Development of E-Commerce in Nigeria: The Entrepreneurial Opportunities and Challenges

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Abstract: In this era of digital global economy, e-commerce has become a veritable component of business outlet and strategy, as well as a strong catalyst for economic development. There is a synergy between e-commerce and entrepreneurship that drives it. Nigeria now prides herself as the Africa’s biggest economy and so there is need to sensitize and encourage Nigerian entrepreneurs to embrace e-commerce as a viable business model. This paper explores the world of e-commerce; its development in Nigeria; the link with entrepreneurship and innovation; the available opportunities plus the associated challenges. Resultant recommendations proffered include that established Nigerian entrepreneurs should key into the e-commerce revolution to gain global competitive advantage. The Government on its own part should, in the short run, expand its IT and e-government policies to accommodate the establishment of subsidized cyber centers for start-ups and buyers who cannot afford the initial acquisition cost of Internet connectivity.

Keywords: e-commerce, entrepreneurship, innovation, value creation, opportunities, challenges.

I. Introduction

Nigeria is blessed with abundant human and natural resources not yet being fully tapped. She is currently poised to be reckoned as one of the big economies by the year 2020. The country now also prides herself as the biggest economy in Africa having re-based its GDP recently. In the advanced economies such as the United States of America, United Kingdom, Japan, Switzerland, Australia, and, recently China, technological knowledge has become a strategic asset for economic development. Value creation for customers has shifted from the physical goods to an economy that favours service, information and intelligence as the primary source of the value creation. At the center of this economy transformation is e-commerce. With its effect of leveling the playing field, e-commerce coupled with the appropriate strategy and policy approach enables small and medium scale enterprises to compete with large and capital-rich businesses (Andam, 2003). These have implications for Nigeria given her size, potential, and position not only in Africa but also in the world economy.

It is doubtful whether the current government policy of private sector led growth for job and wealth creation is actually anchored on entrepreneurship and innovation. It is, however, interesting to note that curriculum planners have now started to emphasize entrepreneurship education in Nigerian schools. For existing entrepreneurs in the country, including start-ups, they need resources on different business options for maximizing their potentials, and e-commerce offers one of such robust options (APCIT, 2013). The advent of social media sites like Facebook, Twitter, and LinkedIn among others, has led many Nigerians, especially the younger generation, to invest more time on the Internet. However, despite the existence of these growing online business opportunities, less than 10% of entrepreneurs are translating them into profitable ventures (Smarthierianinvestor, 2013).

Given the above scenario, this paper presents a general overview of e-commerce; x-rays the status of e-commerce in Nigeria; the entrepreneurial opportunities and challenges; and proffers recommendations on what the government and the entrepreneurs can jointly do to bring about increased development of the ever-expanding platforms and enable many of the entrepreneurs to adequately key into the e-commerce revolution for global competitive advantage.

II. General Overview of E-Commerce

E-commerce is simply described by Tito (2014) as business done over the Internet. It could be buying or selling, or a combination of both. It could be product, service or a combination of both. E-Commerce is an innovation which has emerged in parallel to the development of communication and computer technologies. It has the potential for revolutionizing the whole structure of retail merchandizing and shopping (Ikemelu, 2012).

Although it is a new concept, it does not only suggest an alternative to the conventional commerce but also acts as a method that currently complements and facilitates commerce (Gonca, Eser, Bekir and Ozgur, 2014).

What may be regarded as a universal description of e-commerce transaction was given by the Organization for Economic Co-operation and Development (OECD, 2009) as the sale or purchase of goods or
services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. The OECD went further to add that an e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organizations. To be included are orders made over the web, extranet or electronic data interchange. The type is defined by the method of placing the order. In the views of Ukper, Slabbert and Ukpere (2014), the practice of surfing the web 2.0 to obtain real time information instantly has led to the rise of an ever more connected infrastructure atmosphere globally. Digital marketing and online trading through e-commerce and m-commerce platforms is applied in these interconnected environment; it involves wide variety of approaches, whose success depends on the user-centric and interrelated approach to technology.

E-commerce activities are basically classified as business-to-business (B2B) and business-to-consumer (B2C). Business-to-business involves using the Internet to facilitate supply-chain operations and include electronic data interchange (EDI), electronic funds transfer, electronic forms and messaging, and shared databases between business organizations. Business-to-consumer e-commerce uses the Internet as a retail market channel and in the case of information, as a product or service delivery channel. Other models include consumer-to-consumer (C2C) which enables people sell their assets such as real estate property, cars or even rent an apartment directly from another consumer; consumer-to-business (C2B) where the consumer advertises in a website what price he/she is prepared to pay for a service, product or loan and business organizations can respond accordingly; business-to-government (B2G) where government allows organizations to reach it with their goods and services on websites; government-to-business (G2B) which enables government to reach businesses for auction sales, tenders for contracts and such other applications for supplies. There is also government-to-citizen (G2C) – Government uses this model to reach citizens for either auction sales of such items like vehicles and machinery and for services such as birth registration, marriage and death certificates, thereby reducing average time for meeting citizens’ requests for government services and in the process improving revenue generation (Barkley, Markley and Lamie, 2007; Nemat, 2011).

E-commerce, reported Garret (2007), grew exponentially and was still growing at an annual rate of 25 percent. The unique features include ubiquity – web technology available everywhere (at work, home, anytime, anywhere); market place removed from geographical locations to become “market space”. Another is global reach – across national and cultural boundaries with market space involving billions of consumers and millions of businesses worldwide. It builds on traditional commerce by adding flexibility and speed offered by electronic communications. This can facilitate improvement in operations leading to substantial cost savings as well as increased competitiveness and efficiency through the redesign of traditional business methods. It is not just about using new technologies. It will involve creating more effective external interactions with customers, clients, collaborators and suppliers, but it can also mean improving internal business efficiency and even the emergence of new products and services (Duncombe, Kintu and Abraham, 2006).

Perhaps, what is more critical is that the Internet allows businesses or organizations 24 hours exposure to an always open and international market space. It removes the remoteness of distant location as a determinant for business growth (Lane, 2010). Consequently, in 2010, Internet and other e-commerce sales transactions averaged 13% of total turnover in countries for which data are available. Ireland, Norway and the Czech Republic reported the largest shares. In Ireland the share of e-commerce sales is almost twice the average. In Switzerland, New Zealand, Canada, Australia, Norway and Sweden, over half of all businesses purchase via the Internet. For sales of goods and services via the Internet, the leaders are New Zealand, Israel, Norway, Australia and Switzerland, with approximately one-half to one-third of all businesses doing so (OECD, 2011). E-commerce is one of Southeast Asia’s hottest emerging tech sectors. Investors poured over half a billion dollars into Southeast Asian e-commerce startups in 2013 – more than 90% of all publicly disclosed investments in Southeast Asian internet startups that year (Greene, 2014). Let us now look at the situation in Nigeria.

### III. Current Status of E-commerce in Nigeria

Raising the awareness and understanding about the benefits and development of e-commerce in any given economy is a primary task of every nation, especially a developing country like Nigeria (Eze, 2013). As a result of being the largest Internet market in Africa, with a record of approximately 56 million users in 2012, Nigeria is gradually experiencing advances in using the Internet as a medium for purchasing and marketing goods and services. Online retail stores are increasingly gaining patronage from individuals and businesses. Many businesses in the country now use the Internet as a platform to advertise and sell their products and services, thus reducing the stress of physical business transactions (234finance, 2014).

However, granted that companies, including banks, have deployed a significant level of ICT support to drive their services, it is still clear that the kind of pervasive application of technology across sectors of the economy, which can unleash a heightened economic momentum is still not there. Most local sites today would be categorized as what is at times referred to as “online brochure” or “information website” designed to provide.
Entrepreneurship in its narrowest sense involves capturing ideas, converting them into products or services and then building a venture to take the product to market. According to Rybak (2014), whether or not entrepreneurship traits are innate or learned is no longer the issue. The issue is that it is time to foster more entrepreneurial acumen and start re-thinking the human experience as a process by which we transform “me” into “we”. It will have far reaching effects on our educational curricular, our political outlook, our global economy, and our collective work-life balance. The key elements of entrepreneurship include risk taking, pro-activity and innovation. It is about creating something that did not previously exists. The creation adds value to the individual and the community, and is based upon perceiving and capturing an opportunity.

Warren (2011) identified five essential qualities for entrepreneurship to include: vision and dissatisfaction with the present; knowing and taking advantage of opportunities; the ability to get people on board and add to the vision; flexibility to adapt; ability to learn; and persistence. Entrepreneurs are entrepreneurial as differentiated from managerial or strategic, because they think effectually; they believe in a yet-to-be-made future that can substantially be shaped by human action (Sarasvathy, 2014).

Entrepreneurship and innovation are critical factors for the long term sustainability of e-commerce and e-business (Hassan and Harris, 2009; Baba, 2013). Those who are entrepreneurial in today’s world have multiple advantages in e-commerce platforms. Entrepreneurs not yet online will soon discover how the Internet offers online and real-time banking services. However, the country’s e-readiness remains poor as Nigeria was rated 94th networked readiness nation in the 2009-2010 Global Information Technology Report [GITR] (Akintola, et al, 2011). However, being networked ready is one thing, exploiting the opportunities therein is another.

The recent e-banking and cashless policy by CBN seem to raise hope on one hand. Citizens can now buy with their e-cards with such e-payment providers as Interswitch, Master Card, Visa Card and e-transact. The part of e-commerce that has expanded in Nigeria generally is therefore e-banking. These days Nigerian banks offer online and real-time banking services. However, the country’s e-readiness remains poor as Nigeria was rated 94th networked readiness nation in the 2009-2010 Global Information Technology Report [GITR] (Akintola, et al, 2011). However, being networked ready is one thing, exploiting the opportunities therein is another.

However, on a slight positive note, with the major e-commerce marketing campaigns by Jumia, Konga, Kaymu, DealDey, and Jobberman, the concept is no longer foreign as it used to be in the past even though a lot of opportunities still needs to be explored (Ikebelu, 2012: 234; finance, 2013). Thomas (2014) reported that Jumia, a would-be African Amazon set up by Rocket Internet, is expanding into three new markets: Uganda, Ghana and Cameroon. Within the last two years, various private and public platforms have continued to roll out. The likes of Buylocalthings.com, Wakanow.com, worldmartafrika.com, and others have flooded the internet space making it easier for Nigerian online shoppers. According to Eze (2013), Nigeria recorded an estimated 25% growth in online shopping with revenues valued at N62.4 billion in 2011, which is N12.5 billion increase from 2010 figure as reported by Euromonitor International, a global market research organization. This positive development means that many new entrepreneurs and existing businesses have opportunity of hooking on to the Internet for sales of both goods and services as well as for other e-commerce activities.

IV. The Link with Entrepreneurship

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would have transformed their businesses and introduced them to markets far beyond those they currently reach (Entrepreneur-Media Inc., 2014). In the words of Hassan and Harris (2009), entrepreneurs in the traditional brick-and-mortar business facing the challenge of transforming their businesses in the digital economy must be able to understand the disruptive nature of e-commerce, some of which are: interactivity, speed of change, industrial context, network economics of scale, economies of abundance and merchandise exchange. They must be able to identify and take advantage of these key performance attributes to harness technology, create new products and services, reach new markets, build customer loyalty, achieve market leadership, optimize business processes, and enhance human capital.

V. The Entrepreneurial Opportunities and Challenges

(a) The Opportunities:

Global e-commerce is the only trillion dollar industry growing in double digits (Ajay, 2013). It was also found by Greene (2014) that changing economic conditions in Indonesia and elsewhere in Southeast Asia will lift consumption, and majority may turn to e-commerce for their new-found shopping needs. In India, a number of entrepreneurial start-ups are making their marks in e-commerce. An example is the RedBus (http://www.redbus.in/) which organized an unorganized bus travel tickets (Suri, 2014).

Again, e-commerce opens up new avenues for the marketing of traditional goods and services directly to consumers. It creates similar opportunities for business-to-business transactions involving both digital and non-digital products and services. In fact, as far back as 1998, American companies made $43 billion worth of sales to one another over the Internet, five times the consumer retail total. The e-commerce opportunities, according to Hellerstein (2002) were and can, among other areas, still be found in e-procurement involving Internet based sales transactions between businesses that facilitate online trade: between a single business purhaser and many sellers and digital marketplaces that facilitate online trading between multiple buyers and sellers; online catalogues, displaying images of goods, which permit Web users around the world to select and order books, wine, and other products; computer software which can be transferred electronically to the users’ computer; services such as legal, accounting, medical, and other consulting services, which subscribers can access for a fee using an electronic password to obtain access to the service provider’s Website.

Other opportunities exist in postal services, real estate, communications, Radio/Tv, finance, entertainment, travel agency and stock brokerage (Silver, 2001). There are also domain name brokerage, e-commerce consultancy, online scholarship directory, e-bargaining, event ticket sales, escrow payment solutions, auto-care, jewelry and accessories, e-book store, pet care and supplies, currency exchange services, and network marketing (Martins, 2014; Lazazzera, 2014). In addition, business models that present themselves as opportunities include: e-shop, e-auction, e-mail and virtual commerce (UKEssays, 2014). These opportunities that e-commerce opens up for new forms of commercial activities are not limited to large companies. Small and medium size enterprises will find it easier to engage in international commerce as start-up capital requirements on the Internet are typically low. This will, in turn, lead to a rapid expansion in cross border activities (Hellerstein, 2002).

Are these e-commerce opportunities in Nigeria? The answer is yes. Nigeria actually has fertile grounds for e-commerce. For instance, the country is home to young, rapidly urbanizing population that show a strong affinity for digital hardware and media usage. Internet and mobile penetration is also increasing and the country has one of the world’s highest social media usage rates, including for leading services like Facebook and Twitter. According to the International Telecommunication Union (ITU), Internet users in Nigeria as at June 2013 was 48 million, a figure that has risen by 16% to over 68 million as at June, 2014, making Nigeria the largest Internet market on the continent by volume (Ojado, 2014). These Nigerians online do not all hang out in one place; they visit several sites of interest, one of such could be yours as an entrepreneur ((Tito, 2014). At the very least, according to Greene (2014), these give e-commerce entrepreneurs and their organizations powerful channel for connecting with potential customers. Nigerian entrepreneurs can therefore take advantage of all the growing opportunities which are, however, not without some challenges.

(b) The Challenges

As promising and seamless as e-commerce appears, there are challenges the existing businesses and new entrants must conquer. According to Hassan and Harris (2009), the electronic market space presents an extraordinarily challenging environment for entrepreneurs and their organizations. OECD (2011) revealed that digital security concerns remain an important impediment to e-commerce and that countries reporting most incidents were Japan, Portugal, Greece, Denmark and Finland. Nigeria should also have a fair share of this concern.

Also, the situation in South East Asia as enunciated by Greene (2014) holds true in Nigeria as her e-commerce space is currently underdeveloped and this presents serious challenges to entrepreneurs particularly those that require the kind of massive scale necessary to support low-margin products. Other challenges
manifest themselves in market fragmentation, low ICT penetration, lack of consumer awareness, underdevelopment of the country’s electronic financial services sector (low banking and e-payment penetration) and infrastructural hurdles. Bad roads and absence of functional railroads slow down delivery times to levels unacceptable to customers. Akintola et al (2011) rightly observed that infrastructure in terms of delivery system in Nigeria is very poor. Many houses even in the urban and semi-urban areas are not numbered. The postal system is very slow and insecure. In Nigeria where many hardly care about integrity for lack of enforceable laws, the problem is compounded by lack of adequate legal framework covering customer privacy and other ethical issues. There is lack of trust on the part of prospective customers due to fear of cyber crime.

It was, again, observed by Duncombe et al (2006) that the start-up costs (initial investment in computer network connection, etc) including additional running costs, could constitute a handicap. Highly competitive market space is equally a challenge. According to Hassan and Harris (2009), there are minimal barriers to new entrants and competitors and so innovation faces constant challenges of imitation and erosion. Then there are cross-border issues such as the recognition of transactions under laws of other countries. Other areas of concern identified by Tang, Powell, Worlock & Bingham (2000) Silver (2001) Andam (2003) and Shroeder (2013) include: bandwidth and access costs; availability/interoperability of payment systems plus interoperability of technologies and applications. Other challenges not to be neglected are: credit card theft, tax avoidance, intellectual property/copyright issues, counterfeiting instruction, hacking and computer viruses, service breakdown and slow dial-up Internet connection as well as disintermediation and re-intermediation. Nigeria still has a peculiar problem of poor electricity generation and supply for corporate and personal lives. Culture, religion, insecurity and political instability are also implicated. For instance, in Northern Nigeria, it may not be acceptable to deliver physical goods to women lone at home. Above all, there is, at present, a worrisome, troubled and hostile social and economic environment, reminiscent of a post-war situation, created by “Boko Haram” insurgency in the North East.

VI. Conclusion

The current global trend indicates that, like in other economies, the e-commerce value chain is a silent revolution that presents adequate and bright opportunities to both existing and start-up entrepreneurs in Nigeria. As they operate in this fast-paced global competitive marketplace, they can exploit the opportunities of e-commerce to create wealth and jobs and thus, boost the economy more. However, the e-commerce platform is yet to be fully harnessed and exploited. It also goes with some challenges but, if businesses in many other economies can wade through similar problems and still succeed, Nigerian entrepreneurs, under relatively enabling environment, can equally surmount the obstacles and make the best out of the opportunities in the various e-commerce business models. This, however, needs the concerted efforts of Government and the private investors who should collaborate to create such enabling digital business climate.

VII. Recommendations

Based on the foregoing, the following recommendations are hereby proffered for fast-tracking and boosting e-commerce in Nigeria’s fast growing economy:

1. Successive Governments in Nigeria, national and sub-national, should continue to pursue transformational leadership agenda by investing more in infrastructural development, especially in the areas of electricity, road, rail and postal services infrastructure. Rehabilitation of the areas devastated by religious insurgency in the North East should be seen as very imperative and urgent.

2. The Government should also create enabling laws to take care of e-business in terms of privacy issues, internet and credit card fraud, copyright and cross-border issues.

3. The private sector group, through the Chambers of Commerce, should equally team up with the Government to create awareness, among the existing business owners, on the opportunities and benefits of online platforms in this era of digital economy.

4. As part of IT and e-government policies, the Government should, through private-public partnership (PPP) arrangement, build subsidized cyber cafes (as is done in Philippines and Malaysia) to reduce digital divide for those start-ups and buyers who cannot afford the initial cost of acquiring Internet connectivity.

5. Established firms and even budding entrepreneurs in Nigeria should exploit e-commerce value chain by seizing the opportunities, identified in this research, to transform and transfer their businesses to the 24-hour global market space in order to reap the huge competitive advantage.

6. Curriculum planners should continue to emphasize e-commerce as an integral part of entrepreneurship education in Nigeria.
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References


