

E-COMMERCE IN NIGERIA



MARKET TRENDS AND CONSUMER BEHAVIOR



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ABSTRACT

This paper is an attempt to study how the different attitudes toward online shopping are formed, how different group of customers cutting across gender, location, mood time of day, weather condition and current trends affect shopping online in Nigeria. This paper intends to bring to fore the concept of e-commerce in Nigeria, better understanding of e-commerce commentators in the region as well as upcoming entrepreneurs.

INTRODUCTION

From research into consumer behavior, it is clear that an increasing number of consumers in Nigeria use the Internet to buy products and services. This is closely connected to the internet adoption and usage which continues to rise at an exponential rate. We have studied why some consumers use the Internet. Some, to do shopping, many others prefer to get the information of a product online and use in shopping offline. Researchers now focus on studying how consumers intend to do online shopping.

Typical research questions include the following:

Do consumers browse online only?

Does the availability of online shopping affect the number of shopping trips that consumers make in physical stores?

Do they browse and shop online?

E-commerce industry experts and business columnists claim that online shopping is 'mainstream'. From our research, we discover a trend in the number of new online shoppers daily in Nigeria. This means e-commerce models; such as the marketplace model run by Kaymu is more effective for business in Nigeria. Hence, the rapid acceptance and trend of shoppers now moving to buying online instead of offline.

As at September 2015, there are over 97 million internet users in Nigeria (Nigerians Communications Commission). According to UN report, Nigeria has a population of over 182 million and an internet penetration rate that currently stands at over 50% as at the 3rd Quarter of 2015 and is still growing rapidly. Nigeria maintains its leading position in Africa. The interest in online trading in Nigeria is on the rise even as the e-commerce ecosystem continues to witness improvement especially in the payment systems which have become safer and more secure, and has largely attracted a significant number of prospective online sellers. The proliferation of smart mobile devices and mobile money facilities continue to impact consumer behavior and the growth of e-commerce, providing easier access to information online and promoting convenient shopping across mobile application platforms.

E-COMMERCE MARKET

With the emergence of top e-commerce companies in Nigeria such as Kaymu, the face of online business in the nation is set for a stiffer competition as the years roll by.

Irrespective of the achievements in the e-commerce sector of the country's economy, the penetration of e-commerce in Nigeria is still low by global standards and requires great improvement. However, a marketplace business model adopted by Kaymu will certainly impact the electronic commerce landscape and influence the growth of buyers and sellers in Nigeria.

Arguably the largest online marketplace in Nigeria, Kaymu is strategically positioned to provide top notch buy-sell platform to millions of prospective buyers and sellers online. When Kaymu was founded in 2012 by Africa Internet Group with support from Rocket Internet, its main objective was to promote small & medium scale enterprises. The company already has of over 35,000 sellers on its network and these numbers are rising. The company intends to get a large chunk of the market share which other startups and big players jostle for.

As an emerging market, the Nigerian e-commerce market could be profitable if well managed amid prevailing challenges which include:

Teething problems of
Logistics

Low literacy rates

High cost of
internet services

Payment: Online/Offline

It would require deliberate efforts to curtail these challenges that surround the industry with special focus on internet security for pre-payment options so as to build the trust and confidence of the citizenry. Given a suitable business environment without the factors earlier mentioned, and increase in not only in the penetration of internet users in the country but also the rate of mobile penetration for mobile commerce, termed m-commerce, the sector should witness a jump in traffic and thus place Nigeria comfortably on the global map as one of the leaders in e-business.

As more people continue to use the internet, many of them can potentially become online shoppers. It is vital to have a clear understanding of how new Internet users perceive shopping from online stores.

QUICK FACTS ABOUT NIGERIA



POPULATION
OVER 182 MILLION



FACEBOOK USERS
OVER 15 MILLION
Monthly active users



INTERNET USERS
OVER 97 MILLION



KAYMU FANS
OVER 400,000

ABOUT KAYMU GLOBAL

Globally, our outreach covers more than 1 billion people in total, and 250 million Internet users

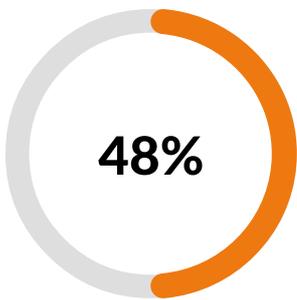
Out of the above mentioned 250 million internet users, approximately 68.39% have a Facebook account

DEMOGRAPHICS

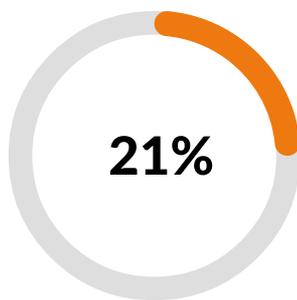
What age group is interested in shopping online in Nigeria?

From our research, about 48% are between the ages of 25-34. From this data, we can conclude that newly married persons and youth are more interested in buying online than any other group. People older than 65 are less interested in shopping online and probably prefer shopping offline or are not interested in shopping at all.

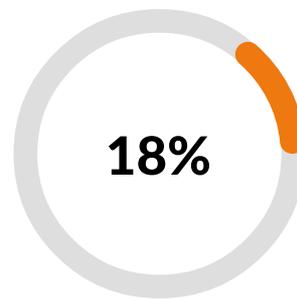
VISITS BY AGE GROUP



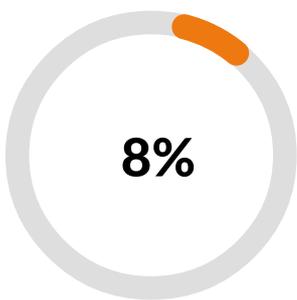
25-34 years



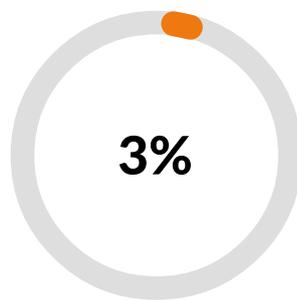
18-24 years



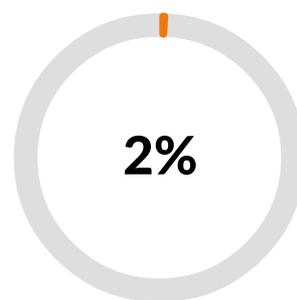
35-44 years



45-54 years



55-64 years



65+ years

GENDER

Between the sexes, who is more interested in shopping online in Nigeria? Males prefer to shop more than females representing a difference of 19% from females. In addition, males spend more time shopping online than women and are more likely to convert to customers than females.



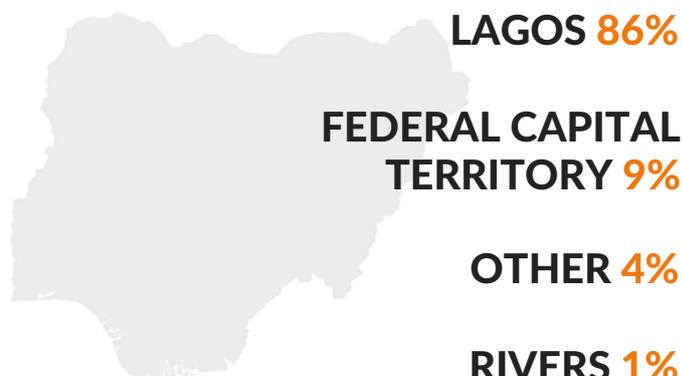
MALE 59.26%



FEMALE 40.74%

GEOGRAPHIC TRENDS

Lagos, the center of business in Nigeria has the highest number of e-commerce visits. Over 86% of total visits to ecommerce sites come from Lagos. A distant 2nd is Abuja, the Federal Capital Territory having 9% of e-commerce visits.



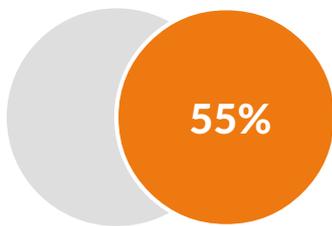
ONLINE BEHAVIOR

Analyzing user types in Nigeria, it is noticed that returning customers are more likely to convert than new customers. The difference in conversion between returning vs. new customers is about 10%. Moreover, the average session duration for the new visitors is 4 minutes, whereas for the returning visitors, it is 7 minutes. There are several reasons for high session time and better conversion rate for return visitors. A few important reasons are:

- Brand loyalty: regular buyers: returning visitors are brand loyal, spend more time browsing products, and are keen towards making a purchase as compared to the new visitors.
- In some cases, return customers make up their minds during or after the first visit and the purchase process is carried out in the second or third visit, resulting in a higher conversion rate for return visitors.
- Serious buyers are found frequently comparing products from different sellers and in search of the best option & price.

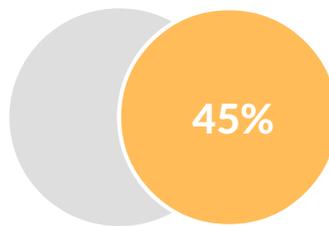
Out of the total e-commerce visits, 45% are estimated to be new visitors, whereas the remaining 55% are returning visitors. One of the reasons for the considerably good percentage of returning visitors owes largely to the fact that customers were happy with their previous shopping experience and want to buy some more items. Factors such as regular promotions, prices comparison, price drop, special campaign and exclusive site-deals amongst others also played a role in this outcome.

NEW VS. RETURNING TRAFFIC



RETURNING VISITORS

Users who were visiting the website again using the same device, tracked using browser cookies.



NEW VISITORS

First time visitors, tracked using browser cookies.

ENGAGEMENT

Visitors who spend 0 to 10 seconds on e-commerce websites account for the highest percentage. As per findings, reasons for spending less than 10 seconds for the majority percentage of the traffic are:

Visitors were interested in knowing the product price

Visitors were not interested in the product, after clicking advertisement link

High bounce rate of product pages, where users don't have much options / choices.

Most of the e-commerce visits fall under 0-10 seconds' sessions which means the time a visitor spent on a website.

 SESSION DURATION	 SESSIONS	 PAGE VIEWS
0-10 SEC	51%	10%
11-30 SEC	3%	1%
31-60 SEC	4%	2%
60-180 SEC	10%	7%
181-600 SEC	14%	17%
601-1800 SEC	12%	28%
1800+ SEC	6%	35%

Sessions (%) and page views (%) depending on the session duration

OPERATING SYSTEM

Is mobile truly taking over? Are people using more of mobile devices to complete transactions online than desktop devices?

With the introduction of friendlier apps on mobile devices that cost less data and enable people to carry out transaction on the go, is there a shift? According to our research, 56.05% traffic comes from the mobile phones.

When it comes to operating systems used for shopping online in Nigeria, Android OS takes the leads; accounting for 35.87% of the total sessions. The Android OS is closely followed by the Microsoft Windows operating system with 34.75% of total sessions – hence, lending credence to the trend of mobile overtaking desktop visits in recent years.

More people are now visiting e-commerce stores with their mobile devices. The rest traffic comes from other operating systems including iOS, Macintosh, Linux, Windows Phone, Series 40, BlackBerry & Nokia OS.



ANDROID
36%



WINDOWS
35%



BLACKBERRY
15%



iOS
7%



OTHER
3%



WINDOWS PHONE
2%



MACINTOSH
1%

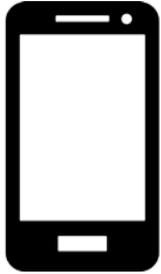


LINUX
1%

series//40 0.5%

NOKIA 0.5%

DEVICE



MOBILE: SMARTPHONES
69%

DESKTOP
31%



IS MOBILE TAKING OVER?

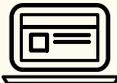
As a result of the research conducted by Kaymu with regards to devices used for browsing e-commerce websites, mobile devices such as **Android phones, iPhones and the likes** account for 69% of total visits while desktop traffic coming from PCs and laptops accounted for just 31%. This lends credence to the fact; Mobile has clearly over-taken Desktop **visits** in Nigeria.

Interestingly, total transaction statistics with respect to devices prove that online shoppers prefer to use **mobile devices to gather product information**, conduct research about the product specs and compare prices. Whereas, they find it more convenient to use desktop personal computers and laptops to finally make an online purchase. With more focus on mobile, it is expected that mobile transactions will overtake desktop transactions in a few years from now.

BROWSERS: MOBILE & DESKTOP

With rapid evolution of technology and the advent of new and advanced software, people make use of different internet browsers to surf the World Wide Web.

Our research reveals that Google Chrome is the most popular internet browser in Nigeria with 25% of the total visitors using this browser; followed quite closely by Firefox at second place with 16% of total e-commerce visitors. The rest of the 59% e-commerce traffic in Nigeria comes via Opera Mini, Android Browser, Opera, Internet Explorer, Safari, UC Browser, Safari (in-app).

		
USER TYPE	SESSIONS	AVERAGE SESSION
CHROME	25%	7 SEC
OPERA MINI	16%	6 SEC
FIREFOX	15%	4 SEC
BLACKBERRY	13%	6 SEC
ANDROID BROWSER	11%	4 SEC
INTERNET EXPLORER	6%	6 SEC
SAFARI	6%	6 SEC
OTHERS	5%	5 SEC
UC BROWSER	3%	5 SEC

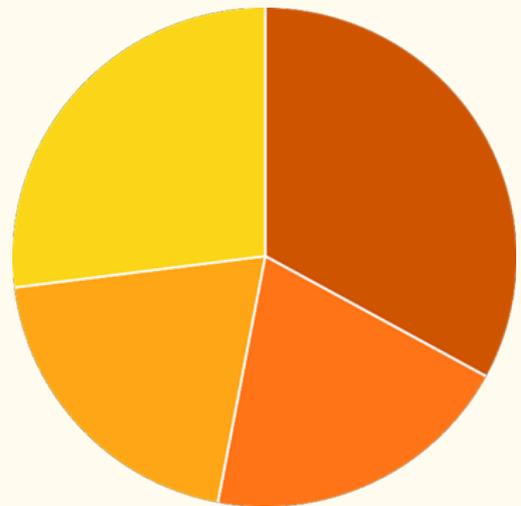
ACQUISITION

Visitors from free channels are likely to convert because they independently initiated the buying process or shown interest in the product(s). The interest is initiated by subscribing to the newsletters, establishing connection with the website's social pages, or specifically searching for a product on search engines.

Search engines offer paid results and listings on search engine result pages (SERPs), but, organic results are considered more trustworthy and authentic as compared to the paid results; this, in turn, results in better conversion rate for organic traffic as compared to the paid search ads.

Tip: E-commerce professionals looking to increase the overall conversion rate should focus more on organic or unpaid channels. Specifically, search engine optimization (SEO), organic increase of newsletter subscriber base and social media.

TRAFFIC SOURCES & SEGMENTS



- **SEARCH ENGINES 33%**

SEO, SEM, PPC GSP

- **SOCIAL MEDIA 20%**

Facebook, Twitter, Pinterest

- **DISPLAY 20%**

GDN, Affiliate Program, Display Banners, etc.

- **OTHERS 27%**

Sessions: Number of times users visited websites.

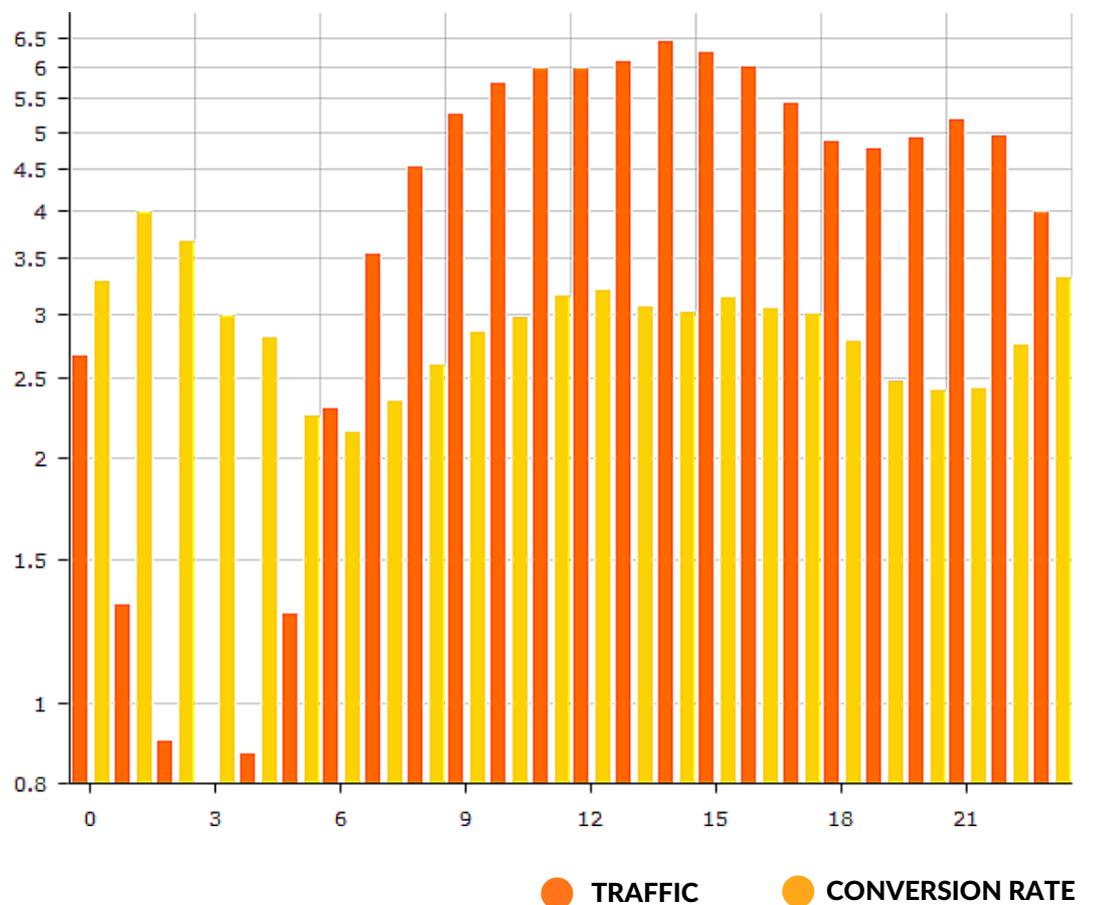
For example: If a user visited a website three times, then it would be counted as three sessions. If five users visited a website seven times, it will be counted as seven sessions.

HOURS OF THE DAY

Nigerians usually make online purchases between 11:00 AM and 4:00 PM. According to the research, almost half of the total e-commerce sessions in Nigeria are recorded at timings between 11:00 AM and 4:00 PM.

Apart from the traffic, this peak time also has the maximum e-commerce transactions. The time during noon and before evening has maximum traffic and orders, as there is no considerable fluctuation in the conversion rates of hours and traffic.

TRAFFIC & CONVERSION RATE VS HOUR

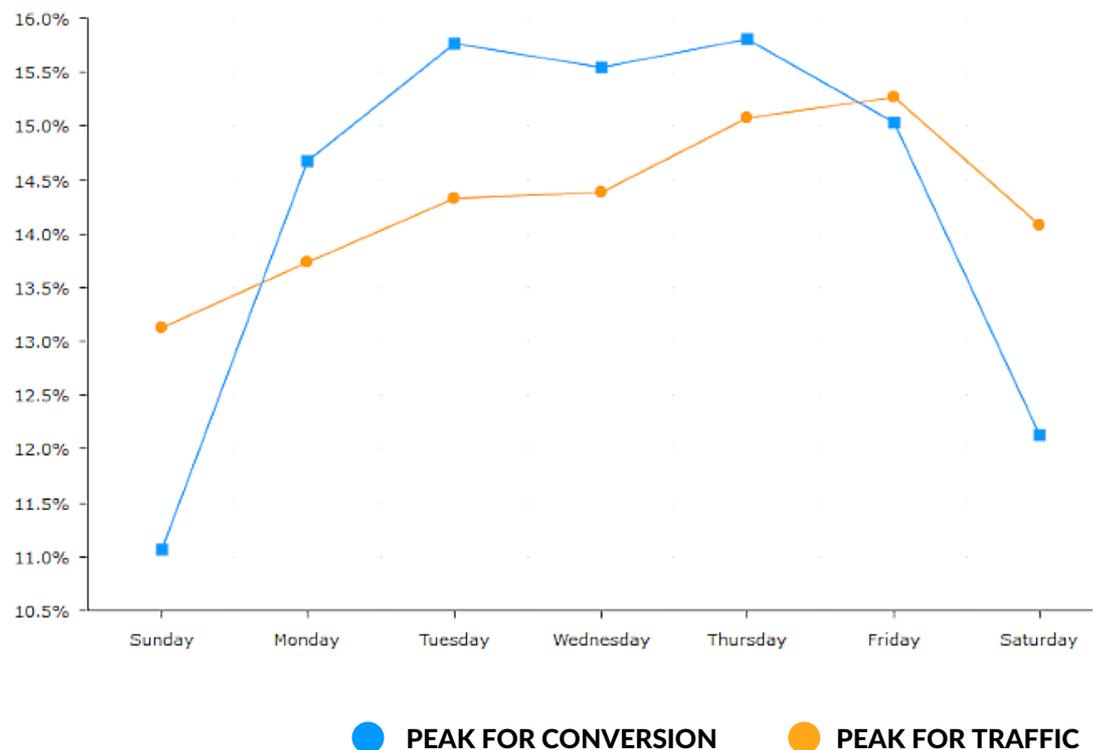


PEAK TRAFFIC DAYS & PEAK E-COMMERCE CONVERSION DAYS

If we have a look at the peak web traffic days in Nigeria, we'll figure out that Thursday remains the busiest day in terms of e-commerce traffic, followed by Tuesday.

Since online traffic to a site does not define the peak conversion days, we conducted a separate research and collected facts and figures to find out that: Fridays & Thursdays are the best converting days. Fridays is the best day for customers to actually visit and make purchases online in Nigeria.

PEAK DAYS FOR TRAFFIC & CONVERSION RATE



QUARTERLY E-COMMERCE TRENDS

Analyzing data of trends in online shopping over the last 4 quarters, results show that fashion items such as clothing, dresses, and shoes remains top interest QoQ for majority of people shopping online in Nigeria.

Jewelry & watches comes second in last 2 quarters of 2014 but lost its place to mobile phones. This shows that buyers' interests vary from quarter to quarter as well as the seasons that occur in that quarter.

During the **third quarter of 2014**, Fashion is leading the list. **Last quarter of 2014**, gifts to loved ones will be on top of the list. Several events: Christmas, BlackFriday, Thanksgiving & more. In 2015, mobile phones gained more interest in the **first quarter**. Fashion remains top interest by a clear margin during **second quarter**. Interest in mobile phones dropped a bit too.



Q3 JUL-SEP 2014

Fashion
Jewelry & Watches
Mobile Phones & Tablets
Health & Beauty



Q4 OCT-DEC 2014

Fashion
Jewelry & Watches
Mobile Phones & Tablets
Health & Beauty



Q1 JAN-MAR 2015

Fashion
Mobile Phones & Tablets
Jewelry & Watches
Health & Beauty



Q2 APR-JUN 2015

Fashion
Jewelry & Watches
Mobile phones & Tablets
Health & Beauty



Q3 JUL-SEP 2015

Fashion
Smartphones & Tablets
Computers

OCCASIONAL & SEASONAL IMPACT ON E-COMMERCE TRANSACTIONS

Just like seasons have their impact on the e-commerce transactions around the world, the **special occasions also boost up the sales of particular items**. The special occasions in Nigeria such as Eid-ul-Adha, Eid-ul-Fitr, Easter, Christmas, Black Friday, Start of Football Season, World Cup, Nations Cup, New Year and Valentine's Day provide great opportunities to e-commerce entrepreneurs across Nigeria to generate adequate profits and sales. There is a considerable boost in sales for season and occasion related products each year.

CUSTOMER BEHAVIOR AND CUSTOMER GROUPS

A market as large as Nigeria, with millions of people with different personas - It is very important to understand customers to be able to provide better products and services to them – with this, we etch closer to creating almost-perfect consumer profiles.

We have four groups we have grouped Nigerian internet users into:

- Researchers
- Skeptics
- Shopaholics
- Money Savers

SKEPTICS

I DO NOT TRUST GIVING
MY CREDIT/DEBIT CARD
INFORMATION ONLINE

52%

ONLINE SHOPPING
WEBSITES ARE OFTEN
VERY CONFUSING

23%

I DON'T LIKE TO BUY
PRODUCTS ONLINE
BECAUSE OF SHIPPING
COSTS

19%

I NEVER THINK ABOUT
USING THE INTERNET
FOR SHOPPING

10%

WE ♥ SHOPPING

SHOPPING ONLINE IS
CONVENIENT

93%

SHOPPING ONLINE IS
FUN

90%

I MANAGE MY SHOPPING
LIST WITH A MOBILE APP
OR AN ONLINE TOOL

55%

I LIKE GETTING
MARKETING EMAILS AND
NOTIFICATIONS FROM E-
COMMERCE WEBSITES

28%

CUSTOMER BEHAVIOR AND CUSTOMER GROUPS

MONEY SAVERS

I CAN USUALLY GET THE
BEST PRICE BUYING
PRODUCTS ONLINE

63%

DEALS AT ONLINE SITES
ARE BETTER THAN THOSE
IN STORES

60%

I SUBSCRIBE TO PRODUCT
OR STORE EMAILS TO STAY
INFORMED OR SAVE
MONEY

40%

I USE PRICE SAVING APPS
OR WEBSITES WHEN
PLANNING A SHOPPING
TRIP

25%

I USE PRICE SAVING APPS
OR WEBSITES WHEN
SHOPPING IN PHYSICAL
SHOPS/STORES

14%

RESEARCHERS

I LIKE TO READ ONLINE
REVIEWS BY OTHER
CUSTOMERS PRIOR TO
PURCHASING A PRODUCT

90%

I SPEND CONSIDERABLE
TIME RESEARCHING
PRODUCTS ONLINE BEFORE
DECIDING TO BUY

87%

I OFTEN LOOK AT A
PRODUCT ONLINE BEFORE
PURCHASING THEM IN
PHYSICAL STORES/SHOPS

68%

I OFTEN CHECK OUT
PRODUCTS IN PHYSICAL
SHOPS/STORES BEFORE
PURCHASING THEM ONLINE

37%

I USE SOCIAL MEDIA SITES
LIKE FACEBOOK, TWITTER
TO HELP MAKE PURCHASES
DECISIONS

24%

A few points are worth mentioning from the result above:

- Nigerians don't appreciate the many unsolicited emails sent by E-commerce sites.
- More than 90% agree online shopping is very convenient.
- A lot of Nigerians do a lot of research to see where they can get the best/lowest price on a product or services



CONCLUSION

Understanding website & user data is key to growth. Little perks such as ignoring user experience (UX) could cost a company billions of naira in revenue. Understanding your customers as well as how they react to different factors such as pricing, the interface of your website, mood in general, current season, accessibility to your site, quality of service is key.

CONCLUDING SUMMARY

-  **LAGOS** HAS THE HIGHEST NUMBER OF PEOPLE INTERESTED IN SHOPPING ONLINE
-  **MALES** VISIT ONLINE SHOPPING SITES MORE THAN FEMALES IN NIGERIA. MALES ARE MORE LIKELY TO CONVERT THAN FEMALES
-  THE BUSIEST SHOPPING DAY OF THE WEEK IS **THURSDAY**
-  NIGERIANS ARE MOSTLY ON SHOPPING SITES BETWEEN **11AM-4PM** DAILY
-  **MOBILE DEVICES** SUCH AS SMARTPHONES ACCOUNTS FOR MORE E-COMMERCE VISITS THAN DESKTOPS.
-  PEOPLE ARE LIKELY TO COME BACK TO SHOP ON E-COMMERCE SITES IF THEY ARE HAPPY WITH: **PREVIOUS PURCHASES**, **SITE ACCESSIBILITY**, **PRICING** OF PRODUCTS OR SERVICES (IS IT BETTER OR CHEAPER ELSEWHERE?)
-  PEOPLE BETWEEN THE **AGES OF 25-34** SHOP MORE THAN ANY OTHER AGE GROUP. THOSE ABOVE 65 HAVE LITTLE OR NO INTEREST IN ONLINE SHOPPING.
-  **SEASONS** AFFECT THE BUYING HABITS OF PEOPLE, I.E. CHRISTMAS, BEGINNING OF PREMIER LEAGUE SEASON.

GLOSSARY

Q

Quarter: representing a quarter of a whole year. i.e. Q1 refers to January, February & March

Conversion Rate

The conversion rate is the percentage of users who take a desired action. The archetypical example of conversion rate is the percentage of website visitors who buy something on the site

Search Engines

This includes the various search engines like Google, Bing, Yahoo, Yandex, amongst others; Organic and paid traffic

Social Media

Consists of sources such as Facebook, Twitter, LinkedIn, Foursquare, Instagram and many more. Also Organic and paid Traffic

GDN

Google Display network

Direct

Visitors who come to a website by typing web address in the browser

Referral

Visitors who landed on a website by clicking on the website links (non-paid link). For example: links on blog comments, links in articles, reference links etc

Others (Traffic)

Traffic from unidentified sources and custom sources & mediums

OS

Operating System (Desktop, Mobile: Windows, Android)

Bounce rate

The percentage of visitors to a particular website who navigate away from the site after viewing only one page

E-commerce transactions

An e-commerce transaction is completed when a user adds a product(s) to the cart and then confirms the order

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DATA SOURCES

**Market Data (Kaymu & select e-commerce websites in Nigeria)
 Analytics
 Poll
 Google Webmaster Tools
 Google Trends
 Kaymu BI Data



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