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## BUILDING COMPETITIVE ADVANTAGES THROUGH E-COMMERCE AND DIGITAL ECONOMIES IN DEVELOPING COUNTRIES, THE NIGERIA EXAMPLE

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E-Commerce, an opportunity window for economic growth inclusion through global trade without borders, is an evolving concept in the developing countries as Nigeria and the rest of Africa subcontinent. Realising ecommerce potentials for expanding the space for micro, small and medium scale enterprises' (MSMEs) growth and related job creation, there is a general consensus in this part of the global community that adopting an e-commerce strategy is the best way to leapfrog from traditional buying and selling methods to that of global trade reach and competitiveness.

In line with the ecommerce strategy and the huge socio-economic impact it portends, developing countries are making efforts to create the enabling environment to help the industry evolve seamlessly for maximum impact. From legislation to infrastructural upgrade, there are evidences that member nations in the developing world are making significant effort to entrench e-commerce in the national economic growth agenda. Consequently, there are reasonable predictions (McKinsey, a management consultancy) that ecommerce growth potentials for Africa for instance, is not only expected to become big business, but the continent being on track to generate yearly e-commerce sales of \$75bn by 2025.

Part of the government effort in the Nigeria experience was the articulation of an ICT vision in 2009 within the overall Nigeria Vision 20-2020 aimed to catapult Nigeria to the league of first 20 global economies by year 2020. To actualize the ICT vision, the country created the Ministry of Communication Technology (2011) to lead the implementation process. The mandate of the Ministry amongst others is to facilitate universal, ubiquitous and cost effective access to communications infrastructure throughout the country and ensure ICT contribution to increased trade volumes through e-commerce. Considering e-commerce and the important role of internet access in the mix, the Ministry through the relevant agencies has encouraged entry of major mobile network operators (MNOs) in the country in broadband provisioning including 3G and 4G technologies. The MNOs companies operate easily by providing the necessary interconnectivity required for e-Commerce to fully take root. The MTN, Airtel, Glo and Etisalat (9mobile) have since pitched their tents as major broadband service providers deepening the internet access penetration and increasing the e-commerce potentials of Nigeria.

Today, internet access penetration according to Jumia Report (2017) in Nigeria is remarkably at 53% with about 92 million Nigerians now enjoying access to the internet. The mobile subscriber lines at 153 million as at 2017 is equally a significant ratio within a population of 172million. The country is also known to have a predominantly youthful population as digital residents, with potential appetite for ecommerce transactions.

Currently, e-Commerce is contributing to the growth of the Nigerian economy and also creating jobs. According to the National Bureau of Statistics (NBS), over 12,000 jobs have been created on ecommerce related employment alone and over 2000 ecommerce focused business entities are operating in the country at present. From the Ministry of Communication, the Statistics are that the ICT industry on line consumption directly contributed 10% to Nigeria's 2013 Gross Domestic Product (GDP). The Ministry also believes that from the present \$12 billion contribution, online consumption could be worth about \$154 billion by 2025.

Other significant areas of e-commerce support and promotion effort of the government of Nigeria include the enactment of Electronic Evidence Act (EEA) that has provided for admissibility of digital evidence in the law court; there is the Cybercrime Act of 2015 that carries very stiff penalties for cyber related crimes including acts that are considered threat to national ICT infrastructure, identity theft, intellectual property rights violations, criminal hacking, child pornography, stalking and bullying, cybersquatting and Xenophobia; there is the Copyrights Act 2004 for protection of intellectual property; the government has also embarked on upgrading of network of roads infrastructure and expanding power supply output across the country, since ecommerce transactions depends on steady power supply and some do require product delivery to the last mile by road.

The banking reforms that ensured full disclosures of transaction details to relevant regulatory agencies and the requirement that each bank should know its customers well, thus leading to banks requesting full biometric identity update of customer records is also significant. The later has led to more flexibility for banks to develop product offerings and bring convenience to the customer with electronic payments options enabled in partnership with MasterCard, Visa, InterSwitch, e-Transact and other payment gateways. Part of the reform effort was the establishment of the Economic and Financial Crime Commission (EFCC), an agency of government that not only ensures transparencies in financial transactions end-to-end but also to check money laundering activities in the Nigerian financial system.

The challenges facing the country in exploiting ecommerce for maximum economic impact are however daunting but not insurmountable especially when pitched against current government efforts and its willingness to partner with organised private sector. There is the problem of high cost of bandwidth access, thus affecting the ability to access the internet for ecommerce transactions. At the customer search and ordering stage for goods and services involving internet access, the cost of subscribing for bandwidth (\$210 per Mbps per month) in Nigeria is considered very high when compared to average house hold income in the country.

There is the problem of inadequate roads network while some of the existing ones need urgent rehabilitation. Critical amongst the road networks are the ones linking the major cities and state capitals in the country. For some of the cities in the country that lack development control and has no GIS mapping

for proper location addressing, achieving easy movement of ecommerce related orders to destinations at minimal cost is a challenge. Power supply has also not been adequate and poor quality of service on telecommunication networks access provision are impacting the growth potential of Nigeria's e-commerce market. For the entrepreneurs, having access to favourable loans in the financial system can be frustrating. Yet, there are major success stories from key players in the market place on how they are coping with the situation and suggestions that could advance the industry in significant way.

Konga and Jumia are two key players amongst the thousands registered to do business in the industry. They proud themselves on creating innovative solutions to overcome the challenges of operating in the Nigeria environment. Konga's response was the launching of an ambitious warehouse infrastructure project called Fulfilled by Konga, aimed at providing substitute for the delivery bottlenecks. As part of the initiative Konga is set to double the size of its main distribution centre in Lagos to 120,000 sq ft in 2017 and embark on a country-wide scheme to build fulfilment centres in Abuja and Port Harcourt. "Nigeria's lack of infrastructure has really been a hindrance to all ecommerce companies in Nigeria, not just Konga. We are all operating and, essentially, trailblazing a new industry. We are attempting to bring millions of consumers who are used to only shopping offline, online. This is no mean feat," says Shola Adegoya, Konga chief executive.

Some of the other concerns of the players in the industry have been that many Nigerians do not feel secure (for lack of awareness) in making payments online and prefer to pay cash on delivery, with the relatively low number of credit and debit cards in the system further curbing online purchasing. They noted that Nigeria lacks comprehensive address records, which increases the number of delivery mistakes and delay packages from arriving at their correct destination. "Timely and affordable deliveries are central to the business model and Nigeria's poor transport infrastructure and unreliable power supplies are key impediments to achieving that", has also been expressed.

There is this overall notion that e-commerce companies will not find it easy to overcome the infrastructure hurdles, despite the fact that such difficulties are to be expected in an industry that is creating a path for itself from scratch. There are no quick fixes, neither are there off-the-shelf ecommerce implementation solutions that a developing country like Nigeria can use. It requires creative solutions, public private partnership on addressing infrastructural gaps, checking fraud and cyber security breaches, and a legal framework for resolving problems around cross-border payments and tariffs.

**PROSPECTS:** The prospects of Nigeria's role in expanding the ecommerce space in the Africa subregion are high. The population of 172 million underserved residents of the country is significant. Strong capital injections in the Nigeria's e-commerce scene will improve infrastructure availability and provide access. Even relatively small advances will reduce costs for e-commerce businesses, make prices more competitive for consumers and increase online shopping uptake. A strong legal and regulatory framework

already exist that should give confidence to the consumers that their rights are protected. The rest would be to create massive awareness on the link between value-adding roles of ecommerce to economic prosperity of the country and improved quality of life of the individual.

What do developing countries need in order to build competitive advantages through e-commerce and the digital economy? With Nigeria as a typical example, the developing countries need:

1. Affordable and secured broadband access to the internet so that more residents of the population can participate in the digital economy,
2. Strong legal and regulatory frameworks to check fraud and abuses on privacy and intellectual property,
3. An efficient and secured electronic payment mechanism for goods and services that build trust,
4. Efficient road infrastructure network for safer and cheaper delivery of goods, and
5. Massive awareness creation on e-commerce value adding role in improving the quality life.

What can developing countries do in order to strengthen their physical and technology infrastructure? The countries need to:

1. Prioritise budgetary expenditures and max out the possible allocation to their physical and technology infrastructure needs in relations to their e-commerce objectives,
2. Explore the public private partnership in the injection of funds to improve on infrastructures,
3. Fight corruption in public life, and
4. Create awareness on the role of ecommerce in national economic growth agenda.

How can developed countries partner with developing countries, in the most impactful way, to maximize opportunities and address challenges relating to ecommerce and the digital economy? The areas of impactful partnership will include:

1. Injection of funds through public private partnership channels for physical and technology infrastructure improvements,
2. Provision of grants for promising young entrepreneurs ecommerce start-ups,
3. Technical support in drafting legal and regulatory frameworks that guide mutual agreements on cross border e-commerce transactions,
4. Help in fighting corruption by discouraging the use of developed countries as safe haven for proceeds of loots on national treasuries.

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