

# Chapter 14

## E-Commerce Penetration in the SADC Region: Consolidating and Moving Forward

**Bwalya Kelvin Joseph**  
*University of Botswana, Botswana*

### ABSTRACT

*E-Commerce, and recently mobile commerce (m-Commerce: ePayment, eTickets, eBanking etc.), has shown a lot of potential for development in the Southern African Development Community (SADC) bloc given the growth in e-adoption of the region. Partly, this has been attributed to sound policies and initiatives thereby creating an enabling environment for e-Commerce to thrive. However, despite this positive note, there are also challenges that are being faced on an everyday basis concerning e-Commerce business and how this impacts the SME (Small Medium Enterprise) sector. This chapter aims to present these challenges and recommend on what should be done in order to consolidate and move forward the adoption of e-Commerce applications in the SADC region. It looks at exploratory studies of e-Commerce penetration specifically from four SADC member countries: South Africa (arguably currently considered the most economically sound and leader of e-Commerce utilization in Africa), Mozambique, Zimbabwe and Botswana. Arguably, a look at these four countries is believed to be adequately representative of the SADC bloc. In Africa, other than e-Commerce, there has been a transition (change of business models) where businesses are now done using m-Commerce (distributed dynamic computing where the host and agent keep on changing their locations). This chapter also reviews the growth of this new business model, and further looks at Africa's infrastructure preparedness to adopt this new business model. It also looks at mobile phone subscription rates in the SADC region, level of trust in these business models, and the general value that this kind of business undertaking brings.*

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## INTRODUCTION

The world markets have kept transforming the way businesses and any form of transactions is done. There has been a paradigm shift where the traditional approach of static (fixed) mode of doing business is transcending into mobile, anytime, anywhere type of business models. Traditional market places have been turned into mobile marketplaces – thanks to the rapidly changing technology innovations. In this kind of business models, the cost of doing business is greatly reduced and more people with internet or any appropriate telecommunications-based tools such as mobile phone can be easily reached. In every context, e-Commerce has evolved from the much narrower set of structured computer-based business activities known as Electronic Data Interchange (EDI), which preceded the emergence of the Internet and the World Wide Web (WWW) to anywhere, anytime type of business. E-Commerce continues to broaden in scope as different technologies and context keeps changing to include other aspects of e-services such as e-government, e-health, etc. As is the case the world over, many countries even in Africa have realized the benefits that come with appropriate use and adoption of e-Commerce applications. In general terms, if properly applied, e-Commerce will have a major impact on the way businesses, especially the SMEs, are conducted. It has a great potential to revolutionize both national and international trade, touching virtually all aspects of economic and social life paradigms within countries. Nevertheless, for the case of Africa, basic commercial processes, infrastructure and systems are underdeveloped thereby limiting the growth and adoption of e-Commerce applications. With the desire to encourage the growth of e-Commerce applications, some African countries and regional groupings such as SADC are putting in place sound institutional, legal and ethical regulatory frameworks to make sure e-Commerce applications are being adopted in all socio-economic

setups. Further, deliberate policies and initiatives are being put in place to create a level and enabling environment for the growth of e-Commerce usage in some of the African countries. This is important because if the end goal of e-Commerce applications – effective interaction between the consumer and the producer- is achieved, then African businesses can adequately participate in global business value chains.

In all respects, it is a rather difficult task to provide a precise definition of e-Commerce. However, let's consider several definitions of e-Commerce taken from different sources. E-Commerce can be broadly defined as “The conduct of commerce in goods and services, with the assistance of telecommunications and telecommunications-based tools” (IDRC, 2007). It includes various types of business transactions between Consumers (C), Government (G), and Business entities (B). E-Commerce overlaps with the understanding given to e-business and e-government. The three terms (e-Commerce, e-government and e-business) are used interchangeably. The Department of Communications (DoC) of South Africa incorporates e-government in its definition of e-Commerce: “The use of electronic networks to exchange information, products, services and payments for commercial and communication purposes between individuals (consumers) and businesses, between businesses themselves, within government or between the public and government, and last, between business and government” (IDRC). With this definition, the major concept of e-government (which is desire for constructive interaction between the government, citizens and businesses for cheap and efficient service delivery) is emphasized. One of the notable definitions of e-Commerce has been that given by the Pan African Initiative: “Electronic commerce is about doing business electronically. It is based on the processing and transmission of data, including text, sound and video. It encompasses many diverse activities including electronic trading of goods and services, online delivery of digital content,

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