

E-Commerce in the Sub-Saharan Africa

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INTRODUCTION

Business firms continue to explore innovative ways of conducting business for many reasons. For electronic commerce (e-commerce) the reasons may range from the maximization of profits through an enlarged clientele to the reduction of operating costs. As the Internet continues to experience phenomenal growth in the sub-Saharan Africa, opportunities are being seized by various players to fully exploit the 'Net' as a reliable tool for communication, marketing and commerce. Through the Internet people are able to exchange information, even far afield, at reasonable costs, businesses are able to capture target markets for their products and services, and online shopping is no longer a pipe dream. The Internet therefore is one tool that has played and continues to play quite a pivotal role in the enabling of electronic commerce and this is due to the following unparalleled benefits it offers to the e-commerce environment:

- The Internet provides a two-way digital communication with tremendous speed. This translates into instant feedback from either party.
- The Internet allows multimedia propagation of information (e.g., text, video and sound).
- The use of hypertext documents on the World Wide Web makes it easier to place more in-depth information and a wider variety of products' information on a small space (i.e., the Web page).
- The Internet is attractive (Ward et al., 1999).
- The Internet allows for around-the-clock transactions.
- Unlimited outreach (audience).
- Online payment.
- It is easier to manage the products' databases.

The benefits of the Internet to the electronic business environment extolled above make it an integral part of e-commerce. For business firms in the sub-Saharan Africa, getting connected to the Internet is a *sine qua non* in their quest to rope in a larger clientele so that they can compete favorably in the highly sophisticated marketplace. The Internet, which continues to grow at breakneck pace, is a valuable point of reaching out (marketing) in this case. The Internet has the potential to make a business visible in no time and distance is an

irrelevant factor. Little wonder, e-commerce, though perceived as a new phenomenon in the sub-Saharan Africa region, is experiencing unexpected growth. The reasons for its worldwide adoption are many and entrepreneurs in the developing countries need not be left out.

The ongoing connectivity of the disadvantaged regions to the information superhighway will most likely increase the volume of electronic business in the foreseeable future. According to a snapshot study by Dataquest (a unit of Gartner Group, Inc.), electronic commerce accounted for \$31.2 billion of the world's business transactions in 1999 alone, up from \$11.2 billion in 1998. The rise in the volume of transactions represents an approximate three-fold increase. The study further projected an increase in the volume of electronic transactions in the years leading up to 2003.

In a related study conducted by the Forrester Research late in 1998, it was projected that an explosion in the sales of consumer goods on the 'Net' from \$7.8 billion in 1998 to an estimated \$108 billion in 2003 was expected, signifying an increase of ten times over.

The projected rise in e-commerce indicated by these two studies may be attributed to the ongoing connectivity of the unwired or loosely wired regions of the world and the strengthening of weaker economies.

The benefits of e-commerce for micro-enterprises, tourism and health provide a tantalizing goal for many situations in sub-Saharan Africa. However, the situation for establishment of e-commerce is inequitable across the region and in fact could widen the existing substantial socio-economic divide. Hence, there is a need to examine ways to give many in sub-Saharan Africa access to any potential benefits that may be available to increase opportunities for increasing self-reliance.

This article discusses the challenges and controversies surrounding e-commerce in much of the sub-Saharan Africa.

INTERNET AND E-COMMERCE IN THE SUB-SAHARAN AFRICA: CHALLENGES AND CONTROVERSIES

Although e-commerce has been looked at in a positive light, it is yet to establish itself firmly in the sub-Saharan Africa. Many sub-Saharan Africa countries are

still struggling with poverty and many other embedded socio-economic ills. As such access to the Internet in the sub-Saharan Africa ranges from stagnant to impressive across individual countries. Just like many other developing regions, the sub-Saharan Africa continues to experience several setbacks including poor infrastructure, exorbitant costs of net-surfing and ICT hardware, lack of requisite expertise, security concerns and accessibility to the Internet.

The following sections of the article will examine these setbacks in contextual analysis.

Poor Infrastructure

Due to the abject poverty of most sub-Saharan Africa countries, the use of outdated (obsolete) equipment is commonplace, as most service providers cannot afford to purchase the much-sought-after state-of-the-art equipment. The equipment currently in use provides for low bandwidth connections that are not conducive in an e-commerce environment. The low bandwidth connections are a source of long delays and may therefore prove frustrating for an online activity. For example, Dellaert et al. (1999) found out that long delays during online shopping act as a deterrent to potential electronic dealings. At best the client may abandon the site or virtual store and switch to another site of their choice, and at worst the whole transaction may be abandoned.

Although many countries in the sub-Saharan region share this plight, South Africa has registered conspicuous success with relatively good telecommunications infrastructure. South Africa can no doubt be singled out in the region as having the lead in e-commerce in the entire sub-Saharan Africa region. For example, by 1997 Internet banking solutions were fully developed at the South African ABSA and NEDBANK banks and Internet access was already impressive.

Cost and Accessibility

The costs of accessing the Internet remain astronomical and prohibitive for most people in sub-Saharan Africa who generally have very poor socio-economic conditions. High tariffs for fixed telephone lines, which are being used to support dial-up networks, are a significant issue in many countries. Due to this, tele-densities are low in the majority of countries in the region and this has a spiraling negative effect on use, access and the profits of Internet Service Providers (ISPs). Many of the unwired parts are in the rural areas. Lack of connectivity of the rural areas where the majority of the citizenry live renders the Internet unavailable and e-commerce

a pipe dream, and deprives entrepreneurs of business opportunities.

As would be expected, the costs for procuring computers in the sub-Saharan Africa are relatively high—so much so that not many entrepreneurs and households own them. As Duncombe et al. (2001) found, the situation is likely to persist for some time until enterprises are able to satisfy their information needs. Financial constraints are still hindering the greater use of ICT by small enterprises.

Lack of Expertise

Requisite expertise is required in order to effectively use e-commerce technologies like the Internet and the World Wide Web. However, currently the development of the necessary expertise often lies with the individual who simply “does not know what he does not know.” In the developing regions, the issue of lack of expertise and lack of the financial capability are some of the biggest challenges facing the effective adoption of ICT for local community benefit. High illiteracy levels further compound the effects of these two factors. To successfully undertake an online activity, there is a requirement for some proficiency, mainly, in the English language because much of the useful content on the various Web sites is in English. Furthermore, the necessary training programs to enable people access to the Internet in the poverty stricken countries are expensive.

Because of the speed of enhancements on the Web, there is a paradox facing existing non-users as they grapple with supposedly “easier to use” interfaces but need an increasing depth of background knowledge to support ongoing use.

Security

Security has become one major element of concern in e-commerce. With the proliferation of computer crimes, it is certainly important for the potential clientele to become wary of cyber-crimes.

For any business dealing, the consumer ought to have trust and confidence in the retailer and the same applies to business transactions over the ‘Net’. Chircu et al. (2000) and Hoffman et al. (1999) consider trust and expertise as prerequisites in the adoption of e-commerce technologies.

For any new users of the Internet, transactions on the Internet may appear untrue and somewhat unattainable. It is therefore incumbent upon the suppliers or the intermediaries to assure their existing and potential clientele about the security of their transactions. As Macklin (2000) argues, the issue of privacy or security of

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