International Trade Centre

TRADE IMPACT FOR GOOD

SME Competitiveness in Francophone Africa 2022

Fostering digital transformation

In collaboration with:

CPCAF Conférence Permanente des Chambres Consulaires Africaines et Francophones

5th edition

Gathering data on digitalization in francophone Africa

The International Trade Centre (ITC) and the Permanent Conference of African and Francophone Consular Chambers (CPCCAF) joined forces in 2022 to help the network of chambers of commerce in French-speaking Africa assess the digital transformation of small and medium-sized enterprises (SMEs) in their countries.

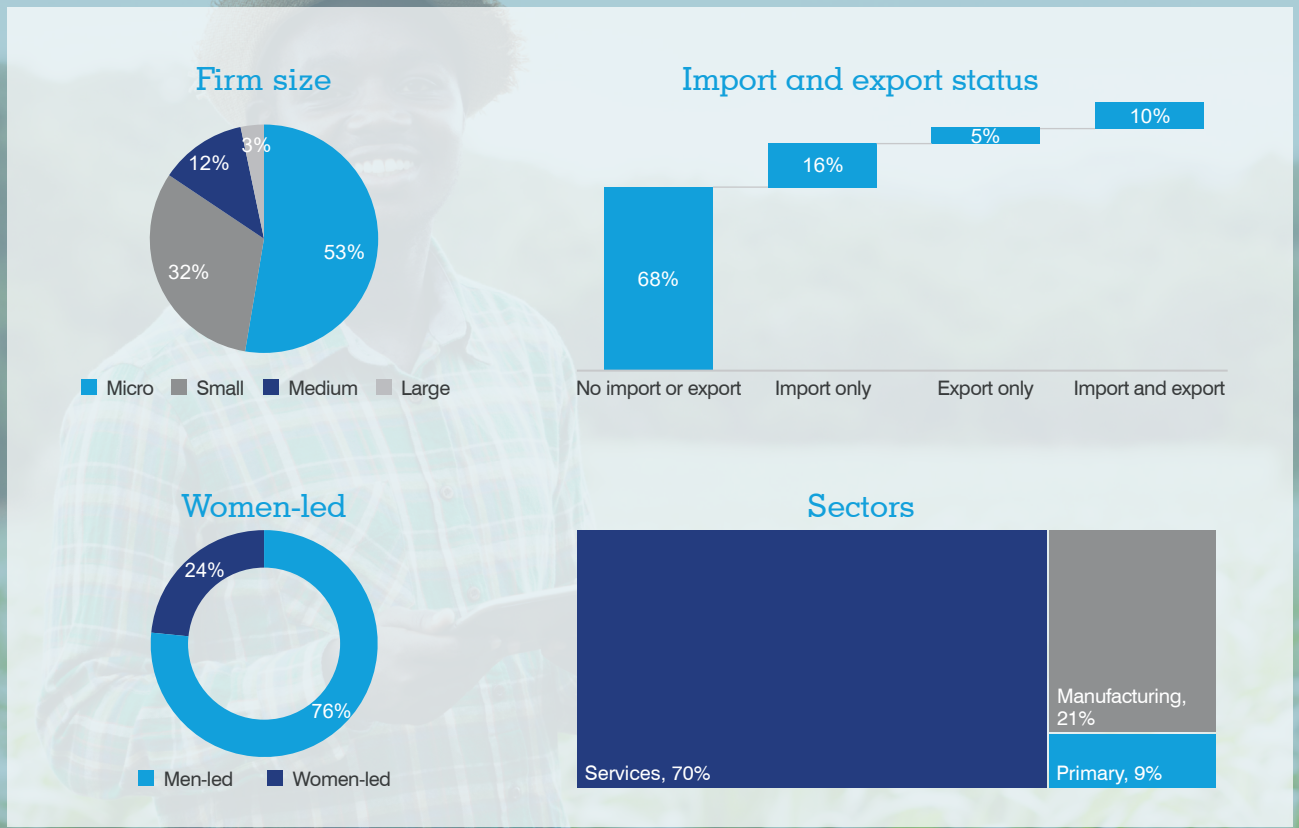
ITC and CPCCAF conducted a business survey to (i) assess the degree of access and use of digital technologies; (ii) examine obstacles that hinder use of internet and adoption of digital technology; (iii) understand benefits of using digital technologies and (iv) gauge the level of, and demand for, digital skills among small businesses in French-speaking Africa.

Almost 5,000 in-depth surveys

ITC and the CPCCAF surveyed 4,973 businesses in French-speaking Africa between May and August 2022. Data were gathered from companies in Benin, Burkina Faso, Cameroon, Chad, Congo, Côte d'Ivoire, Gabon, Mali, Morocco, Togo and Tunisia.

This booklet presents the analysis of survey responses. It is the fifth edition of an annual series, found at www.intracen.org/publications.

More than half of the respondents (53%) were microenterprises (between 0 and 4 employees), 32% were small (5 to 19 employees), 12% were medium-sized (20 to 99 employees) and 3% were large enterprises (more than 100 employees). Most of the businesses surveyed (70%) were service providers, a fifth (21%) were in manufacturing and the remainder in the primary sector (9%). Two-thirds of participants did not export or import, and women ran only a quarter of the surveyed businesses.



Source: ITC-CPCCAF survey, May–August 2022.

Key messages

Digital technologies deliver real benefits to enterprises in francophone Africa, such as better communication with value chain partners, lower operational costs and higher sales. However, poor and costly internet connections alongside inequities in device use lead to unequal engagement in the digital economy. Improvements to digital skills through training, hiring and educational practices and policies will help harness the full potential of digital technologies in francophone Africa.

Digital tools simplify communication and enhance efficiency

- Half of surveyed firms increased their use of digital technologies during the COVID-19 pandemic.
- About three-fifths of businesses use digital technologies to communicate with buyers and/or suppliers through e-mail. Advertising using social media was also popular.
- Using digital technologies pays off: four-fifths of companies that used digital technologies saw their costs decrease or their sales increase.
- Companies that used advanced digital technologies were twice as likely to increase production efficiency thanks to digitalization.

Remove obstacles to boost online participation

- Poor internet connection was the most frequently cited obstacle to the use of digital technologies.
- Large firms were more likely to use personal computers and fixed broadband to connect to the internet, while SMEs tended to resort to less expensive devices and channels.
- Nine out of 10 firms whose managers said they always stayed up to date with new developments in digital technology successfully cut costs and increased sales using these technologies, compared with 7 out of 10 firms whose managers never updated themselves.

Digital skills are crucial to the future

- Companies whose employees were fully equipped with digital skills were 18 percentage points more likely to report benefiting from increased production efficiency as a result of digitalization, compared with companies with digital skills gaps.
- Almost all firms surveyed expect their company will need more employees with digital skills in the next five years, and most said they wanted to develop basic digital skills first and foremost.
- Businesses that assessed the skills of their employees during the recruitment process or trained them to improve their skills were almost three times more likely to have highly digitally skilled workforces than those that did not assess skills or train employees.

Digital tools simplify communication, enhance efficiency

COVID-19 spurred digitalization around the world,[1] and French-speaking Africa was no exception: half of all firms said they increased their use of digital technologies during the pandemic. Businesses in francophone Africa most often used these digital technologies to connect with partners across the supply chain. However, moving beyond e-mail and social media to more advanced technologies is associated with the real efficiency and competitiveness gains.

Technology largely used for communication

The vast majority (85%) of survey respondents said they used digital technologies (one should note, however, that survey data were collected through a weblink, introducing an upward bias to this figure[2]). Most firms use these tools to communicate: 57% of firms reported using digital technologies to connect with buyers or suppliers through e-mail. Half did so for marketing or advertising through social media platforms.

Use of more advanced digital technologies, such as cloud-based data storage or digitalized inventory management, is still rare. For example, just a quarter of surveyed firms (27%) used digital technologies for accounting, recordkeeping and inventory management.

Technologies lower costs, increase sales

Four-fifths of businesses said digital technologies helped them cut costs. This is consistent with research showing these tools reduce expenses for production, information searches and delivery.[3] Digital technologies also expand market access,[4] with 85% of surveyed companies that used digital technologies saying they increased sales. Notably, almost half saw sales rise by more than 25%.

For youth-led and informal businesses, digital technologies were most useful to access new customers. Among companies that trade internationally, they were most valuable to improve efficiency and timeliness of delivery.

Advanced tools deliver real transformation

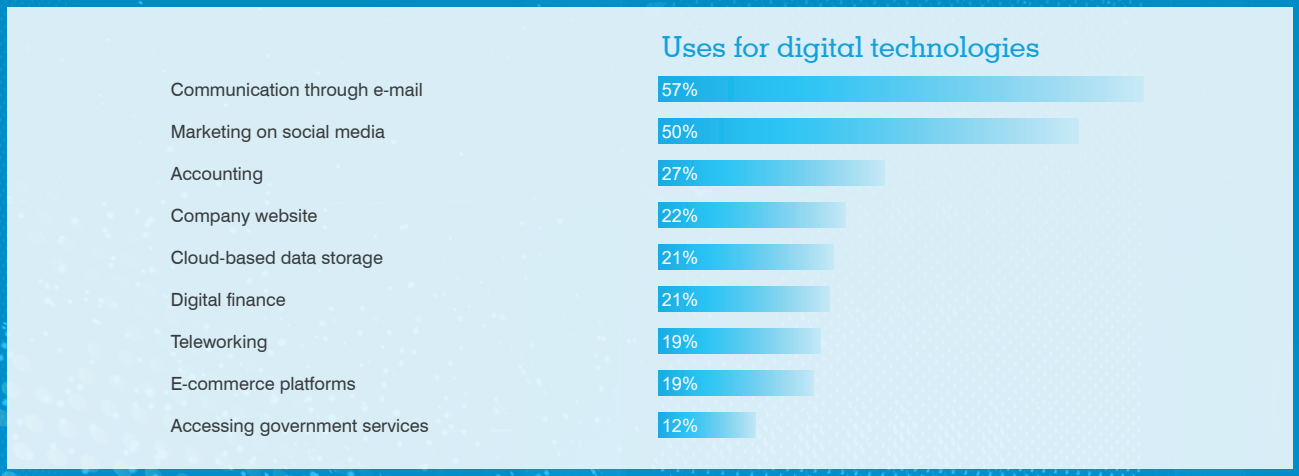
Digital tools for communications deliver marketing benefits: respondents using social media were more likely to say digital technologies helped them reach new customers. Similarly, respondents who used e-commerce were more than 30 percentage points more likely to say they increased sales.

Real efficiency and competitiveness gains, however, come from integrating digital tools into the firm's core operations. Companies using advanced digital technologies – such as cloud-based data storage, digital accounting or computerized inventory management – were twice as likely to report improved production efficiency than firms that only used e-mail or social media.

They were also almost 40 percentage points more likely to report lower operating costs. Such digital deepening requires advances in small business digital maturity, which entails a digitalization strategy and investments in advanced technology.[5]

1. Cariolle and Léon (2022).
2. To participate in the survey, respondents had to access the weblink through which the questionnaire was deployed. This would tend to exclude those that do not use digital technologies. This is why the 85% figure for rate of digital technology usage may incorporate bias introduced by the data collection method. Other sources suggest that the actual share of African firms that are digitalized is lower (Fambeu, 2021).
3. Goldfarb and Tucker (2019).
4. Choi et al. (2020).
5. International Data Corporation and Cisco (2020).

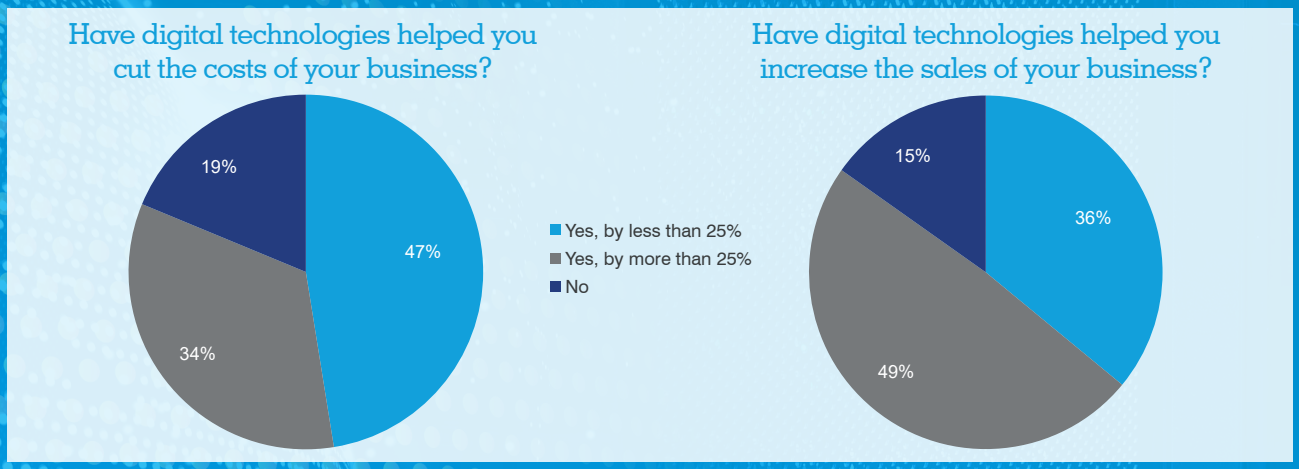
Digital technologies are most often used for communication



Note: The figure describes the responses of businesses to the question 'Do you use digital technologies for any of the following purposes?', as percentages (%) of firms that say they use digital technologies.

Source: ITC-CPCCAF survey, May–August 2022.

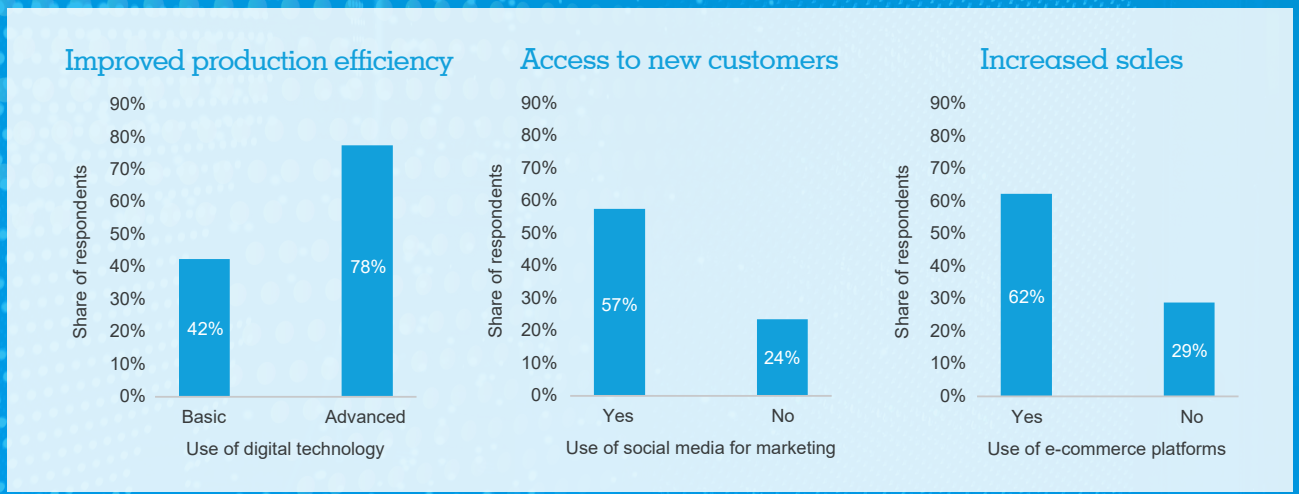
Digital technologies help reduce costs and increase sales



Note: The figure describes the responses of businesses to the questions 'Have digital technologies helped you cut the costs of your business?' and 'Have digital technologies helped you increase the sales of your business?'.

Source: ITC-CPCCAF survey, May–August 2022.

Advanced technologies boost efficiency



Note: The figure describes the responses of businesses to the question 'Do you use digital technologies for any of the following purposes?' and 'What benefits do you gain from using digital technologies?'. 'Basic' firms are those that only chose 'Communicate with customers (buyers) or suppliers through e-mail' and/or 'Marketing and advertising through social media'. 'Advanced' firms are those that reported using any other digital technologies (options included e.g., 'g. Accounting, recordkeeping and inventory management').

Source: ITC-CPCCAF survey, May–August 2022.

Remove obstacles to online participation

Digital solutions have the potential to connect firms to new markets, boost productivity and support innovation.[6] Although there is considerable interest in leveraging digital tools among African countries,[7] the data indicate that many businesses in the region, and notably smaller ones, face persistent obstacles to adopting and using digital solutions.

High costs, low quality prevent deeper digitalization

Two-thirds of surveyed companies in French-speaking Africa cited poor internet or network connection as an obstacle to the use of digital technologies. Data from internet speed tests support this: even before the onset of the pandemic, the fixed internet download speed for most African countries was below 10mbps, the lower bound for good-quality broadband service.[8]

About half of respondents perceived the high cost of internet service subscriptions as an obstacle to the use of digital solutions. A third of firms reported high device cost as another barrier.[9] When combined with poor access to credit and uncertainty about the returns from digitalization, these steep prices deter managers from investing in digital solutions.

Small firms: Costly devices, fast connections are unaffordable

Nine of 10 large companies reported using personal computers as the device of choice to connect to the internet, while three-quarters of SMEs preferred smartphones. The two types of firms also diverged when it came to the type of internet connection: small businesses tended to use mobile broadband connection, while large firms were more likely to use fixed broadband connection.

One reason for this is the high cost of larger devices, such as personal computers, and better internet connections, such as fixed broadband. Smaller firms, which often have limited financial resources, are more likely than bigger companies to use comparatively less costly options to fulfil their digital needs.

In 2019, Africa had the highest fixed broadband basket prices as a percentage of gross national income per capita in the world.[10] Policies that increase competition among network operators and require them to offer payment plans for financially constrained firms are important to enable SMEs to access better digital technologies.[11]

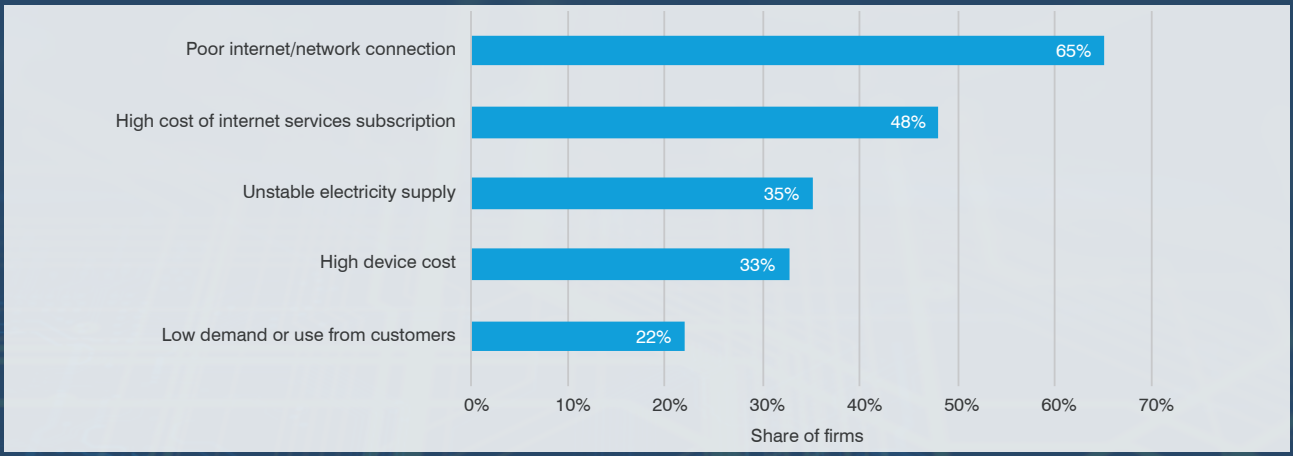
Stay up to date to benefit

Staying current with new developments in digital technology increases the chances of benefiting from their use. Nine of 10 firms whose managers said they always stay current with new developments in digital technology successfully cut costs and increased sales using these technologies, compared with 7 of 10 firms whose managers never updated themselves.

Managers of small and medium-sized enterprises, however, were about 30 percentage points less likely to keep themselves up to date with technological developments in the digital domain. Business support organizations that inform SMEs about new technologies, and provide technical assistance on how to implement them, spread the benefits of digitalization to the bottom of the pyramid.

6. Choi et al. (2020).
7. African Union (2020).
8. World Bank (2020).
9. Google and International Finance Corporation (2020); Mothobi, Gillwald and Aguera (2020).
10. International Telecommunication Union (2019).
11. Frischtak (2017).

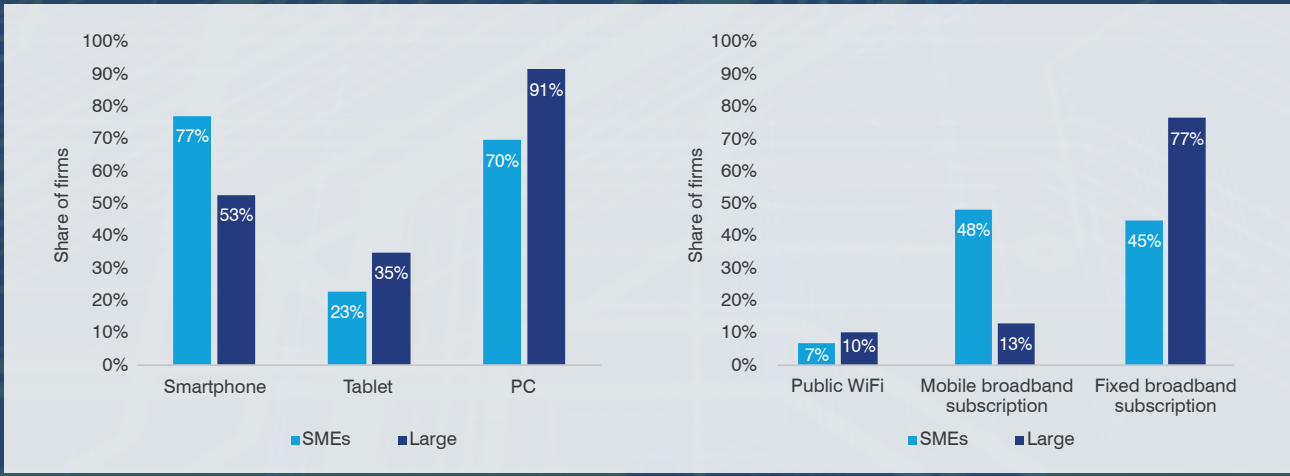
Poor quality and costly internet block digital technology adoption



Note: The figure describes the responses of businesses to the question 'What are the main obstacles to using the internet and adopting digital solutions for your business?'.

Source: ITC-CPCCAF survey, May–August 2022.

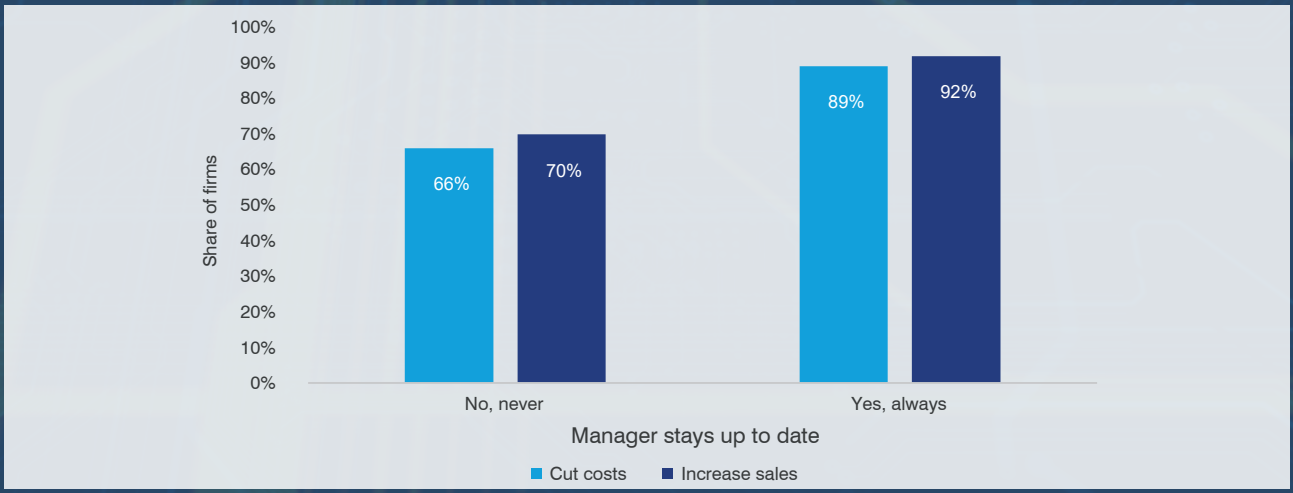
Smaller firms prefer smartphones and mobile broadband connections



Note: The figure describes the responses of businesses to the questions 'What device does your company use to connect to the internet?' and 'What is the main type of internet connection your company uses?', according to size.

Source: ITC-CPCCAF survey, May–August 2022.

Firms gain more if they stay current with latest technologies



Note: The figures describe the responses of businesses to the questions 'Does the manager stay up to date on new developments in digital technology that could be relevant for the business?' and 'Have digital technologies helped you cut the costs of your business?' and 'Have digital technologies helped you increase the sales of your business?'.

Source: ITC-CPCCAF survey, May–August 2022.

Digital skills crucial in the future

Adequate digital skills are essential to take advantage of the opportunities brought by the digital economy. This is confirmed by data: the demand for employees with digital skills is expected to grow in the near future. Developing these skills in the current and future workforce is therefore crucial.

Tech-savvy employees pay off

Equipping a workforce with digital skills delivers dividends. Companies with digitally skilled staff were 18 percentage points more likely to report benefiting from increased production efficiency as a result of digitalization. They were also 12 percentage points more likely to report increased delivery efficiency and 15 percentage points more likely to report improved quality from digitalization.[12]

Digitally skilled workforces also position firms to pivot in times of crisis. The data show that businesses with digitally skilled workforces were almost 20 percentage points more likely to report an increased use of digital technologies during the pandemic than businesses whose workers lacked digital skills. Other research confirms that companies with more digitally skilled staff were able to adapt more efficiently and effectively during the crisis.[13]

Digital skills needed in the future

Nine out of 10 surveyed firms said they expected their company will need more employees with digital skills in the next five years. More than half said the main skills they wished to develop among their employees were basic digital skills, such as word processing, e-mail and use of keyboards and touchscreens. Policies that integrate basic digital literacy into education curricula build foundational digital proficiency among youth in view of future enterprise needs.

Only 11% of respondents said they wanted to develop advanced digital skills – such as big data, artificial intelligence, coding and mobile app development – among their employees. Large, trading and formal sector firms tended to be more interested in these capacities.

Hire and train cyber-workers

Formal hiring and training practices enable companies to develop digitally competent workforces.[14] In francophone Africa, firms that assessed the digital skills of their employees during the recruitment process were almost three times more likely to have a highly digitally skilled workforce than those that did not screen for digital skills when they hired.

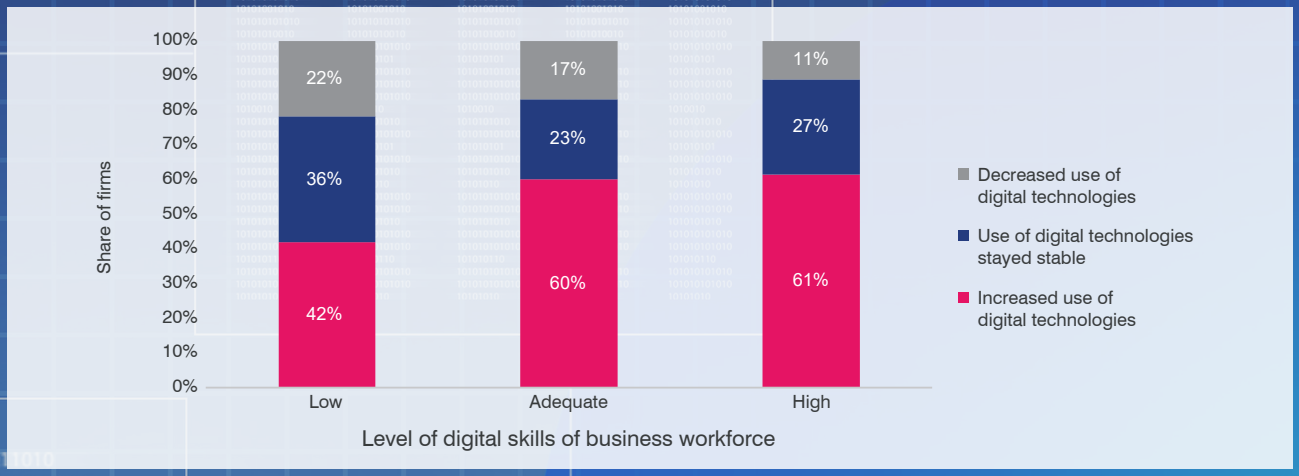
Similarly, companies that train employees in digital techniques were also almost three times more likely to report their workforce was fully equipped with skills for the digital age than companies that do not. Subsidies that incentivize digital training investments by SMEs can thus help businesses enhance the computing prowess of their workforce.

12. Among respondents who said their workforce was fully equipped with the digital skills needed by their business, virtually all used the internet and digital technologies, compared to just 8 out of 10 of those without a digitally skilled workforce. The statistics presented in the paragraph are percentages of those who said they used digital technologies and who attested to each of those benefits from use of the technologies, compared across two groups: firms that said their workforce was fully equipped with digital skills and others.

13. McDonald et al. (2021); International Data Corporation and Cisco (2020); Falciola et al. (2021)

14. International Finance Corporation (2019).

Skills increased use of digital technologies during pandemic

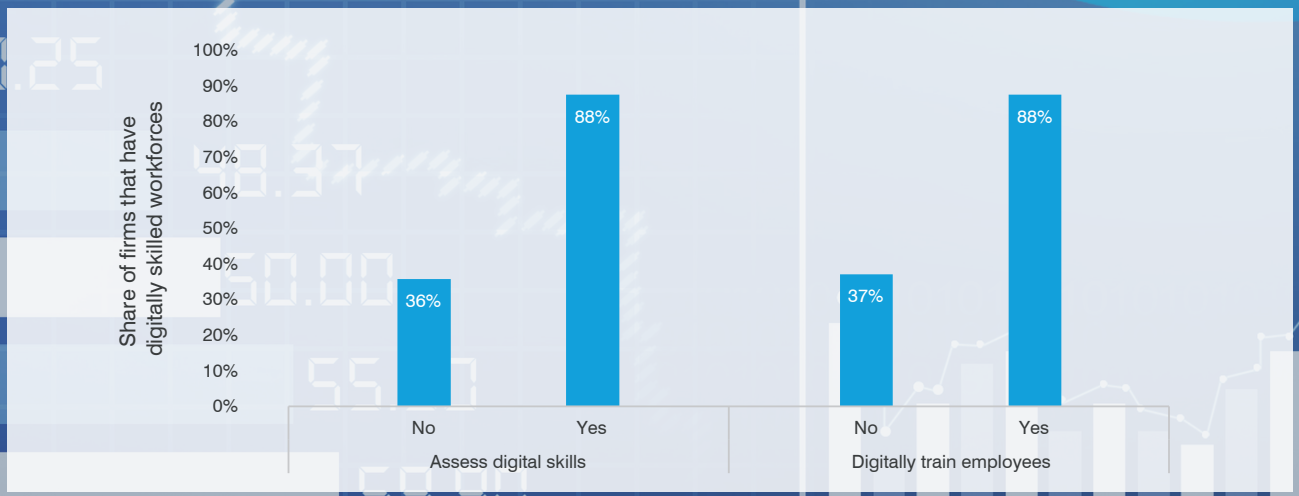


Note: The figures describe the responses of businesses to the questions 'Do your employees have the skills needed to meet the business's digital technology needs?' and 'Has your use of digital technologies increased or decreased during the COVID-19 pandemic?'.
Source: ITC-CPCCAF survey, May–August 2022.

Nine out of 10 firms need more digital skills in the future

Note: The figure describes the responses of businesses to the questions 'Do you expect that your company will need more employees with digital skills in the next five years?' and 'Which skills do you want to develop further among your employees?'.
Source: ITC-CPCCAF survey, May–August 2022.

Hiring and training are essential for a digital workforce



Note: The figure describes the responses of businesses to the questions 'Do you assess digital skills in your recruitment process?' and 'Do you train your employees to improve their digital skills?' and 'Do your employees have the skills needed to meet the business's digital technology needs?'.
Source: ITC-CPCCAF survey, May–August 2022.

The Permanent Conference of African and French-Speaking Consular Chambers

The Permanent Conference of African and Francophone Consular Chambers is an economic cooperation network for private-sector development and trade in French-speaking Africa. CPCCAF supports bilateral and multilateral cooperation between chambers of commerce, crafts, agriculture and other trade promotion organizations in all fields of entrepreneurial development. Created in 1973, CPCCAF's network covers 33 economies, including 26 countries in francophone Africa.

The International Trade Centre

As the joint agency of the World Trade Organization and the United Nations, the International Trade Centre is the only multilateral agency fully dedicated to supporting the internationalization of SMEs. Through its market access tools and technical assistance programmes, ITC enables SMEs in developing and transition economies to exploit new market opportunities, helping to raise incomes and create job opportunities, especially for women, youth and poor communities.

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