Factors Influencing the Use of E-Commerce by Small Enterprises in Nigeria

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ABSTRACT

The aim of this article is to assess the factors influencing the use of e-commerce by small enterprises in Nigeria. The study adopts a qualitative methodology which involves in-depth, semi-structured interviews and direct observation in order to derive answers to such questions as ‘why’ the system is adopted and ‘how’ the Nigeria economic conditions influence the system. The article suggests that the main factors which motivate the adoption of e-commerce by small businesses in Nigeria are market expansion and reduced market costs. The findings also indicate that increasing access to the Internet and changing lifestyle enable the success of e-commerce in Nigeria. The implications of the study are discussed.

KEYWORDS

E-Business, E-Commerce, Globalisation, Innovation, Internalisation, Small Enterprises

INTRODUCTION

The Internet is one of the most powerful discoveries ever made (Shek et al., 2013). As an agent of globalisation, the internet has made the world much smaller than before, bringing people closer in spite of distance, making communication easier, improving healthcare, education and access to information (UNESCO 2009). Shek et al. (2013) estimates the number of internet users worldwide to be about 5 billion. Africa and other developing countries have not been left behind in this growing phenomenon as internet connectivity has become increasingly popular in recent years (Moriarty et al., 2011). This is a far cry from the early 90s when access to telephones was non-existent and the internet was still foreign to majority of Africans and other developing countries (Moriarty et al., 2011).

Over the past decade, internet users in Africa are increasing 9 times faster than in Europe and 20 times faster than in North America (Nielson 2010). As at June 2012, African internet users were estimated to be around 1.1 billion which is 7 percent of the world’s internet users (UNESCO 2009). Nielson (2010) suggests that over 110 million people living in the continent regularly use the Internet, with an estimate of 10 million new users every year. This shows that despite low incomes and limited telecom infrastructure, Africans have embraced the concept of the internet fully (Hattingh et al., 2012). Though most Africans and other third world countries cannot afford a PC or laptop, the increasing popularity of smartphones has provided an avenue for them to connect to the internet and keep up with activities around the world (Shek et al., 2013).

Research indicates that the majority of internet users in the world are in the developing continents such as Asia and Africa and that around 60% of people in Africa’s major cities connect to the internet regularly (Hattingh et al., 2012). In the past decade, mobile-cellular subscriptions in the developing
countries have increased nearly tenfold (WTO, 2013; Ekeke, 2015). However, a more accurate assessment of internet usage is internet usage per capita as reported by World Bank Group, 2016.

In Nigeria, it has been estimated that almost 48.5 million people, constituting about 28.4 percent of the population, are connected to the internet (Hattingh et al., 2012). Since the internet started becoming a popular phenomenon in Africa, some businesses have realised that to remain competitive, they must capitalise on the resources presented by information and communication technology (WTO 2013). This means using the internet to market, buy and sell products and services (Jagoda, 2010). This is known as e-commerce which does not only enable a business to reach its immediate market, but also provides access to a huge global customer base (Jagoda, 2010). Apart from this, e-commerce presents opportunities for Small and Medium-sized Enterprises (SMEs) who have limited resources to reduce operating costs and at the same time increase profitability by overcoming logistic problems (ITC 2013). Regrettably, most businesses in Africa and other third world countries have not taken advantage of the benefits of the internet to market their products and services (Jagoda, 2010; Hattingh et al., 2013; WTO, 2013).

This is understandable to an extent as there are major challenges faced by SMEs who decide to capitalise on using the internet to expand their business. Such challenges include limited infrastructure, financial impediments, high inflation rate and price sensitive consumers (Moriarty et al., 2008). Moriarty et al. (2011) also suggest that high internet fraud rate especially in Nigeria and Ghana is also a limitation to the growth of e-commerce in Africa. On the other hand, Jahanshahi et al. (2011) suggest that SMEs sometimes create challenges for themselves as a result of lack of thorough market research and inadequate business strategy. Similarly, a study carried out by International Trade Centre (2013) found that most owners/managers of SMEs create challenges for themselves as a result of lack of the required skills to combine physical business operations with e-commerce.

Regardless of these challenges, it is apparent that small businesses need to take advantage of the potentials e-commerce offers to businesses in this increasingly integrated world (WTO, 2013). This is especially true in developing countries where operating costs are significantly high and bureaucracy and inadequate infrastructure affects ease of doing business (Moriarty et al. 2011). Also in developing countries, trends and lifestyles are changing as the continent rapidly urbanises creating a fast growing middle-class with rising discretionary incomes (WTO 2013). For instance, the use of the internet to buy goods and services in Africa is on the increase as more people realise that it is more convenient to shop online than go to the stores (Hattingh et al., 2012). In Nigeria for example, Euromonitor (2011) reported a 25 percent increase in internet shopping between 2010 and 2011. Therefore, it can be seen that as the developing countries develop, e-commerce will provide significant benefit to SMEs to not only reach out to their immediate markets but also catch the attention of global consumers and compete effectively with larger companies.

As SMEs play a vital role in job creation and economic development in developing regions (Ihua, 2005, 2010; Anyadike-Danes et al., 2013; BIS, 2013), it is important to understand how utilising the internet can increase market share and profitability. Therefore, the main objective of this study is to assess the factors influencing the use of e-commerce by small businesses in Nigeria with its burgeoning

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<th>Year</th>
<th>2011</th>
<th>2013</th>
<th>2015</th>
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<td>44.2</td>
<td>49.8</td>
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<tr>
<td>Latin America and Caribbean</td>
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<td>17.1</td>
<td>22.4</td>
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