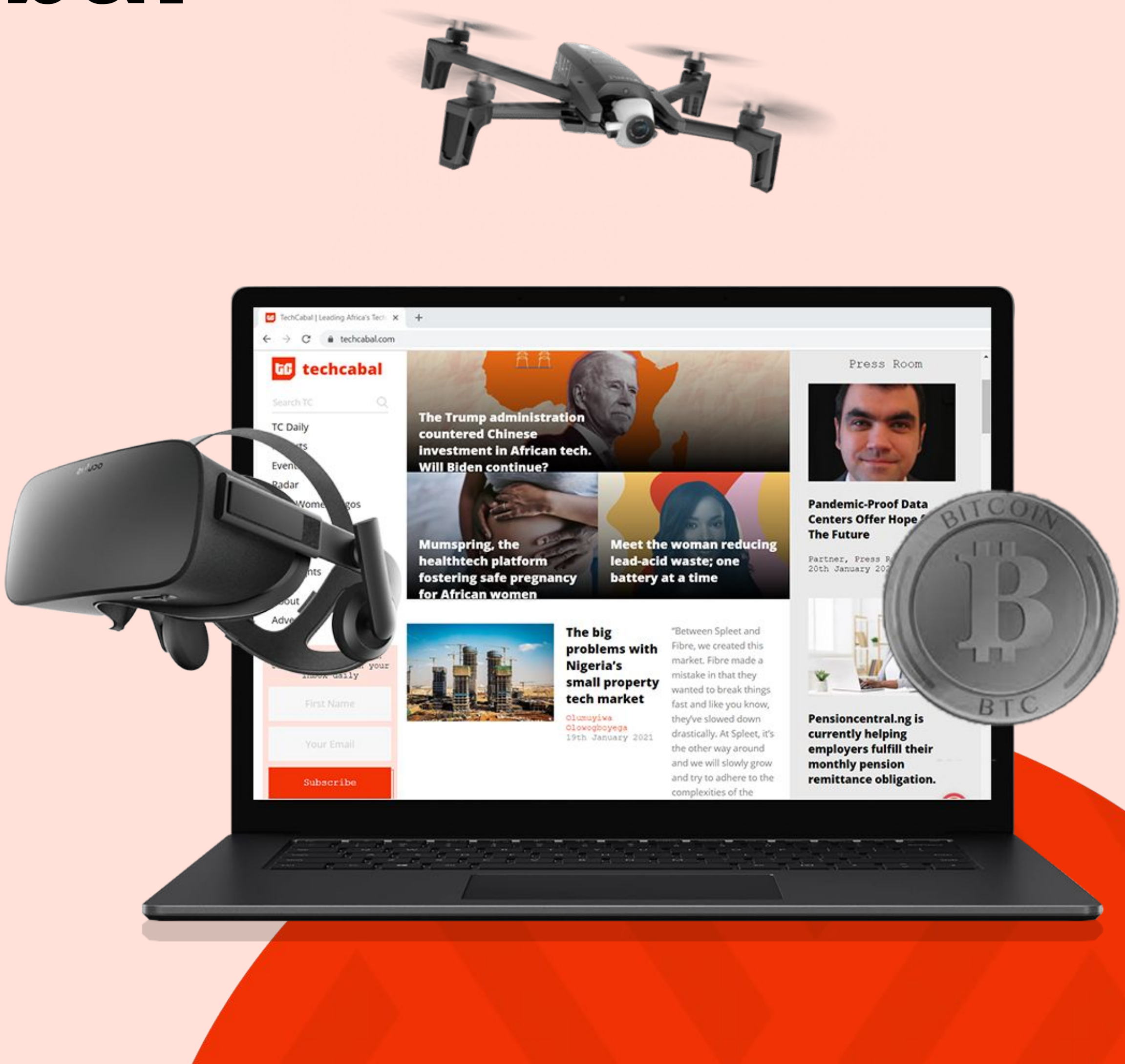
FUTURE OF COMMERCE: 2023 TRENDS REPORT

SEPTEMBER, 2022

TC Insights x TechCabal

TC Insights is affiliated with and fully backed by TechCabal, the leading publication that covers African innovation and technology in-depth.

TechCabal is owned by Big Cabal Media (BCM), a digital media company that leads the most engaging conversations around culture, innovation, entrepreneurship, entertainment and more today.



1

Background/ Context

BACKGROUND/ CONTEXT

Africa’s Digital Ecosystem

>1bn

Africa’s population size

$180bn

Size of Africa’s digital economy by 2025

>640

Total number of active tech hubs

>$4bn

Funding raised by Africa tech startups in 2021

81%

Share of funding received by the big four countries - Nigeria, Egypt, Kenya and South Africa.

7

Number of unicorn startups in Africa

100mn

Total mobile money accounts in Africa

$456bn

Total mobile money transaction value in Africa

43%

Africa’s internet penetration rate

48%

Current smartphone adoptions measured by connectivity

3mn

Number of jobs that will be created by digital platforms by 2025

3%

5G will account for total mobile connections in Sub-Saharan Africa by the end of 2025

Source: Statista, TechCabal, Endeavour, GSMA, Internet World Stat

AFRICA'S DIGITAL ECOSYSTEM

techcabal insights

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eCommerce Users In Africa Will Surpass The 400 Million Mark By 2023

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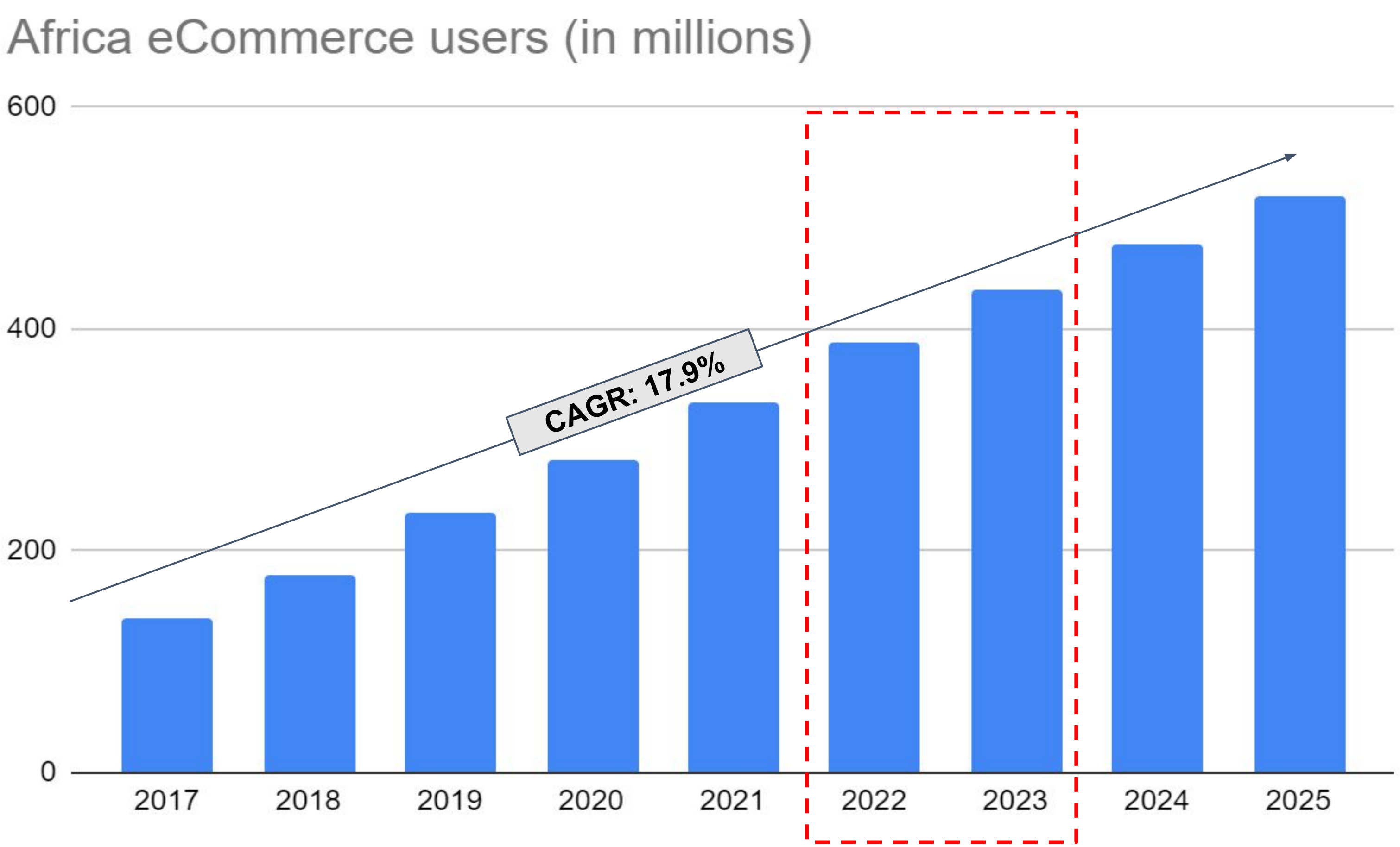

Source: Statista, U.S Department of Commerce

User growth will lead to a 14% increase in revenue within the period

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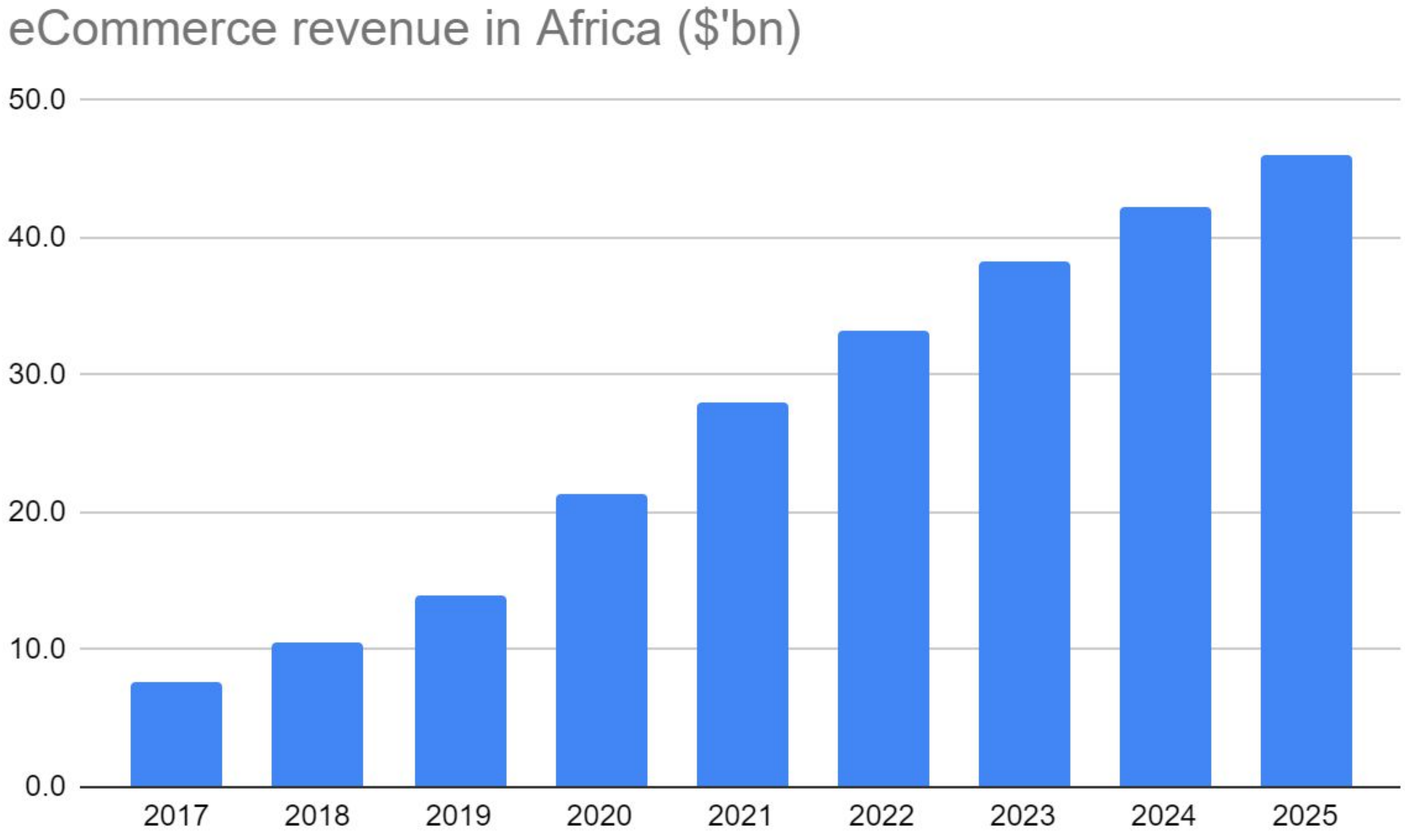
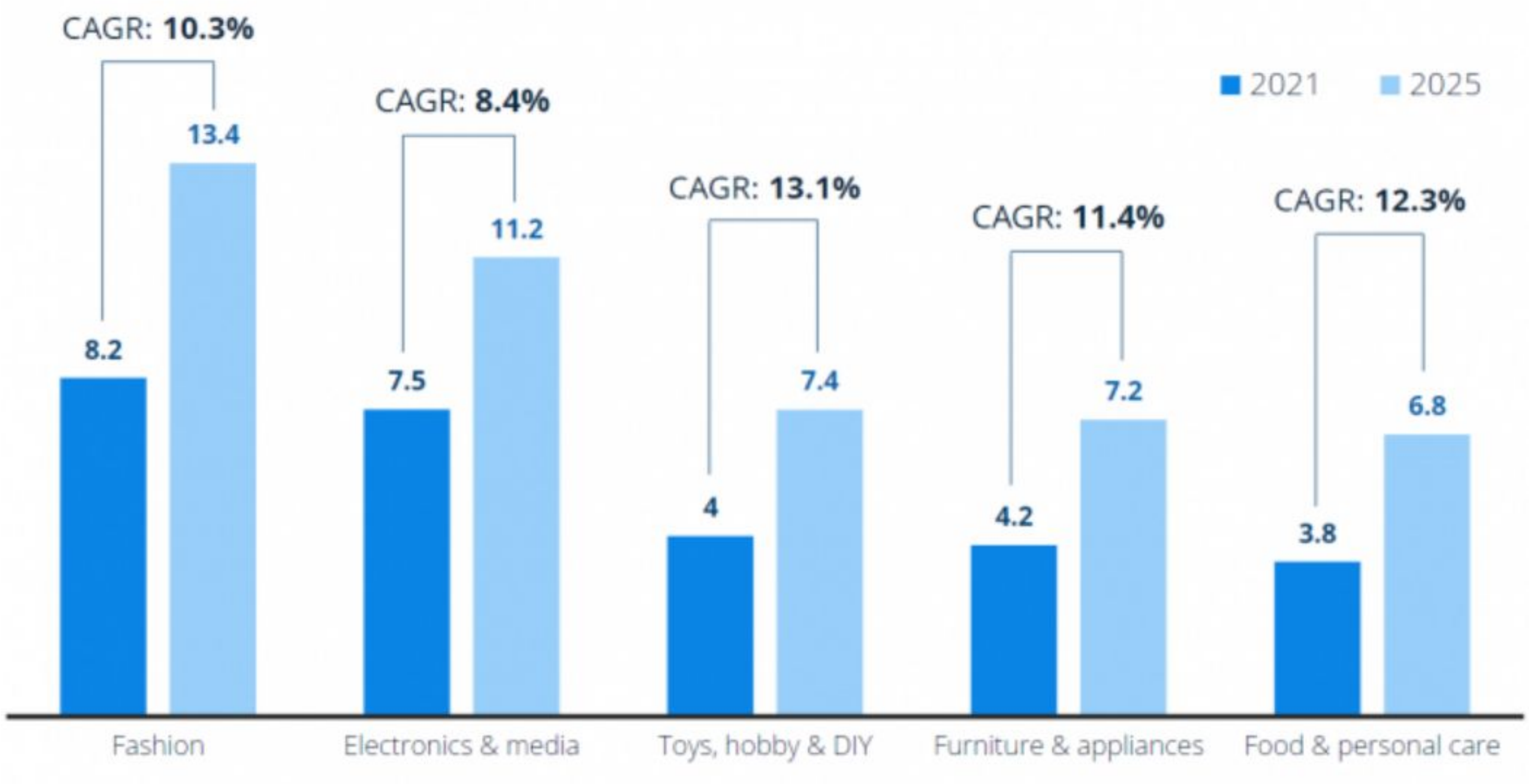


Source: Statista

Online sales of fashion, electronics and media items will lead eCommerce revenue growth by 2025

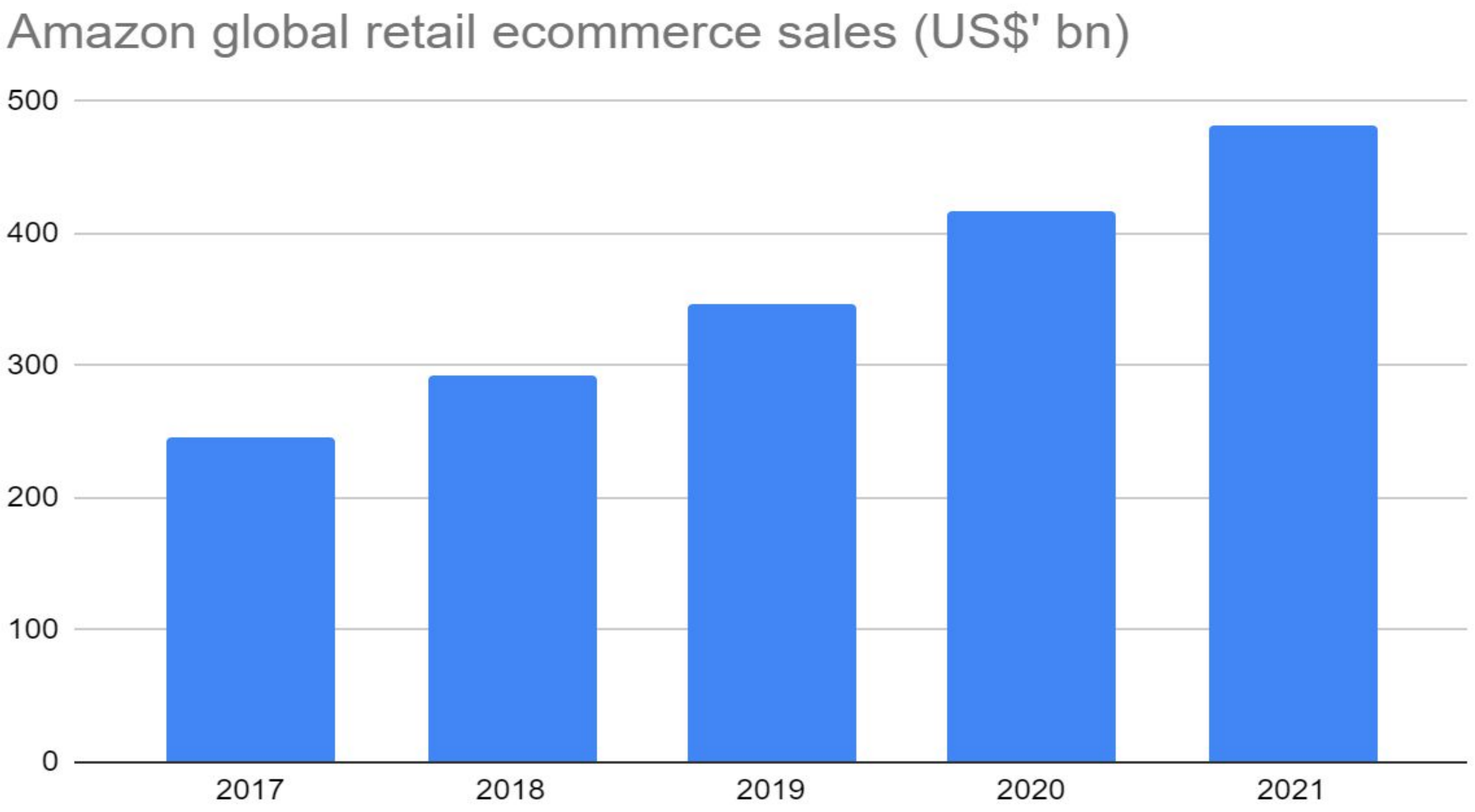
techcabal insights

eCommerce revenues by sector in Africa by 2025 (US$' bn)



Source: Statista, U.S Department of Commerce

Local ecommerce players will face tough competition in 2023 as Amazon is set to launch in Nigeria and South Africa



Source: Statista, U.S Department of Commerce

2

eCommerce/
Retail B2B Trends

Tough economic conditions will force B2B ecommerce startups to explore additional revenue streams in 2023

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Improve distribution margin	1 Import their own goods from abroad 2 Startups can avoid intermediaries and buy directly from producers 3 Create their own private labels or brands
Offer financial services	1 Offer BNPL/credit services to boost sales volume. 2 Offer payment services by turning local shops into financial services PoS and distribution.
Alternative funding source	1 Stop or reduce cash burnout rates. 1 Source for local and foreign grants

Consolidations through M&A deals will likely dominate the informal/B2B retail space by 2023 as funding dries up

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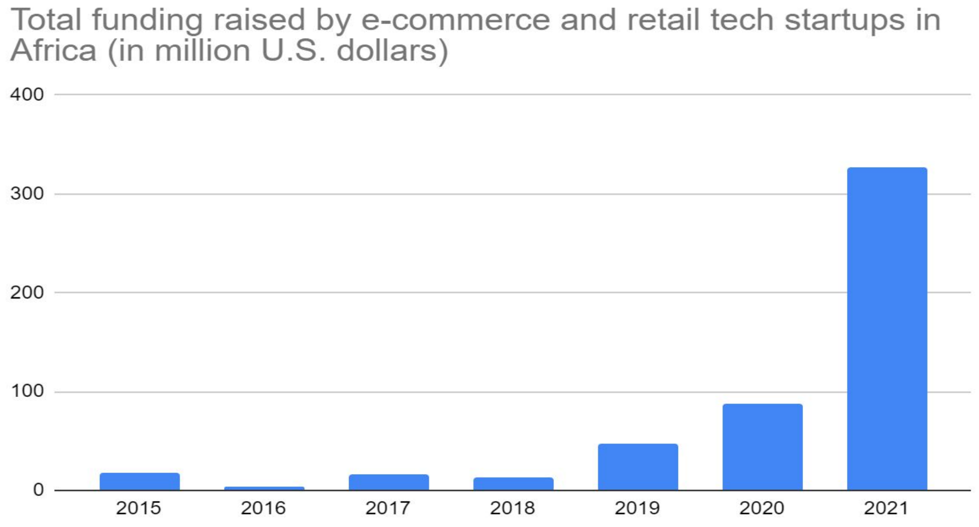
Stakeholders who predicted a consolidation in the informal/B2B retail space in 2023 hinged their opinion on two key factors:

Possibility of a funding drought

Excessive fragmentation and multiple players across the sector



In 2023, many M&A deals will happen. Again, the economic downturn will lead to many players being unable to raise funds and getting closer to other players. We will see many consolidations in various region of the globe. To become profitable, a B2B e-commerce startup needs scale. The higher its buying, the more leverage it has on suppliers, and the better it can negotiate distribution margins et payment terms. Players will have to team up to reach the needed size to survive.

Ismael Belkhayat

Founder and CEO, Chari

Beyond consolidation, we expect to see enhanced operational efficiency from startups in the B2B retail space in 2023

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Faster product delivery

Existing B2B retail apps to morph into a one-stop shop

Heavy drive towards cashless payments

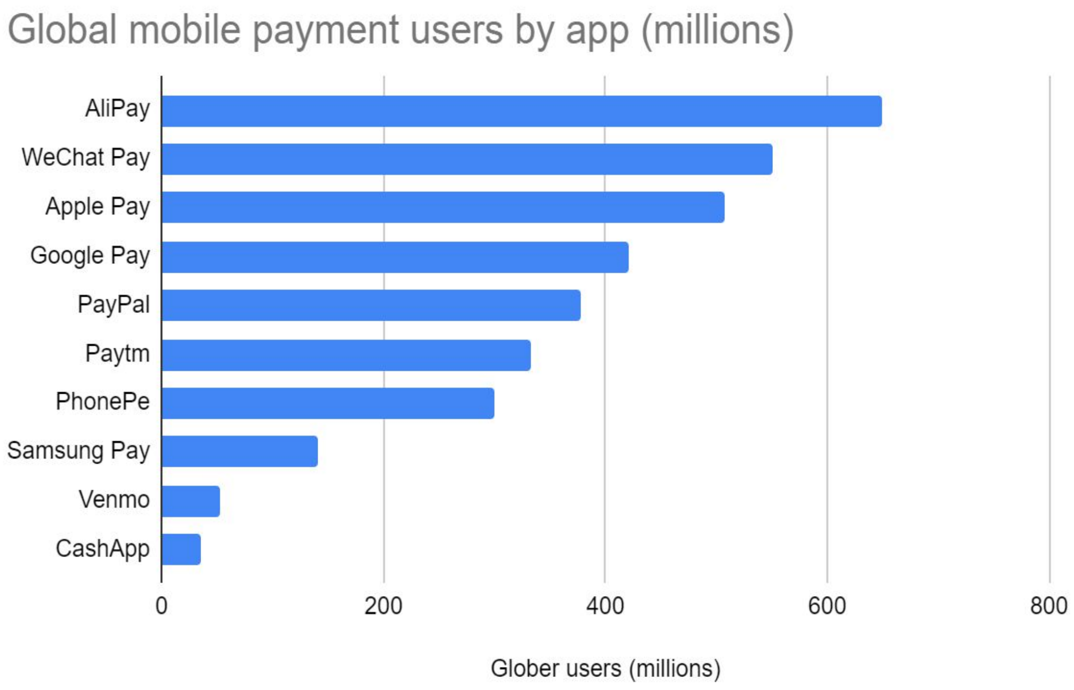
FMCGs will embrace digital B2B distribution

3

Payments Trends

The payment space in 2023 will see the emergence of new global entrants and an increasing focus on reduction in cash reliance

01	Expansion of Google Pay and Apple Pay into developing countries especially African countries
02	Implementation of digital payment by brick-and-mortar stores
03	Prepaid cards and wallets will gain prominence
04	There will a preponderance of new initiatives to reduce cash
05	More storefronts to be hosted on gateways and marketplaces (e.g Flutterwave store)
06	Dominance of microinsurance for healthcare and general coverages like properties.



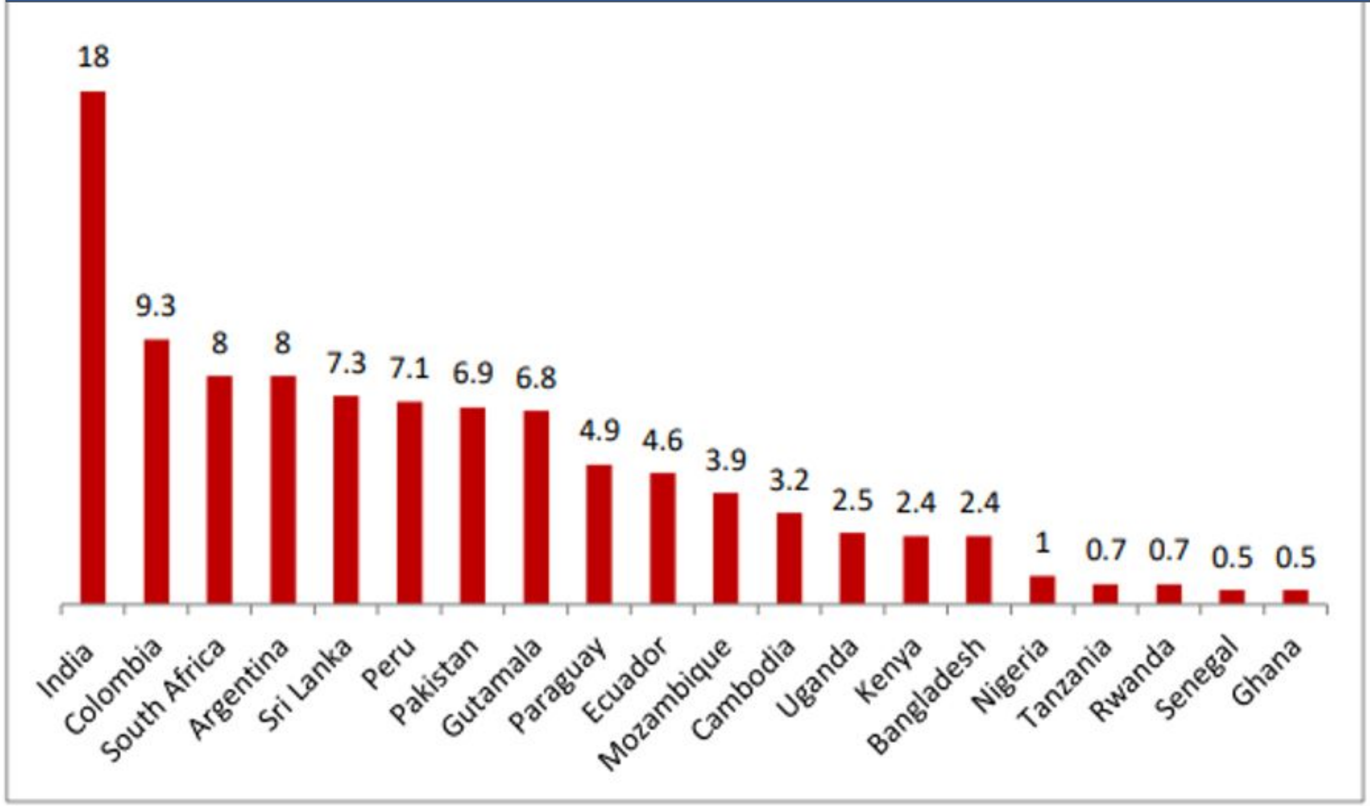
The rise in the gig economy is expected to further drive growth in the payment space

Fintechs may start to offer solutions that produce real value for the majority of gig workers and entrepreneurs by developing a deeper grasp of the various parts of the gig economy. Financial institutions may identify these clients and develop a more inclusive economy for them with better financial data, including formal data and alternative data obtained from MMOs, retail businesses, and other sources.

Akshay Grover

Group CEO, Cellulant

Share of digital workers in the total workforce across selected countries (%)



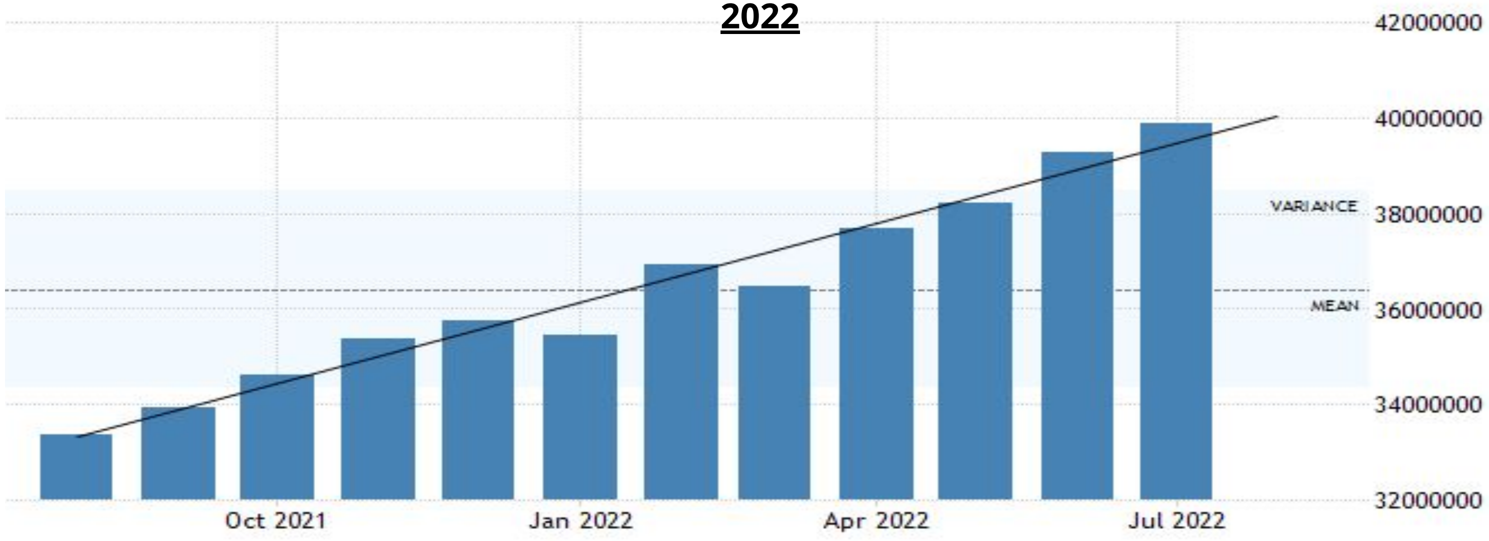
Lending will become more prevalent at points of sale for a variety of purchases

Focus areas of lending in 2023

1 Consumer lending through BNPL

2 Credit for SMEs and merchants

Private sector credit in Nigeria reached an all-time high of N39.8 million in June, 2022



Source: Trading Economics

Commercial banks are building their own payment platforms as the move towards innovative banking intensifies

A list of Nigerian banks and their fintech verticals

Bank	Fintech brand name/product	Fintech vertical
GT Holdings	squad	Payments
Sterling Bank	PayWith Specta	BNPL/Credit
Wema Bank	ALAT	Digital Banking
Access Bank**	Hydrogen	Payment

***Access Bank recently secured CBN's approval to launch is own payment unit called Hydrogen. The brand logo is not yet available*

4

Logistics/
Supply chain Trends

Supply chains will face increasing pressure to become more sustainable in 2023

Acute one-time climate related disruption

Chronic, long-term climate related disruption

Natural systems

Economic systems

Physical systems

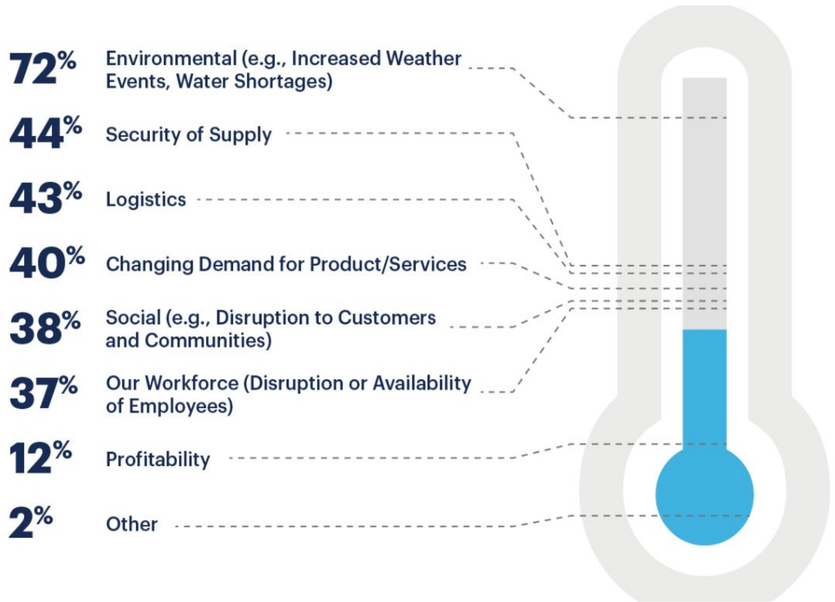
Social systems

Increased supply cost

Delayed delivery of supply

Low quality or need to use alternative supply

Climate change impact areas in supply chain



Source: HSBC, Gartner
Note: The climate change impact areas in supply chain is based on the findings from the Gartner's Emerging Priorities in Supply Chain Survey
n = 125

"Sustainability is an important goal, but achieving it will be a challenge. Supply chain managers must start looking for areas to become more eco-friendly today to enable larger changes in the future. That could entail powering warehouses with renewable energy, using electric vehicles for last-mile deliveries or taking similar actions"

Bamba Lo
Founder and CEO, PAPS

Insights

Five key trends will dominate the logistics sector in 2023

Government regulations	• Strict government regulations on recycling and waste disposal will also go a long way in influencing the adoption of a circular supply chain
Looping the supply chain	• Looping the supply chain is a circular supply chain which involves manufacturers refurbishing discarded products for resale or to use as raw materials. • This can help companies cut down spending in raw materials and save cost.
Cloud-base systems and integration	• Development and distribution of new cloud-based systems and integrations that will allow logistics businesses to streamline their workflows as well as store and transfer information quicker and more securely.
Sector transition	• The increasing possibility of the replacement of traditional linear supply chains with circular supply chains
Real-time analytics and tracking	• This is increasingly made possible through the use of Radio-frequency identification (RFID) chips and other advanced technologies. • RFID can help customers to know the exact location of their products and the duration it will take to receive them as well as identify and anticipate problems and resolve those problems faster.

Three critical factors would propel the evolution of the logistics sector in 2023

Customisation

- Customer expectations are changing. Individuals and businesses want to receive goods at a faster pace, flexibly, and – in the case of consumers – at low or no delivery cost.
- New entrants to the industry are discovering ways to carve out lucrative elements of the ecommerce value chain by leveraging digital technology or new ‘sharing’ business models.
- Customisation will become a key differentiating factor in the race to satisfy customer expectations and win their patronage/loyalty.

Technological integration

- Maximising the use of technology from data analytics, to automation, to the ‘Physical Internet’ for intelligence will lower operating costs and improve business efficiency
- There is an existing opportunity for digitalisation in the sector. Developing the right strategy is key to easy adoption.
- Artificial Intelligence (AI) can be deployed to automate procedure or predict purchase demands. Similarly, AR and VR technology can enhance worker productivity and improve product development.

Rise of the sharing economy

- The ‘Sharing Economy’ is a big story for logistics now – from Uber-style approaches to last-mile delivery, to more formal joint ventures (JVs) and partnerships at corporate level, the whole sector is redefining collaboration.
- Still, challenges exist as much of this is hampered by inconsistencies in different elements like shipment sizes, processes or IT systems.

5

Agency Banking Trends

AGENCY BANKING TRENDS

The agency banking space will change significantly in 2023

Enhanced KYC requirements from agents

Stringent regulatory requirements

Increased foreign funding will drive up the number of players in the agency space

Reduced pricing by agents as competition becomes tough

Integration of apps into agency banking apps to provide better services and more options

Agents will have more power on consumer's choice by selecting the platform or brand to display

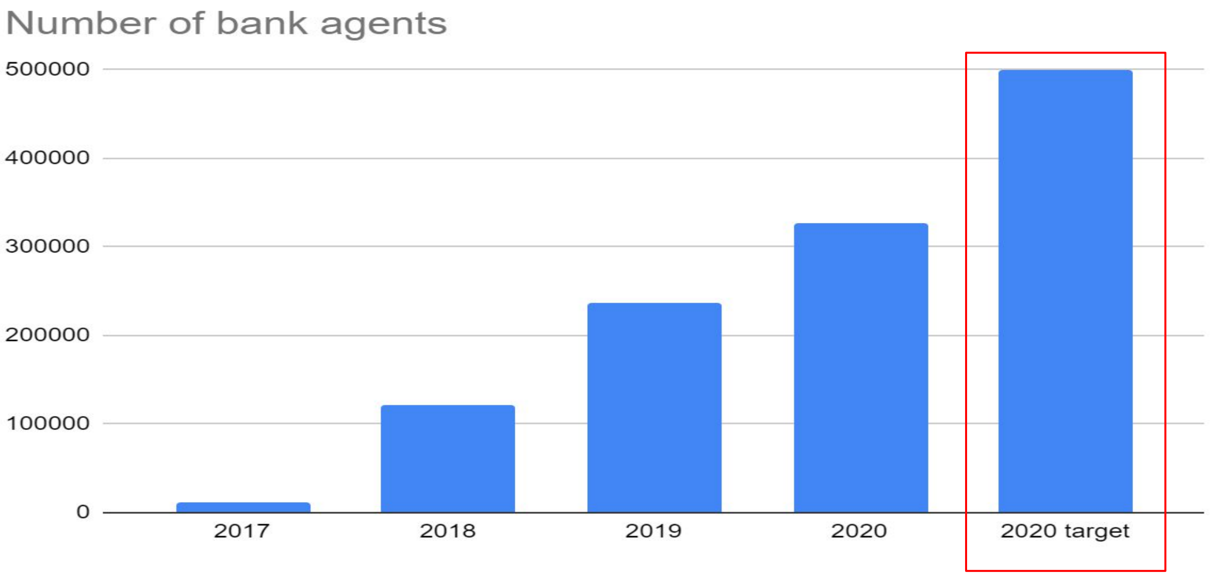
Product offerings by agency banking could become increasingly complex in 2023

Agent banking networks will offer more complex products. As regulations mature and payment and agent management infrastructure become more accessible, agent networks could offer more depth in their financial products. This can include more flexible microcredit and insurance products, among others. This is also likely to drive increased competition with microfinance institutions (MFIs), which in the long term will spur the consolidation of MFIs.

Mayowa Kuyoro

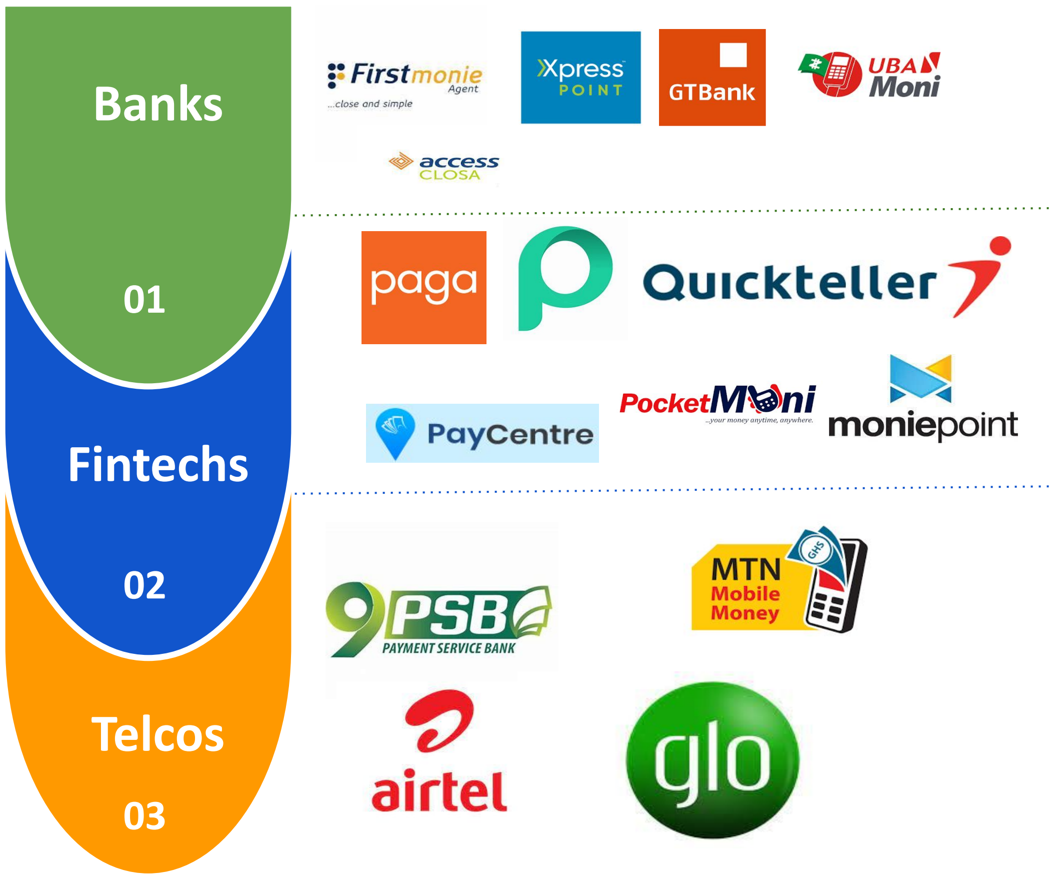
Partner, McKinsey & Company

2023 is expected to usher in an era of agent banking network consolidation and/or enhanced partnership



Source: CBN, SANEF
2019 data is inclusive of 38,416 agents not under SANEF while 2020 data is as of May 2020

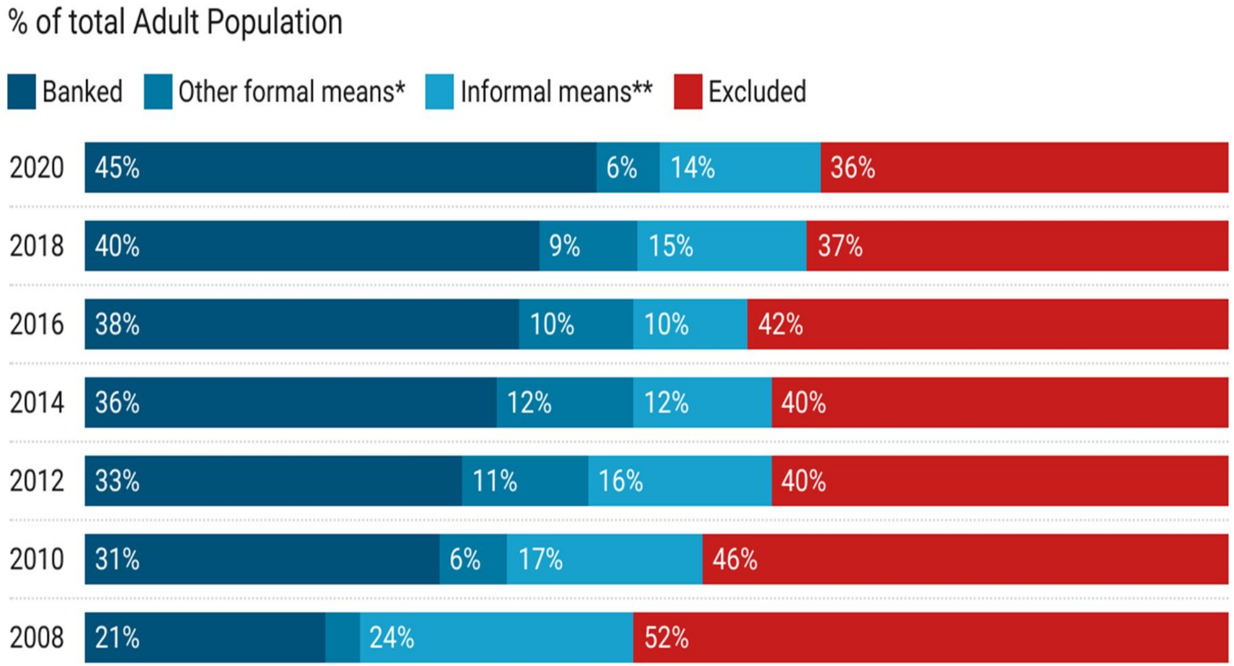
Selected agency banking entities in Nigeria by categories



> In 2023, banks will partner more with FinTechs and Super Agents by leveraging on their agent spread to provide financial services especially in locations where financial and digital literacies are weak or almost zero.
>
> **Oyintomi Osofisan**
> Head of Agent Banking and Financial Inclusion, Zenith Bank

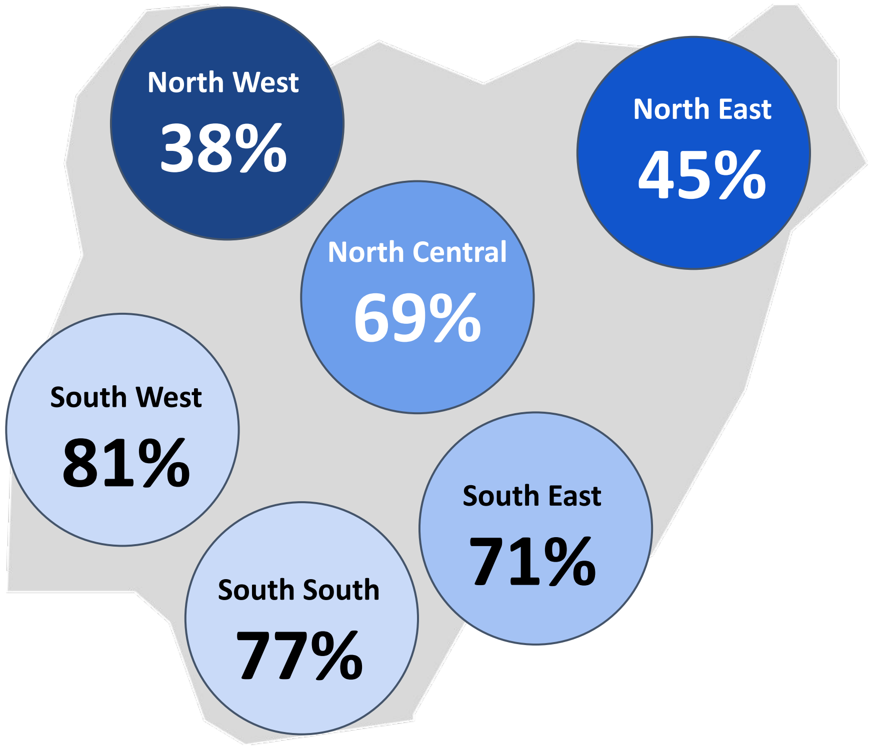
Agent networks operated by simple interfaces and business models will increasingly be more effective for capturing illiterate, financially-excluded adults

Nigeria's financial exclusion rate



Source: EFInA, Tellimer
**Other formal means include mobile money, agents, microfinance*
*** Other informal means include co-operative societies,thrifts, village associations*

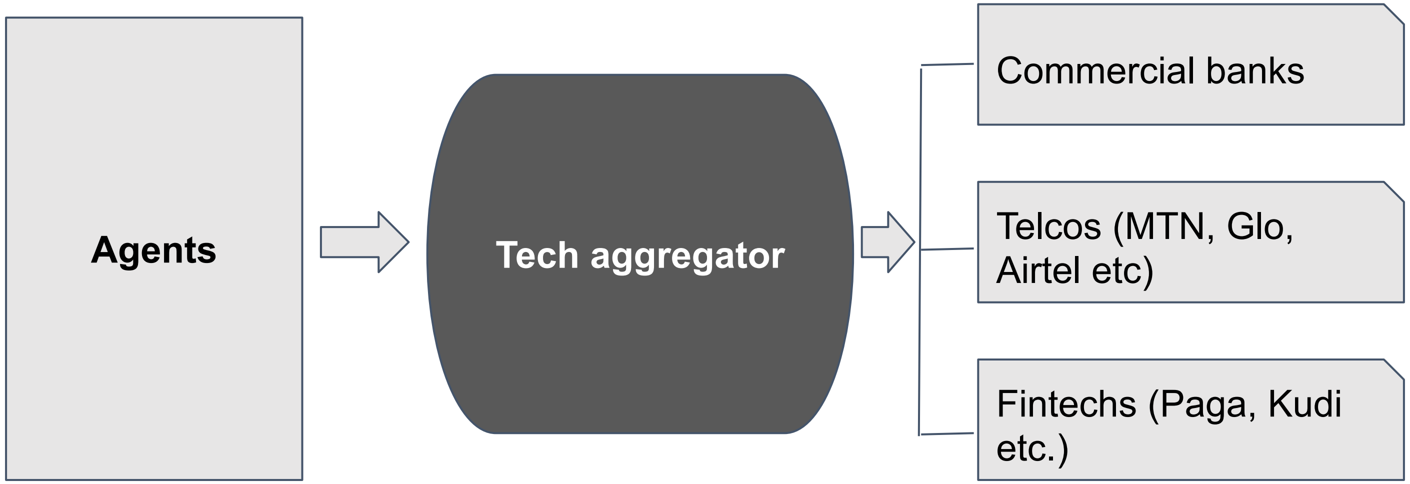
Nigeria's financial exclusion rate across regions



Source: EFInA

Innovative tech aggregators will compete for agent networks and own the relationship with agents, offering agency-as-a-service to banks and telcos

Tech aggregators will act as middlemen that connects and manages agents on behalf of banks, telcos, and fintechs. They are most likely to compete for agent networks and own the relationship with agents, offering agency-as-a-service to banks and telcos.



Agent sophistication and aggregation in mature metropolitan locations are likely driven by increased competition for agent networks by banks and non-banks (e.g., telcos and e-commerce players). The aggregation could offer multi-homing abilities for more sophisticated agents with the opportunity to create additional revenue by offering cross-cutting products, e.g., agents networks serving both banks and sports betting companies can offer loans tied to betting outcomes.

Mayowa Kuyoro
Partner, McKinsey & Company

6

Key Takeaways & Recommendations

Key Takeaways

01 The launch of Amazon in Africa will herald tough competition in the continent's retail space

02 Agent networks will offer more complex product offerings

03 Increased consolidation in both the eCommerce/retail startups' and agent network space

04 Customisation, technological integration and the rise of the sharing economy will drive logistics sector

05 Pressure will mount on supply chain/logistics startups to drive sustainability practices

06 More commercial banks will move towards establishing their own fintechs

Key Recommendations

1 eCommerce/retail B2B

- Leverage partnerships to get a bigger slice of the pie
- Increase payment options by adding lending services to the mix

2 Payments

- Onboard brick and mortar businesses with huge offline presence to reach more users.
- Offer niche payment solutions to new customer segments as they arise.

3 Logistics/supply chain

- Make their supply chain processes environmental friendly in line with best practices
- Leverage the power of AI/IoT to automate processes and improve efficiency

4 Agency banking

- Plan ahead of significant regulatory changes.
- Diversify offerings beyond cash transactions.
- Create customised suite of banking services to the last mile based on user behaviour.