

CHAPTER ONE INTRODUCTION

1.1 Background to the Study

Electronic commerce also known as e-commerce has facilitated the emergence of new marketing strategies and business models in several industries in developing countries, Nigeria inclusive. Significant changes are happening in product retailing with the introduction of online shopping, especially in terms of channel development and coordination, business scope redefinition, the development of fulfillment centre model and core processes, new ways of customer value creation, online partnerships and general customer satisfaction. In fact the role of online marketing itself has undergone some significant changes in the last few years in Nigeria (Irene 2004). The electronic commerce segment of the retail market has witnessed tremendous growth in terms of participation in the Nigerian economy in the past few years. According to Johnson, (2012) over 100 firms both local and foreign have shown greater interest in the sector alleged to worth over \$50 billion annually. The industry has no doubt opened doors for the coming generation of young Nigerian entrepreneurs. Electronic commerce industry has no doubt increased the percentage of local content in products and services as well as increased utilization of local capacity.

Ayo, Adewoye and Oni (2011) asserted that the adoption of e-commerce in Nigerian business organizations has increased since the users of internet in Nigeria has grown from 0.1% in 2000 to 29.5% of its population in 2014 and still has the potential to grow higher. Tunde (2014) also noted that online retail market in Nigeria has significantly impacted the nation's economy. In the same vein, Mary-Anne (2008) affirmed that e-commerce has offered a level playing ground for large businesses, as well as small and medium-scale enterprises (SMEs) to operate in the global market-place; and for regional businesses and communities to participate in social, economic and

cultural networks seamlessly across international boundaries. E-commerce refers to the use of communication technology particularly the internet to buy, sell and market goods and services to customers. The Internet has brought about a fundamental shift in national economies that are isolated from each other by barriers to cross-border trade and investment; isolated by distance, time zones and language; and isolated by national difference in government regulations, culture and business systems (Mohammad, 2004).

A customer is said to be satisfied when products and/or services meet the expectation of the customer. Trust which is a belief that one can rely upon a promise made by another (Pavlou, 2003), is an important factor in customer satisfaction. Stewart, Ellis, Johnson and Meyer (2009) define 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 for consumers' cynicism toward electronic 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' interests, to be honest in transactions (not divulging personal information to other vendors), and to be capable of delivering the ordered goods as agreed. According to Mahmood (2004), the trust factor has significant positive contributions to consumers' online shopping behaviour. Jiang, Chen and Wang (2008) argued that consumer trust is a critical enabler of successful online retailing and knowledge is one important factor influencing the level of trust. The work of Gefen (2003) and Al-Dwairi, Chappel and Feindt (2009), among others presented an integrated trust model with the technology acceptance model for business-to-consumer (B2C) e-commerce.

It is very important that customers are content with the products and services provided by the particular internet shop as satisfied customers are likely to be loyal and make repeat purchases which will increase profitability of that particular e-commerce company. In this study, the concept of satisfaction will be referred to in terms of outcome by comparing the prior expectation and the perceived performance for each antecedent factor in order to measure the attitude of the respondents for each of those factors. Many studies have been carried out to investigate the various degrees of influence that e-commerce has on business development in Nigeria using different sectors of the economy but there seems a dearth of research that has specifically studied the relationship between e-commerce adoption and customer satisfaction using online shops. Based on this, this study takes a comparative analysis of E-commerce and customer satisfaction in Jumia and OLX.

1.2 Statement of the Problem

Despite the growth of internet users in Nigeria, much research work has not been done in accessing the Business to Customer (B2C) e-commerce relationship. Presently, many online shopping sites are thriving in Nigeria, servicing thousands of searchers every week. Some of them are: www.234world.com, Xtaples.net, www.booksng.com, www.orderbay.com, Jumia.com and OLX.com. Some of these sites make the transaction process so easy that buyers forget about the open market. A site like OLX.com allows buyers to pay to a designated bank account after making online purchases. The items purchased are then shipped to the buyer at the speed of light. Jumia.com allows individuals to receive money online and thereafter use it to pay for purchases made. Considering all these, it is expected that the number of people engaging in e-commerce

activity will increase. E-commerce has however not been widely tapped into in Nigeria. Many Nigerians still treat its benefits with deep skepticism. They do not believe that e-commerce transactions could be successfully conducted. Customers do not have trust on the delivery system, the payment style and the facelessness of e-commerce activities. Therefore, there is need for online marketing organizations in Nigeria to understand what satisfies individual and organizational customers. Based on this, the study is a comparative analysis of e-commerce and customer satisfaction using Jumia.com and OLX.com, which are some of the leading online shops in Nigeria.

1.3 Aim and Objectives of the Study

The general aim of this study is to analyse e-commerce and customer satisfaction while the objectives are as follows;

- i) To identify the factors responsible for consumer re-order purchase in Jumia and OLX.com;
- ii) To determine causes of consumer loyalty to the online products of Jumia.com and OLX.com.

1.4 Relevant Research Questions

In comparatively analyzing e-commerce and service delivery the following questions are pertinent:

- i) What are the factors responsible for consumer re-order purchase in Jumia and OLX.com?
- ii) What are the causes of consumer loyalty to the online products of Jumia and OLX.com?

1.5 Relevant Research Hypotheses

H_0 : There are no factors responsible for customer re-order purchase in Jumia and OLX.com

H_1 : There are factors responsible for customer re-order purchase in Jumia and OLX.com

1.6 Significance of the Study

This study became extremely important because of observed knowledge gap on e-commerce and its impact on customer satisfaction. This has made it apparently necessary to carry out this study. This study is therefore of significance to the following user groups:

Managers of marketing organizations in Nigeria would benefit from the study as recommendations would serve as necessary data for management strategic decision making.

Findings obtained from this study shall be of assistance to the Nigerian consumer public as recommendations would serve as a source of information for purchase decision making.

The online shops in Nigeria would also benefit from this study as findings would assist them in formulating policies to counter competition in the sector. The study would also be of benefit to entrepreneurs who wish to venture into online marketing in Nigeria.

This study would be of importance to academics who are involved in knowledge transfer as findings would

serve as research evidence.

1.7 Scope of the Study

This study aims at comparatively analyzing e-commerce and customer satisfaction. The scope of the study is limited to the study of e-commerce strategies in Jumia.com and OLX.com.

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