Chapter VI

The Potential of E-Commerce for Remotely Located SMEs: Case Studies from Samoa

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Abstract

This is a report on research carried out to identify the barriers to adoption, and opportunities that e-commerce offers for SMEs in the small island country of Samoa. The issues faced by SMEs in Samoa are relevant for all remotely located SMEs in both the developing and the developed world. The chapter will improve knowledge of the issues faced by SMEs wanting to adopt e-commerce, the driving forces that impact on the adoption of e-commerce, and the factors that are currently inhibiting the adoption of e-commerce. Diffusion of Innovation theory was used to understand the behavior of SMEs that led to their decision to adopt e-commerce.
Introduction

Rapid advances in information and communication technologies, especially the Internet, have created the “new economy” and brought about new ways of conducting business (Swatman, 1998), collectively referred to as e-commerce. E-commerce involves searching for information concerning products, services, advertising, and the buying, selling, and paying for products and/or services through the medium of communication networks, principally the Internet. E-commerce can benefit organizations of all sizes, and is particularly important for the small-business sector (Bright, 1997; Rommel, 1997; Huff & Yoong, 2000).

A number of studies have been conducted in recent years concerning the adoption and use of the Internet and e-commerce in small to medium-sized enterprises (SMEs) (O’Keefe, O’Connor, & Kung, 1998; Klein, 1998; Poon & Swatman, 1999; Huff & Yoong, 2000; Mehrtns, Cragg, & Mills, 2001). However, most of these studies focused on SMEs in developed countries. For developing countries, the situation is quite different.

There is still a big gap in Internet and e-commerce adoption between the developed and developing countries (Johnston & Acquaah-Gaisie, 2001; Licker & Motts, 2000) thus creating a “digital divide.” A recent study conducted in India revealed that only 4% of the population have access to the Internet (Kiggen, 2001). Other recent studies also found that developing countries lag behind developed countries in the adoption of e-commerce, due to poor telecommunication infrastructure and the high costs of hardware (Tassabehji, 2000; Kiggen, 2001; OECD, 1998).

The few studies of Internet/e-commerce uptake that have been done in developing countries have focused on highly populated regions, including developing countries in South East Asia, Eastern Europe, South America, India, and Africa (OECD, 1998; Kong, 1999; Corbitt & Thanasankit, 2000). There is a dearth of research examining Internet and e-commerce adoption issues faced by SMEs in developing countries with smaller populations—such as Samoa.

Samoa is an independent island nation in the South Pacific, with a long history of political and economic stability. The country has a land area of approximately 2,934 square kilometers, and a population of approximately 169,195. The Samoan economy is made up of agriculture, fishing, handicraft production, small manufacturing goods, and one automobile-wiring manufacturing firm. More recently, tourism has become a valuable contributor to the Samoan economy. SMEs are central to Samoa’s economic well-being, comprising 98% of the Samoan economy.

Relatively few SMEs in Samoa have attempted to adopt the Internet or e-commerce to date. The purpose of our research is to better understand the key factors that encourage or impede the adoption of the Internet, and e-commerce, by Samoan SMEs.

The key question being investigated was:

“What are the opportunities provided by e-commerce adoption for SMEs in Samoa, and what are the threats, and the barriers, to e-commerce adoption there?”

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