

**Chapter XVII**

# **Options for Business-to-Consumer E-Commerce in Developing Countries: An Online Store Prototype**

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## **INTRODUCTION**

Business-to-consumer electronic commerce in the developing world is hampered by a host of technological, cultural, economic, political and legal problems (Davis, 1999; Enns and Huff, 1999; Janczewski, 1992). Viewed from the perspective of consumers, the most fundamental requirement—Internet access—is unavailable to many. For example, Africa has the lowest rate of Internet access in the world—less than 1% in a population of nearly 800 million (Dunphy, 2000). As dramatic as measures of the digital divide may be, one can easily argue that investment priorities in the areas of health and education should rightfully come before investment in a larger Internet infrastructure for Africa or other developing areas of the world (Verhovek, 2000).

Nonetheless, Internet access does exist for the few, and Internet access will grow in the future for a market of literate users in medium and large cities. Certainly this has been the pattern in Asia and Latin America where Internet cafes and kiosks or their equivalent have sprung up offering relatively inexpensive access, even for those who do not own microcomputers or have telephone service in their homes (Davis, 1999; Richtel, 2001).

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Viewed from the perspective of business, the ability of businesses in developing countries to absorb and effectively use technology is a potential stumbling block to B2C electronic commerce (Austin, 1990). Many businesses are limited by their environments and by internal resources, skills and management acumen. Nevertheless, some developing country businesses do succeed in making effective use of information technology (Montealegre, 1998), and in some developing areas of the world, such as Latin America, Internet business is growing rapidly (Davis, 1999).

Furthermore, a developing world electronic commerce business that hopes to reach customers in the developed world faces the competitive might of already-established, brand-name e-businesses operating from developed countries. The World Wide Web has not leveled the playing field for small businesses relative to large businesses in most major market segments.

However, in the developing world there are market niches that small businesses can occupy. In some cases these niches are protected from the competition of the giants of online retailing by language. In other cases the niche can be created by geographical distance. In still other instances a small, specialized market segment can be created from the sale of a specialized product category. For example,:

- The world's many languages provide an opportunity to create markets catering to a language group, perhaps in literature and music in languages spoken by too few people to provide a market of interest to large online retailers.
- Developing countries are often at the extremities of global distribution chains for many products. Moving product to locations peripheral to the centers of global commercial power often entails high transportation costs relative to product value. Many such regions exist for various products in Africa, Latin America, Asia, Oceania and the Caribbean.
- Small segments of specialized products exist within many large market segments. For example, the clothing category holds many small segments of ethnic clothing produced by local producers for a local population.

These market niches may be spaces that online stores might occupy if the technical problems and cost of developing and operating such stores is not prohibitive.

In this chapter we consider some of the challenges faced in establishing an electronic commerce store in a developing country. We are particularly concerned with ways of reducing costs that otherwise would be a barrier to entry. Our thinking on this subject had its origins in a project undertaken by the second author, a citizen of Barbados and a masters student in MIS. As part of his degree

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