



E-COMMERCE AND RETAIL BUSINESS IN NIGERIA: A STUDY OF SELECTED SMALL AND MEDIUM SCALE FIRMS

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Abstract

This study examines e-commerce and retail business in Nigeria. It is an assessment of some selected small and medium scale firms in Makurdi metropolis. Three (3) research questions/hypotheses guide the study. The study adopts a descriptive research design. The study sample population is made up of 50 respondents from 10 supermarkets. Structured questionnaire developed on four point-rating scale of strongly agree to strongly disagree was used to collect data from correspondents. A total of 50 copies of questionnaire distributed were completed and returned indicating a 100% return rate. Data analysis was done using simple table, mean, and analyzed using non-parametric simple percentages, while t-test statistical technique was used in confirming the stated hypotheses. The result showed that, there is low patronage of online stores due to lack of adequate knowledge of computer, low extent of trust by e-product/service providers and their customers and lack of adequate infrastructure. The paper recommended that the operators and staff of supermarkets should embark on more effective Information Technology (IT) training in order to enhance their performance; management of supermarkets should procure quality I.T gadgets that will enhance the adoption of e-commerce, ICT programs must be made compulsory in schools, to assist younger generations and to embrace e-commerce.

Keywords: *E-commerce, Retail, and Business Performance*



INTRODUCTION

Recent advancements in information technology have revolutionized the way we communicate and information is now accessible from virtually everywhere. The ability of the internet to bring together various races of people from different parts of the world has a huge potential for developing up-coming countries like Nigeria (Agbata, 2016).

The amount of information that is now available online has increased dramatically over the recent years, including trade and economic information. The level of commerce transactions conducted in Nigeria in the last three years has increased exponentially but, there is still a lot of improvement to be made.

Rainer and Legulski (2011) defined e-commerce as a process of buying, selling, transferring or exchanging of products, services and/or information via computer networks including the internet.

Schneider (2011) as cited in Niyom (2012) broadly classified the development of e-commerce into two stages – “first wave and second wave”. First wave of e-commerce was adopted by large enterprises in USA with easy access to capital, primarily from external sources. These large companies firstly understood the possibilities that e-commerce, can offer and started exploring and developing them.

Second wave is characterized with the technological boom after 2001, with the mobile broadband development and increased speed of internet on low cost price. This was a prerequisite for development and adoption of e-commerce from smaller companies using their internal resources. E-commerce has brought a lot of changes to the economics around the world and also to the way businesses are carried out these days.

According to Abdullahi (2016) e-commerce as a way of doing business has brought a lot of benefits, as organizations are accepting e-commerce as a way of expanding their markets, improving services to customers, cutting down cost and improving their productivity.

In spite of the global reach of e-commerce, going by the recent statistics released by the Nigerian Communication Commission (NCC), the number of internet subscribers in Nigerian telecommunication networks declined from 91,880,032 in December, 2016 to 91,274,446 in January, 2017, showing a decline of 605,586. This is one of the major reasons why the average shopper remains seemingly stuck in his largely traditional shopping methods (Ayogu, 2017).

The fact that research from developed countries could not be applied to developing countries like Nigeria, is not only reason of this study but also due to inadequate understanding of what drives e-commerce adoption by consumers in developing countries.

The main objectives of this study therefore are: To find out the level of awareness of e-commerce among operators of small and medium scale firm in Makurdi, Benue State; Nigeria, to examine the extent of trust between customers and e-commerce adoption in retail business; and to examine the state of infrastructure for e-commerce adoption in retail business.

Given these objectives, the following research questions are generated:

1. What is the level of awareness of e-commerce in retail business in Makurdi?
2. What is the extend of trust by customers and companies in e-commerce in retail business?
3. To what extent has infrastructure impacted on e-commerce in retail business?

Clarification of Terms

To avoid confusion, it is pertinent to define three concepts as used here:

E-commerce - is a short term for electronic commerce. E-commerce is a transaction of buying or selling online.

Retail – is the activity of selling goods directly to the public usually in small quantities.

Business – refers to work relating to the production, buying and selling of goods or services.

Review of Literature

Electronic commerce according to Clinton, (2000) is defined as doing business electronically. It encompasses many diverse activities including electronic trading of goods and

services, online delivery of digital content, electronic fund transfer, electronic shares trading, electronic bills of lading, commercial auctions, collaborative design and engineering online, public procurement, direct consumer marketing and after sales services. It involves both products (consumer goods, specialized medical equipment) and services (information services, financial and legal services). Chong (2008) also described e-commerce as a process of integration of all company's processes, activities and services toward buying and selling of products and exchange of information and funds with the company's partners via computer networks and electronic technologies.

Presently, many online shopping sites are thriving in Nigeria, serving thousands of searchers every week. Some of them are: www.234world.com, Xtaples.net, wwwbooksng.com, www.orderbay.com. Some of these sites make the transaction process so easy to make the buyers to forget about the open market. However, many Nigerians still treat its benefits with deep skepticism which is the focus of this study. Possible reasons for these results as well as directions for future research are presented.

Level of Awareness of E-commerce

The cardinal point of vision 20:20:20 of the Federal Republic of Nigeria is that "by 2020, Nigeria will be one of the 20 largest economy in the world, able to consolidate its leadership role in Africa and establish itself as a significant player in the global economic and political arena (NV 2020).

According to Ribadu (2011) as cited in Agbonito (2010), a country determined to compete in the 21st century market by globalization, fiercely competing markets, job opportunities and rapid technological advance must have a commensurate infrastructure such as e-commerce to drive its vision.

According to Ayo et al (2011) as cited in (Ani, Chukwemeka and Onyinye 2017): despite the global popularity and growth of commerce, in the developed countries, developing countries

like Nigeria seem to be lagging behind. however, as a developing country, ICT is growing gradually in Nigeria with internet users making up 16.1% of the total population (internet world stat. 2017). This shows a considerable increase compare to users in 2016, 3.1% of total population, with more people becoming computer literate and open to ICT.

Chukwuemeka; and Onyinye (2017) opined that about 70% of Nigerians surveyed had heard about e-commerce before, but only 32% had used it. This shows that only a very small percent of the sampled Nigerian actually used e-commerce (representing 22%). The full potential of e-commerce cannot be achieved when the level of awareness is low.

Extent of Trust

Trust is a belief that one can rely upon a promise made by another. Stewart et al (2001) defines trust in electronic commerce as the subjective probability with which consumers believe that an online transaction with a web retailer will occur in a manner consistent with their expectations. Scholars have identified lack of trust as one of the main reasons to consumer's cynicism towards e-commerce. In the context of e-commerce, trust beliefs include the online consumers' beliefs and expectancies about trust-related characteristics of the online seller (Mcknight and Chervany, 2002). The online consumers desire the online sellers to be willing and able to act in the consumers' interest, to be honest in transactions (not divulging personal information to other vendors), and to be capable of delivering the ordered goods as agreed. Regrettably, online customers in Nigeria at present do not enjoy such benefits of human interaction and can only base their perceptions on vendor's website. Hence the need for trust in online environment is important as it is in physical interactions and influence the level of e-commerce practitioners.

The advent of e-commerce has placed a premium on the participating organizations or nations, in terms of provision of the basic infrastructure for a secured, seamless and trusted business environment through the electronic media (Ay, 2006). There had been several efforts to boost the development of e-commerce infrastructure in Nigeria but with little result. One of such efforts is the bank recapitalization reform that led to the reduction from 89 weak banks in the country to 25 strong banks, with 12 of them being listed among the first one 1000 banks in the world, a feat that has never been achieved before (Soludo, 2007). Another is the telecoms

reforms/deregulation among others that has made the country to be the fastest growing telecommunication in the world (Nigeria 2 days, 2007).

Ahmed (2015) added that the win project tagged “Wire Nigeria” was intended to provide ICT infrastructure to all the nooks and crannies of the country. The project includes the provision of VAST to the 774 local governments in the country and the installation of the necessary infrastructure particularly fibre optic backbone across the country.

Despite all these attempts, there is still lack of basic infrastructure such as steady power supply, good roads as well as limited access to telecommunication infrastructure and high cost of internet, all have hinder the growth of e-commerce in Nigeria (Adebayo and Raphael, 2013). Also, majority of business organization in Nigeria have not embraced e-commerce due to some factors such as lack of network infrastructure and insufficient knowledge about e-commerce technology. Hence there is a wide gap between the available infrastructure and the desired state of infrastructure for e-commerce as found in developed countries. More so, e-commerce is an urban phenomenon in Nigeria as the infrastructural deficiency of the rural areas is nothing to write home about. Infrastructure is very critical in all nook and crannies of both the urban and rural as this will popularize the adoption of e-commerce.

Methods of Data Collection

The target population for this study consists of 50 staff of the ten (10) most popular supermarkets in Makurdi metropolis found online. The supermarkets are Comfort Ayamtse; Mobis; S.O Brothers, Zaron; Divine; Springs Superstor; Deligat; Togo, Officon Nig Ltd and Piz Ffores, all in Makurdi; Benue State, Nigeria.

Responses range from 2 to 7 entrepreneurs per supermarket. These ten Supermarkets were chosen because it was felt that the domain of business operations may influence e-commerce in retail business.

Questionnaires were administered personally to the 10 supermarkets selected across major parts of Makurdi town (i.e. North Bank, Wurukum, Wadata, High Level and Ankpa ward). 50 usable questionnaires provided the data base (a 100% response rate).

Validation of Instrument

In research the term validity or reliability means repeatability or consistency measure could be considered reliable if it would give the same result over and again (Trochim, 2006). IN this study, the test-retest method of reliability was used by administering twenty copies of the questionnaire to expert in marketing that are not part of the sample of the study twice within two weeks and thereafter determine the coefficient of variation by using Pearson product moment correlation analysis.

Data Analysis Techniques

Data collected were presented using tables, means score rating analyzed using non-parametric simple percentages, while the T-test statistical technique was used in confirming the stated hypotheses.

Results

The analysis of our findings based on the questions raised in the preceding sections are presented thus.

Table 1: Level of Awareness of E-commerce in Retail Business

S/N	Questionnaire	\bar{X}	SD	DECISION
1	I am aware of online shopping stores e.g. jumia; OLX, etc	3.00	3.13	SA
2	Always purchase goods online	1.88	3.62	SD
3	I am familiar with payment instruments like ATM, Quick Teller, Mobile money etc	3.08	3.24	SA

Source: Field Survey, 2018

From the table, it can be observed that two items are highly rated. item 1 and 3 have mean scores of 3.00 and 3.08 with standard deviation of 3.13 and 3.24 respectively, while item 2 has mean rating of 1.88 with standard deviation of 3.62 respectively.

The result shows that the respondents are aware of online shopping stores and are also familiar with payment instruments such as ATM, Quick Teller, Mobile Money, etc, but do not always purchase goods online as indicated by low mean rating of 1.88. There is therefore high level of awareness of e-commerce but the patronage is low.

Table 4.2.1 Mean and T-test Analysis of the Respondents on the level of awareness of E-commerce in Retail Business

S/N	Questionnaire	X	SD	ALPHA	T-CAL	T-CEIT	DECISION
1	I am aware of online shopping stores e.g. Jumia, OIX, etc	3.00	3.13	0.05	3.04	1.99	Reject Ho
2	Always purchase goods online	1.88	3.62	0.05	2.01	1.99	Rejected Ho
3	I am familiar with payment instruments like ATM, Quick Teller, Mobile Money, etc	3.08	3.24	0.05	3.07	1.99	Reject Ho

Source: Field Survey, 2018

The result from the first hypothesis which states that there is no significant relationship between the level of awareness of e-commerce and this adoption in retail business is rejected. This is shown from fact that the calculated (t) on each item is greater than critical t (1.99) at the 0.05 level of significance. We accept the alternative and conclude that, the adoption of e-commerce depend to a large extent on the level of its awareness on the part of the people.

Table 3: Response Pattern on Extent of Trust by Customers and companies in E-commerce in Retail Business

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S/N	Questionnaire	\bar{X}	SD	DECISION
4	E-products/services provider is trust worthy and honest	1.58	4.49	SD
5	E-product/service provider instills confidence in his customers	1.78	3.89	SD
6	E-product/service provider does not usually fulfill promises and commitment assumes	2.9	4.47	SA

Source: Field Survey, 2018

Result in table 3 shows that there is low extent of trust by customers and companies in e-commerce adoption as indicated by the low mean rating of items 4 and 5 i.e. 1.58 and 1.78 respectively while item 6 indicates a high mean rating of 2.9 which implies that the respondents strongly agreed that service provider does not usually fulfill promises and commitment assumes which in turns make the people to loose confidence in the e-commerce.

Table 3.2.1: Mean and T-test Analysis on Extent of Trust by Customers and companies

S/N	Questionnaire	\bar{X}	SD	ALPHA	T-CAL	T-CEIT	DECISION
4	E-product/service providers is trust worthy and honest	1.58	4.49	0.05	2.00	1.99	Reject Ho
5	E-product/service provider instills confidence in his customers	1.78	3.89	0.05	2.02	1.99	Rejected Ho
6	E-product/service provider does not usually fulfill promises and commitment assumes	2.9	4.47	0.05	7.04	1.99	Rejected Ho

Source: Field Survey, 2018

From the result in table 3 above, indicate that the null hypothesis of no significant relationship between customer trust and adoption of e-commerce in retail business is rejected

given that the t-calculated on each item is greater than t-critical of 1.99 at 0.5 level of significance. Hence, the alternative hypothesis is accepted and conclude that the adoption of e-commerce depends to a large extent on the level of trust between customers and e-product/service providers.

Table 4: Response Pattern on Extent of the impact of infrastructure in the adoption of E-commerce in Retail Business

S/N	Questionnaire	\bar{X}	SD	DECISION
7	Adequate ICT facilities available	1.62	4.30	SD
8	Adequate network service is available	1.74	4.11	SD
9	The website meet my expectations	1.56	4.62	SD

Source: Field Survey, 2018

The above table reveals that item 7, 8 and 9 have mean rating of 1.62, 1.74 and 1.56 with standard deviation of 4.3, 4.11 and 4.62 respectively. The respondent strongly disagree that there exist adequate ICT facilities, network service, as well as the website to meet their expectations. We conclude therefore, there are inadequate infrastructure facilities for e-commerce business in Nigeria.

Table 4.2.1: Mean and T-test Analysis on Extent of the Impact of infrastructure in the adoption of E-commerce

S/N	Questionnaire	\bar{X}	SD	ALPHA	T-CAL	T-CEIT	DECISION
7	Adequate ICT facilities available	1.62	4.30	0.05	2.01	1.99	Reject Ho

8	Adequate networks service	1.74	4.11	0.05	2.03	1.99	Rejected Ho
9	The website meet my expectation	1.56	4.62	0.05	2.00	1.99	Rejected Ho

Source: Field Survey, 2018

From the above table, the mean rating show that infrastructure is not adequately available to any reasonable extent for e-commerce adoption. The fact that t-calculated on each item is greater than t-critical at 0.05 level of significant implies that the null hypothesis of no significant relationship between the state of infrastructure and e-commerce adoption in retail business is rejected. We accept the alternative hypothesis and conclude that the adoption of e-commerce largely depends on the state of infrastructure available for the platform.

Conclusions and Recommendations

This work has examined e-commerce and retail business in Nigeria by assessing some selected small and medium scale firms. A total number of ten markets were used in this study. From the findings in this paper, the following conclusion can be draw:

That many people are aware of the existence of e-commerce but have not yet embraced it due to lack of adequate knowledge of computer.

The study equally discovered lack of adequate infrastructure that could support e-commerce platform.

Another conclusion that can be drawn on basis of the findings is the issue of trust and honesty. There is low extent of trust and honesty by customers and suppliers.

Recommendations

Many SMEs in developing countries like Nigeria have not taken the advantage of the importance of electronic commerce adoption. These differences range from poor infrastructure, poor ICT education, lack of trust as well as dishonesty. Based on the aforementioned challenges, the study have recommended that:

1. Operators and staff of supermarkets should embark on effective information technology (IT) training in order to enhance their performance.
2. Also management of governments should procure quality IT gadgets that will enhance adoption of e-commerce .

3. In order to assist the younger generation, ICT must be made compulsory in schools, colleges and universities.
4. As SMEs are among the highest employers of labour, there is need for government at all levels to provide necessary infrastructure such as schools, computer literacy centers as well libraries to assist in the development of ICT and to enhance entrepreneurs' performance.
5. The concern for cyber crime, data security and privacy can only be handled and solved by strengthening the cyber frontier of the firm through ever-evolving and off-the-shelf, readily available technological tools and techniques that can be customized accordingly.

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