

Investing in e-commerce

 By [Nicci Botha](#)

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The total amount of growth funding globally is \$12 billion, but only \$200 million is invested in tech start-ups in Africa, so the continent is still very small proportion of global market, says Emilian Popa, Principal, Digital Growth: Africa and Middle East.



Emilian Popa. Image credit: eCommerce-africa.com

Having been an entrepreneur himself, and with his current involvement in e-commerce funding, Popa has the expertise to advise the delegates at the [eCommerce Confex](#) on seeking funding for their businesses.

But he does warn that it's not an easy ride.

How long does it take to raise money?

"Raising venture capital takes around five to six months, but generally it takes much longer."

"Trying to secure investment is stressful and distracts the CEO and senior management from the actual running of the business. And it's a never-ending cycle, as soon as you've closed one round of financing, you will probably

have to move onto the next," he explains.

A term sheet doesn't seal the deal

Popa says that entrepreneurs should be cautious of what a term sheet actually is, as only one out of five end in a deal.

As a term sheet is a non-binding agreement setting forth the basic terms and conditions under which an investment will be made, he explains that: "It's only the first step and getting the actual cash in the bank takes a while."

It's also important to do your research before setting the valuation of your company.

How do you start fundraising?

The first place to start is investing your own money in your business. Then approach family and friends, although they may not be your friends for very long once they've parted with their money, Popa jokes.

Why is it complicated being an investor?

The main reason is that good companies are scarce, so making your business attractive to investors is important. Therefore you need to have a very clear vision of where you are going and what you are doing.

"It's also about scale. You need to be growing while controlling cash and costs. Also invest in people, not ideas," he explains.

What else?

Investors want the structure of company to be very clear in terms of profitability. And you must have a plan of how to overcome hurdles that can affect your costs, such as logistics, particularly on a continent as vast as Africa where goods

may have to be transported over vast distances.

Where e-commerce founders often fail

Many businesses fail in securing investment because of their limited market penetration.

“Many founders don’t have a clear market plan. Again, because of the distances involved in trading in Africa, they must decide whether to focus on one geography with multiple goods and services or multiple geographies with one product or service, he says.

Popa points out that current investors can also be a liability and hinder the progress of the business.

Besides financial due diligence, the reputation of the business and whether customers and competitors see them as reliable and honest is critical.

“Don’t be mistaken, investors will test the business’ standing in the market,” he says.

Why do I need funds?

The answer to this question should be customer acquisition and retention and increase customer value, Popa says.

He sums up by saying that business owners should look for local investors, while, at the same time focusing on profitability, keeping costs low and seeking solutions to challenges such as logistics.

The [eCommerce Africa Confex](#) is currently under way at the CTICC.

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

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