

# E-Commerce Management in Emerging Markets

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## INTRODUCTION

The Internet introduced alternative communication and information sharing and business methods that led to an e-business revolution of new business models prefixed by “e” (electronic) such as e-commerce, e-marketplace, e-learning, e-government, and the like. The lack of geographic barriers established the Internet as a global marketplace and the surge of heterogeneous online ventures known as “dotcoms” evolved. Backed by venture capital, many of these dotcoms were founded Internet growth projections, lacked business sustainability principles and failed. Though short-lived, the dot.com boom increased business model awareness amongst emerging technology entrepreneurs.

Business models are conceptualised as hypothesis rather than frameworks or models. They are a business design tool defining target customers, valued attributes of the offering (customer value), infrastructure and finances (Magretta, 2003). The business model canvas (BMC), a visual tool comprising of nine components chronicles the model (Osterwalder & Pigneur, 2010). Key business activities, resources and partners describe the infrastructure required to produce the value propositions. The various customer segments and channels and customer relationship management mechanisms explain the delivery perspective. The financial model identifies revenue and cost structures to deliver and create the value proposition respectively.

Following the dot.com crash, the skepticism of Internet businesses was dispelled with ventures like EBay and Amazon; enabling the global phenomenon in advanced and emerging markets. Despite the low-income perception and infrastructure deficiencies of emerging markets, China’s Alibaba, the world’s largest e-commerce company, exemplifies e-commerce opportunities amidst idiosyncratic contextual challenges. Additionally, e-commerce scholarship, though nascent, is aligned with advanced economy perspectives whilst knowledge on developing country perspectives is scarce (Boateng, Molla, & Heeks, 2009).

The chapter examines the business design of e-commerce ventures in emerging markets. Drawn from operating practices and emerging trends in Nigeria, the chapter describes supply-side business models and innovations that address environmental constraints. The institutional innovations provide insights of e-commerce management in emerging markets alongside a summary of enablers and inhibitors. The exploratory findings presented were developed using data acquired from discussions with e-commerce actors and secondary sources from the World Wide Web. A keyword search of Konga and Jumia in document titles, URLs, text, keywords and extended links was conducted within multiple search engines (Bing, Exalead, Google and Yahoo). The result set returned of over 1000 references exclusive of duplicates, adverts and 404-errors; grouped by topic; and ordered by relevance. The results were reviewed for relevance and items relating to the French-speaking Jumia sites, references to Konga movies, comics, coffee, games and unrelated domains were discarded. The reduced result set of over 250 references were analysed to produce the BMC maps. Following this introduction, an overview of Nigeria and the

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e-commerce environment is presented. Section three illustrates the business models Jumia and Konga prior to discussions on challenges and institutional innovations deployed. Prior to the conclusions, emergent trends and the related opportunities and limitations posed are discussed.

## BACKGROUND: NIGERIA

The Federal Republic of Nigeria, located in the West African hemisphere, is a former British colony that secured independence in 1960 (see country profile in Table 2 of the Appendix). As Africa's largest oil exporter, crude oil sales attribute over 75% income; hence, crude oil price volatility impacts foreign currency earnings and economic stability. This affects exchange rates and currency stability; capital market and foreign direct investments (FDI); prices and production; savings and external reserves and debts. With nominal gross domestic product (GDP) estimated at \$510 billion, comprising key sectors: agriculture (23.96%), industry (25.22%) and services (50.22%). The corresponding GDP per capita is about \$2,689. In spite of its resources, Nigeria's infrastructure is 20-25% of GDP and grossly inadequate. Critical areas include energy, transport and postal services.

- **Energy:** Of the installed capacity of 5,900 MW, only 4,000 MW is available. The supply shortage not only leaves over 50 per cent of the population without access, but is also plagued by blackouts. Alternative sources like generators are commonplace.
- **Transport:** The rail network spanning 3,505 km is underdeveloped and incapable of mass transportation, thus increasing the pressure and dependency on the derelict 193,200 km road network. While only 65% are paved, poor maintenance has left others in bad condition.
- **Postal and Courier Services:** The Government-operated and regulated postal system of over 5,000 post offices and agencies that contributes approximately 0.03 per cent to GDP is inefficient. Although over 290 independent courier operators support the industry, low-cost nationwide services are limited.

## E-Commerce Environment Analysis

Compared with e-commerce sales of \$104 million, Nigeria's \$61 billion retail industry is informal, dominated by open-air markets and convenience stores. Enthused by middle class growth projections, private equity investments have produced up to 10 modern retail centres accompanied by an influx of foreign brands and local retail chains.

### Industry Analysis

The e-commerce industry comprises horizontal and vertical ventures offering general merchandise as well as specialised services like travel, transportation and classifieds. With low entry barriers, dominant informal market structures, price-sensitive customers, the industry is extremely competitive (See Porter's Five Forces Model in Figure 1).

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