

PDF - THIRD PARTY E-COMMERCE PLATFORMS: BENEFITS AND BARRIERS FOR RETAIL BUSINESSES IN NIGERIA - researchcub.info **ABSTRACT**

The purpose of this thesis is to examine the impact of the adoption of third party electronic commerce platforms on small and medium enterprises (SMEs) companies in Nigeria. This thesis describes the drivers for e-commerce adoption and investigates the barriers and benefits to the companies when starting the process of implementation. A qualitative research was performed and an adductive approach was used, where the research findings and the theoretical background were connected by going back and forward in the process of analysis. Questionnaires were distributed to registered merchants who have electronic store fronts in the three major e-commerce platforms.

This study shows that the adoption of e-commerce is extremely low compared to what obtains in Asia and Western nations. The decisions for e-commerce adoption are dependent on the knowledge of the owner /manager. Main benefits of e-commerce adoption are higher profit as a result of the expanded market share, improved internal efficiency and increased information exchange. The results suggest that companies value less than before the cost factor and consider the lack of knowledge as a main barrier.

The most significant benefits derived from third party electronic commerce adoption and usage were the huge direct marketing planning and implementation it lifts off the shoulders of the merchants, improved quality of information and communicating with e-commerce site partners. Regarding barriers, awareness and technical know-how appeared to be the biggest barrier.

Keywords: Electronic commerce, third-party e-commerce, storefront, retail business, TAM, Perceived Ease of Use (PEOU),

TABLE OF CONTENT

Title Page

Certification

Acknowledgement

Abstract

Table of Contents

Chapter One – Introduction

- 1.1 Background to the Study.
- 1.2 What Is Third Party E-commerce?
- 1.3 How did Third Party E-commerce come about?
- 1.4 Statement of the Problem
- 1.5 Objective of the Study
- 1.6 Research Questions
- 1.7 Research Hypothesis
- 1.8 Scope and Limitation of the Study
- 1.9 Significance of the Study

Chapter Two – Literature Review

- 2.1 Introduction
- 2.2 Conceptual Framework
 - 2.2.1 The Concept of Third Party E-commerce
 - 2.2.2 History of E-Commerce

- 2.2.2 Your website versus third-party ecommerce platform
- 2.2.3 The Role of Third Party E-commerce
- 2.2.. TAM And E-Commerces
- 2.2. Comparison of Traditional Commerce and E-Commerce
- 2.2. E-Commerce and Value Chain
- 2.2. Classification of E-Commerce
- 2.2.4 Models Of Third Party E-commerce
- 2.3 Theoretical Framework
- 2.4 Empirical Analysis

Chapter Three – Research Methods

- 3.1 Introduction
- 3.2 Research Design
- 3.3 Population of the Study
- 3.4 Sample Size
- 3.6 Data Collection
- 3.8 Data Analysis

Chapter Four – Data Presentation, Analysis and Discussion Of Findings

- 4.1 Introduction
- 4.2 Data Presentation and Analysis
- 4.3 Distribution of Socio - Demographics Data
- 4.4 Test Hypothesis for the Study

Chapter Five – Summary Of Findings, Conclusion And Recommendations

- 5.1 Introduction
- 5.2 Summary Of Findings
- 5.3 Conclusion
- 5.4 Recommendations
- 5.5 Suggestions for Further Studies

References

Questionnaire

CHAPTER ONE

INTRODUCTION

1.0 BACKGROUND

We live in the most astounding time when it comes to marketing resources and potential. Not too long ago, a small business had very limited reach and it sometimes took years before their marketing reach is able to go beyond their local community. However, in today's environment, all that is fast changing.

A small business can be launched today and literally reach around the world with their product or service same day...a marketing miracle courtesy of the internet. The internet is all about the speed of information dissemination. How you gather, manage and use information, according to Gates, Bill, (1999) will determine whether you win or lose in business.

While that may be an oversimplification of the process, it is not an exaggeration. Granted, certain infrastructural components need to be put in place before the marketing reach can be effectively achieved.

But the reality is that you no longer have to be a giant company with a huge marketing budget to have a worldwide marketing footprint.

Several terms are used in the virtual world for promoting businesses. They include online marketing, internet marketing, webvertising, web marketing, e-marketing, social media marketing, e-commerce marketing... and the list goes on and on. The name a company chooses to call it does not matter. The important fact remains that a business, no matter its size, will be losing out a reasonable percentage of its potential market share, if it fails to implement it as a part of their marketing efforts.

One does not even need to have a formal academic background in online marketing to be able to implement it in a business. In fact, one of the interesting things about the digital age is that the very successful online marketing practitioners are self-taught or accomplished through informal or semi-formal training methods like seminars and workshops.

In recent years there has been a proliferation of online marketing training programmes, aimed at finding individuals that will pay a web-based company, to be trained in the art of online marketing through a series of training modules. In other words, people have made a great deal of money training others both online and offline to become digital media marketing experts. These group of experts now go by different professional titles ranging from Digital Marketing Strategist, Digital Brand Specialist, Online Marketing Manager, Social Media Marketing Consultant, Digital Media Expert, and the list goes on and on..

It would be an understatement to say that internet marketing can become complex, confusing, and ever changing. What is written about internet marketing today may become old news in a matter of months. New services are always in the horizon and the next magic application is usually lurking around the corner. Yet, there are some consistent strategies that have stood the test of time as business owners ride the wave of the constantly evolving cyber world. Further discussion of these strategies is in order here.

Taking a business online requires commitment and funding. A business owner must see his foray into the cyber space as an investment and not an expense, which will eventually make a return on investment, when effectively implemented. Where the need arises, a sizeable percentage of your traditional marketing budget can be deployed for online marketing campaigns. This is fast becoming the practice in corporate circles these days.

The rate at which electronic (e)-commerce is adopted by the small business sector has remained relatively slower than anticipated (Van Akkeren and Cavaye, 1999; Walczuch, Van Braven and Lundgren, 2000; Stockdale and Standing, 2006; Lowry, Singh and Scollary, 1999 and Pease and Rowe, 2003a). This is despite the fact that small and medium enterprises (SMEs) were the first companies to embrace web-based commerce (Turban, King, Viehland and Lee, 2006) and have been noted for their ability to respond to new opportunities and innovations more quickly than larger enterprises, that tend to be slower in their adoption of innovations as a result of management beaurocratic bottlenecking. (Lomerson, McGrath and Schwager, nd).

In addition, the sluggish adoption rate is despite the significant benefits and opportunities, which can be realised by SMEs, which adopt and use e-commerce (MacGregor and Vrazalic, 2004 and Bolongkikit, Obit, Asing and Tanakinjal, 2006). However, the ability of SMEs to successfully adopt and utilize e-commerce is fundamental in ensuring their stability and success (Ramsey, Ibbotson, Bell and Gray, 2003 and Stansfield and Grant, 2003a).

Growing evidence suggests that e-commerce adoption is not optional for growing SMEs but a prerequisite for competing well in markets (MacGregor and Vrazalic, 2005a and Payne, nd). Henceforth, SMEs must

quickly embrace e-commerce technologies or they will succumb to their competitors (Pease and Rowe, 2003b) while in the long run the Internet might affect their productivity, market access and competitiveness (Walczuch et al, 2000).

Financial institutions, having being in the forefront of adoption of internet technology to enhance service delivery to their customers, have not relented their effort in that direction. They are not just looking at leveraging ICT to directly enhance their return on investment, but putting structures in place for their customers to take advantage of. The implication of this is that, if the customers adopt ecommerce and declare bigger profits at the end of the day, the bank automatically becomes richer as a result of their customers who have adopted ecommerce and now make bigger profits as a result.

This is exactly the case with Nigeria's G T Bank. This vision has resulted in G T Bank setting up the SMEMarketHub, a fully functional e-commerce marketplace for its teaming customers. It can be safely assumed that apart from the mutual financial benefits accruable to both parties, the SMEMarketHub is also a marketing strategy as an increasing number of retailers are opening accounts with G T Bank in order to take advantage of the marketplace.

1.1 AIM AND OBJECTIVES OF THE STUDY

While much of the research regarding the diffusion and assimilation of e-commerce in retail businesses has been conducted in developed countries, little or no research has been carried out in developing countries. The aim of this research is to investigate the benefits and barriers of e-commerce adoption in small size retail businesses in Nigeria. In order to do this, the following tasks will be performed: This study therefore endeavours to fill this apparent gap by investigating electronic commerce benefits and adoption barriers in retail businesses within the context of a developing country like Nigeria.

In view of this background, the following research aims/objectives were formulated to:

- explore the awareness and usage level of e-commerce applications among Retailers.
- examine the importance of perceived benefits in the adoption and usage of e-commerce.
- identify the important barriers of e-commerce adoption in Retailers.

1.2 RESEARCH QUESTIONS

The following research questions would have to be asked in order to guide this study.

To what extent are retail business owners aware of third party e-commerce?

What are the barriers hindering retailers from adopting third-party e-commerce?

What benefits do retailers derive in adopting third party e-commerce?

1.3 SCOPE OF THE STUDY

E-commerce though a relatively new business concept has different models and has continued to expand in scope at an ever increasing speed dictated by advancement in information and communication technology, (ICT). Most of these different models require a merchant planning to have an online presence, to build and upload a website in cyberspace. This approach presents a challenge because of the technicalities involved in building and maintaining an e-commerce website.

As a result, this study is deliberately narrowed down to focus on third party e-commerce where a potential e-commerce merchant does not have to bother with the technicalities and cost of building a website. Instead, he partners with a marketplace that provides an e-commerce platform where goods are displayed and sold and the portal owners paid a commission whenever a product is sold. In some cases, the website owner is paid what could be termed an advert fee for providing retail merchants with e-store fronts in his e-commerce

portal, just the same way a merchant buys space in a newspaper or magazine for advert placement or pays rent for his traditional business space.

Still on this third party e-commerce model, there is yet another group where an e-commerce portal owner does not charge fees in order for retailers to display their products on his website. The question here would be, "how does this kind of e-commerce portal owner make money to maintain his website and make profit?" The answer is that because of the buying and selling that take place on the website and the traffic generated in the process, owners of big search engines like Google place adverts there, for which they pay..

This model raises questions as to whether a merchant is better off financial and otherwise when he hosts his own stand-alone e-commerce storefront or better compensated when he partners with a third party marketplace, a comparison of the pros and cons associated with each, either in the short or long term. Or would a combination of both be in the best interest of the merchant. All of these boil down to management of the business, fulfillment of orders, payment processing, shipping and questions about customer data base, opportunities for repeat orders and branding.

Other issues that are looked into include the category of products that are shipped cost effectively, either by the third party market place or on the stand-alone e-commerce site.

1.4 LIMITATION

A major limitation for this study has to do with fact that, though significant research work has been carried out in the developed nations of the world on e-commerce, the same cannot be said for West Africa especially Nigeria. Therefore sourcing for relevant literature from Nigeria and West Africa proved to be a challenge.

Secondly, tracking managers of third-party marketplaces and getting them to submit to interviews proved challenging. They appeared very busy and unwilling to be engaged in any extended periods to provide exhaustive answers to the researcher's questions. They were not willing to volunteer a list of retailers on their platforms so that the researcher would hand out questionnaires to them.

1.5 THE SIGNIFICANCE OF THE STUDY

The significance of this study on the opportunities and challenges associated with the adoption of third party e-commerce marketplace as against traditional advertising and marketing approaches for a regular brick and mortars business is not only to advance the frontiers of knowledge for academic purposes. This study will serve as a reliable reference material for the benefits of entrepreneurs, practitioners and social media consultants who are contemplating leveraging e-commerce to extend the marketing reach of either their companies or that of their clients for higher profits and consequent expansion.

This study will provide answers to business management issues, third party marketplaces as against stand-alone e-commerce storefront, fulfillment of orders, payment processing, shipping and branding.

For the retailer gearing up to adopt e-commerce to extend his marketing reach and garner higher profit margins, this study will provide him with the detailed information to guide his decision.

The scholar, on the other hand, will not only see this as an addition to the body of knowledge but also a fertile ground from which he could generate more research topics such as ;E-commerce and Logistics, E-commerce and Branding, E-commerce and Traditional Marketing.

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