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The Nature of Emerging Digital Business Models in Sub-Saharan Africa: A study of Cameroonian Cases

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Abstract

Digital business models are increasingly being created in Sub-Saharan Africa, thanks to the digital revolution currently taking place across the continent. Whilst academic efforts in understanding such business models is still nascent, we use the explicit case of Cameroon in this paper to provide in-depth qualitative evidence of the nature of business models from the perspective of digital entrepreneurs. We note that although there is a considerable success in developing digital business models capable of creating both economic and societal value, these entrepreneurs face major challenges for value capture as they rely on weak notions of sustainable business models. By uncovering the type of value created and the value capture issues, we develop a framework that accommodates the managerial and policy implications for encouraging successful digital business models in SSA.

Keywords: Business model, digital, Cameroon, Africa.

Introduction

Africa is proving to the world that it can lead the innovative application of technology, possibly, not in industrial or high-end engineering, but in other areas such as finance, communication, energy generation, agribusiness. Africans are indeed making a continuous effort to find more home-grown digital solutions to problems that may seem alien to the West (Wall, 2013). The range and scope of application of digital technology now span several areas, continues to grow and have provided inspiration to many business models.

In the midst of these developments, a new generation of digital entrepreneurs are also seen to emerge in Cameroon. An example of this can be seen in a recently created ICT Hubs model called Activspaces Model with branches in Buea (South West Region), Douala (Littoral Region) and Yaounde (Central Region) of Cameroon to tap into the university communities in these regions. It is these types of entrepreneurs and businesses that are of interest in this study, which focus on their views and experiences on the opportunities, impact and challenges of deploying and implementing digital business models in Cameroon. This research takes an academic standpoint and proposes to get behind the scenes of these digital innovations to understand the significant entrepreneurial and business patterns, processes, actions and behaviour that characterise digital entrepreneurship in sub-Saharan Africa. The central question it asks is as follows:

RQ: What characterises the nature of digital business models in SSA, and how is value-created and value-captured in these business models.

Business Models: A Brief Literature Review

The business model concept is used in many ways, such as to describe how firms function, a framework for analytical purposes, a practical design utilised by a firm to achieve strategic fit across different types of business units (e.g. Baden-Fuller & Morgan, 2010; Teece, 2010). While there is broad acceptance of the core elements of a business model, there is no agreed theoretical and practical

definition of a business model (Coombes & Nicholson, 2013). However, when studying how business models shape the marketing practices of firms, it is important to consider the full range of the main elements that constitute the business model (Chesbrough & Rosenbloom, 2009; Mason & Spring, 2011; Ehret, Kashyap & Wirtz, 2013).

Methodology

Regarding methodology, the study adopts a case-base approach to producing some best practice/success stories of digital business models that are distinctly African, using Cameroon as a starting point, albeit acknowledging that this might not be representative of SSA as a whole. Based on a cross-sectoral selection of cases, we recruited study 31 participants through one of the co-author's local professional network of contacts in Cameroon (in the case of existing enterprises) and through Activespaces incubator (in the case of start-ups).

Findings and Discussion

What is the nature of digital business models?

There is evidence of a wide variety of digital platforms similar to those found in traditional business models of small enterprises. In the fuller paper, we provide further descriptions of the primary business models to bring their nature to life. For example:

- "Buy-sell mobile phone airtime from large telecom providers to call boxes."
- "e-payment and e-commerce platform accessed via the web and mobile app."
- "Online chatroom for people to discuss what they are watching on TV."

There is also evidence of how the nature and operations of the business models vary depending on ownership and governance. For example, some of these firms are formal (Ltd companies), others are Common Initiative Group (CIG) while some are informal

(unregulated). Examining each of these three categories reveals distinctive characteristics of the nature of digital business models in an African context, such as Cameroon. We use some rich quotations to illustrate these points in the fuller paper.

How is value-created by digital business models?

What emerges from the interviews is how the entrepreneurs describe their business models in terms of value creation for the entrepreneurs/owners (financial/economic returns) and societal value creation (helping to solve societal problems). The majority of the entrepreneurs emphasised the societal value creation more than economic value creation and this in many ways appears to influence the commercial viability of the business models (especially for nascent entrepreneurs).

How is value-captured by digital business models?

Much of the data point to challenges rather than successes in value capture. Despite creating business models that have value-creating potential, most of the entrepreneurs collect payments directly (cash in hand) rather than using their business model infrastructure. The primary challenge here concerns reduced interface with linkages and financial institutions (e.g. banks) which are still slow with adopting internet banking.

There is also the issue of low internet and mobile penetration rate. Although mobile phone usage has increased in Cameroon, the majority of people still do not have access to the mobile internet that can enable them to undertake commercial transactions (such as e-payments) online successfully. The entrepreneurs describe some innovative ways in which they are trying to resolve this (e.g. through SMS messaging, group purchase, reliance on relative's bank details and off-line intranet).

Such preliminary insights lead to uncover some novel perspectives on how business models are conceived and implemented in practice (particularly considering the emerging context of Cameroon or wider

SSA in the midst of a digital awakening). We take these thoughts further in our fuller paper.

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