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# The Internet as Catalyst for Business Internationalization in Africa

A lot of African internet-based MNEs have adopted an international marketing approach called glocalization – which describes products or services that are developed and distributed globally, but have also been customized to fit the local environment.



In recent columns, I have covered a range of issues pertaining to the prospects of business internationalization in Africa. As the process by which enterprises expand across national boundaries, internationalization enables businesses to reach new customers abroad and thereby achieve economies of scale. My last column focused on the role of

public policy in providing the right environment and incentives for cross-border trade on the continent.

The latest discourse in this series is on the role of the internet as a catalyst for internationalization strategies. Most multinational enterprises (MNEs) in the developed and developing economies expanded across national borders in a

linear pattern. This means they developed from being purely domestic enterprises and – through export promotion or export development – they were able to take their operations global. Such a linear approach to international expansion of businesses was common during the pre-internet era. With the advent of the internet, many enterprises have been able to circumvent

the linear approach. And there is still a lot of opportunities for others, especially in Africa, to deploy the internet as a veritable internationalization strategy.

The internet has made it possible to connect with individuals and businesses worldwide. It facilitates the spread of information faster and enables many companies to increase their sales. As digitization catches on in Africa, a lot of enterprises have understood that a large number of potential customers across the continent are just a clickaway.

According to Internet World Stats (IWS), the estimated number of internet users in Africa as at December 2017 was over 453 million. This represented an average internet penetration rate of 35.2 percent. Although this figure was below the global average of 54.4 percent, the penetration rate in a number of African countries exceeded the global average. For instance, Mali, Senegal, and Kenya had 65.3 percent, 59.8 percent and 85.0 percent, respectively. Nigeria, which had an internet penetration rate of 50.2 percent at the time has now risen to 54.7 percent as at November 2018.

The internet supports several activities, including but not limited to research, prospecting, communication, and transactions. In this respect, the internet is leveling the playing field between major corporations and small and medium enterprises (SMEs). This global interconnection of networks is fostering communication and access to information and new markets. Consequently, the internet is enabling African enterprises to pursue international sales, within and beyond the continent.

The findings of my research on this theme in Angola and Mozambique revealed general patterns that help to illuminate how the MNEs in those countries developed their internationalization strategies by using the internet. All the 34 MNEs interviewed, large and small, reached new markets and were actively engaged in international marketing and sales through the internet. The internet was seen as both an entry channel and service platform for those MNEs.

A number of opportunities that are available for African enterprises to expand across borders include participation in e-marketplaces, which are online market platforms for buyers and sellers to conduct business-to-business transactions. An e-marketplace enables sellers to reach new

markets and gain customers more conveniently. Also, as mobile phone penetration increases in Africa and more payment systems are developed on the continent, the potential for an accelerated intra-Africa internet commerce is strong. New shopping opportunities have been opened in places where physical stores do not exist and infrastructure is lacking.

An offshoot of the internet is the Internet of Things (IoT) – which essentially consists of everything connected to the internet, from mobile devices to industrial machines, robots and humans. IoT is enabling businesses to operate more efficiently, thereby improving productivity and enhancing the customer experience. This technology has created a virile start-up landscape on the continent whereby a

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number of "social-techpreneurs" – technology entrepreneurs effecting social change – are leveraging IoT to proffer solutions to various socio-economic challenges in Africa, from agriculture to education, financial services, etc.

Nonetheless, accessing international markets via the internet has its challenges. Simply developing and launching a website does not automatically open the door to international markets. It requires considerable effort, including e-marketing of the businesses, to bring prospective clients to online platforms and then encourage them to buy. Leveraging the power of the internet can even be a more significant challenge for small, resource-strapped enterprises.

A lot of African internet-based MNEs have adopted an international marketing

approach called glocalization – which describes products or services that are developed and distributed globally, but have also been customized to fit the local environment. This multi-domestic marketing strategy sees markets as sufficiently different to warrant the adoption of marketing strategies on a market-by-market basis.

For instance, African e-commerce companies – with 40% of them in Nigeria – have set up country-specific sites because of payment issues, as most payment solutions are localized in specific countries. In addition to the payment challenges, there are logistics challenges as well as differences in cultural practices and tax administrations that have to be factored with regard to the various international operations.

Weak broadband penetration is also a challenge for the continent and one that could limit the ability of consumers to access information and other digital services with speed. Available data shows that only 7 percent of African households subscribed to high-speed internet services as of December 2017. African governments need stronger partnership with the private sector to deepen broadband penetration on the continent.

While the digital divide between Africa and the rest of the world needs to be closed, there are also disparities in the usage of digital and information technology among countries within the continent. For instance, the IWS data shows Cameroon with internet penetration rate at 24.8 percent. Niger, Chad, Liberia, Malawi and 12 other African countries had less internet penetration rate of less than 10 percent at year-end, 2017. Policymakers must address these gaps and challenges to enable businesses to leverage technology and upscale.

For those African enterprises that are able to navigate the challenges of intra-Africa trade, I am convinced that the growth of business internationalization on the continent will be strongly underpinned by the internet. The world wide web will allow the whole of Africa to interact within the global digital economy, buying and selling goods, and providing services across the continent and beyond.

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