

d-local



The ultimate guide to
unlocking eCommerce
growth in Egypt

Gain insights on eCommerce in Egypt: Market size, growth, payment preferences, regulatory development, and more.

Dear reader,

We have made it our mission to enable global merchants to connect seamlessly to billions of emerging market users.

Local payment methods represent 83% of total eCommerce expenditure in the major markets we operate. Extrapolated to the global level, local payment methods represent an estimated 61% of all global e-commerce spend, an estimated \$3.4 trillion. Given this, it is imperative for global merchants venturing beyond the US and Western Europe to develop a global and comprehensive local payment strategy.

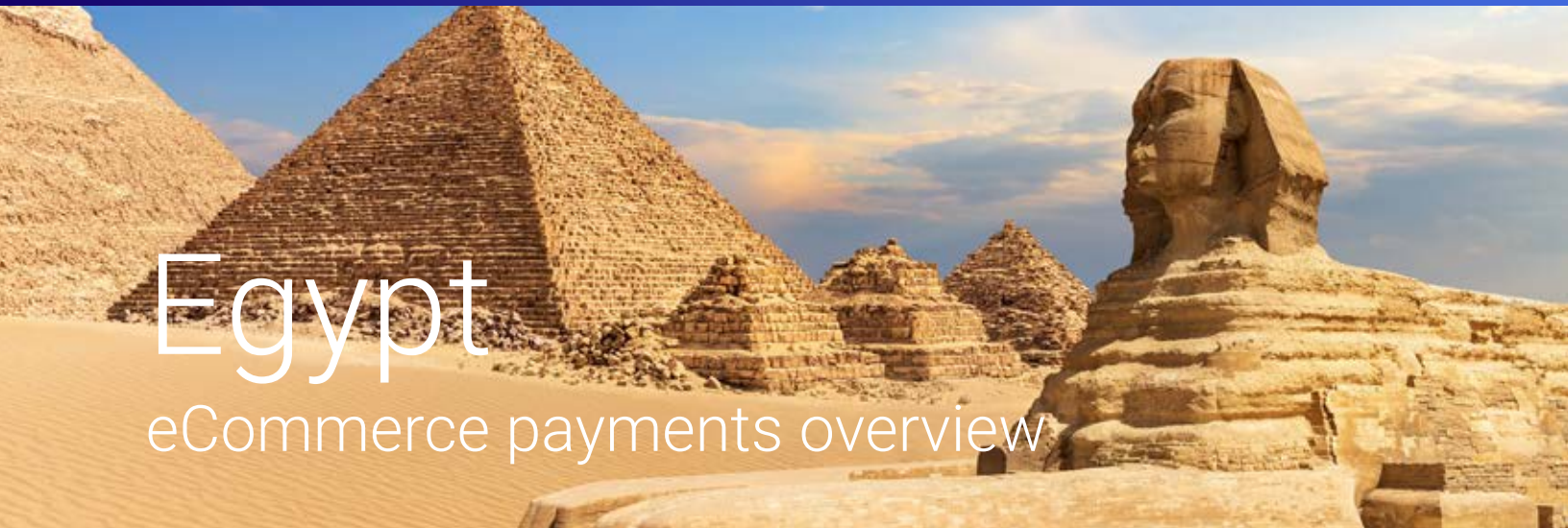
We are proud to have enabled our merchants to grow and succeed in navigating unique payment landscapes in Africa, Asia, and Latin America. Our market reports are tools designed to give you the knowledge you need to make your mark in new markets. We hope you find them useful and are here for you if you would like to go even deeper!

Yours sincerely,

Sebastian Kanovich,

CEO, dLocal





Egypt

eCommerce payments overview

Market size, growth, COVID-19 impact

At the epicenter of trade and commerce between Africa and Asia, Egypt is among the most promising eCommerce markets for long-term growth. One example is how worsening inflation has motivated citizens to seek cost-effective alternatives for everyday purchases, such as online shopping. With this comes more exposure and understanding of digital payments, made evident by credit card share of total eCommerce volume growing from 5% in 2018 to 24% in 2020. Equally influential are age demographics, since over 50% of the 100 million population is under 30 years old. For some, the stage is already set in Egypt for eCommerce expansion.

Even so, challenges persist with subpar internet connectivity and complicated logistics for merchants wanting to gain a foothold in Egypt. Similarly, outdated information and communications technology (ICT) infrastructure paired with drawn-out negotiations to build trust between buyers and sellers have made Egypt a challenging business culture to navigate at times. Nonetheless, such circumstances mean that Egypt is full of untapped potential for dedicated merchants willing to put in the work.

Despite less than 5% of Egypt's population being eCommerce customers in 2018, like other nations, COVID-19 accelerated demand with 35% eCommerce growth in 2020. Consequently, companies like Jumia increased sales by 50% while digital payments firms like Fawry reached \$1 billion market value. According to a Mastercard study on consumer spending in November 2020, 72% more Egyptians resorted to online shopping since the pandemic started.

Key stats

eCommerce market size

\$3B in total eCommerce spend in 2020

38% projected 2020-2024 CAGR

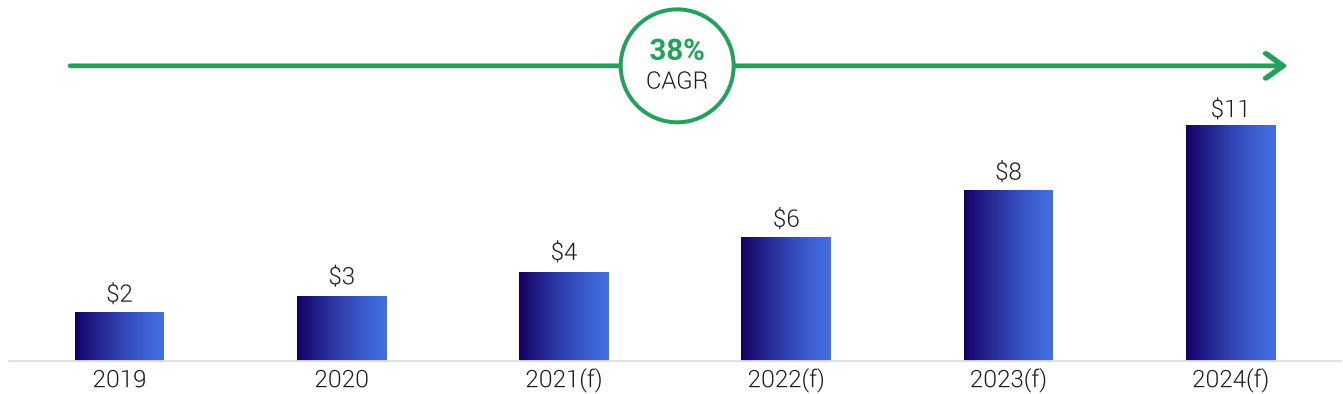
Domestic vs. cross-border shopping

10% of online sales were cross-border

90% of online sales were to local merchants

Source: Interviews, AMI analysis

Figure 1. Historic and projected eCommerce volume, Egypt, 2019-2024, USD billions



Source: Interviews, AMI analysis

What is driving Egypt's eCommerce growth in 2021?

- **Population distribution:** eCommerce penetration will likely flourish in both urban and non-urban areas in Egypt. About half of Egypt's population resides outside of urban areas, many of which have internet connection thanks to government programs. Online retailers Jumia and Souq have made efforts to access the portion of consumers living outside of the major metropolitan areas of Cairo and Alexandria. Simultaneously, logistics company Aramex is investing in improving last-mile delivery, making it easier for global merchants to enter the scene and reach consumers located in urban areas and beyond.
- **Government support:** The Egyptian government has advocated for eCommerce growth in the past, which plays an influential role in transforming digital payments. In April 2018, Egypt released a plan to double the number of online businesses by 2020, as well as create new job opportunities and increase competitiveness. With this also came a commitment to increase government spending on technology. As reported by the World Bank, in 2019, Egypt received a \$1 billion loan specifically to invest in financial technology, and the government expects to raise ICT spending from 3.1% of GDP in 2019 to 6% in 2025.

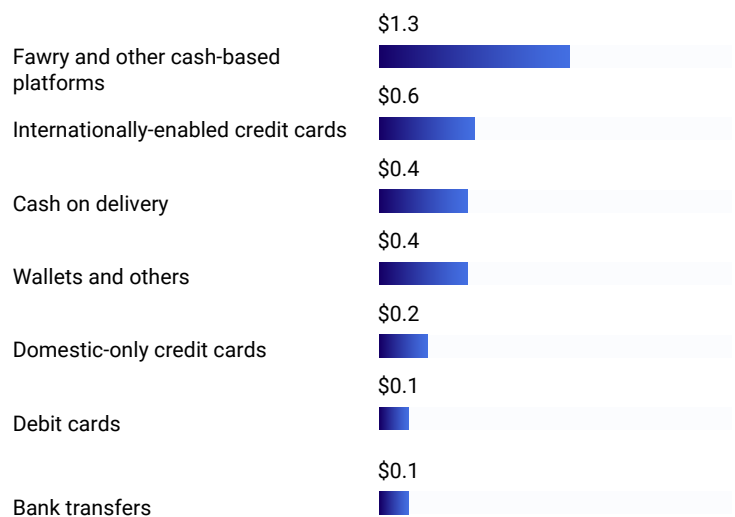
How Egyptians pay

Cash has historically dominated in Egypt as most working people deposit their wages into bank accounts to accrue interest and withdraw funds out of ATMs to spend money. This helps explain why cash payment methods in total represented 56% of eCommerce volume in 2020. Online cash payments are dominated by Fawry, a digital platform by which consumers can make a purchase online and pay for the item in cash by presenting a unique code at over 150,000 retail locations across the country. Representing 42% of the eCommerce market, Fawry is an absolute must for international merchants wanting to collect payment from Egyptian shoppers. An additional 14% of eCommerce spend is cash on delivery.

Yet, total cash payments are down from 64% in 2018 as Egyptians increasingly adopt credit cards and digital wallets to pay online. Local providers including Vodafone, CID Bank, and National Bank of Egypt offer a digital wallet to make eCommerce payments. Also, leading PSP PayFort (acquired by Amazon Payment Services) partnered with fintech ValU in Q1 2020 to offer installment payments to shoppers at checkout, with payment collected directly from their bank account.

While no local wallet¹ has dominant market share yet, Egyptian eShoppers are experimenting with digital payment methods that increase convenience and make them feel secure when shopping online. Merchants must be plugged into these local payments to fully understand how local consumers think and participate in online payments.

Figure 2. eCommerce volume by payment method, Egypt, 2020, USD BN



1. Observers of Egypt's eCommerce market may consider Fawry a "wallet" since it enables both bank account and cash payments and is integrated with several online merchants and public utilities. However, for the purposes of this study, Fawry is characterized as a "cash-based payment platform."



Relevant regulatory developments

A policy paper released by the Institute of National Planning in June 2020 formally made suggestions to the Egyptian government to further stimulate eCommerce growth. Under this fell a national strategy, quick adoption of eCommerce laws, combining formal and informal markets, in addition to adopting a national digital identity number for every citizen. Prior to this, the government made an amendment to value-added tax (VAT) plus custom duties to include eCommerce and digital services in April 2020.

Connecting to local payment methods like cash voucher platform Fawry and the growing wallet landscape is essential for merchants doing business in Egypt. Outside of international credit cards, local payment methods account for 81% of total spend.

Essential takeaways about Egypt

- ▶ Long-term eCommerce growth will continue to exceed 30% per year thanks to young age demographics, increasing digital payment methods, plus government support.
- ▶ Cash vouchers are the #1 eCommerce payment methods but are noticeably declining with credit card and digital wallet purchases on the rise.
- ▶ The fact that the Egyptian government has promoted eCommerce so ardently means merchants and consumers are going to see fewer barriers for market entry over time.



One dLocal

One API - One contract - One platform

dLocal powers local payments in emerging markets, connecting global enterprise merchants with billions of emerging market consumers in 30 countries across Africa, Asia, Latin America, and the Middle East.

Through the “One dLocal” concept (one API, one platform, and one contract), global companies can accept payments, send payouts and settle funds globally without the need to manage separate payin and payout processors, set up numerous local entities, and integrate multiple acquirers and payment methods in each market.

Data Methodology

This country guide is part of our 2021 industry report by Americas Market Intelligence (AMI).

To develop the data and analysis on these markets, AMI compiled all publicly available data from sources, including local chambers of commerce, e-commerce associations, local press, market reports, and government statistics, as well as data from the World Bank and affiliated international organizations. The authors adopted a critical approach, identifying the holes, errors, and inconsistencies in this data to prepare it for primary research.

AMI also conducted interviews with local eCommerce industry stakeholders to clarify, deepen, and streamline data collected via secondary research. In the creation of this report, we interviewed over 40 eCommerce executives in the 14 markets covered in the full report, including banks, acquirers, payment gateways, payment service providers, merchants, and consultants.

Finally, AMI conducted a rigorous analysis of the primary and secondary results to arrive at the conclusions contained in this report.

dLocal
marketing@dlocal.com | sales@dlocal.com

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