



# E-commerce Platform in the Global South – Concepts, Trends, and Cases

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**Abstract.** The e-commerce industry is expanding quickly worldwide, with the fastest growth seen in Global South countries. This paper reviews recent development of e-commerce platforms in emerging markets: the paper first defines e-commerce platforms broadly and summarizes its various characteristics; then, it identifies the unique opportunities and challenges faced by e-commerce platforms in Global South countries and major trends in selected countries; lastly, the paper briefly discusses two specific examples of e-commerce companies in the Global South and their business model formation processes in relation to Amazon.

**Keywords:** E-commerce, Emerging markets, Platform

## 1 Introduction

E-commerce refers to commerce conducted through electronic means, most commonly the Internet. An E-commerce platform is an online platform where firms and individuals interact and transact. The interactions could happen within firms, between businesses, between businesses and consumers, and in other formats. The platform company manages, coordinates and integrates information flow, goods flow, and capital flow in an orderly and efficient manner, allowing seamless commercial transactions on the platform. Firms and individuals can make fully use of the network infrastructure, payment platform, security platform, management platform, and other shared resources provided by the e-commerce platform to carry out their business activities effectively and at a low cost.

There are several types of e-commerce platforms, typically classified by the nature of transaction or the relation between participating parties: Business-to-Consumer (B2C) platform, Business-to-Business (B2B) platform, Consumer-to-Consumer (C2C) platform, Business to Government (B2G), etc. Other types of commerce platforms also exist; for example, Online-to-Offline (O2O) platforms identify customers in the online space and then entice the customers to leave the online space – this type of platform does not qualify as an e-commerce platform in the strictest sense. This paper focuses on B2C platforms, also commonly referred to as online marketplaces. The B2C e-

commerce sector has total market size of \$4 trillion in 2021, around 60% of which are based in Global South countries [1].

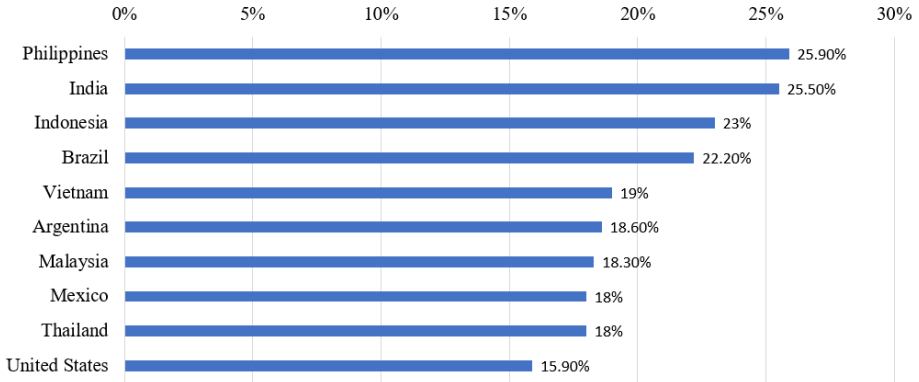
E-commerce platforms are marked by unique characteristics and advantages, for both the platforms themselves and the society. First, e-commerce platforms utilize a technology infrastructure of databases, application services, security tools and system management tools to gather information, facilitate better matching, predict demand, and reduce search costs and contract risks [2]. By serving as an intermediary and providing better governance, the platform allows for safer and more efficient transactions, which benefits all parties participating in the platform as well as the platform itself. Second, e-commerce platforms, like all digital platforms, are marked by network effect: the greater the number of users on the platform, the higher the value of the platform is able to bring to the users, and therefore, the network grows exponentially [3]. This property enables greater scaling and value creation. Third, e-commerce platforms broaden customer choices; they allow consumers to shop and purchase from sellers worldwide, and provide sufficient information on the products and markets so customers could make informed choices that suit their needs. Fourth, and crucially for developing countries, e-commerce platforms serve as an equalizer by enabling startups, small-and-medium enterprises (SMEs) or even individuals to reach wider audiences, grow their enterprises and achieve rapid growth at low cost. This advantage will be elaborated more in later sections. Fifth, e-commerce platforms also generate positive employment by creating more jobs at home [4].

E-commerce platforms also create new types of issues, which, if not properly addressed, could harm participants on the platform. As with all intermediaries, e-commerce platforms introduce information asymmetries between transacting parties on the platform as well as between the parties and the platform itself [5]. Between transacting parties, contractual risks still exist and might occur at every stage of the good or service exchange, from placing the order to payment to delivery and post-delivery product quality check. The platform might also establish algorithms that are unfair to either or both parties on the platform, who are unaware of the issue. Without proper regulation, issues related to tax or intellectual property might also plague the e-commerce market.

## 2 Opportunities, Challenges and Trends in the Global South

The majority of the world's population lives in the Global South. The term Global South could take on many definitions; here, it refers to regions within Latin America, Asia, Africa, and Oceania that have socioeconomic and political characteristics resembling either a third world country or an emerging economy. A third-world country is a low-income country where markets and technological infrastructures are not adequately developed [6]. The Internet, for example, was not introduced to many third world countries until the beginning of the 21st century. An emerging economy is a country that "has some characteristics of a developed market but does not fully meet its standard" [7]. In recent years, many of these emerging economies are undergoing digital transformations. Of all the internet users, over 70% are from emerging economies in the Asia-Pacific region, the Middle East, Africa, or Latin America [8]. This paper refers to Global

South countries as the union of third world countries and emerging economies. These countries have seen significant growth of e-commerce platforms in recent years: the 2022 retail e-commerce sales growth rates are highest in Philippines, India, Indonesia, Brazil, and Vietnam, compared to the US and other developed countries.



**Fig. 1.** Leading Countries Based on Retail E-commerce Sales Growth in 2022

Source: Calculated using data from Statista <sup>[9]</sup>

Compared to developed economies, Global South countries are marked by a number of unique characteristics, which have implications for the development of e-commerce in these regions: first, income levels in developing countries are lower on average, indicating more unmet needs and less ability to pay from customers; second, many transformations are ongoing, implying that firms need to adapt to changes and new behaviors regularly; third, ICT infrastructures are relatively less well-equipped, and complements (e.g. financial systems) are not always in place; fourth, regulations are more diverse and less crystallized. E-commerce platforms may enjoy tremendous growth in these regions as they have the potential of reducing friction in emerging economies and generating positive social impact, but at the same time, they also face unique challenges.

## 2.1 Opportunities and Social Impact

E-commerce platforms bring significant social values to Global South countries, particularly through facilitating Small and Medium Enterprises (SMEs). SMEs make up a majority of businesses and employ the majority of workers in both manufacturing and services sectors <sup>[10]</sup>. They are firms of entrepreneurial nature, often run by a small team or even a single person. SMEs are common in all industries, from retail and restaurant, to fashion, health and travel.

Studies have shown that ICT use by SMEs has positive impacts on both businesses and people in the world's poorest regions and communities <sup>[11]</sup>. From the SME's perspective, many enterprises have seen an increase in productivity from engaging in e-commerce as sellers <sup>[12]</sup>. The platform can improve SMEs' visibility by connecting them to buyers outside of their neighborhood and thereby better matching suppliers with demands. From the customer perspective, customers in need of goods are also exposed to

a greater variety of options. The e-commerce platform reduces consumers' search and transaction costs and usually provides products at lower prices<sup>[13]</sup>. Total welfare likely improves as e-commerce platforms operate in these emerging economies.

## 2.2 Challenges

While e-commerce has been increasingly adopted by Global South countries, the adoption and usage rates differ greatly from one country to another. A number of obstacles still remain. Generally, usage rates of e-commerce apps on mobile phones are lower in rural areas and among women in most countries<sup>[14]</sup>. Low-income internet markets in developing countries, particularly in Africa, have been unable to attract sufficient investment in infrastructure. The overall lack of financial, legal and physical infrastructure also hinders the development of e-commerce in these regions. This section analyzes these obstacles from the perspectives of buyers and sellers respectively.

From the perspective of buyers, a awareness of platforms for buying goods is generally low in developing countries. In addition, a awareness might not translate into use - survey statistics show that few people make more than five purchases via e-commerce platforms<sup>[15]</sup>. Most buyers stop after searching and ordering placement, and final payment or acquisition of goods more often happen outside the platform. This is generally due to a lack of knowledge for transacting on the platform. In addition to consumers who stop midway, there are also people who do not buy products online at all. These people are reluctant to share personal data, or to trust the quality of products that are offered online.

Selling activities on e-commerce platforms are also limited in some developing regions, particularly in Africa and Latin America. While selling online is associated with many benefits for the sellers, such as a larger customer base and flexibility, many sellers from Global South countries only use e-commerce platforms to search for customers, and do not use it to process orders and transact payments. This is due to a general lack of skill and knowledge on using the platform and a lack of trust.

Overall, while SMEs and consumers have numerous reasons for engaging in e-commerce, security concerns remain an essential impediment to expanding e-commerce services and business. Ensuring trust and familiarity through a well-functioning website has proven to be one of the major e-commerce success factors.

## 2.3 Trends in Selected Global South Countries

E-commerce is growing rapidly in many Global South countries. This section briefly summarizes a few major trends of e-commerce, with a focus on Brazil, Mexico, India, Indonesia, Thailand, Vietnam, and Ghana (Table 1).

First, Social commerce is emerging as an important platform in e-commerce, especially in Southeast Asian countries<sup>[16]</sup>. As social networking sites become increasingly popular, many consumers engage in social sharing and social shopping on those sites, contributing significantly to B2C and C2C sales. According to a study by Bain & Company, more than 80% of digital consumers in Southeast Asia use social media options to research products and connect with sellers<sup>[17]</sup>. More recently, the rise of livestream

shopping in China has influenced Southeast Asian countries – platforms such as Shopee and Lazada are enabling and actively promoting live commerce<sup>[18]</sup>. Different countries are in different stages of live commerce development, depending on whether infrastructure is already in place<sup>[19]</sup>.

Second, Festivals are opportunities for big sales and promotions. For example, during the Brazilian Lover's Day holiday between May 28 and June 11, 2020, the average daily e-commerce sale was \$54 million and total sales amounted to nearly \$800 million. Such seasonal dates account for over a third of Brazilian e-commerce revenue<sup>[20]</sup>. Many festivals in other countries, such as the Songkran Festival in Thailand, also experience similar big sales<sup>[21]</sup>.

**Table 1.** E-commerce Trends in Selected Countries

Country	Major Platforms	Share of E-commerce/Retail	Opportunities	Challenges	Dominating Payment Method
Brazil	Mercado Livre, Americanas, Amazon Brazil	8.1%	Large user base, high levels of smartphone usage	Over 50% of Brazilians never shopped online	Mainly cards and cash. Digital wallets are increasing in use.
Mexico	Mercado Libre, Amazon Mexico	12.4%	Growing trends to shop online	Gaps in infrastructure; lack of competition; large population unbanked	Mostly cards.
India	Amazon, Flipkart, Bigbasket, Grofers	5.0%	highest rates of mobile commerce; healthy competition and platform governance	High levels of customer returns; lack of trust	Digital wallet
Indonesia	Tokopedia, Shopee, Lazada	5.0%	High mobile commerce uptake; social commerce massive potential	Unique geography - logistical challenge	Cards and bank transfers
Thailand	Shopee, Lazada	7.4%	Social commerce	Digital transformation still ongoing	Bank transfer
Vietnam	Shopee, Mobile World, Lazada	29.6%	Group-based social commerce	Majority of population unbanked	Card and cash
Ghana	Jumia, Hubetl	NA	Affordable and accessible mobile data	Inefficient logistics; limited technological infrastructure	Mobile money, e-checks, digital wallets

Source: Compiled by author from Global E-commerce Trends Report<sup>[21]</sup>

Third, emerging market e-commerce platforms have delivered outsized returns during the COVID-19 pandemic compared to e-commerce platforms in developed economies and in China. Data from CapitalIQ show that e-commerce platforms in Global South countries have seen an average annual revenue growth of 57.4% between June

2020 and June 2021, compared to 52.1% in the US and developed economies, and 38.7% in China [22]. The pandemic pushed many people into online shopping. In Thailand, for example, more than half of internet users (56%) shopped online in 2020 for the first time [23].

### 3 Examples of E-commerce Companies in the Global South

#### 3.1 Lazada

Lazada, “Southeast Asia’s Amazon”, is the second largest e-commerce platform of the region [24]. The platform attracts a total of more than 20,000 merchants and has an average daily user visit of 4.5 million. Launched in 2012, Lazada now has a presence in six countries: Indonesia, Malaysia, the Philippines, Singapore, Thailand. The platform offers a wide range of products in categories from consumer electronics to household goods, groceries, toys, fashion and sports equipment [25].

Lazada implements a variety of policies to ensure that transactions on the platform go smoothly and fairly [26]. First, it offers free shipping and free returns within 14 days of order placement. Second, it follows and updates the tracking record constantly and instantly. Third, it adopts a wide range of penalization policies: rather than fining sellers directly, Lazada penalizes misbehaving sellers by placing a cap on the number of orders, temporary suspending the store, or making training mandatory. Fourth, as a way of protecting the sellers, Lazada has a relatively strict policy for customer returns; the platform would approve returns and process refunds only in cases of wrong or missing shipment, damage, or description discrepancies. Fifth, Lazada implements a stringent quality check process. For products in all categories except for fashion, Lazada enforces strict requirements on how the products are posted (e.g. 1:1 image-product ratio, white background, relevant descriptions only). It also blocks products that infringe on other well-known brands.

Compared to other platforms, Lazada exposes few barriers for sellers. For example, it does not charge any upfront fee for sellers to post products; rather, it only charges commission and transaction fee after products are sold. New sellers only need to upload a minimum of 5 products to open an account and start selling [27].

With flexible payment methods and diverse markets across Southeast Asia, Lazada is growing fast and earning large profits. Sales are especially good during regional holidays or festivals. For example, during the one-day sale event on November 11, 2020, more than 40 million users and 400,000 brands and sellers participated, with the majority of them being local SMEs. The platform achieved \$11 million sales in the first 100 seconds of that day [28].

#### 3.2 Jumia

Founded in 2012, Jumia is a Pan-African technology company built around a marketplace, logistics service and payment service. Formally Kasuwa, which means “market” in the Hausa language, the company was rebranded as Jumia in 2012, and was backed by the European internet company Rocket Internet. In March 2016, Jumia secured over

\$350M of funding from MTN, Rocket Internet, AXA, Goldman Sachs, Orange and CDC, and it continues to attract investments from other companies such as Pernod Ricard and Mastercard. In December 2021, Jumia launched the payment service provider JumiaPay in Egypt to facilitate online payments and the distribution of various digital and financial services. This initiative is fully supported by the National Bank of Egypt [29].

Currently, Jumia hosts more than 110,000 active sellers and consumers on its platform in 14 African countries, including Ghana, Kenya, Ivory Coast, Morocco and Egypt. About 25% of consumers are from rural and remote areas, and they use Jumia to acquire products at affordable prices for their daily needs [30]. Customers who shop on Jumia are guaranteed a 100% and 15-days free return policy, as well as official warranties on all available products. Jumia also offers several means of payment, including cash on delivery and mobile money [31].

### **3.3 Business Models Formation in Emerging Markets**

Many emerging market platforms develop their business models with a successful example in mind. Both Lazada and Jumia, for instance, started off with the clear intention of emulating the business model of Amazon to grab the online consumer market in their respective regions [32-33]. However, the market environment and the challenges in Global South countries do not allow these firms to fully operate Amazon's model. As a result, creative adaptation or modification becomes particularly important.

Global South countries are characterized by institutional voids and uncertainties [34]. In these environments, nascent firms tend to adopt a "imitate but modify" process, where they first borrow a successful benchmark's template to establish and legitimize themselves, and then localize and refine its model in order to better serve local customers [35]. In Jumia's case, for example, it starts off by using Amazon's business model as a template, offering customers with a convenient, high-quality shopping experience through an online platform and efficient delivery services. However, the business environment of Jumia in Africa is flooded with institutional voids, ranging from underdeveloped infrastructure and regulatory inefficiency to corruption and an overall lack of trust. To address these voids, Jumia invested in infrastructure, set up pick-up stations close to customers, hired sales agents and equipped them with tablet computers to assist customers in rural areas with no internet access, developed its own, more credible database of customers and suppliers, and partnered with well-known leading brands to deliver quality products and reliable services to customers. Through these initiatives, Jumia was able to better create and deliver value and gradually expand its scope and scale.

## **4 Conclusion**

This paper discusses e-commerce platforms in Global South countries. Through both conceptual discussions and case studies, the paper illustrates that e-commerce platforms face unique opportunities and challenges when operating in these countries: on one

hand, e-commerce platforms can bring tremendous social values by connecting buyers with sellers digitally and ensure smooth, fast transactions; on the other hand, an overall lack of trust and poor infrastructures create unique challenges for e-commerce platforms to successfully scale in these economies. Companies that can identify these challenges and address them with creative solutions are likely to become major players in these regions.

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