sector

wesgro
cape town & western cape
research

Shared Economy in Africa Sept 2017

1. Understanding the Shared Economy

What is the Shared Economy?

PWC defines the shared economy or access economy as using digital platforms to allow customers to have access to, rather than ownership of, tangible and intangible assets. The shared economy economises on scarce resources and often involves deeper social interactions than traditional market transactions. The sharing economy has the potential for global revenues of USD335bn by 2025.

Five key sectors of the shared economy include the following:

- Peer-to-peer finance
- Online staffing
- Peer-to-peer accommodation
- Music and video streaming
- Car sharing

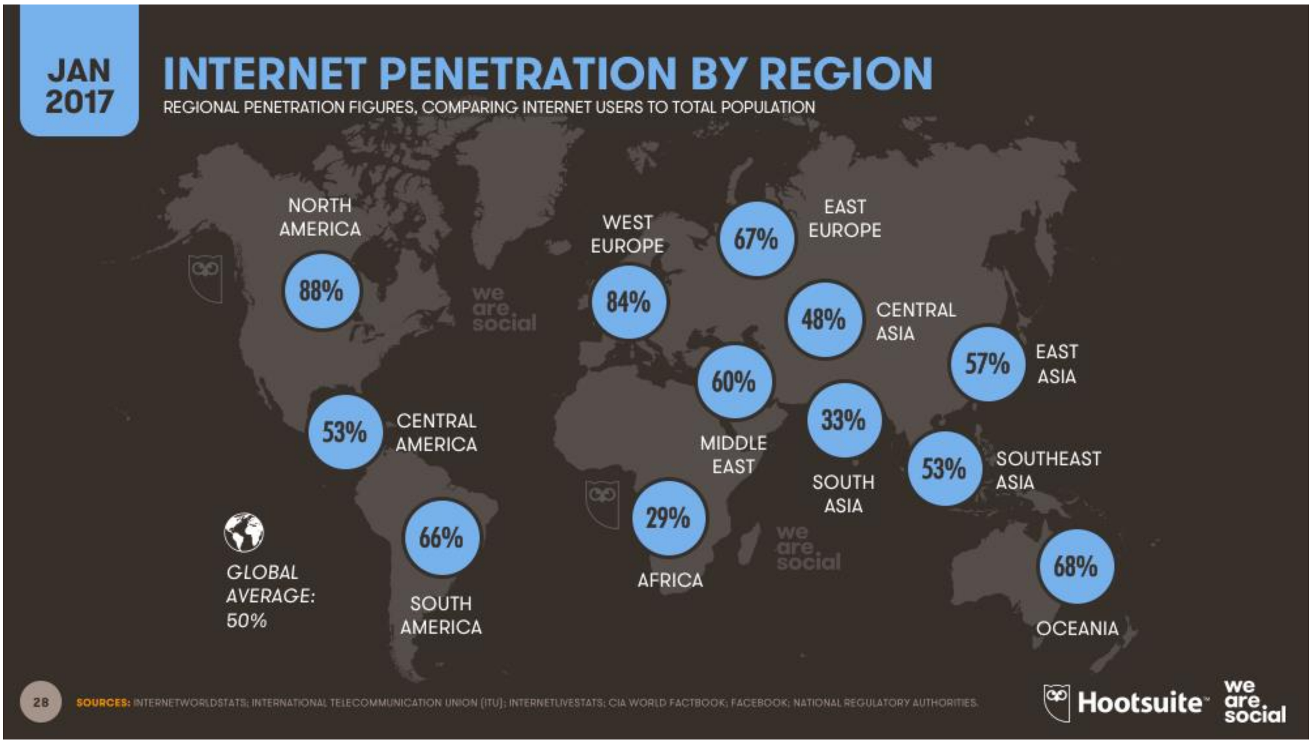
The growing number of connected digital devices makes matching supply and demand easier than ever before and peer-review systems on these digital platforms are the means of regulating quality. Many African countries already have large informal economies where collaborative, peer-to-peer businesses thrive. African Business Magazine explains that Africans have often had a second job, or rented out a spare room, or shared their cars, making bargains here and there. What is new in the “shared economy” is that companies like Uber and Airbnb have formalised the sector.

According to the 2016 Schroders report sharing businesses receive more venture capital funding than any other category, overtaking social media platforms in recent years. USD23bn worth of new capital has been invested in the sector since 2009 and USD20bn in the last two years. This creates a powerful disruptive force gathering in the side-lines of many sectors. The total value of sharing start-up businesses had reached USD219bn by mid-2015 according to Credit Suisse.

The Digital Divide Still Restricts Africa

One of the key characteristics of a sharing economy is that it is technology enabled. This is currently where Africa lags behind the global averages, however, the gap is closing slowly as it becomes a higher priority for governments, businesses and consumers. The graph overleaf shows the dismal picture of Africa’s internet penetration compared to the rest of the world in terms of each regions population. Africa is the lowest, with internet penetration of 29% (around 350million people), followed by South Asia with one third.

African countries in particular that were lagging behind according to 2015 data are Burundi (5% of their population used the internet), Guinea (5%), Central African Republic (5%), DRC (4%), Guinea Bissau (4%), Madagascar (4%), Chad (3%), Somalia (2%) and Eritrea (1%).



Smartphone adoption in Africa is forecast to reach around 55% by 2019, whereas the average global penetration (brought down by Africa) is forecast at around 65% (GSMA, 2016). The monthly use of mobile data is also set to increase from 0.3 GB to 4.3 GB by 2020 (GSMA, 2016). Kenya, Egypt, Nigeria and South Africa are some of the more technologically advanced nations pushing the high usage of data. New entrants effectively utilizing the 3G technology include countries like Algeria, Cameroon and the Democratic Republic of Congo. Still, the African market lags behind other developing nations in smartphone adoption and mobile broadband use.

More than half a billion people across Africa subscribed to general mobile services in 2015, with the number expected to grow to 725 million by 2020. This is far more than smartphone penetration but the sharing economy can still use the mobile device as a digital platform, however, this is not as common as smart phone or PC usage. Financial services are among the top 10 use cases for non-smartphone users, who are benefitting from being able to access mobile money services on feature phones and 2G networks, which still account for the majority of mobile connections in the region. Remittance is the most common

WESTERN AFRICA	UNIQUE SUBSCRIBERS (m)	PENETRATION
Benin	5.1	**45%**
Burkina Faso	7.7	**41%**
Cabo Verde	0.4	**67%**
Côte d'Ivoire	12.5	**53%**
Gambia	1.4	**67%**
Ghana	18.9	**67%**
Guinea	5.9	**45%**
Guinea-Bissau	0.7	**38%**
Liberia	1.7	**36%**
Mali	11.4	**62%**
Niger	5.5	**26%**
Nigeria	86.0	**45%**
Senegal	8.4	**53%**
Sierra Leone	2.8	**42%**
Togo	2.9	**38%**

CENTRAL AFRICA	UNIQUE SUBSCRIBERS (m)	PENETRATION
Cameroon	9.7	**40%**
Central African Republic	1.1	**22%**
Congo	2.8	**58%**
Congo DRC	21.0	**26%**
Equatorial Guinea	0.5	**49%**
Gabon	1.2	**69%**
Sao Tome & Principe	0.1	**57%**

EASTERN AFRICA	UNIQUE SUBSCRIBERS (m)	PENETRATION
Burundi	3.8	**32%**
Eritrea	0.5	**9%**
Ethiopia	34.7	**34%**
Kenya	28.3	**59%**
Malawi	4.7	**26%**
Rwanda	6.3	**52%**
South Sudan	2.1	**16%**
Tanzania	23.7	**42%**
Uganda	17.0	**41%**

SOUTHERN AFRICA	UNIQUE SUBSCRIBERS (m)	PENETRATION
Angola	9.0	**34%**
Botswana	1.6	**69%**
Lesotho	1.4	**62%**
Madagascar	5.9	**23%**
Mauritius	0.9	**69%**
Mozambique	13.8	**47%**
Namibia	1.2	**45%**
Seychelles	0.1	**69%**
South Africa	37.5	**68%**
Swaziland	0.7	**52%**
Zambia	9.0	**53%**
Zimbabwe	9.4	**58%**

mobile money feature in Kenya, Mozambique and Tanzania. The graph alongside shows mobile penetration in Africa.

Sub-Saharan Africa

- Around 270 million people of the total 960 million in the region have access to the internet on their mobile device (27%)
- This smartphone adoption in SSA is expected to increase to 54% by 2020
- Registered mobile money accounts reached 280 million as of March 2017 (29%)
- 700 million mobile/SIM connections (73%) with 420 million unique mobile subscribers (43%) meaning that people own more than one phone and or they are passing them on
- Four of the most populated markets in the region – DRC, Ethiopia, Nigeria and Tanzania – will account for nearly half the 115 million new subscribers expected by 2020.
- Some 77 tech start-ups across the region raised just over USD366.8 million in funding in 2016, growth of 33% compared to the previous year

Source: GSMA, 2017

Although Africa faces connection problems, it must be noted that those areas that are *connected* via cloud computing to a privately-owned cloud, or to a third-party server located in a data centre have the same accessibility to a global audience as Silicon Valley. Through cloud computing, which relies on the sharing of resources to achieve coherence and economies of scale, people who start businesses do not have to invest in IT infrastructure but can focus on their core business. This together with the relative distance of cloud computing is especially important for creating opportunities in Africa.

Positive and Negative Implications of the Shared Economy

Positive impacts for the shared economy given in the World Economic forum's *Deep Shift, Technology Tipping Points report* are noted below together with their feasibility in the African context:

Positive Impact	African context
Increased access to tools and other useful physical resources	Those of higher LSM groups have access to scarce resources and are currently the ones benefitting from the increased access via sharing on smart digital platforms. As internet penetration grows, so this positive benefit will expand to lower LSM groups
Better environmental outcomes (less production and fewer assets required)	Especially as the disposable income rises among the African population this is likely to become a "new lifestyle" in a post-ownership/materialist world where many Africans would have skipped the "ownership generation" altogether
More personal service available	Africa has always had personal service, this has merely formalised some of those services, in some cases making them less personalised
Increased ability to live off cash flow	Increased saving or spending will occur, resulting in multipliers in different sectors of the economy away from assets such as services
Better asset utilization	In many African countries only formalising this pre-existing lifestyle of sharing assets for optimum utility. Formalising it makes it more efficient than it was before
Less opportunity for long-term abuse of trust due to direct and public feedback loops	In some cases physical repercussions will be replaced with economic ones
Creation of secondary economies (eg Uber drivers delivering food or goods)	Formalising it makes it more efficient than it was before

Source: The Fourth Industrial Revolution, Klau Schwab, 2017

Negative impacts include less resilience after a job loss, more contract labour, measuring and regulation difficulty within the shared economy, short-term abuse of trust and less investment capital in the system. The major concern over disruptive technologies is that the shared economy has been the displacement of labour and the re-organisation of affected sectors.

2. Global “Digital Disrupters” and how they Fare in Africa

In the different sub-sectors given above there are many examples of global companies that have become popular as the cost of ownership has increased due to resource scarcity. The impacts are already clear in several sectors. Airbnb itself advertises three times more beds than the world’s largest hotel chain, without owning a property. Meanwhile, Uber has become the largest passenger transport network. Remarkably, despite the inroads they have made into established markets, those examples are still very young; Airbnb was founded in 2008 and Uber only launched in 2011. The section below will look at popular global companies in each sub-sector and their penetration in Africa as well as African start-ups that are occupying these sub-sectors.

P2P finance

Kenya and South Africa are leading the peer-to-peer (P2P) business lending market in Africa, however 90% of online alternative finance originated from platforms headquartered outside of Africa which evidences the potential for home-grown platforms (Cambridge Centre for Alternative Finance, 2017). Michael Roberts, CEO of South African fintech start-up Khonology, said that in 2015, the vast majority of the South African market activity USD13.8 million came from P2P consumer and business lending, with the remaining USD1.2 million spread across microfinance, donation-based and reward-based crowdfunding. Many African financial apps are used for money transfer purposes, many of which are aimed at supporting African migrants who send remittances to their place of birth.

Bitcoin and digital currencies are also used for peer-to-peer payments and are part of the shared economy. Many payment applications that focus on consumer to business payments and business-to-business payments can also be included in the shared economy such as Paypal (USA) and PayFast (South Africa), however this section only elaborates on a few money transfer and crowdfunding platforms.

Money Transfer
Money transfer companies, using digital platforms, have developed a crowdsourced currency exchange service to offer a cheaper alternative to established institutions such as banks.

TransferWise

TransferWise (UK) routes payments not by transferring the sender's money directly to the recipient, but by redirecting them to the recipient of an equivalent transfer going in the opposite direction. Likewise, the recipient of the transfer receives a payment not from the sender initiating the transfer, but from the sender of the equivalent transfer. This process avoids currency conversion and transfers crossing borders. TransferWise is only available in South Africa and Morocco on the African continent.

Mukuru:

Mukuru (SA/Zimbabwe) transfers money to South Africa, Zimbabwe, Malawi, Zambia, Mozambique, Botswana, Lesotho and Namibia. One can also use USSD to transfer money with Mukuru as well as an app, mobile site, and telephone conversation.

Crowdfunding
Crowdfunding is raising a sum of money for a specific project or idea through contributions from a crowd of people who ’back’ that idea. The most globally recognised crowdfunding platforms are Kickstarter and Indiegogo and the African example is Thundafund.

Kickstarter and Indiegogo:

Many of the global funding platforms, like Kickstarter (USA) Indiegogo (USA), aren't easily available to Africans to use. You often need to have a bank account or company in the US or UK to list your project but there are still some projects that got funding in Africa through these platforms. In 2014, MyBroadband listed 9 South African projects that were funded through Kickstarter. Unfortunately Kickstarter and Indiegogo do not have available statistics on projects that have been initiated in or funded in Africa.

Africa's crowdfunding platforms

Afrikstart Crowdfunding reported that in 2016 there were 57 active crowdfunding platforms which raised over USD126.9m in 2015. The penetration of these start-ups is shown in the picture below. Crowdfunding is at a relatively nascent phase in Africa but it has the potential to reach 2.5 billion by 2025, according to the World Bank. South Africa led the way in African crowdfunding with 21 active platforms, and Nigeria was second with 9 operational platforms.

SELECTED AFRICAN EXAMPLES OF APPS AND WEBSITES IN THE SHARED ECONOMY: P2P FINANCE				
Name	**Website**	**Description**	**Country of Origin**	**Countries of Operation**
Fundfind	www.fundfind.co.za	crowdfunding platform	South Africa	South Africa
Thundafund	www.thundafund.com	crowdfunding platform, 258 projects worth almost ZAR15m.	South Africa	South Africa
Startme	www.startme.co.za	crowdfunding platform	South Africa	South Africa
Backabuddy	Backabuddy.co.za	crowdfunding for charity	South Africa	South Africa
Imeela	imeela.com	crowdfunding platform	Nigeria	Nigeria
Changa	http://changa.co.ke	crowdfunding platform online and via mobile	Kenya	Kenya

Source: Various, 2017
Disclaimer: these are only a few selected examples and in no way is the table a comprehensive list of the digital platforms available in Africa

Online Staffing

Online staffing includes digital platforms for connecting clients and jobs. Many freelancers use these platforms full-time. This term also encompasses the rental of offices, board rooms and hot desks including co-working spaces.

Freelancer.com

Freelancer.com (Australia) is the world's largest freelancing and crowdsourcing marketplace by number of users and projects. Freelancer.com connect over 25,355,560 employers and freelancers globally from over 247 countries. Freelancer Limited is trading on the Australian Securities Exchange under the ticker ASX:FLN. Freelancer.co.za is owned and operated by Freelancer.com.

Other global freelance platforms include Guru.com, Truelancer.com, rentacoder.com and upwork.com

Sharedesk

The ShareDesk (Canada) marketplace provides a platform for mobile professionals to discover and book work and meeting spaces on the go– by the hour, day, or month. They have a network of over 4500 venues around the world. In Africa, only South Africa is represented with the following cities represented:

- Cape Town
- Durban
- Johannesburg
- Randburg
- Sandton

TaskRabbit

TaskRabbit (USA) is an online and mobile marketplace that matches freelance labour with local demand, allowing consumers to find immediate help with everyday tasks, including cleaning, moving, delivery and handyman work. They do not operate in Africa.

SELECTED AFRICAN EXAMPLES OF APPS AND WEBSITES IN THE SHARED ECONOMY: ONLINE STAFFING				
Name	**Website**	**Description**	**Country of Origin**	**Countries of Operation**
Freelance Cape Town	www.freelancecapetown.com	Link to freelance agents	South Africa	Some location specific, some global
Southern African Freelancers Association	www.safrea.co.za	Link to freelance agents	South Africa	Southern Africa
SweepSouth	https://sweepsouth.com/	Online booking of cleaning services	South Africa	South Africa
Worknasi	worknasi.com	Platform to book office space and meeting rooms	Tanzania	Tanzania
Kuhustle	www.kuhustle.com	Link to freelance agents and SME's	Kenya	Global

Source: Various, 2017
Disclaimer: these are only a few selected examples and in no way is the table a comprehensive list of the digital platforms available in Africa

Aside from online staffing, co-working spaces have sprung up in Africa with the first movers being Cape Town, Nairobi and Cairo. Co-working is the use of an office or other working environment by people who are self-employed or working for different employers, typically so as to share equipment, ideas, and knowledge.

P2P Accommodation

Peer-to-peer accommodation platforms are online marketplaces and hospitality services, enabling people to lease or rent short-term lodging including vacation rentals, apartment rentals, homestays, hostel beds, or hotel rooms. The online platform does not usually own any lodging; they act as a broker and receive percentage service fees.

Airbnb

Airbnb (USA) saw a 143% increase in users in Africa in 2016 and a 95% increase in 2015 and they aim to double their listings in 2017 to 1.5 million (Reuters, 2017). Airbnb are in all African markets and had 77,000 listings in Africa and over three million globally making Africa 2.5% of the global market. Air bnb's largest markets in Africa are South Africa, Morocco, Kenya & Mauritius. South Africa, which was an early adopter of Airbnb, is the top-ranked country in Africa in terms of listings and visitors, who mainly come from the United States, Germany, Britain and the Netherlands. The top five Air bnb cities in Africa are Cape Town, Marrakesh, Johannesburg, Nairobi and Casablanca (Reuters, 2017).

Flipkey (USA) 300 000 + rentals

- Africa- 11347 rentals (3.7% of global)
- South Africa 3845 rentals (33% of Africa)
- Morocco 2430 rentals (21% of Africa)
- Kenya 709 rentals (6% of Africa)
- Egypt 529 rentals (4%)
- Nigeria 79 rentals

HomeAway (USA) 1.2 million listings

- South Africa has 1570 listings, Botswana 5, Namibia 10
- Morocco above 300
- Egypt 276 listings
- Kenya 238 listings
- Algeria 114 listings
- Nigeria 6 listings

Other global p2p accommodation platforms include HouseTrip (Switzerland) (Africa has 11714 listings), and VacayHero (USA).

African originators:

SELECTED AFRICAN EXAMPLES OF APPS AND WEBSITES IN THE SHARED ECONOMY: P2P ACCOMMODATION				
Name	**Website**	**Description**	**Country of Origin**	**Countries of Operation**
Accommodation Direct now Afristay	https://www.afristay.com/	20 000 listings in South Africa	South Africa	South Africa
Budget Getaways	www.budget-getaways.co.za	Lists budget getaway accommodation in South Africa	South Africa	South Africa
SafariNow	www.safarinow.com	Booking and accommodation	South Africa	Global
Mighty Tours	www.mightytours.co.ke	Booking safaris and lodge accommodation	Kenya	Kenya

Source: Various, 2017
Disclaimer: these are only a few selected examples and in no way is the table a comprehensive list of the digital platforms available in Africa

Music and Video Streaming

Streaming media is multimedia that is constantly received by and presented to an end-user while being delivered by a provider, in this case a digital platform. The verb "to stream" refers to the process of delivering or obtaining media in this manner as opposed to downloading.

Spotify (Sweden)

Spotify is a music, podcast, and video streaming service that was officially launched in 2008. It provides digital rights management-protected content from record labels and media companies. Spotify is available in most of Europe, most of the Americas, Australia, New Zealand, and parts of Asia. You can access free Spotify services in any African country via internet, but their paid-for premium service is not available in Africa.

Google Play (Sweden)

Google Play serves as a digital media store, offering music, magazines, books, movies, and television programs and was also launched in 2008. Google Play music streaming is only available in South Africa whereas Google Play movies are available in:

COUNTRIES IN AFRICA THAT HAVE ACCESS TO GOOGLE PLAY MOVIES, 2017	
Angola	Rwanda
Botswana	Senegal
Burkina Faso	South Africa
Cape Verde	Tanzania
Egypt	Togo
Gabon	Uganda
Mauritius	Zambia
Namibia	Zimbabwe
Niger	

Apple Music (USA):

Apple Music is available in the following African countries:

COUNTRIES IN AFRICA THAT HAVE ACCESS TO APPLE MUSIC MUSIC, 2017	
Guinea-Bissau	Nigeria
Botswana	Uganda
Ghana	South Africa
Cape Verde	Zimbabwe
Egypt	Kenya
Gambia	Niger
Mauritius	

Another international music sharing platform available in Africa is Deezer.

AFRICAN EXAMPLES OF APPS AND WEBSITES IN THE SHARED ECONOMY: MUSIC & VIDEO STREAMING				
Name	**Website**	**Description**	**Country of Origin**	**Countries of Operation**
Simfy Africa	www.simfyafrica.com	Online streaming of music	Germany, partnership with eXactmobile (South Africa)	-

Source: Various, 2017
Disclaimer: these are only a few selected examples and in no way is the table a comprehensive list of the digital platforms available in Africa

Car Sharing

Car sharing is part of a larger trend of shared mobility. Shared mobility includes all modes of travel that offer short-term access to transportation on an on-needed basis either for personal transportation or goods delivery.

Uber (USA)

Uber operates similarly to a taxi service. Uber is worth around USD70 billion (2017). Uber operates in 15 cities across 8 countries in Africa becoming the continent's dominant ride-sharing app.

- Nigeria Abuja, Lagos
- Ghana Kumasi
- Egypt Alexandria, Cairo
- South Africa Cape Town, Durban, Johannesburg, Petoria, Port Elizabeth
- Morocco Casablanca
- Tanzania Dar Es Salaam
- Uganda Kampala
- Kenya Mombasa, Nairobi

Taxify (Estonia)

Taxify operates similarly to a taxi service. Taxify operates in 6 cities across 4 countries in Africa.

- Nigeria Lagos
- Kenya Nairobi
- Egypt Cairo
- South Africa Cape Town, Durban, Johannesburg

Other international car sharing platforms include Zipcar, Ola, Mondo Rides, Turo, Lyft and RelayRides

SELECTED AFRICAN EXAMPLES OF APPS AND WEBSITES IN THE SHARED ECONOMY				
Name	**Website**	**Description**	**Country of Origin**	**Countries of Operation**
CarTrip	Cartrip.co.za	Car-pooling if you have space on the way to a predetermined destination	South Africa	South Africa
Jump In	Jumpinrides.co.za	Car-pooling if you have space on the way to a predetermined destination	South Africa	South Africa
Little Cab	-	Ride-hailing backed by Safaricom. Allows non-smartphone users to hail a cab through a USSD system	Kenya	Kenya, Nigeria, Uganda
SafeBoda	http://www.safeboda.com	Ride-hailing for motorcycles	Uganda	Uganda

Source: Various, 2017
Disclaimer: these are only a few selected examples and in no way is the table a comprehensive list of the digital platforms available in Africa

Africa is home to 55 sovereign states and yet it seems that in many cases between 5 and 20 countries have access to internationally recognised digital platforms for the shared economy. This is unsurprising, however when you consider the very low 29% internet penetration rate in Africa. As internet penetration rises in Africa, however, the growth in the shared economy will likely be in the triple digits as it has been for Airbnb for the last two years.

For more information on this publication and other Wesgro publications please contact research@wesgro.co.za or for more publications visit the Wesgro publications portal on our website at http://wesgro.co.za/publications