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The U.S. Government's Global Hunger & Food Security Initiative



John O'Bryan/USAID

E-Commerce Marketplaces



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The Challenge	The Solution
<p>COVID-19–related restrictions have forced agriculture market actors to find alternatives to substitute in-person interactions and transactions. While these actors were forced to find new ways to connect with buyers and sellers, households, especially those in urban areas, faced lockdowns that required them to find new ways to purchase everything from meat and produce to household goods. Also, food delivery service providers faced dramatic losses as restaurants closed and the tourism sector dramatically shrunk.</p>	<p>E-commerce marketplaces allow market actors to sell agriculture products with added benefits such as speedier service to customers, which reduces spoilage, and the opportunity to reach more customers than previously possible through traditional channels. Though e-commerce marketplaces are not new, many such marketplaces expanded in response to COVID-19 restrictions and adapted to customer needs, adding fresh produce to their offerings and shifting their focus from business clients to consumers. Some market actors even created their own e-commerce marketplaces to reach old and new customers alike. Market actors are also pursuing additional economic opportunities with e-commerce platforms by offering marketplaces services such as logistics, storage, and packaging.</p>

What are E-commerce Marketplaces?

E-commerce marketplaces are digitally enabled platforms that connect multiple buyers and sellers, allowing buyers to search for products and purchase them online. These marketplaces are diverse in that they can be large platforms that offer products across several sales categories, such as Jumia, which has gained a large footprint in sub-Saharan Africa, or focus only on specialized categories, such as India’s BigHaat, which specifically focuses on agricultural inputs. While technology companies own most of these platforms, some are run by agribusinesses and other private enterprises or associations. Most of these services are under five years old, operate in only one country and, particularly in the agriculture sector, serve fewer than 100,000 producers. During the COVID-19 pandemic, many marketplaces have grown dramatically and show no signs of waning as a way for market actors to buy and sell products. While e-commerce marketplaces are growing in Asia (especially India and China), growth is slower in sub-Saharan Africa, partially due to high transaction costs related to transport and delivery.

How do E-commerce Marketplaces Work?

E-commerce marketplaces generally follow one of two approaches. The first is similar to the Amazon model where any buyer can search for a product from various sellers that are aggregated on one platform. This is the most common approach. In the second approach, the e-commerce marketplace serves as a digital umbrella over each vendor’s small “shop,” allowing buyers to search within individual shops, but not across them. While farmers or farmer groups may manage their own e-commerce accounts, in some instances, there are intermediary models where marketplaces such as KhetiFood aggregate farmer produce to sell on their platform. Kheti also aggregates farmer produce to sell to other marketplaces such as groDeli.

“There is a new generation that is changing habits...Both men and women work now, so I’m confident Senegalese people will remain interested in our services.” -

Representative, Club Tiossane, a new food e-Commerce marketplace in Senegal regarding the consumer shift to convenience.

Marketplaces can specialize in specific product areas, such as groceries, or sell a variety of products and services, such as agricultural inputs and advisory or financial services. Marketplaces can also specialize in serving business customers through a business-to-business (B2B) approach, or focus on consumers (business-to-consumer, or B2C). During the pandemic, some marketplaces shifted to a B2C focus because their target business customers closed, as was the case with many tourism-related businesses. Some governments, such as those in [Senegal](#) and [Bangladesh](#), set up their own government-led e-commerce platforms to help buyers find small businesses,

including agribusinesses, sell their goods online. Government support for e-commerce is also building in countries like Rwanda, which released a [National E-Commerce in Agriculture Value Chains Strategy](#) in April 2021.

Marketplaces usually make money by taking a small fraction of each transaction as a commission, which is easier to facilitate if they accept digital payments. If digital payments are not accepted, cash payments are made at the time of delivery, making it much harder for the marketplace to collect a portion of the transaction. As such, the marketplace may have to charge subscription or service fees. Also, some marketplaces handle delivery directly to the consumer while others deliver to stores or convenient collection points. In areas with poor roads or unclear street signs, logistics can be more challenging, which in turn can affect delivery costs.

Women in E-Commerce (WE) in Bangladesh helps women gain from e-commerce marketplaces by creating awareness around e-commerce platforms, offering a platform for peer learning and networking, and nurturing female entrepreneurs through trainings and certificate courses. Though not exclusively focused on agriculture, WE is an example of how to support women entrepreneurs to better leverage e-commerce marketplaces.

Why Should You Consider E-commerce Marketplaces?

E-commerce marketplaces can enable agriculture market actors to reach new customers or gain access to existing customers more efficiently. If producers can meet an e-marketplace's product standards, they can reduce post-harvest loss by securing buyers in a more timely manner and potentially selling higher volumes. Farmers also have the potential to earn more through premiums for high-quality produce and good customer ratings. Finally, these marketplaces can introduce intermediary services, such as logistics, packaging, and storage, to better facilitate transactions between buyers and sellers, and reduce the burden on small suppliers.

When Are E-commerce Marketplaces Likely Not the Right Fit?

As in all digital interventions, Missions and implementing partners must carefully determine whether factors such as limited access to and use of mobile phones, poor digital literacy, lack of trust in digital tools, laws or regulations, or other social constraints may negatively affect the impact of e-commerce marketplaces. Connectivity and access are a primary barrier. Without access to reliable Internet and digital devices, farmers are less able to consistently sell their goods online. Also, poor infrastructure and/or logistics networks may inhibit the ability of farmers to effectively sell online. In these instances, e-commerce marketplaces may not be the right fit for all farmers. Also, if farmers already have good relationships with reliable customers who pay them fairly and reliably for the quality received, they have little incentive to change their existing selling practices. The risks of abandoning this traditional format for a new means of selling, especially when the sustainability of the e-marketplace is unknown, may outweigh the benefits.

What Are Some of the Potential Risks and Pitfalls of E-commerce Marketplaces?

Producers can lose sales channels if they shift to an e-commerce marketplace. They may also face more competition because buyers can look to e-commerce marketplaces to find cheaper, better, or more convenient farm products. Also, e-commerce marketplaces may prove to be fickle customers, shifting to other producers to save money or time, increase reliability, or lower prices they are willing to pay. E-commerce marketplaces may also distract farmers from establishing or improving existing, and already efficient, buyer/seller arrangements with large buyers willing to pay for quality and timeliness.

Some farmer groups and development actors may try to create their own e-commerce marketplaces. This is a risky effort requiring strong entrepreneurial business and technical skills as well as a viable sustainability model informed by market dynamics. In most situations, farmer groups and implementing partners are not best equipped to properly develop and manage these marketplaces and, as a result, the risk of failure is high. A less complicated

digitally enabled solution, such as social media, or an existing marketplace may work just as well with equal or higher gains.

Finally, farmers who are unable to sell their goods through e-commerce marketplaces risk being left behind or losing out on opportunities to expand their sales channels and customer bases. Often, those that face the greatest obstacles in accessing and using digital tools are marginalized populations, such as women and people with disabilities. As a result, moving agricultural marketplaces and transactions online can exacerbate this economic divide.

Illustrative Examples

- **KhetiFood:** KhetiFood, operated by DV Excellus, is an e-commerce marketplace in Nepal that had strong ties to farmers before it set up its e-marketplace. Its marketplace focused first on selling produce to B2B customers, then shifted during the pandemic to B2C customers. Because of its links to farmers, it provides packaging and grading services for farm produce to at least one other e-commerce marketplace.
- **Fruitee-Kenya:** Fruitee-Kenya is an e-commerce marketplace selling dried fruit snacks to consumers. It is operated by Goshen Farm Exporters Limited (GFE), a family business that grows, processes, and also exports agricultural products it grows or buys from local farmers.
- **mKulima Young:** mKulima Young is an agriculture-focused e-commerce marketplace in several African countries that sells fresh produce to consumers. It offers optional transportation services and also allows buyers to post what they are looking for, when needed, how much is needed, the buyer's location, and optionally, the buyer's price.
- **Nyarkadera-Easygro:** Nyarkaera-Easygro is a Kenya-based e-commerce marketplace for agricultural inputs and equipment. It accepts payment through digital money (M-PESA), cash, or credit.
- **Kaomini:** Kaomini is an e-commerce marketplace operated by the government postal service in Niger. It offers digital storefronts for sellers and sheep for sale among many other items. Digital payment is optional.
- **Facebook Marketplace:** Popular social media platforms such as Facebook and Instagram are increasingly becoming more common as e-commerce marketplaces. For example, Des Legumes Frais operating in Senegal uses Facebook Marketplace to sell fresh produce.

ACTION CHECKLIST

1	<p>Conduct a Market Assessment: Start by collecting relevant market information on the context, demand, and supply for e-commerce marketplaces in your country of operation. USAID should leverage existing data when possible and/or commission research to inform the identification of relevant e-commerce marketplaces. Research should achieve the following:</p> <ul style="list-style-type: none"> • Determine the current state of agricultural transactions across the market system or along a specific value chain, specifically noting gaps and challenges such as pandemic-related disruptions, poor market linkages, and other market system inefficiencies. • Assess the current availability and popularity of e-commerce marketplaces in the country of operation. Focus on assessing whether Feed the Future priority value chains are included in the marketplaces (i.e., grains, livestock, fresh produce). Explore the International Trade Centre's e-commerce portal and, if in Africa, see what e-commerce marketplaces are listed in its database. Make sure to consult local stakeholders, such as agribusinesses, to better understand how well these marketplaces operate.
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	<ul style="list-style-type: none"> Research other solutions that may be more viable. If you find that there are other successful and sustainable transaction channels and/or challenges to operating an e-commerce marketplace, such as connectivity and mobile penetration, then pursuing e-commerce marketplaces may not be the right solution.
2	<p>Test and Engage Existing E-commerce Marketplaces: If the market assessment reveals that promising e-commerce marketplaces are available that can meet the needs of market actors, proceed with testing the capabilities of each platform and engage the platform operators to better understand how they work.</p> <ul style="list-style-type: none"> Evaluate such factors as: the type and volume of agricultural products available on the platforms, the number of sellers, useability for the sellers and buyers, and branding of the marketplace. Engage with e-commerce marketplace operators to better understand trends they are seeing in the market. It's also important to learn the business model and any challenges they are facing that market actors might help solve (e.g., storage or transport).
3	<p>Organize Stakeholder Meetings to Gather Consensus: Once steps 1 and 2 are complete, organize a stakeholder meeting that brings together key market actors, such as farmer groups, agribusinesses, buyers, implementing partners, digital service providers, key digital experts, and other donors to share learnings and gather consensus around the viability of leveraging e-commerce marketplace solutions. Such stakeholder meetings could be an opportunity to link farmer groups and other market actors to promising e-commerce solutions and identify next steps for further support and facilitation.</p>
4	<p>Take Action to Leverage E-commerce Marketplaces to Benefit Farmers and Other Market Actors: If step 3 successfully gathers consensus around leveraging e-commerce marketplaces, you can take action to support both the marketplaces themselves and farmers and other market actors.</p> <ul style="list-style-type: none"> Partner with an e-commerce marketplace operator to build its capacity and sustainability through activities such as expanding its reach to more farmers and market actors, improving the user experience for buyers and sellers, and/or adapting the business model. Provide support to farmers and other market actors interested in using e-commerce marketplaces through assistance developing action plans, conducting risk assessments, running cost analyses, and offering training as needed.
5	Revisit steps 1–4 and evaluate your progress often, as e-commerce marketplaces are quickly evolving.

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