Challenges Militating against Adoption of Online Shopping in Retail Industry in Nigeria

Aminu, Suraju Abiodun
Doctoral Research Student
Department of Marketing
Lagos State Polytechnic, Isolo Campus, Lagos State.
E-mail:asabiod2001@yahoo.com
+2348033489517

Abstract

The Internet has revolutionized the way socio-economic activities are conducted globally. One of such activities is shopping. The Internet has revolutionized the way shopping is done. The traditional shopping of visiting the store is fast being displaced by online shopping, especially in developed countries, where many customers shop online. However, the pace and rate of online shopping is slow in Nigeria despite the rising population of the Internet users. The objective of the paper was to examine the challenges of online shopping in retail industry in Nigeria. Being a theoretical paper, data were obtained mainly from secondary source. Some challenges were found to militate against adoption of online shopping in Nigeria's retail industry. These include cultural barriers, infrastructure challenge, security concern, perceived risk and inadequate regulatory framework. In conclusion, these challenges have led to the slow adoption of online shopping in Nigeria, and based on this it was recommended that e-tailers should embark on advertising campaign to break the entrenched traditional shopping habits of Nigerian consumers; governments should sensitize the general public on the importance and benefits of the Internet adoption; government, should partner with the local PC manufacturers to make PC ownership affordable; and should make laws (e.g. cyber crime law) that protect online shoppers.

Keywords: Challenges, online shopping, retail industry, e-tailers, Nigeria, Internet

1. Introduction

Different variables of marketing environment – socio-cultural, legal, political, economic and technological (SLEPT) variables – are dynamic, undergoing frequent changes, and having greater impact on the way businesses are conducted. Of these SLEPT variables, technology has the greatest impact on business activities and is an important source of competitive advantage for many companies across different industries, including retailing. Businesses, to be successful in the dynamic marketplace, must therefore respond to the changes in these environmental factors. For example, Wilson & Gilligan [1997] argued that marketers should match the capabilities of the business with the environmental conditions. Similarly, Pride & Ferrell [2003] suggested that businesses should be proactive and adjust their marketing strategies to fit changes taking place in the environment. Furthermore, Lamb, Hair, & McDaniel [2006] described marketers as adapters rather than agents of change. Consequently, many businesses are responding to the new order in the technology world, the Internet to meet the needs of their dynamic customers. One of these businesses is retailing firm.

Like in developed countries, an increasing number of retailers in Nigeria are adopting the Internet as a platform to make sales; this is known as online shopping. The adoption and use of the Internet (a major technological platform) to facilitate socio-economic activities is growing in all parts of the world, and this growth is poised to continue unabated in coming years. In developed countries, the growth has been very high with the Internet penetration reaching over 75 per cent of the population. For example, statistics indicated that the Internet users grew in the United Kingdom from 15.4 million in 2000 to 52.7 million as at March, 2012, recording 84 per cent penetration rate and in the United States of America, it grew from 95.3 million in 2000 to 245.2 million as at March, 2012, achieving 78.3 per cent penetration rate [Internet World Statistics, 2012]. The growth is even more explosive in Africa but with lower penetration rate. Morocco leads other countries in the region with the penetration rate of 41 per cent. Statistics showed that in Morocco, the Internet users grew from meager 100, 000 in 2000 to 15.7 million in December, 2011; Nigeria's internet growth between 2000 and December, 2011 is also very impressive, rising from 200000 in 2000 to 45 million in December, 2011, with 29 per cent penetration rate [Internet World Statistics, 2012].

With this ambitious Internet statistics, Nigerian consumers can join millions of other consumers in the globe and relish new and exciting online shopping experience. E- Shopping behavior (also called online buying behavior and Internet shopping/buying behavior) refers to the process of purchasing products or services via the Internet. E - Shopping behavior refers to consumer's psychological state in terms of making purchases on the Internet [Singla & Kumar, 2011].

Online shopping, especially in retail environment, enables consumers to visit electronic stores (e-stores), locate and select products, make payment through credit cards, debit cards money transfer, or cash on delivery and get delivery at their door steps. Prices can be compared before purchases by visiting e-stores of two or more competing electronic retailers (e-tailers) or online price comparison websites.

E-stores offer shoppers certain benefits that cannot be offered by brick-and-mortal (physical) stores, and these attract a growing number of consumers to online shopping from all over the world. These benefits are well documented in the extant literature. For example, prior studies have indicated thate-stores offer online shoppers more diverse product choices, individualized (customized) products, service information, shopping convenience, 24/7 shopping, time saving, competitive pricing and privacy [Katole, 2011; Kaufman-Scarborough & Lindquist, 2002; Margherio, 1998; Monsuwe, Dellaert & Ruyter, 2004; Shang, Chen, & Shen, 2005]. Empirically, it was found that 72 per cent of respondents shop online in 2011 for 24 hours service; 66 per cent because online products can be compared easily; 57 per cent for easy delivery; and 50 per cent because of better price [The Nielsen Company, 2011].

These benefits have led to tremendous growth in the number of shoppers who have adopted the Internet as a means of shopping, especially in developed countries, and few developing and emerging countries with high literacy level, supporting infrastructure, high income, and higher penetration rate. For example, a survey indicated that in 2005, at least 85 percent of the Internet users had purchased online in European and North American countries; 96 per cent in Austria; 70 per cent in Asia Pacific; and 74 per cent in South Africa [The Nielsen Company, 2012].

Nigeria and other African countries were not covered by the research for obvious reasons, which may include low Internet infrastructure, high level of illiteracy, cultural barrier, security issues, inadequate regulatory framework, and so forth, all of which have led to the low Internet penetration in these countries, and made adoption of online shopping unpopular among shoppers.

As a result of these challenges, not many Nigerian consumers adopt online shopping. For example, in a survey of online shopping behavior of consumers in Nigeria, only 23.3 per cent had ever purchased goods online; 37 per cent had never visited any online shop; 18 per cent had visited 1 to 2 online shops, 24.6 per cent had visited 3 to 5 online shops, 12.6 per cent had visited between 6 to 20 online shops, and 7.8 per cent had visited above 20 online shops [Ayo, Adewoye, & Oni, 2011]. The statistics isobviously very low compared with numbers of consumers who had shopped online in Europe, U.S., Asia/Pacific and South Africa.

In Nigeria, most of the previous research on the use of the Internet does not focus on the challenges militating against the adoption of online shopping. This research has focused on determinants of Internet use in Imo State, Nigeria [Anunobi1 & Mbagwu, 2009],the moderating role of e-marketing on the consequences of market orientation in Nigerian firms [Asikhia, 2009], e-banking in developing country: empirical evidence from Nigeria [Auta, 2010],effects of electronic banking facilities, employment sector and age-group on customers' choice of banks in Nigeria [Maiyaki & Mokhtar, 2010],business-to-consumer e-commerce in Nigeria: prospects and challenges [Ayo et al., 2011], e-banking patronage in Nigeria: an exploratory study of gender difference [Asikhia, 2011], and the relevance of e-marketing in achieving competitive advantage in the Nigerian banking sector [Aminu, 2011].

In spite of the increasing culture of online shopping in Nigeria, there appears to be no extant literature that has examined adoption and use of online shopping in retail industry in the country. Obviously, this has created a research gap that needs to be filled. Therefore, the main objective of this paper is to examine the challenges militating against adoption of online shopping in retail industry in Nigeria. Importantly, this research makes an important contribution of being the first to address challenges of online shopping in retail industry in Nigeria, thus extending our knowledge of e-marketing. In achieving the stated objective, the paper is organized into three (3) sections. Section two presents a review of related literature; and section three presents concluding remarks and recommendations.

2. Literature Review

2.1 The concept of online shopping

Online shopping has a lot of connotations which are used interchangeably in the extant literature. These are Internet shopping, electronic shopping, and web shopping. Online shopping has been defined by scholars and researchers. On-line shopping is a single, homogenous activity, the selling of goods and services via the World Wide Web (www) [Birkin, Clarke, & Clarke, 2002]. Online shopping is the use of online stores by consumers up until the transactional stage of purchasing and logistics [Monsuwe´, Dellaert, & Ruyter, 2004]. Web shopping is an e-commerce system used by shoppers in the context of business-to-consumer (B2C) or business-to-business (B2B) [Ling, Chai, & Piew, 2010]. These definitions imply that online shopping requires existence of retailers' websites through which shopping is done in a virtual environment devoid of physical contact between sellers and buyers. To attract shoppers to, keep them longer on, and make them return to the sites, e-tailers must design and promote a user-friendly websites. Ultimately, the main goal of online shopping is to provide a platform for shoppers to make exchange of goods and services with retailers.

Previous studies have shown that certain types of goods are suitable for online shopping. For example, it was stated that suitability of the Internet to marketing a product or service depends on the product or service characteristics [Peterson, Balasubramaniam, & Bronnenberg, 1997]. There are two categories of this product.

These products range from computers to compact discs to canned goods and can be evaluated by using text, pictures and other digitally communicable information. This category of products can be purchased online. The second category of products refers to experience products, which consumers prefer to see and touch before purchasing. It includes clothes and groceries [Legard, 1998].

Irrespective of this classification, majority of e-tailers in Nigeria offer a wide range of assorted products and services online and give their customers the benefits of conveniently selecting and purchasing from this range and on 24/7 basis. For example, a survey of online shoppers in Malaysia by The Nielsen Company (2012) found that 55 per cent of people purchased airline tickets and made reservations online, representing the highest; 41 per cent purchased tours or made hotel reservations online; 22 per cent bought computer hardware online; 22 per cent have purchased books online and 18 per cent utilized Internet to buy event tickets.

Nigeria is witnessing upsurge of e-tailers (online stores), who are trying to promote online buying behavior for some of the above mentioned and other products. These e-tailers attract shoppers into their well-crafted web sites and encourage them to do window shopping, locate products, compare prices, make purchase, drop product in e-shopping cart, make payment and get product delivered at their door steps. Some of these e-tailers in Nigeria are

1. www.234world.com offering a range of products including beauty and fragrance, books and magazines, clothing, accessories & shoes, computers, food & drinks, and so forth.
2. www.yesidefashionstore.com offering online fashion store for shopping online for shoes, clothing, bags, watches, jewelries, and all fashion accessories.
3. www.buyright.biz stocking and offering mostly electronic and electrical appliance products such as inverters, UPS, mobile phones, cameras, camcorders, storage devices, notebooks, and so on.
4. www.walahi.com offering online books including a bestseller category.
5. www.awoofshop.com offering assorted products, ranging from mobile phones, books, clothing, video games, computers, etc. and
6. www.taafoo.com offering fashion products such as shirts, trousers, shoes, belts and spectacles both for male and female customers.
7. www.glamour.com.ng dealing in perfume, jewelry, sunglasses and beauty products.
8. www.jumia.com.ng stocking and selling women's clothing, women shoes, men's clothing, men's shoes, watches & sunglasses, health & beauty products.
9. www.egoleshopping.com offering books, confectionaries, electronics & appliances, groceries, health & beauty, music & movies.
10. www.konga.com dealing in clothing, phones, computer & electronics, watches, books & stationery, music, movies & games, home & kitchen.
11. www.mannastores.com selling babies/kids, electrical, home/kitchen, motors, sports and women products.
12. www.onstentationclothing.com specializing in dresses, pant & leggings, shirts, hand bags, shoes and perfume. With improved Internet infrastructure and penetration in the country, there is prospect for more e-tailers' presence in the Nigeria's cyberspace. However, little or nothing is known about these e-tailers in the country. This is because many of them hardly promote their websites to attract shoppers.

2.2 Challenges of Online Shopping in Retail Industry in Nigeria

The low adoption of the Internet to make purchases in retail stores by Nigerian consumers may be attributable to some challenges discussed in this section. The literature is deluged with number of challenges militating against the adoption of the Internet, especially in developing countries [Aminu, 2011; Ezeoha, 2006; Rogers, 1995; Williams, 2002].

Cultural Barriers

The use of the Internet for shopping is culture bound and, therefore culture influences its adoption from one country to another.This view is corroborated by Rogers (1995) who explained that the degree of compatibility of the information technology and its various uses with the values and norms of a social system influences its diffusion pattern in that social system. Suki, Ahmad, & Thyagarajan, (2002) have also indicated that one of the obstacles which limit the development of e-commerce locally is related to the culture or the behavior of customers when it comes to buying goods and services through credit cards.

In Nigeria, the Internet is not compatible with the retailers' culture of selling through physical stores and consumers' entrenched behavior of physically visiting the stores, touching, feeling and comparing products before actual purchase is made. For example, a research finding revealed that inability of consumers to inspect a product prior to purchase hinders ecommerce adoption in Malaysia [Al-Fadhli, 2011]. Also the culture of making payment for goods purchased via credit cards also constraints online shopping in Nigeria. All these are perceived by Nigerians as a Western culture that is alien to us. For example, Aminu [2011] observed that a large number of Nigerians are illiterates and even among the few literates, many are computer illiterates and this has significantly affected their attitude to computer and the Internet usage.

There is a correlation between the level of literacy of a country and its Internet penetration. A recent survey correlated the Internet penetration rate with the literacy level of countries. For example, it was reported that Iceland with literacy rate of 99 per cent has a penetration rate of 97.8 per cent; Norway with literacy rate of 99 per cent has a penetration rate of 97.2 per cent; Sweden, also with literacy rate of 99 per cent has a penetration rate of 92.9 per cent; Luxembourg with literacy rate of 99 per cent has a penetration rate of 91.4 per cent; and Greenland with literacy rate of 100 per cent has a penetration rate of 90.2 per cent [Internet World Statistics, 2012]. Kim & Ammeter[2008]also opined that effective online shopping requires that the consumer must be relatively familiar with computers and how to navigate the Internet. In line with this, Global E-schools and Communities InitiativeInternet [GESCI, 2012]noted that e-tailers target a specific age group, called "the Net-generation, which is made up of individuals (Net-geners) born between 1977 and 1997.

Infrastructure Challenge

This is another major challenge militating against rapid adoption and continued use of the Internet to do shopping in the developing countries, including Nigeria. According to GESCI [2012] infrastructure refers to the hardware or equipment, software applications and services associated with ICTs, including telecommunication and electricity, grid networks [Fleenor & Raven, 2003]. From this, infrastructure challenge can be categorized as: the challenge of personal computer (PC) penetration, the challenge of access to the Internet, the challenge of electronic payment and the challenge of electricity supply.

To start with, the effectiveness of the Internet as a veritable tool of marketing depends on its availability, operational efficiency and performance. Unfortunately, all this is lacking in Nigeria's technology industry.

According to Fleenor & Raven [2003]; Nizamuddin & Khalid [2001] PC penetration is the most important indicator of readiness for e-business and ownership of PC is also related to income. It has also been empirically validated that there is a direct relationship between PC penetration and e-commerce in the U.S. and Europe [Singh, Jayashankar, & Singh, 2001]. In Nigeria, where majority of people are poor and uneducated, ownership of PC is very low, and this constitutes a serious barrier to PC penetration.

The second infrastructure problem is the access of Nigerians to the Internet. Access to the Internet, is by and large, a function of telecommunications infrastructure.

Higher PC penetration and functional telephone system obviously increase consumers' access to the Internet. According to Heeks [2002] inadequate infrastructure plays a key role in impeding the e-business. Issues such as access to Internet services, including the hardware and software, as well as the communications infrastructures, remain serious obstacles to e-business in the developing countries. Access to the Web is possible only when telephones and PCs are available, but these technologies are not adequately supplied in developing nations. Specifically, Asikhia [2009] noted that generally, electrification of business enterprises has been hindered largely by the Nigeria's underdeveloped and unreliable fixed line infrastructure.

In addition, Odedra-Straub [2003] argued thatinternet access is still very costly - both in absolute terms and relative to per-capita income in these countries. He noted that while PC prices have fallen dramatically over the last decade, they remain beyond the reach of most individual users and enterprises in developing countries.

In a recent survey in Nigeria, the Internet usage of respondents showed that 51.4 per cent had fair access to the Internet, 27.9 per cent accessed very often and 20.7 per cent always had access to the Internet. Public Café carried 22.6 per cent of internet sources of the respondents, 33.0 per cent had private means of connecting the internet and 44.4 per cent accessed the internet while in the office [Ayo et al., 2011].

Thirdly, electronic payment system in Nigeria is not well developed, and also discourages online shopping. In countries where online shopping is very popular, the use of credit cards to settle payment is well established and used. In Nigeria, only few banking customer have and use credit cards. For example, Efendioglu, Yip & Murray [2009] opined that few people in developing countries have credit cards and most banking sectors in developing countries lack a national clearing system and potential customers are suspicious of being cheated. A research finding validated this position, with a result that 37 per cent of the respondents used credit cards (Visa Card and Master Card) to settle payment in Nigeria while 56 per cent used automatic teller machines [ATMs, Ayo et al., 201141]. Finally, the problem of electricity supply to power other telecommunications and Internet infrastructure also restrict uninterrupted access to the Internet. In this regard, Fatunde [2012] stated that poor electricity supply is a major impediment to the operation and growth of information and communication technology in Nigerian universities.

Fraud and Security Concern

Another serious impediment to the adoption of the Internet to make transaction in the retail industry is security concerns by the prospective and actual shoppers. Security is defined as a set of procedures, techniques, and safeguards designed to protect hardware, software, data, and other system resources from unauthorized access, use, modification, or theft [Davis, Bagozzi, & Warshaw, 1989].

In a recent study, it was reported that the development of online shopping has been slowed by some factors, including online shoppers' concern regarding fraud and security. It was indicated that lax computer security can make hackers to have access to a vendor websites and steal names, addresses and credit card numbers of their customers. Phishing is also noted as a concern, where consumers are fooled by a website designed to look like a legitimate online vendor into giving up their details [Master Card, 2008]. Another study showed that fear of online credit card fraud has been one of the major reasons customers have not done more extensive online buying [Ratnasingham, 1998]. Similarly, Lee & Turban [2005] lamented that consumers cannot physically check the quality of a product or monitor the safety and security of sending sensitive personal and financial information while shopping on the Internet.

From the foregoing, security challenge is a real one that should be tackled headlong to encourage more Nigerian adopt online shopping.

Online shopping relies heavily on the use of Credit Cards to make payment, and online shopping can be promoted to reduce the amount of cash shoppers carry in this cashless era. According to Ojomuyide [2012] online shopping is just one way Nigerians can reduce their dependence on cash payments. In Nigeria, many users of electronic platforms such ATMs, Mobile phone, and Credit cards have lost several millions of naira to e-fraudsters.

Perceived risk

This challenge stems from the factor of fraud and security. As users interact with a new technology, they will learn the usefulness as well as the risks associated with the technology. Torkzadeh & Dhillon [2001] defined perceived riskas an assessment of uncertainties or lack of knowledge about the distribution of potential outcomes.

In the opinion of De Ruyter, Wetzels,& Kleijnen [2001] perceived risk is a major challenge to the growth of e-marketing. They argued that while there are other factors affecting consumers' adoption behavior on the Internet, perceived risk is abarrier to the repatronage and purchase on the Internet. Salisbury, Pearson, Pearson, & Miller [2005] also shared this viewpoint, claiming that perceived risk may influence the attitude and behavior of consumers towards the Internet services. In the case of purchasing on the Internet, it is possible that consumers may perceive disclosing their credit card information as risky, and they have no control over this [Abhamid & Khatibi, 2006]. There is the risk that the supplier may not satisfactorily deliver the goods ordered. The goods may be inferior, incorrectly selected, and may never arrive [Tian, 2000]. Uncertainties about how customers' financial information is treated by e-tailers will increase perceived risk associated with online transactions, and reduce their willingness to adopt online shopping.

Inadequate regulatory framework

With the advent of the Internet many developing nations have not amended their laws to accommodate rights, obligations and responsibilities of the providers and users of the Internet services, and how redress can be sought and obtained in the court of competent jurisdiction, thus making it difficult for shoppers to get redress in case of injury.

This has created doubts and distrust in the mind of potential and actual shoppers, and therefore, slowed down adoption of online shopping in these countries. For example, Alghamdi, Drew, & Alhussain [2012] argued that non-existence of an e-commerce law contributes to the distrust in the online environment in terms of conducting purchase transactions. Similarly, Li, Yadav, & Lin [n.d.]claimed that without the existence of the sufficient control of regulation, personal information of each customer may be used without their knowledge and consent.

For this reason, Zhu [2006] advocated for a more conducive regulatory environment in developing countries than in developed countries in adoption of innovation. Thomas & Forcht [1998] expatiated that in the absence of laws regulating use of the Internet, shoppers will not be certain of who bears the liability in case of a financial loss, especially in online environment, where it may be difficult to locate the online service providers. Organized crimes have increased in line with the increased use of Internet. Hence in a country like Nigeria where cases of fraudulent uses of Internet are rampant, regulating Internet usage becomes not only a national concern, but also attracts some international attentions. However, the capacity of the existing regulation to adequately address the complexities created by this in Nigeria remains very doubtful [Ezeoha, 2006].

3. Conclusion and Recommendations

The growth of the Internet is very high in developed country and even explosive in some developing countries, including Nigeria. For example, the population of the Internet users in Nigeria grew from 200,000 in 2000 to 45 million in December, 2011, achieving 29 per cent penetration of the total population. However, Nigerian consumers are not exploiting the Internet to make purchase in the retail stores despite the rising population of the Internet users and the upsurge in the number of e-tailers in the country. The low adoption of the Internet as a shopping tool has been empirically validated in Nigeria, with the result indicating that only 23 per cent of the respondents shop online. The challenges militating against online shopping adoption are cultural barriers, infrastructure challenge, fraud and security concern, perceived risk and inadequate regulatory framework.

In light of the conclusion above, it is pertinent to make the following recommendations to enhance rapid adoption and diffusion of online shopping in Nigeria:

1. Breaking the yolk of cultural barrier requires an advertising blitz by e-tailers. A massive, multi-media advertising campaign that positions online shopping as an efficient and effective alternative to the traditional shopping, and which demonstrates the various benefits of online shopping can help change the current entrenched brick and mortal (physical) shopping habits of many Nigerians.
2. Nigerian governments, at all levels, should sensitize Nigerians on the importance and benefits of adopting the Internet in all facets of our life and not only as a tool of shopping. The ongoing campaign aimed at encouraging Nigerians to adopt e-payment and carry less cash is a step in the right direction.
3. As part of initiatives to achieve a higher penetration rate of the Internet government, through partnership with the local manufacturers of PC, should make PC ownership affordable to all and sundry.
4. Though the costs of Internet connections have reduced substantially, further slash in the acquisition costs and service charges by the Internet Service Providers (ISP) and telecoms companies should be encouraged through appropriate incentives by government to the providers of Internet service.

5. As a way of reducing costs of doing business in Nigeria and further achieving reduction in the price of the Internet service, federal government should improve the current epileptic electricity supply in the country.

6. To address the fraud and security challenge, e-tailers should develop a comprehensive privacy policy for their customers on the disclosure of personal information in order to reduce their concerns for security matter. The policy should clearly state that the information collected would be kept confidential and not shared or passed on to another party without their consent. They should also provide a guarantee for shoppers to remove their personal information from the e-tailer's database.

7. To reduce the perceived risks by, and assure and reassure the shoppers, e-tailers should be sincere and honest enough o provide on time delivery while delivering the exact products shoppers have ordered and paid for.

8. To further allay the shoppers' fear and apprehension, federal government should immediately set in motion the process that will lead to the promulgation of relevant laws (cyber crime and other laws) that will protect the various users of the Internet in the country, especially the consumers.

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