

Olabisi Titiloye

NIGERIAN E-COMMERCE MARKET RESEARCH
(Business to Consumer Market)

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NIGERIAN E-COMMERCE MARKET RESEARCH (BUSINESS TO CONSUMER MARKET)

Titiloye, Olabisi

Satakunnan Ammattikorkeakoulu, Satakunta University of Applied Sciences

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Supervisor: Blue, Riitta

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The purpose of this thesis was to study and understand the e-commerce market in Nigeria to generate information needed to know what is going on in the Nigerian e-commerce market.

The research started by looking into the research theories and then to the research methodology. The theory of the research work is e-commerce, the theory contained brief history on e-commerce, e-commerce growth and the benefits of e-commerce. Analysis tools such as the market research analysis tools (PESTEL analysis) and SWOT analysis was also introduced theoretically in this part. The research method used was a desk research and an inductive approach was used to observe and study the data collected in the empirical part of the research. The data was collected using secondary data method and the data collected was used to analyse the e-commerce market in Nigeria.

The final part of the thesis was the empirical part, it contained the information gathered about Nigerian e-commerce market such as; e-commerce in Nigeria, electronic mobile commerce in Nigeria and the e-commerce company in Nigeria. The PESTEL analysis of the Nigeria e-commerce market was carried out to analyse the e-commerce market. SWOT analysis was carried out to analyse the strengths and weaknesses of a potential new company in the Nigerian e-commerce market and the opportunities and threats in the Nigerian e-commerce market for a potential new company. Internet data was gathered to analyse the internet usage and internet penetration in the country. The information gathered was able to answer the research questions and the findings/results from the mentioned analysis was studied and used to reach the research objectives.

Base on the findings and analysis in the empirical part, the conclusion was drawn that the e-commerce market in Nigeria is continuously growing. Although there are existing barriers and challenges in the e-commerce market, the market is still promising. The e-commerce market is quite young but has shown positive trends and growth.

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1 INTRODUCTION

As a business student, I'm looking forward to starting an e-commerce business in Nigeria as internet usage is rapidly growing in the country in the last decade. The use of internet to carry out business activities in Nigeria has experienced a tremendous growth and has not reach its full potential yet, as of 2016 only 46% of the population is recorded to have access to internet facility and over 50% (estimated) of the people with internet access are e-commerce consumer (business to consumer market). This research is useful for entrepreneurs and start-up business owners looking forward to entering the e-commerce market in Nigeria, as this research will generate the necessary information needed to understand the market by investigating the Nigerian e-commerce market.

Electronic commerce provides opportunities to both developing and developed countries. The use of electronic platform and the internet can make the process of initiating and doing business easier, faster, and less expensive. The research will analyse the e-commerce market in Nigeria by using the PESTEL analysis as a tool to make a feasibility study of the market. The main idea of making the feasibility study is to analyse the e-commerce market in Nigeria, to have a clear and full understanding of the market. The research will analyse the e-commerce market in Nigeria by using the PESTEL analysis as a tool to consider the political, economic, social, technological, environmental and legal factors surrounding the e-commerce market in Nigeria. The result derived from the analysis will be used to generate information needed for broad understanding of the e-commerce market in Nigeria and to draw conclusion and recommendation.

The research consists of the 3 main parts: theoretical, methodology and empirical part. In the theoretical part, the researcher depicts the available scientific literature on e-commerce, the growth of e-commerce, the benefits of e-commerce, market research (using PESTEL analysis). The literature review collects qualitative data that is analysed and evaluate, which will give the researcher a background knowledge about

e-commerce and e-commerce market in Nigeria. The methodical part describes the main methods used in the research such as the research method, research design, research approach and the data collection method. The last part which is the empirical part of the research presents the data gathered for the analyses of the e-commerce market in Nigeria. The data analysis used to investigate the e-commerce market in Nigeria is described in this part, the data collected are presented and also the interpretation of the results from the analysis.

2 RESEARCH PURPOSE AND OBJECTIVES

2.1 Research Purpose

The purpose of the research is to understand today's business environment in the e-commerce sector in Nigeria. To identify the impact of e-commerce on start-up businesses. The research will investigate the trend and growth of e-commerce in Nigeria. The research will make a feasibility study in the e-commerce market in Nigeria. In other words, the research will help any new entrepreneur looking into Nigeria e-commerce market.

2.2 Research Objectives

The main objective of the research is to analyse the e-commerce market in Nigeria to generate the information needed to know what is going on in the e-commerce market in Nigeria.

When the information needed has been gathered, it will serve as a handbook for entrepreneurs to determine the possibility of entering the e-commerce market in Nigeria. The research will analyse the e-commerce market in Nigeria and determine the openness of the e-commerce market.

2.3 Research Questions

The research questions that need to be answered;

1. What is the trend of e-commerce in Nigeria?
2. How is the growth of e-commerce in Nigeria?
3. What are the barriers and opportunities in the Nigerian e-commerce market?

The above questions must be answered at the end of the research work to be able to satisfy the aim and objectives of the research. When the questions are answered, the researcher and any entrepreneur will be able to use the generated information in the research for future entry into the e-commerce market in Nigeria.

2.4 Conceptual Framework

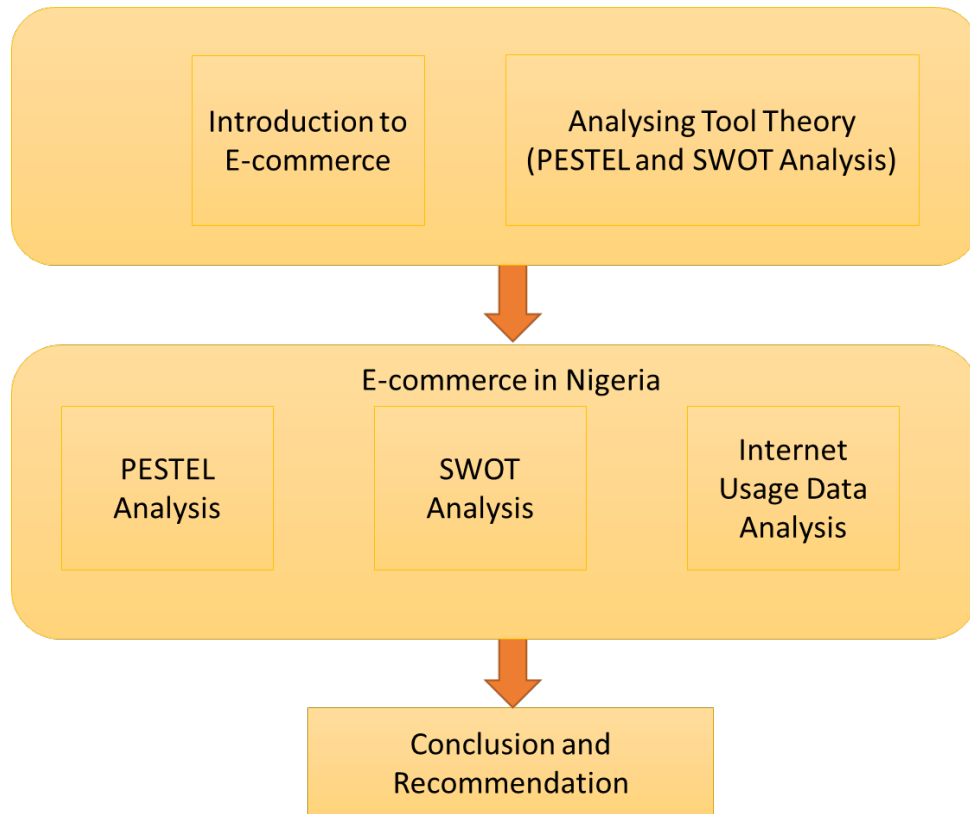


Figure 1: Conceptual Framework of the Research

The conceptual framework of the research is based on using the PESTEL analysis to analyse the Nigerian e-commerce market environment. There are four levels in the conceptual framework, the first and second level represent the literature review of the research. The literature review contains information about e-commerce, e-commerce market in Nigeria, e-commerce growth and PESTEL analysis. The information collected from these levels will be used to reach the third level of the conceptual framework of the research, which is analysing the e-commerce market using PESTEL

analysis as the tool. The last level consists of the interpretation of the analysis, conclusion and recommendation.

2.5 Boundaries and Limitations

The research will not discuss about detailed business model canvas, business plan, and risk management. There would be no detailed information on how to start an e-commerce business, taxation, tariffs, trade rules, regulations and barriers.

In this research, I will not discuss about financial report of mentioned e-commerce companies, company's confidential details will not be discussed or disclosed except where necessary.

2.6 Ethical Issues

The ethical issues related to the research are the confidential information gathered for the purpose of the research from the respondent. Confidential information of the companies mentioned will not be disclosed in the research, but all data collected will be used only for reaching the purpose of the research. The data collected will be analysed to obtain the purpose for the research only and not for any other purposes.

The ethical issues will be handled according to OP07B Agreement on the preparation of a bachelor's thesis.

3 INTRODUCTION TO E-COMMERCE

The introduction of e-commerce was 40 years ago and still growing until today. E-commerce continues to grow with innovations, technologies and thousands of businesses entering the online market each year. The convenience, safety, and user experience of e-commerce has improved exponentially since its inception in the 1970's.

Gary P. Schneider described electronic commerce as business activities that mainly rely on internet technology to function, and internet technologies consisting of three different things, which are the internet, the World Wide Web, and wireless transmissions on mobile telephone networks (Schneider 2011, 4).

3.1 E-commerce Timeline

From 1960 to 1982:

An English innovator Michael Aldrich who is an innovator and entrepreneur is credited with developing the predecessor to online shopping. He came up with the idea during a stroll with his wife and dog when Aldrich was lamenting about their weekly long journey for shopping at supermarket. The conversation sparked an idea to hook a television to their supermarket to deliver the groceries. Aldrich planned and implemented his idea right after the discussion. In 1979, Aldrich created what he called teleshopping (meaning shopping at a distance), by connecting a television set to a transaction processing computer with a telephone line. The development of the Electronic Data Interchange (EDI) was achieved by paving way for electric commerce. By using digital transfer of data from one computer to another, EDI replaced traditional mailing and faxing of documents. Business partners transfer orders, invoices and other business transactions using a data format that met the ANSI ASC X12, which is the main set of standards in North America. The process of EDI is that, first an order is sent, the order is then examined by a VAN (Value-Added Network) and

finally directed to the recipient's order processing system. EDI allowed the transfer of data seamlessly without any human intervention. (Website of MIVA 2019).

From 1982 to 1990:

France launched the precursor to the Internet in 1982, and it was called the Minitel. The online service used a Videotex terminal machine that was accessed through telephone lines. By 1999, there were approximately 25 million users on the network with over 9 million Minitel terminals distributed. The Minitel system peaked in 1991 and slowly collapsed after the success of the Internet in 2002. In 2011, France Telecom eventually announced its shutdown of the Minitel service system without achieving what they hoped it would become, the Internet. It was obvious that business to business online shopping would to be commercially lucrative but business to customer would not be successful. Not until the later widespread use of PC's and the World Wide Web (the Internet). (Website of MIVA 2019).

From 90's to Present:

The idea to build a Hypertext project was modelled after the Dynatex SGML reader licensed by CERN. Tim Berners Lee and his friend, Robert Cailliau published a proposal to build a "Hypertext project" called the "World Wide Web" in 1990. Using a NeXT computer, Lee created the first web server and wrote the first web browser in the same year. The web was debut as a public available service on the Internet on 6th of August 1991. The process of connecting the hypertext to the Internet led Berners Lee to developing the URL, HTML and HTTP. In 1991, when the National Science Foundation cancelled its restrictions on commercial use of the NET, the Internet and online shopping experienced a remarkable growth. In September 1995, the National Science Foundation began to charge a fee for the registration of domain names. Within the period of 3 years after the National Science Foundation lifted the restriction, the number of registered domain names grew from 120,000 to beyond 2 million. At this point in time, the role of the National Science Foundation in the Internet came to an end and majority of the oversight shifted to the commercial sector. (Website of MIVA 2019).

The 1992 book, Future Shop: How Technologies Will Change The Way We Shop And What We Buy, provided insight and predictions on the future of consumerism.

According to the overview of the book, consumers has found the marketplace to be getting more complex and more confusing to navigate for hundreds of years. Future Shop argued that the introduction of new information technologies, combined with innovative public policies, could help consumers overcome the confusion. This was published in 1992 long before the Internet. Even though the revolution in e-commerce by Future Shop was a prediction, Futures Shop's vision of consumer empowerment still resonates today. There has always been many hesitations and concerns with online shopping from the beginning. But in 1994, the introduction and development of a security protocol (the Secure Socket Layers – SSL) encryption certificate by Netscape provided a safe means to transmit data over the Internet. Web browsers were able to check and identify whether a website had an authenticated SSL certificate and based on that, the web browser could determine whether a site could be trusted or not. SSL encryption protocol is a very important part of the web security and 3.0 version has become the standard for most web servers. (Website of MIVA 2019).

3.2 Defining E-commerce

Gary P. Schneider described electronic commerce as business activities that mainly rely on internet technology to function, and internet technologies consisting of three different things which are: the internet, the World Wide Web, and wireless transmissions on mobile telephone networks (Schneider 2011, 4).

E-commerce involves the use of internet, the World Wide Web, and mobile apps and browsers running on mobile devices to transact business (Laudon 2018, 50).

Argument was made about the misinterpretation of the general definition, Maria Manuela Cruz Cunha and Joao Varajao argued it was very tough to get an accepted definition of e-commerce because writers such as Kim and Moon considered it as a medium of sharing information, goods and services, or funds settlement through telephone lines, computer networks or even any other useful channels while some other writers defined it as distribution of business information, sustaining business relationships and conveying all sorts of business transactions through telecommunica-

tions network. Maria Manuela Cruz-Cunha and Joao Varajao reached conclusion after arguments that the definition is wide so therefore the only acceptable definition for all e-commerce users is regarding it as an aspect focusing on buying and selling exercise, and quite agreed on among the field marketers, scholars and practitioners. (Cruz-Cunha & Varajao 2011, 143; Kim & Moon 1998, 6.)

E-commerce is often thought simply to refer to buying and selling using the internet; people immediately think of consumer retail purchases from companies such as Amazons. But e-commerce involves much more than electronically mediated financial transaction between organisation and consumers. E-commerce should be considered as all electronically mediated transactions between an organisation and any third party it deals with. By this definition, non-financial transactions such as customer requests for further information would be considered to be part of e-commerce. (Chaffey 2011, 10.)

According to the above definitions, e-commerce can be defined as the process that allows business transactions and/or activities such as buying and selling to be carried out electronically with the use of internet. E-commerce might be in form of business to business and business to customers. This research will focus on business to customer e-commerce market in Nigeria.

3.3 The Growth Rate of E-commerce

According to Americommerce, e-commerce is on track to outpace brick-and-mortar growth within the next five years. E-commerce has become a \$220 billion industry, growing at almost twenty percent (20%) per year. Americommerce uses the same data to predict the growth of e-commerce in the U.S. and overseas, which shows the impact of social networks and search on shopping habits and how important retaining customers is for the bottom line. Before 2017, online sales are a \$220 billion industry, and it grew to \$370 billion by 2017. In Western Europe, where the e-commerce market is slightly more mature than the U.S., there's a growth rate of eleven percent (11%), compared to nine percent (9%) for the same five-year period for the U.S. As a

result, e-commerce accounted for up to fifteen percent (15%) of the U.K. economy in 2017. (Website of Adweek 2019).

Search is hugely important for e-commerce, with sixty-one percent of global Internet users researching products online before a purchase. Forty-four percent of online shoppers begin that research with a search engine. In fact, search engines beat social networks by 300 percent in terms of driving traffic. However, user data from social is more telling than that from search. Half of social media purchasing happens within one week of tweeting, sharing, liking or favouriting a product. It may be more worthwhile to market to existing customers, as repeat customers spend three times as much as new customers. Boosting retention rates by a mere five percent can increase profits between 25 and a staggering 95 percent. In fact, a 10 percent improvement in customer retention could increase the overall value of a company by 30 percent. (Website of Adweek 2019).

3.4 E-commerce Sales Worldwide

There is a significant growth in the amount of e-commerce sales globally from 2014 and the growth rate increases year after year. The figure below shows the e-commerce sales globally in US dollars from the year 2014 to 2017 and the sales forecast for the global e-commerce sales from 2018 to 2021.

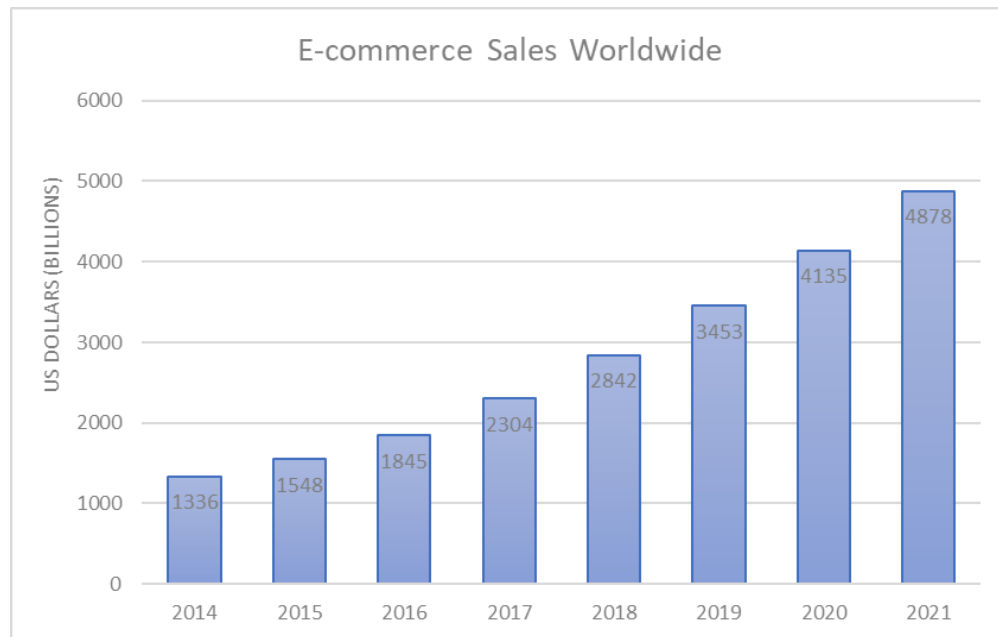


Figure 2: E-commerce sales worldwide (Global retail e-commerce sales 2014-2021).
 Source: Website of Statista 2019.

Note: The sales include products or services ordered using the internet via any device, regardless of the method of payment or fulfilment; excludes travel and event tickets.

In 2017, retail e-commerce sales worldwide amounted to 2.3 trillion US dollars and e-retail revenues are projected to grow to 4.88 trillion US dollars in 2021. The top 3 online stores' revenue amounted to almost 100 billion US dollars in 2017. Online shopping is one of the most popular online activities worldwide, but the usage varies by region - in 2016, an estimated 19 percent of all retail sales in China occurred via internet but in Japan the share was only 6.7 percent. Desktop PCs are still the most popular device for placing online shopping orders but mobile devices, especially smartphones, are catching up. (Website of Statista 2019).

3.5 The Benefits of E-commerce

E-commerce has introduced new opportunities for small and large organisations to compete in the global marketplace. Many commentators have noted that one of the biggest changes introduced by electronic communication is how approaches to

transmitting and transforming information can be used for competitive advantage. The internet also provides significant opportunities for many businesses to build closer relationships with their existing customers and suppliers online to help achieve customer retention. Encouraging use of online e-business services by customers and suppliers can significantly reduce costs while providing a new, convenient channel for purchases and customer services. (Chaffey 2011, 30-31).

There are two ways in which e-commerce will impact the profitability or generation of value of an organisation;

- The potential for increased revenue that arise from the increase in the number of customer base reached and repeat of purchasing from existing customer.
- Cost reduction achieved through delivering services electronically. Reduction includes; staff costs, transport costs and costs of materials.

A government report (DTI, 2000) identified two main categories of drivers which remain relevant today; cost/efficiency drivers and competitiveness drivers. The cost efficiency drivers are; increase speed with which supplies can be obtain and goods can be dispatched. Reduced sales, purchasing and operating costs. The competitiveness drivers are; customer demand, improving the range and quality of services offered and avoiding losing market share to businesses already using e-commerce. (Chaffey 2011, 31-32).

The benefits of e-commerce to organisations includes cost reduction. Organisations are able to process, store and distribute information attached to their business operation at a very low cost and very fast. Also, businesses are able to reach targeted customers and suppliers globally at a reasonable cost since having physical stores across the nation or globally is more expensive than e-commerce space. With e-commerce the organisation can operate at higher speed and productivity level. The e-commerce companies are able to operate 24 hours and provide services to its customers as fast as possible. There is lower communication cost as the internet is cheaper than VAN private lines. (Turban, King, Lee, Liang, & Turban 2012, 67).

The benefits of e-commerce to consumers includes several options to choose from at the same time when shopping online saving shopping time, can compare prices for lower price and can shop anytime from any place. Easy to find the items on e-

commerce stores line and delivery is also fast when shopping for product across borders. (Turban, King, Lee, Liang, & Turban 2012, 67).

E-commerce also benefits the society by allowing the rural areas to share benefits (more services for the poor). E-commerce allows people in developing countries and rural areas to have access to product and services that are not available in their immediate environment, allowing and improving social inclusiveness in those area. (Turban, King, Lee, Liang, & Turban 2012, 67).

4 ANALYSIS TOOLS FOR E-COMMERCE MARKET RESEARCH

As a future player in the e-commerce market in Nigeria, there has to be a full understanding and analysis of the e-commerce to determine the e-commerce growth, the e-commerce sector sustainability, the openness of the e-commerce space, the possibility of future entrant and the profitability of the market space.

PESTEL analysis will be used to analyse the e-commerce sector in Nigeria looking into each factor (political, economic, social, technological, environmental and legal factors) and also there would be a SWOT analysis of the e-commerce market in Nigeria. The tools will be described below for full understanding of the application of the tools.

4.1 PESTEL Analysis

Traditionally, the PESTEL analysis is used as a tool in the external analysis when conducting a strategic analysis or undertaking market research for businesses but it can also be used by organisations to strategically manage different projects. PESTEL is an important tool used for market and environmental analysis and to support strategic decision-making. The PESTEL framework is an analytical tool used to identify the key factors of change in the strategic environment and includes political, economic, social, technological, legal and environmental factors. (Vintila, Filip, & Stan, 2017).

PESTEL, a complementary tool for SWOT, extends the analysis of the external context, analysing in detail certain types of issues that often have an impact on the implementation of the project or initiatives.

1. Political Factors: These factors determine the extent to which a government can influence the economy or a particular field of activity. Political factors include government regulations, such as environmental laws and regulations,

employment, fiscal policy, trade restrictions, political stability, democracy and the level of corruption. (Vintila, Filip, & Stan, 2017).

2. Economic Factors: These factors are determined by the performance of an economy that have a direct impact on the society and produce long-term effects and include economic growth, interest rates, inflation and exchange rates. (Vintila, Filip, & Stan, 2017).
3. Social Factors: These are factors that take into account all the events that affect the community or the area in which the project is being conducted. These factors analyse the social environment and include cultural exigencies, trends, norms, dynamics and population demographics, population health status, and so on. (Vintila, Filip, & Stan, 2017).
4. Technological Factors: These factors relate to technological innovations and concern the level of automation, research and development, technological awareness, etc. (Vintila, Filip, & Stan, 2017).
5. Environmental Factors: These factors include all factors that influence or are determined by the environment, such as climate, geographical location, natural disasters, soil and subsoil characteristics, renewable energies, soil pollution, water sources, the atmosphere, global climate change, etc. (Vintila, Filip, & Stan, 2017).
6. Legal Factors: These factors take into account all internal and external legal issues in activity areas that affect project implementation, such as employment, taxation, resources, the environment, imports and exports, etc. (Vintila, Filip, & Stan, 2017).

4.2 SWOT Analysis

SWOT analysis is used to evaluate the overall condition of a company, it is used to monitor the internal and external market environment by analysing the strengths and weaknesses in the company and the opportunities and threats it may face (Doyle 2002, 86).

SWOT analysis is a common analysis tool to determine the company's market position, "it involves monitoring the external and internal marketing environment" (Kotler & Keller 2006, 52).

From the above definitions, SWOT analysis can be described or define as a tool used to determine a company's competitive position, the SWOT analysis is carried out by identifying the strengths, weaknesses, opportunities and threats of a company. In other word, SWOT analysis is an assessment model that measures what an organisation can do (strengths) and cannot do (weaknesses), and its potential opportunities and threats.

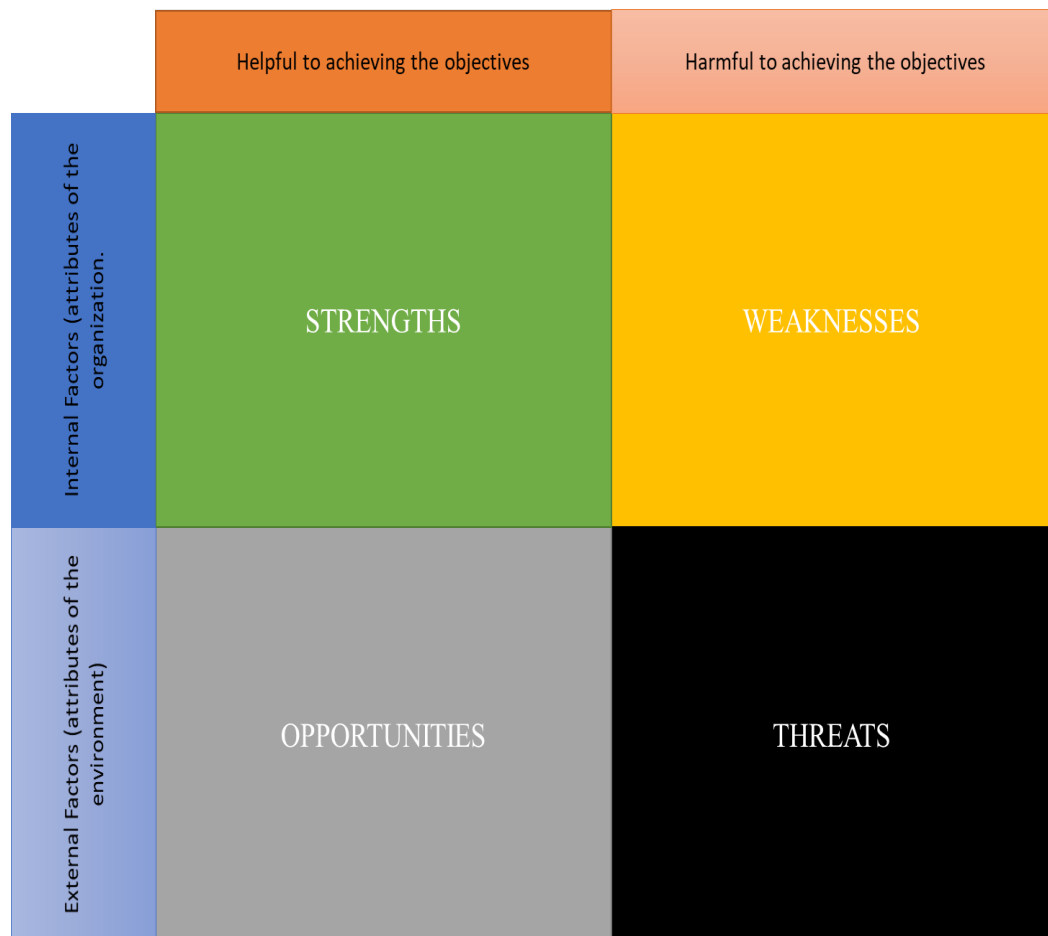


Figure 3: SWOT Analysis

An overview of the four factors (Strengths, Weaknesses, Opportunities and Threats) is given below;

1. **Strengths:** The strengths of an organisation are internal factors, these are factors that the organisation can change, enhance or influence. Strengths are referring to the internal factors and positive capabilities which a company is using to gain efficiency, it cultivates values and gives competitive edge, strengths in a company can be capital, customer's loyalty etc. The strengths are always the factors that are unique to the company and usually within the company's power in the industry, if other companies (competitors) in the market can has same factors or can offer the same feature then it is not a strength to the company. In other word, strengths are company's core competencies or factors that help the company to stand out in the market where it operates. (Kotler & Armstrong 2016, 80.)
2. **Weaknesses:** The weaknesses of an organisation are also internal factors of an organisation but unlike the strengths of an organisation, weaknesses are harmful to the company. Weaknesses are factors that interfere with the efficiency of a firm, they are negative factors and they tend to affect the ability of the company to function normally and reduces it competitive advantage in the market. Just like the strengths, the organisation can also change or do something about these factors by identifying them and trying to eliminate them. In other word, weaknesses are the factors or obstacles that devalue a company in the market where it operates and stops or weaken the company's ability to grow. (Kotler & Armstrong 2016, 80.)
3. **Opportunities:** Opportunities are external factors presented by the environment within which our organisation operates. They are the external factors which the company take advantage of to better their operation and competitiveness. This can occur when there is change within the business environment such as change in market demand, technology, consumer's behavior etc. To be relevant in the market, companies has to constantly be on the lookout for possible new opportunities in the market. In other words, opportunities are external factors which provide a company a favorable condition to develop and grow in the market where it operates. (Kotler & Armstrong 2016, 80.)
4. **Threats:** The second external factor is threats. Just like the literal meaning, these external factors are harmful to the company's operations and are out of the company's control. Threats are totally out of the control of an organisation such as political changes in the market environment, climate change etc.

The company should always be ready and have a strategy plan on how to recover from possible threats in the market. (Kotler & Armstrong 2016, 80.)

5 RESEARCH METHODOLOGY

Research projects have always given some privilege to both undergraduate and post-graduate student to pinpoint and choose a research problem and investigate it independently under the supervision of an instructor. It gives an opportunity to apply theory or otherwise analyse a real problem, also to make findings and analyse more general issues. (Collis & Hussey 2009, 3.)

In this chapter, there will be a semi-structured introduction of how the research is conducted, including gathered information and how results of the study will be analysed. This will enable the researcher to justify the research methodologies which are chosen such as research approach, research method and data collection method.

5.1 Research Approach

The research approach that is used in the research work is inductive approach. Inductive approach is about exploring and developing a theoretical explanation, it is a data driven approach which will enable the researcher to be able to gather data to explore e-commerce and its growth in Nigeria (Pirkanaho 2019).

The data will be collected using secondary data method and from the data collected the researcher will be able to analyse the e-commerce market in Nigeria. An inductive approach allows the researcher to observe and study the data in the empirical part of the research enabling the researcher to understand the e-commerce market in Nigeria and to develop a theoretical explanation to the research questions.

5.2 Research Method and Data Collection

The research method used was descriptive research method and was conducted as a desk research. According to Battelle, desk study is when the researcher takes full ad-

vantage of secondary data (surfing the internet from website to website, books, published reports etc.) to find the needed information. In this research, the internet was used for the information researching, and like Battelle addressed in his book, “Like it or not, you are now in a relationship of trust with your service provider”. (Battelle 2006, 168-169.)

Descriptive research is designed to produce an accurate representation of people, events or situations. The sampling, data collection and analysis are carefully planned. Typical uses of descriptive research include; describing the characteristics of a group, estimating the proportion of people who behave in a certain way. (Pirkanaho 2019).

Descriptive research method is used to describe a situation, subject, behavior, or phenomenon without influencing it in any way. Descriptive research is often described as studies that are concerned with answering the questions of “what is”, associated with a particular research question or problem. Descriptive research involves gathering data that describes events and then organises, tabulates, depicts and describes the data. It uses description as a tool to organise data into pattern that emerge during analysis. Often uses visual aids such as graphs and charts to aid the reader. In other words, descriptive research primarily focuses on describing the nature of a demographic segment, without focusing on why it happens. It is a popular market research tool that allows a researcher to collect and describe the nature of the demographic segment. (Website of Grand Canyon University 2019).

The data collection method that was used in this research was secondary data collection method. Secondary sources consist of data and information that has already been produced and can be contemporary or historical, qualitative or quantitative. The benefits of the use of secondary sources include: can be used to offer general background information, saving of time and money, provide information and give researcher the access to historical data, can be used to set the scene of the research and its findings, it is also useful for putting the research into context, it can be used to prove or disprove a theory or an argument. Secondary sources are data that already exists such as; previous research, official statistics, historical data and information, government reports, mass media information, letters, web information, diaries etc.

The theories used in this research such as; e-commerce market, e-commerce growth and information on e-commerce companies will be gathered from an already existing information from sources such as books, e-books, articles, journal etc., give the researcher a background knowledge and insight about e-commerce and e-commerce market in Nigeria. In addition, the researcher will gather information from the website of some e-commerce companies. The researcher also gathered empirical data from secondary sources that would be analysed, evaluated and used to develop explanations to answer the research questions and to derive a conclusion about the e-commerce market in Nigeria.

5.3 Reliability and Validity

Reliability refers to how confident the findings are. The result of a study show be similar when performed multiple times. Validity is the factual stamp of a research, it comprises of all the resources that come from a credible source. (Snape & Spencer 2003, 78.)

Reliability refers to the confidence level of the findings, the result of the research should be consistent even when the research is performed again by the same author or by another author under the same circumstance (in this case meaning within the same period). Validity refers to how well a research work measure what it's expected to measure. It simply means weather the data is up to date and credible. A result is valid if it measures exactly what it supposed to measure.

As stated above, the researcher firmly stands by the reliability and validity of this research work giving that the research will contain up to date information from reliable sources and a valid result drawn and derived from the information gathered.

6 ANALYSIS OF NIGERIAN E-COMMERCE MARKET

This chapter present the analytical and statistical data that was gathered for the empirical analysis of the research work. There is the presentation of data such as, the PESTEL analysis, SWOT analysis, e-commerce growth, the internet usage in Nigeria; internet users demographics, number of online consumers and e-commerce consumers. All the data gather would be used to analyse the e-commerce market and generate the necessary information needed to understand the e-commerce market in Nigeria. The analysis also will allow readers/entrepreneurs to know the growth of e-commerce in Nigeria. The PESTEL analysis and SWOT analysis also will help us to identify the opportunity that there is for future e-commerce companies that are looking to be part of the players in the e-commerce market in Nigeria.

Therefore, in this chapter the research will focus on the information gathered about e-commerce market in Nigeria. At the end of this chapter the information gathered will be presented, analysed and interpreted to conclude on the level of openness in the e-commerce sector in Nigeria, the possibility of new entry and the sustainability of the e-commerce market in Nigeria.

6.1 E-commerce in Nigeria

Nigeria is an African country located in the western part of the continent with approximately 190,000,000 inhabitants, bordering the Gulf of Guinea, between Benin and Cameroon. Nigeria is Sub-Saharan Africa's largest economy and relies heavily on oil as its main source of foreign exchange earnings and government revenues. The country is rich in natural resource such as; natural gas, petroleum, tin, iron ore, coal, limestone, niobium, lead, zinc and arable land. (Website of Central Intelligence Agency 2019).

Internet usage in Nigeria has continued growing tremendously, although at a much slower pace than voice services. The number of internet users has increase with about 5 million in December 2007, representing a penetration rate of about 5.3 percent, which makes it rise from the 2.9 million figures as of 2005. While the household penetration is low, most of the large towns and cities have internet cafes that service much larger populations. (Radwan & Pellegrini 2010, 84.)

The lack of fiber network with national coverage in Nigeria may have more significant implications for the data market than for the voice market. It was recorded that only 200,000 of the 8 million internet subscribers are thought to be using broadband connections. Large data customers typically require large volumes of capacity, high quality and low prices, which can only be provided on fiber-based transmission networks. Without this, large data users are reliant on wireless technologies, which often have technical and economic limitations. The absence of high-quality transmission capacity on a fiber network inside Nigeria is thus constraining the development of data services and the industries that are heavy users of data services in particular, the information technology and IT enabled industries, as well as electronic government applications. (Radwan & Pellegrini 2010, 84.)

According to the research submitted to the Nigeria Ministry of Communication and Technology in December 2012, the numbers of internet users in Nigeria jumped extra ordinarily from 9 million users to 55 million users which are about 32.8% of the population from 2007 to 2012. In Nigeria, the majority of users access the internet through mobile phones with only estimated 6.1% of the population having fixed line broadband internet access and then again often at speeds below those required for reliable connections to remote servers. Blue-chip corporations mostly based in Lagos, however will benefit much sooner from a growing number of alternatives for various data warehousing needs. (Oxford Group 2012, 232.)

Information communication technology has promoted socio-economic growth especially in the area of internet usage; Nigeria is the most populous nation in Africa also with the largest economy. In the sector of information communication, Nigeria has recently made up for lost time becoming the fastest growing in Africa in the sector in with major telecommunication companies bombarding the sector. (Obong 2012, 10.)

Despite the emergence of Africa as one of the most dynamic regions in terms of ICT growth, the region's absolute numbers, as well as the penetration rates remain low. It remains an impressive run to know that almost all countries in Africa have an internet penetration that is considerably lagging behind the global penetration of 23%. The mobile phone companies made it easier for Nigerians to benefit in the rising population of world internet users through browsing through phone connections. (Afeikhena 2011, 37.)

Recently the federal government of Nigeria put in place many bodies in order to see the rapid growth in the ICT sector, the National Communication Commission (NCC) as a body regulating the cost, targeted their investments at improving mobile coverage as well as developing bandwidth to increase the speed of data access and lower the cost of internet connections. This in turn should push up the low internet penetration rate which is estimate approximately 32.8% in 2012 according to data from the Ministry of Communication Technology. It was a tremendous achievement by the body rising from 400,000 fixed telephone lines in 1999 to 92 million active mobile subscribers in 2012, a huge boost to the ICT development in the country with people connecting to the internet to view many websites pages through mobile phone lines. (Oxford Group 2012, 225.)

6.2 Electronic Mobile Commerce in Nigeria

In most research about electronic commerce in developing nations, it tends more to focus on the barriers instead of the level of development. Nigeria remains among one of the nations known to be cash based economy. Until recently most business activities for goods and services had always been carried out by one-on-one negotiation in open markets with payments through either cash or cheques. The culture adopted by most Nigerians is to physically inspect goods, negotiate and if satisfied pay. Electronic payment started through the banking system when money is being transferred through electronic medium to other accounts within and overseas, nowadays electronic banking services has saturated the so-called 'new generation banks'. The global system for mobile communication was introduced in August 2001 into the Nigerian

economy. This enhanced communication and improved business transactions in Nigeria. Business associates could transact business over the phone without the risk of traveling. Payment for goods and services from remote locations was still a huge barrier until the year 2005 when the banking sector witnessed a technological transformation then the concept of e-banking emerged. (Ezendu & Eyas 2011, 79.)

Analysts forecast Nigeria as a country with 10 million possible internet users capacity and a possible 500,000 local websites as of 2005, despite some hindering factors like political upheavals, imbalance economic climate and erratic power and telecommunications. Nigeria attracted more foreign direct investment than any other African nation. The federal government privatisation policy and liberalisation is likely to raise the number of foreign investments. Under the new policy, more than 1,400 state-owned enterprises are to be privatised. As foreign firms increase their involvement in Nigeria, there will be the need to build an electronic business platform that could enable rapid business growth throughout the regions. Presently the telecommunication industry is really booming with introduction of little basic e-commerce measure that enable users to purchase different kinds of applications both paid and free, which has opened them widely to electronic service purchases. Clear examples include the blackberry applications and unlimited monthly internet service that are given to blackberry phone users and also androids charges for some applications requested by users also major banks and corporate bodies owns all sorts of applications. (Pawan & Yaw 2004, 174.)

Despite the rapid growth that the e-commerce business environment in Nigeria has experienced, the industry still suffers a lot due to inadequate, ineffective or unstable political policies, lack of necessary infrastructure in the country such as electricity (interruption of power supply), affordable and widespread of internet and telecommunication service. Although the market has experience change, there are still a lot to be done for the market to reach its peak in the country.

6.3 E-commerce Companies in Nigeria

E-commerce in Nigeria today has experienced growth from the past years. There are several e-commerce companies in Nigeria but the major players in the business to consumer e-commerce industry in Nigeria are Jumia, Konga (which recently has been acquired by Zinox company, a Nigeria tech firm which manufactures and distributes computers), PayPorte and Wakanow. There are other e-commerce stores such as SME markethub, Yudala, SLOT, Kara but these stores are small players. They are owned by individual companies operating traditional businesses and they mainly offer their own products/services to their customers online. SLOT for example is owned by SLOT company which deals with the sales of electronic devices and accessories and it has an online store where you can purchase their products online and other services as well such as repairs and maintenance of electronic devices.

Jumia is one of the biggest e-commerce companies in Nigeria, it was formerly known as Africa Internet Group, it was created in 2012. Jumia which is considered to be Africa's first e-commerce market space, has captured African huge market opportunity with offerings like Jumia Logistics and Jumia Pay. The company which was started in Lagos, Nigeria now operates in over 20 African countries. Jumia currently covers subsidiaries such as Lamudi (Jumia House), Jovago (Jumia Travel), Hellofood (Jumia Food) and so many other entities that are now making up the Jumia Group. (Website of Jumia 2019).

Konga is one of the leading e-commerce companies just like Jumia. It is a Nigerian e-commerce company founded in 2012 with headquarters in Ikeja, Lagos State Nigeria. Konga is the key competition Jumia faces in the e-commerce industry today. It is popular for online shopping of products such as phones, computers, other electronic devices, sport wears, fashion, groceries, books and more at the best prices in Nigeria. The company is worth almost \$34 million and has over 184,000 active users, who 80% are using their mobile phones to shop for items online, according to Kinnevik. (Website of Konga 2019).

PayPorte has grown to become one of the biggest e-commerce stores in Nigeria. PayPorte has its headquarters in Lagos, Nigeria. PayPorte was awarded the 'E-

commerce Company of the Year' at the Central Bank of Nigeria Cashless Card Expo in 2016. The company deals with sales of products which varies from electronics, phones, fashion, home and kitchen products to perfumes and many more. (Website of PayPorte 2019).

6.4 PESTEL Analysis

The PESTEL analysis of Nigeria business environment is used to analyse the Nigerian market. This will allow the researcher and other entrepreneurs to have full knowledge and broad understanding of the Nigerian business environment. The PESTEL analysis investigates the business environment by considering the political, economic, social, technological, environmental and legal factors affecting businesses in Nigeria. Below is the PESTEL analysis of the Nigerian business environment;

6.4.1 The Political Factor

In 1999, Nigeria experienced a big milestone politically. That was the year the country transit from military rule to democratic rule. For twenty years now, the country has been operating under uninterrupted democratic government system.

Nigeria operates a multi-party system with more than ten political parties. However, there are only two dominant political parties, one playing the role of opposition party. Within this period of democratic dispensation, there have been changes in governments. The last change of government which took place in 2015 was equally a change in ruling political party, from PDP (people democratic party) to APC (all progressive congress). The term of government is four years. Therefore, by 2019, Nigerians will be preparing for another election. (Website of About Nigerians 2019).

Politically, Nigeria seems to be stable except for the uprising of the terrorists in the Northern part of the country. Also, another faction in the South-South agitating for their rights over the oil revenue may make the business in that area to be volatile. There has been series of oil pipes vandalization across the oil rich cities in Nigeria, including Niger Delta area. This could be considered a factor that can relegate the

survival of a business because of hike prices of oil in these areas due to this act. (Website of About Nigerians 2019).

Nigeria Corruption Perception Index as reported by Transparency International based on the 2015 report stood at 26 points. This puts Nigeria at No. 136 least corrupt nation out of 175 countries. With this among other factors, the business confidence in Nigeria in the first quarter of the 2016 as reported by the Central Bank of Nigeria has plummeted to -10.30. Nonetheless, the current government administration seems to be fighting corruption and a lot of looted government funds are being recovered. The government is also seeking the supports of the international community in ensuring that looted funds deposited in foreign countries are repatriated. (Website of Small Business Idea 2019).

Discussion: Political environment in Nigeria has experience a shift since 2015 general election. There used to be violent during election between the supporters of the leading parties, PDP (people democratic party) and APC (all progressive congress) prior to 2015. The country has another general election this year (2019), and after 20 years of democratic rule, the political environment reached another milestone, for the first time since the country gained independence in 1960, there are lots of younger candidates running for public offices and the number of youths involve in the electoral process of the country's general election increased drastically than ever. The youth normally don't get involve or have little or no interest in politics because of how the political space has been corrupted by the older leaders. But maybe that changed this year because there are lots of younger candidate who are running for public offices this year. The milestone of younger people running for public offices was possible because of the "not too young to run" bill that was passed and signed by the President of the country on the 31st of May 2018.

The total number of register voters are 88 million and youth making 50% of the voters. According to an analyst in channels television, it is expected that over 50 million voters will go out to vote in the general election (presidential election). Compared to 2015 election where there were 68 million registered voters and only 28 million voters voted in the presidential election. The analyst believes that most youths and adults didn't go out to vote because they had two bad options which is not the case

this year since there are several younger candidates with credible history of performance in their various profession. (Website of Channels Television 2019).

Conclusion can be made that the political environment of the country is stable and has experience true democracy and growth in the past decade which makes the environment suitable for business. The recent presidential election which took place on the 23rd of February 2019 also has shown how stable the political environment of the country is and how strong the democratic system of the nation politics has grown since 1999. The incumbent president (from APC political party) was reelected to office, and the general election was considered free and fair, showing that there is progress compare to the way election has been conducted in the past.

6.4.2 The Economic Factor

Nigeria is Sub Saharan Africa's largest economy and relies heavily on oil as its main source of foreign exchange earnings and government revenues. Following the 2008-2009 global financial crises, the banking sector was effectively recapitalized, and regulation enhanced. Since then, Nigeria's economic growth has been driven by growth in agriculture, telecommunications, and services. Economic diversification and strong growth have not translated into a significant decline in poverty levels; over 62% of Nigeria's over 180 million people still live in extreme poverty. (Website of Central Intelligence Agency 2019).

Despite its strong fundamentals, oil-rich Nigeria has been hobbled by inadequate power supply, lack of infrastructure, delays in the passage of legislative reforms, an inefficient property registration system, restrictive trade policies, an inconsistent regulatory environment, a slow and ineffective judicial system, unreliable dispute resolution mechanisms, insecurity, and pervasive corruption. Regulatory constraints and security risks have limited new investment in oil and natural gas, and Nigeria's oil production had been contracting every year since 2012 until a slight rebound in 2017. (Website of Central Intelligence Agency 2019).

The current president, elected in March 2015 and reelected in February 2019, has established a cabinet of economic ministers that includes several technocrats, and he has announced plans to increase transparency, diversify the economy away from oil, and improve fiscal management, but has taken a primarily protectionist approach that favors domestic producers at the expense of consumers. The President ran on an anti-corruption platform, and has made some headway in alleviating corruption, such as implementation of a Treasury Single Account that allows the government to better manage its resources and a more transparent government payroll and personnel system that eliminated duplicate and "ghost workers." The government also is working to develop stronger public-private partnerships for roads, agriculture, and power. (Website of Central Intelligence Agency 2019).

Another economic factor one may need to consider is the level of unemployment in Nigeria. Youth unemployment rate is put on average at 21.5 %. The economic implication of this is that, this can lead to increase in crime rate and other social vices. On the other hands, this means that entrepreneurs can have access to cheap labour. It will be cost effective for any labour intensive business to be located in Nigeria. Alternatively, it will benefit foreign countries to outsource any labour intensive arm of their business to Nigeria. (Website of Small Business Idea 2019).

Cost of borrowing is quite high in Nigeria. Even though Central Bank of Nigeria tried to peg interest rate at 12%, borrowers may pay minimum of 15% when other costs such as management and procession fees are added to it. If you want to borrow to do business in Nigeria, you need to be sure that the margin will be able to cover the interest. (Website of Small Business Idea 2019).

Nigeria entered recession in 2016 as a result of lower oil prices and production, exacerbated by militant attacks on oil and gas infrastructure in the Niger Delta region, coupled with detrimental economic policies, including foreign exchange restrictions. GDP growth turned positive in 2017 as oil prices recovered and output stabilized. The economy of the country relies on three sectors which are the agriculture, industry and service sector. The agriculture sector makes up 21.1% of the GDP (2016 est.), the industrial sector 22.5% (2016 est.) and the services sector makes up 56.4% (2017 est.). (Website of Central Intelligence Agency 2019).

Due to the high exchange rate, there has been steady rise in the prices of consumer goods thereby causing inflation rate to rise too. Inflation rate that was 15.7% on average in 2016 climbed to 16.5% in 2017 and dropped to 12.4% in 2018. With this level of inflation in Nigeria, individuals and businesses are beginning to cut down their budgets. (Website of Central Bank of Nigeria 2019).

Discussion: From the above information, conclusion can be drawn that the economic state of the country is in good shape despite the recent recession it experienced in 2016, the country is recovering quickly from this recession. The country's recession which was caused by the dependence on oil revenue has opened the need for diversification of the country's revenue. The country now is strengthening its agricultural sector and as we can see from the current breakdown of the country's GDP, the service sector now has a huge impact on the country's economy. This is a prove that the country is diversifying its economy which gives room for sector like the service sector to experience a huge growth. The conclusion can then be made that the present economic state of country support business in the country despite some other setback that might be present in other areas.

6.4.3 The Social Factor

Nigeria has an estimated population of 200 million in 2019. Although English language is the official language, the country has over 250 ethnic groups and over 500 languages with three languages (Hausa language, Igbo language and Yoruba language) being the major languages. The Hausa language is widely used in the northern part of the country, the Igbo language is widely used in the southern part of the country and the Yoruba in the western part of the country. Nigeria has the highest population in Africa and rank at number 7 in the world most populous country. That is why Nigeria is being referred to as the giant of Africa.

In 2016, Nigeria had a population of 186.0 million, annual population growth rate of 2.6%, and 44% of Nigeria's population was under age 15. The Total Fertility Rate, or the average number of children per woman over the course of her lifetime, has de-

clined from 6.5 children in 1990 to 5.7 children per woman in 2015. To support widespread economic growth, Nigeria should prioritize improving access to and uptake of family planning to reduce fertility. In addition, skills training and job creation is needed for the large number of young people who will be entering the workforce. (Website of Demographic Dividend 2019).

Nigeria's population is projected to grow from more than 186 million people in 2016 to 392 million in 2050, becoming the world's fourth most populous country. Nigeria's sustained high population growth rate will continue for the foreseeable future because of population momentum and its high birth rate. Abuja has not successfully implemented family planning programs to reduce and space births because of a lack of political will, government financing, and the availability and affordability of services and products, as well as a cultural preference for large families. Increased educational attainment, especially among women, and improvements in health care are needed to encourage and to better enable parents to opt for smaller families. (Website of Central Intelligence Agency 2019).

The market potential here is very huge. In the past years, despite the instability in the country, foreign direct investment has been on the increase. For instance, the investment in the Telecommunication industry has been very huge. As of April 2016, Nigerian Communications Commission reported 147.57 million active numbers. The size of the population is enough to attract investors into the country. (Website of Small Business Idea 2019).

Discussion: The population of the country is diversified in term of ethnicity and religion. The religion and cultural values and norms of each group should be considered when doing business in the country. Religion is very pronounced in Nigeria and it is a very sensitive issue. The country does not force anyone to belong to a certain religion group, the two major religion in Nigeria are Christianity and Islamic. Citizens and corporate entities are required to respect individuals for the religion group they belong to. Despite the diversity of the country, the country shares similar buying behavior due to the fact that they share the same influences from the west. An average Nigerian will spend money on anything that appeals his/her interest, doesn't matter if such individual has to use part of their life savings. If the product is trending, it is

certain that Nigeria will be one of the countries that has the highest purchase of such product. From my experience, I've seen foreign companies design their product to meet Nigeria demographics in terms of language and cultures. For example, Nokia produced phones in the three major languages just to reach the older demography and more consumer in the country (Nigeria).

6.4.4 The Technological Factor

Nigerians are fast becoming computer savvy. Many Nigerian youths are computer literate. Although, laptops and personal computers remain a luxury to some people (in the rural areas – villages), the use of smartphones seems to be bridging this gap. With smartphones, many people are now active users of internet with social media presence. (Website of About Nigerians 2019).

The country currently has an estimated number of 86.22 million internet users giving a percentage of 46.10% of the population. Therefore, for anyone who intends to do business in Nigeria, e-commerce is becoming the best way of reaching targeted customers. (Website of Internet Live Stats 2019).

Discussion: Since the transition from Nigeria Telecommunication (NITEL) to mobile phones in 1999 - 2000, Nigeria has experienced an enormous growth due to the way information has been transferred between people within and outside the country. The introduction of internet magnified the way people interact and do business in the country and abroad. In the section “internet users in Nigeria” we would see how the internet has grown rapidly from 78,740 users in the year 2000 to 86,219,965 users in the year 2016, marking 0.1% to 46.1% of internet penetration (percentage of population) respectively. The growth in internet usage in Nigeria is speculated to increase even more by the year 2020. With this growth, e-commerce business in Nigeria is sustainable and definitely will be a growing market in the country.

6.4.5 The Environmental Factor

The Federal Government of Nigeria plays crucial role in protecting the ecology of the country. In addition, each state is empowered to formulate laws or policies that will ensure that the environment is clean. Due to the lack of stable electricity, the level of noise and air pollution coming from power generating sets is high. This affects residential, commercial and industrial areas respectively. (Website of Small Business Idea 2019).

Discussion: Presently, the country suffers from national inclusion in environmental issues. The focus is mainly to the so-called mega cities of capital city of each state. Because Nigeria operates a federalism system of government with three tiers of government (Federal, States and Local Governments) revenue has to be shared across the three tiers of government. With the shrunk revenue, the money coming to the States and Local Governments is not enough to finance their recurrent expenditure let alone capital expenditure. The local government mostly don't have enough funds to engage in protecting the ecology of their environment and most states also are not self-sufficient to raise state funds. Some states solely depend on the funds allocated to them by the federal government and have no sufficient means for in-state revenue like other states where they have means of raising state funds from taxes, geographical location advantage (such as having sea ports, land borders) etc.

6.4.6 The Legal Factor

Nigeria has always depended on revenue from oil since its discovery but the current government realise the need for Nigeria to diversify its economy as it has depended more on oil since its discovery. Therefore, agriculture is one of the sectors that is receiving much attention. Nigeria is blessed with fertile soil and several mineral resources. Therefore, anyone that want to explore this area will enjoy the backing of the government.

In 2015, the Federal Government signed the Cybercrime bill into law to prohibit and prevent fraud in electronic commerce. The purpose of the Cybercrimes Act of 2015

extends beyond prohibiting, preventing and criminalizing online fraud, but also prescribes punishments and sets the institutional framework for enforcement. The goal is to protect e-business transactions, company copyrights, domain names and other electronic signatures in relation to electronic transactions in Nigeria. (Website of Export.gov 2019).

The political views of a country can affect its view on data protection. The military of Nigeria has played a major role in the country's history, often seizing control of the country and ruling it for long periods of time. Data protection and fair information practice may not be widely accepted by totalitarian regimes. Although there was a political regime change in 1999 to democracy, the long-term totalitarian regime and the resulting ingrained attitudes could be a factor influencing the nation's slow adoption of a data protection policy. Nigeria being a developing economy, is striving to provide the basic infrastructure of a steady supply of electricity, good roads and transportation, health, education services and postal and telecommunication networks, etc. that the enactment of a data protection policy would not be the government's highest priority. (Adelola, Dawson & Batmaz 2015, 950 - 959).

Nigeria operates progressive tax system for Personal Income Tax. The more a person earns, the more the person is expected to pay as tax. On average, personal income tax hover around twenty-four per cent (24%). Company Income Tax rate is thirty per cent (30%) while Value Added Tax is five per cent (5%). With the decrease in oil revenue, government is now trying to block all the leakages in the revenue coming from taxation. Therefore, the era of tax evasion may soon become the thing of the past. Any company that wants to operate business in Nigeria should prepare to comply with applicable tax laws. Otherwise, such company may be asked to pay penalties if discovered that it has not been paying accurate taxes. (Website of Small Business Idea 2019).

Discussion: In Nigeria, the law stipulates eighteen thousand naira (18,000 NGN) per month as the minimum wage. But in the light of the current political environment and campaigns, the current government has just increased the minimum wage to thirty thousand naira (30,000 NGN), which in return might increase consumer buying.

Nigeria has not yet enacted any specific data protection law, and neither is there any functional self-regulatory system. The government has endorsed draft guidelines on data protection and cyber security in the past, but there is yet to be any legislation. According to a survey carried out by Transparency International, 73% of the Nigerian population believes that the Nigeria legislative and parliamentary body is opaque and corrupt. This implies that even if legislation were enforced the population would not have confidence that it would be enforced effectively. (Adelola, Dawson & Batmaz 2015, 950 - 959).

The government also has been more active with passing bills that strengthens the system of the country. There are several bills waiting to be passed into law that concern internet usage and e-commerce, for example Electric Commerce (Provision of Legal Recognition) Bill of 2008, Electronic Fraud (Prohibition) Bill of 2008, Nigerian Antitrust (Enforcement, Miscellaneous Provisions etc.) Bill of 2008, Cyber security and Data Protection Agency (Establishment) Bill of 2008 etc. (Website of Nigeria National Assembly 2019).

The present government is known for fighting corruption, in the process of the fight of corruption, the government has been able to block lots of loop holes in the system and the policies of the country. During this recent government tenure (2015 – 2019), there has been several introductions, changes and/or reformation of regulatory policies in the country. For example, the eCommerce Intellectual Property Rights bill was passed in 2015 which strengthen the e-commerce industry more. Hopefully more bills will be passed into law as soon as possible to fully support and strengthen the e-commerce market.

6.5 SWOT Analysis

The SWOT analysis is carried out for the e-commerce market in Nigeria. The analysis is done just to experiment the strength, weakness, opportunity and threats that there is in the e-commerce market in Nigeria. By carrying out the SWOT analysis of Nigerian e-commerce market, an entrepreneur will have a clear insight of the strength, weakness, opportunity and threat of the e-commerce market in Nigeria and

how the entrepreneur could take advantage of the strengths and opportunity of the market and also how to avoid the weaknesses and threats or being aware by having adequate information on what are the threats and weaknesses of the market. Below is the SWOT analysis of Nigeria e-commerce market for new entrepreneur/company.

<p>Strengths</p> <ol style="list-style-type: none"> 1. Existing Road Map 2. International Funding 3. Opportunity to Exit 	<p>Opportunities</p> <ol style="list-style-type: none"> 1. Reaching more Target Audience 2. Value Chain Inefficiency 3. Existence Activity-based Credibility 4. Growing Internet User/Usage
<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Payment Method 2. Alternative Point of Sale 3. Cash-flow 	<p>Threats</p> <ol style="list-style-type: none"> 1. The Cost of Opportunity 2. Saturated Market with Leading Players. 3. Currency Devaluation

Figure 4: Nigerian E-commerce Sector SWOT Analysis

Source: Website of Techcabal 2019.

6.5.1 Strengths of Organisations in the Market

1. Existing Road Map: The fact that the e-commerce market is still in its growth stage and there are several existing companies makes it easy for new entrant in the e-commerce market because they have a road map to follow. Since they are not the pioneer in the sector, they don't have to make trial and error. The new companies can look into the e-commerce market to find what is missing and take advantage of that. They can provide more values or new value to the e-commerce consumers by looking at what the existing companies are offering at the moment. (Website of Techcabal 2019).
2. International Funding: The Nigerian e-commerce sector is generally attractive to international investors. The exit potential is also creating great liquidity for

these investments which results to international funding becoming more realistic for a Nigerian start-up. (Website of Techcabal 2019).

3. **Opportunity to Exit:** Opportunity to exit the market is one of the key strengths of the e-commerce market. Due to the successful entry of Jumia to the Nigerian e-commerce space, the Nigerian e-commerce sector is perceived as accessible to foreign e-commerce companies. And in addition to this, the fact that the Nigerian e-commerce sector already had the attention of international big players (international companies) that are capable to acquire potentially differentiated companies creates an enormous potential for exit opportunities for new entrepreneurs in the sector. A great example would be the acquisition of DealDey (a Nigerian e-commerce business) by a Swiss media and e-commerce company called Ringier. DealDey successfully broke into Nigeria e-commerce market and caught the attention of existing companies both international and national and was acquired by Ringier. According to the comment of the company (Ringier), they are wishing to expand across Africa. (Website of Techcabal 2019).

6.5.2 Weaknesses of Organisations in the Market

1. **Payment Method:** Pay on delivery is the most common mode of payment in Nigeria. This has to do more with the business culture in the country, people are still skeptical about transacting online without seeing what they are buying and also the safety of their payment information on the webpage. But there is an exception where people buy from foreign market without doubts, so if consumers can be convinced and their trust is earned, this could be changed (company such as Jumia has developed the trust with their customer base, making it an entry barrier for start-up). The Nigerian e-commerce sector is likely not to move away from this standard anytime soon which make it a major weakness for companies in the sector. (Website of Techcabal 2019).
2. **Alternative Points of Sale:** Alternative point of sales such as open markets, physical stores provide the consumers with multiple points of sale. Considering the nature and culture of the business environment, the sector suffers reaching maximum consumer in the sector. For some products, such as gro-

ceries, buying from the local vendor is more convenient for the consumers compare to e-commerce purchase. This end up limiting the types of products e-commerce companies can offer the consumers in the Nigerian e-commerce market unless the company offers online and offline (alternative point of sale) to its consumers. (Website of Techcabal 2019).

3. Cash-flow: Generally, in any business sector, lack of cash-flow is a major threat which is also true in the case of Nigerian e-commerce sector. It is accurate to some level to say that the existing companies have a good cash-flow system and they can control and manage their cash-flow but in the case of new businesses, cash flow is one of the main weaknesses and/or challenges across the whole e-commerce value chain. (Website of Techcabal 2019).

6.5.3 Opportunities in the Market

1. Reaching more Target Audience: E-commerce market create the opportunity for small-scale businesses to sell their own locally manufactured/crafted goods. One of the biggest opportunities in the B2C e-commerce platform in Nigeria is the opportunity to reach larger audience. Normally, the small-scale business can easily reach a regional target customer and national audience (which usually cost more due to expansion of physical store around the country). But the e-commerce platform opens an opportunity to local small-scale businesses to reach more audience national and international (with low cost involved) while they still operate as a small-scale business. (Website of Techcabal 2019).
2. Value Chain Inefficiency: Presently, there are many inefficiencies in the Nigerian e-commerce market, ranging from logistics to inventory keeping. Investigating the value chain of the e-commerce market in Nigeria and creating solutions to the challenges identified is one of the major opportunities in the market. From the logistics point of view, there are delivery companies starting up, for example Metro Africa Xpress that specialise in 24 hours or same day delivery in Lagos. (Website of Techcabal 2019).
3. Existence and Activity-based Credibility: The existence of the market and its growth serve as an opportunity for the market. Other developing countries

have experience credit and loans given to people (start-ups) based on the performance of e-commerce businesses in their countries. This also is one of the biggest opportunities in the e-commerce sector in Nigeria since the sector has been experiencing growth since its existence and drastic growth and developing for the past 10 years. (Website of Techcabal 2019).

4. Growing Internet User/Usage: The rate of internet penetration in Nigeria as seen in the data presented earlier in the research work is experiencing a positive and massive growth in Nigeria over the last 10 years has been massive and it is still at just 46.1% of Nigeria's 190 million population. Compared to some countries in Europe, Asia or in North American with a very high rate of internet penetration, there is a huge possibility for continuous growth of internet users in the country and new e-commerce consumers. (Website of Techcabal 2019).

6.5.4 Threats in the Market

1. The Cost of Opportunities: The cost of the opportunity in Nigerian e-commerce sector is very high because the e-commerce market in Nigeria is very competitive. There are many players in the e-commerce market with few players that presently hold a very large percentage of the e-commerce market share. The foreign e-commerce companies such as aliexpress, ebay, amazon etc. are still a competitive player in Nigerian e-commerce market. These foreign companies have their own competitive advantage in the e-commerce market because of the consumers behavior towards e-commerce in Nigeria. (Website of Techcabal 2019).
2. Saturated Market with Leading Market Players: The e-commerce market in Nigeria is a saturated market which means that a new entrant has to improve the product(s) or develop a new product in the market to have chance or to survive as a new entrant in the market. The already existing players are creating barriers for new entry. As mentioned in the theoretical part of the research there are several players in the e-commerce sector, it's not just Jumia and Konga that a new entrant has to worry about at the start up level. Due to this

reason, it is difficult to compete for the market-share in the sector. (Website of Techcabal 2019).

3. Currency Value: The devaluation of Naira in 2015 (which still last till date) is not only affecting the e-commerce sector in Nigeria but the economy and this is a major problem in the market which on the other hand stand as a threat for organisations in the market. The fluctuation of the Nigeria currency (Naira) is creating unpredictable returns from the sector and since most of the goods on Nigerian e-commerce (B2C) platforms are imported, the customer purchasing power is decreasing. (Website of Techcabal 2019).

6.6 Internet Users in Nigeria

Year	Internet Users	Penetration (% of Population)	Total Population	Non - Internet Users
2000	78,740	0.1%	122,876,723	122,797,983
2001	113,289	0.1%	126,014,935	125,901,646
2002	414,185	0.3%	129,246,283	128,832,098
2003	740,569	0.6%	132,581,484	131,840,915
2004	1,749,576	1.3%	136,033,321	134,283,745
2005	4,955,023	3.5%	139,611,303	134,656,280
2006	7,947,035	5.5%	143,318,011	135,370,976
2007	9,962,224	6.8%	147,152,502	137,190,278
2008	23,966,947	15.9%	151,115,683	127,148,736
2009	31,041,429	20.0%	155,207,145	124,165,716
2010	38,261,938	24.0%	159,424,742	121,162,804
2011	46,560,001	28.4%	163,770,669	117,210,668
2012	55,182,852	32.8%	168,240,403	113,057,551
2013	65,670,276	38.0%	172,816,517	107,146,241
2014	75,746,751	42.7%	177,475,986	101,729,235
2015	82,094,998	45.1%	182,201,962	100,106,964
2016	86,219,965	46.1%	186,987,563	100,767,598

Table 1: Nigeria Internet Users.

Source: Website of Internet Live Stats 2019.

From the above table, we can see that the internet usage in Nigeria has increase in the last decade. As we can see from the table, the number of internet users increased by almost 50% in 2004 compared to 2003 and from then there has been drastic increment in the number of internet users in the country. As of 2016, the number of internet user in Nigeria is 46.1% of the entire population. From the data, we can conclude that there has been a rapid growth in the internet usage in Nigeria which will directly have effect on the amount of e-commerce consumer in the country. As at 2018, according to Jumia, one of the key players in the e-commerce business in Nigeria, there are over 80 million e-commerce customers. Which is close to the number of internet users if compared to the number of internet users (86,219,965) in 2016. From this information, we can conclude that the number of internet users has increased from 2016 to 2018 with a huge number. (Website of Internet Live Stats 2019).

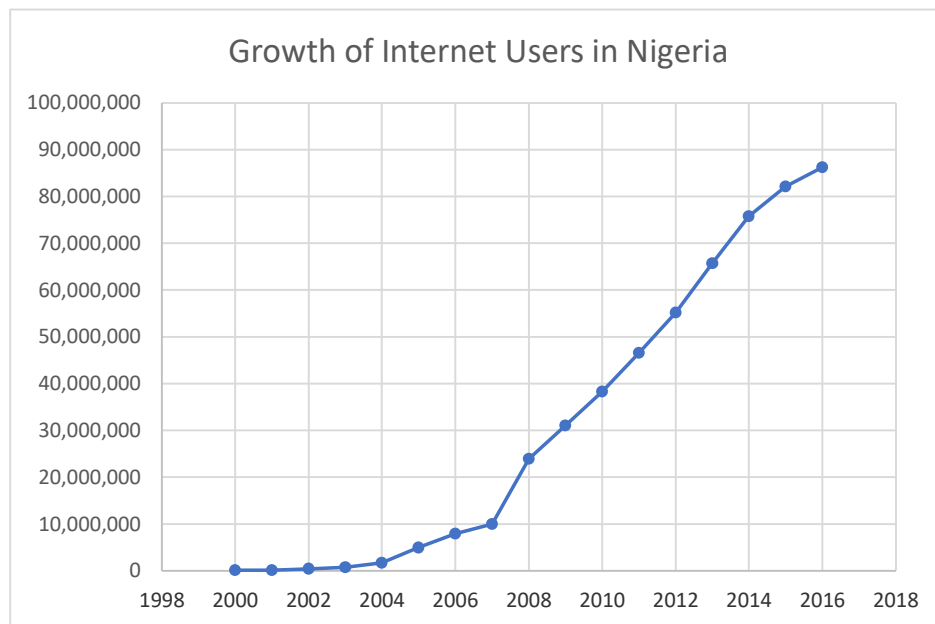


Figure 5: The Growth of Internet Users in Nigeria.

Source: Website of Internet Live Stats 2019.

Share of Nigeria Population: 46.1% (internet penetration)

Total Population: 186,987,563

Share of World Internet Users: 2.5 %

Discussion: Nigeria is the most populous nation in Africa with over 180 million inhabitants in 2016 and at the same time boasting of over 86 million internet users. The internet users in Nigeria is currently 46.1% of the Nigeria population and the rate of mobile phone usage increased to over 110 million which also would have positive effect on how many people have access to internet and representing an attractive market for e-commerce in Nigeria. (Website of Internet Live Stats 2019).

6.6.1 Nigeria E-commerce Demographic

The e-commerce demographic shows the age group of the country that uses internet in carrying out business activities and are involve in e-commerce transactions in Nigeria. Below is the table of the age group interested in e-commerce in Nigeria;

Age Group	Percentage (%)
18 – 24	21
25 – 34	48
35 – 44	18
45 – 54	8
55 – 64	3
65 – 74	2

Table 2: Online Shopping (e-commerce) Visits by Age Group

Source: Website of Thisday Live 2019.

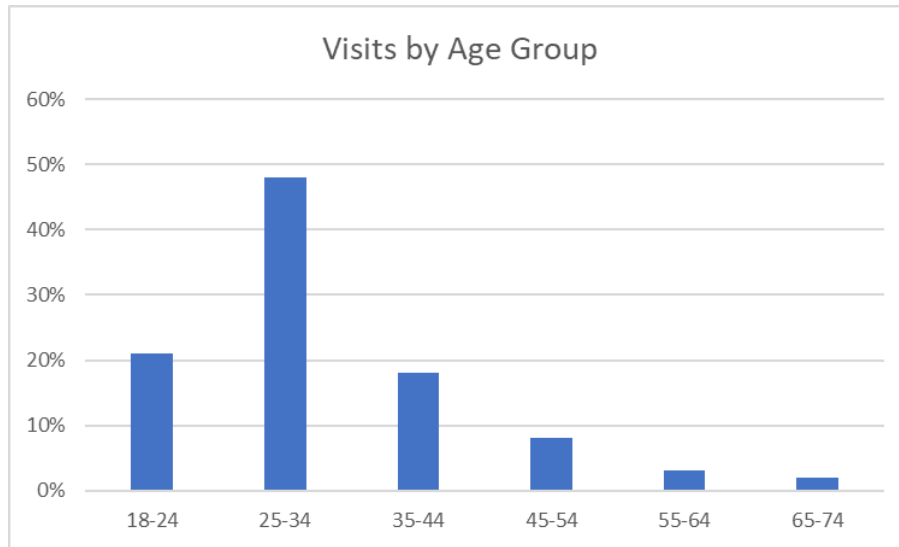


Figure 6: Online Shopping Visits in Nigeria by Age Group

Source: Website of Thisday Live 2019.

Discussion: From the research data, about 48% are between the ages of 25 – 34. From the data, a conclusion can be drawn that the youths and adults between the age of 25 – 44 are more interested in buying online than any other group. People older than 55 are less interested in shopping online and probably prefer shopping in the traditional way (physical shop) or are not interested in shopping at all. With this information, a new business owner entering into the e-commerce market in Nigeria is aware of the target audience to pursue in the e-commerce business in Nigeria. (Website of Thisday Live 2019).

6.6.2 Nigeria E-commerce Geographical Trends

States	Percentage (%)
Lagos	86
FCT (Abuja)	9
Rivers	4
Others	1

Table 3: Online Shopping (e-commerce) Geographical Trend

Source: Website of Thisday Live 2019.

Lagos which happens to be the center of business in Nigeria has the highest number of e-commerce visits. Over 86% of total visits to e-commerce sites happens in Lagos. And the second state is Abuja, the Federal Capital Territory having 9% of e-commerce visits. (Website of Thisday Live 2019).

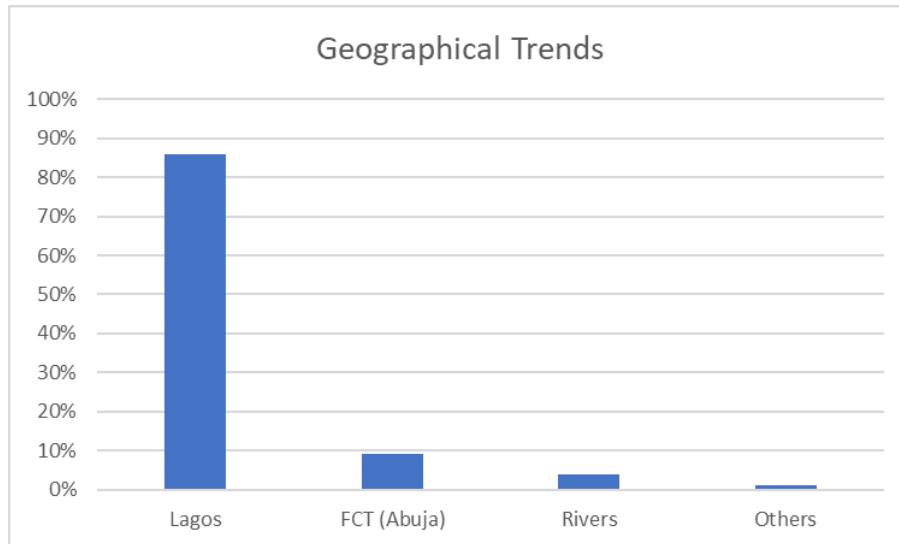


Figure 7: Online Shopping (e-commerce) Geographical Trend in Nigeria.

Source: Website of Thisday Live 2019.

Discussion: From the data, a new entrant to the e-commerce market in Nigeria should consider the location where people are likely to use the e-commerce service. According to the findings, it could be concluded that Lagos is where most of the e-commerce visit is happening in the country with 86% of the e-commerce (business to consumer) activities, followed by Abuja. With this information, the best location to set up an e-commerce business (headquarters, warehouse etc.) is in Lagos or other states closer to Lagos because the company will be able to serve the consumer better and faster. For example, in case of complaint, efficient consumer service, delivery etc. Start-up business owner should take note of this when planning their e-commerce business in Nigeria. (Website of Thisday Live 2019).

6.6.3 Nigeria E-commerce Statistics

Below is the present statistics in relation to e-commerce in Nigeria. The table shows the market value, e-commerce growth, number of the internet users and the internet market penetration.

Absolute market Value	US \$12 billion
E-commerce Growth	25%
Internet Users	86,219,965
Internet Market Penetration	46.1%

Table 4: Nigeria E-commerce Statistics

Source: Website of Thisday Live 2019.

Discussion: The value of e-commerce market in Nigeria has been estimated to be NGN2.64 trillion or US\$12 billion due to the 25% in e-commerce growth. The reason for this growth is clear, Nigeria is the most populous nation in Africa boasting of over 86 million internet users. Currently 46.1% of the Nigerian population already has access to the internet and the rate of mobile phone usage increased to over 110 million representing an attractive market for mobile commerce. And regardless of internet fraud commonly known as “yahoo yahoo,” and online scams, the industry will continue to experience growth. (Website of Thisday Live 2019).

6.7 Challenges Facing E-commerce in Nigeria

1. **Inadequate Protection Policy:** Although recently the present government has been making lots of changes and reformation. Still the lack of strong and several policies that protect all forms of internet usage in the country is one of the biggest problems the Nigeria e-commerce business owners and online customers are facing. The country has not really examined the sector to set up a strong policy that protect the business owners and users, which leaves the

industry very vulnerable of fraudulent act such as cybercrime. Although, there are several bills waiting to be enacted into law.

2. **Cybercrime:** Cybercrime is defined as any fraudulent activities that are initiated through the internet with the intent of defrauding internet users. The rate of cybercrime in Nigeria increases in the past years. The act of cybercrime plays a role in the decrease of e-commerce users, the online users are skeptical about the protection of their information such as card payment information.
3. **Logistics Problem:** Logistics is an important part of any business, most importantly for e-commerce business since there is an expected duration for the delivery of the goods/services. Nigeria has a country still suffers from the lack of good infrastructure which hinder the efficiency of logistics in the country. Only the major cities are developed with necessary infrastructure, as a result of poor infrastructure there is possibility of delay in delivery and/or longer lead time in the supply chain process. Also due to the lack of adequate logistics in the country, the local post service, Nigerian Postal Service (Nipost) doesn't perform efficiently which means that e-commerce business owners have to devise means of delivery of products thereby increasing the operating cost.
4. **Business Culture:** The traditional way of business transaction is still a popular way of doing business in Nigeria. Even though the new generation are aware of e-commerce and are often online transacting, they still feel the need of physical examination of the product. Some people are so use to the traditional way of business transaction that they are subconsciously not aware of the possibility of initiating and finalizing a business transaction online. Due to this reason, local stores (physical stores) are the biggest competitors for online stores.
5. **Lack of Trust:** Generally, lack of trust also plays a role in the challenge faced by the e-commerce market in Nigeria. Online users lack trust for Nigerian owned e-commerce stores. Majority of online customers in Nigeria prefer to make online transactions from online stores such as ebay, amazon, aliexpress, apple store etc. without any trust issue. But when it comes to shopping online in a Nigerian owned e-commerce space, the online consumers are sceptical if the price of the product is worth the quality of the product, and if the goods

will ever be delivered due to reasons such as logistics problem or the seller not sending their product at all.

6. Internet Facility and Accessibility: Although the use of internet in the country has recorded a huge growth but still the government need to make internet facility more available to the people. Almost 55% of the population have no access to internet which is a lot in numbers, compare to other countries that are doing well in e-commerce sector. The cost of internet facility is expensive which make it unaffordable for majority of the people and the government is not doing much to improve the quality or the accessibility of internet facility in the country.

CONCLUSION

This bachelor thesis discusses the understanding of e-commerce (business to consumer), its benefits and e-commerce growth. From the literature review of this research study, the researcher was able to conclude that e-commerce allows business activities and/or transactions to be carried out electronically with use of internet, which does have a positive impact on how business is carried out in a country nationally and internationally. E-commerce generally alter the roles and relationship of various business parties promoting new supply networks, services and business models. The benefits of e-commerce include the output of product, prices of product, profits of enterprise, efficiency improvements, better asset utilization, faster time to market, reduction in total order fulfilment times, and enhanced customer service.

Although, e-commerce is growing rapidly at a very fast rate, it is still a very small part of the global trade in goods and services. However, as e-commerce continues to spread globally, and more goods and services become suitable for e-delivery, e-commerce effect on business transactions will become more dominant. All around the globe, e-commerce has been spreading rapidly, though there are several differences existing across and within countries. In as much as the development of e-commerce may be in its early stages, some countries like the developing countries should consider the risk of being left out of the electronic global market demands. The main factor of this risk is the development and level of internet penetration. The developed countries are growing so fast in e-commerce due to the rapid level of internet penetration in their society and developing countries and underdeveloped countries has to look into the development on internet in their society if they want to be part of the players in the e-commerce global market.

From the result of this research, the researcher concluded that the trend of e-commerce in Nigeria is on the positive and upward rise. Since the introduction of internet, Nigeria has experienced positive change in the way information has been transferred. Nigeria being a country with visual business culture, the nation has come

a long way with e-commerce transactions. The results from the research also shows that the growth of e-commerce in Nigeria is rapidly increasing. As of 2018, according to Jumia, there were 80 million e-commerce users. That is over 80% (estimated) of the internet users in the country. As of 2016, there was almost 90 million internet users which means that the number of e-commerce users is relatively close to the number of internet users in the country. There are barriers and challenges presently facing the e-commerce market in Nigeria, the findings in this research has shown that the sector is still in its growth stage and the sector needs to be prioritize and carefully monitored by the authorities to improve and enhance the growth. Despite the barriers and challenges such as, legal issues, internet accessibility and penetration, business culture and logistics etc. in the e-commerce market in Nigeria, the sector is still a promising growing sector if all necessary actions would be taken to ensure the growth of the sector.

Electronic commerce is an area that is recently been explored in Nigeria. The empirical part of this research work which analysed the data that was gathered has been able to show us that there is continuous growth in e-commerce in Nigeria. Using the PESTEL analysis, the researcher has been able to come to the conclusion that Nigerian e-commerce market is a sustainable market. The political environment of the country is stable more than ever with a promising future which directly has a positive impact on the economic state of the country. The country is presently recovering from a recession that hit in 2016 due to the oil price which forced the country to diversify and strengthen other sectors such as the service industry in the country which supports the growth of the country's economy. The PESTEL analysis shows that Nigeria has a very interesting demographic distribution which is very good for e-commerce market, majority of the population with internet access are between the ages of 25 to 34 years old, making 48% of the internet penetration population.

Being a developing country with a low level of technological awareness, the findings in the PESTEL analysis shows that Nigeria is growing very fast in terms of technology involvement in e-commerce and gradually learning about the technicalities involve. Expertise are still struggling with the numerous problems in the e-commerce sector which have left consumers in e-commerce transactions crying out for protection. The Nigerian IT policy was developed in 2005 and has a countless number of

objectives which include the development and sustainability of e-commerce in Nigeria. Businesses in the country are more dependent on the internet presently than they were in the past.

Finally, the analysis also shows that the entire business environment in the country is promising since the government plays crucial role to ensure the protection of the environment. Also, policies are put in place to make sure that corporate entities are responsible. The speed at which internet has influenced commercial transactions in Nigeria starting from banking and telecommunications, major influence from online retail with the advent of websites like Jumia.com and Konga.com, emphasizes the urgent need to address the challenges and legal issues presently confronting e-commerce in Nigeria. These problems have to be addressed directly and expeditiously, and to achieve this, the National Assembly should be pressurized into making bills concerning e-commerce a top priority to be enacted into law. When this happens, the country will enjoy immensely the benefit of a secure and regulated e-commerce environment that would grow rapidly and become capable of competing in the global e-commerce market.

This research work has developed my research skill and has helped me explore the e-commerce market in Nigeria in such a way that I feel confident about my knowledge of the sector. Throughout the process of carrying out the research, I learnt the basics of conducting research on a specific business market and the relevant tools for analysing such market. Working on this particular subject has improved my skill on market research which will be useful for me in the future. I also learnt the importance of market research for a startup business (business plan). Overall, at the end of the project work, I feel that I have acquired the skill to succeed as an entrepreneur. A skill that would be useful to identify opportunity in any market. In addition, I feel that my time management skill as also improved as I was able to carry out the research as planned.

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