

E-COMMERCE AS AN INSTRUMENT OF GOVERNING SMEs' MARKETING STRATEGY IN AN EMERGING ECONOMY

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Abstract

The purpose of this paper is to report on the use of e-commerce as an instrument of governing SMEs' marketing strategy in an emerging economy. The study aimed to assess and critically discuss various factors influencing the use of e-commerce as an instrument of governing SMEs marketing strategy and identify the extent to which SMEs owners/managers perceived e-commerce to be important to their businesses survival and growth. A mixed method approach allowed for qualitative and quantitative techniques in collecting data from targeted respondents, with primary collected from rural areas of an emerging country. The research instrument consisted of closed-ended questionnaires made up of 5-point Likert scale responses were distributed to each respondent. The research findings indicate that most respondents believed that the use of e-commerce is motivated by the cost saving and other financial factors in the form of benefits for the customer. In addition, large number of respondents disagreed that the use of e-Commerce has changed their consumer buying behaviour. The paper's benefit will be to the owners/managers SMEs as well as policy makers and financial agencies for SMEs.

Keywords: Consumer Buying, Small and Medium Enterprises, E-Commerce, Behavioural Change, Rural, Products

1. INTRODUCTION

Electronic commerce (e-commerce) is the exchange of information across electronic networks, at any stage in the supply chain, within an organisation, between businesses, between business and consumers or between public and private sectors (Stayner & McNeil, 2003). Forman, Ghose & Goldfarb (2013) point that the Internet retailing revolution has established a new distribution channel that represents a fundamental paradigm shift in consumer buying patterns. Thus means the rapid growth of alternative retail channels has transformed not only the competitive structure of several industries but also the way in which consumers shop for products. It is believed that advances in technology are rapidly changing consumers' behaviour and businesses are eager to take advantage (Hudson, 2014). Rhodes (2003) believes that modern technologies such as ITC's may break down some of the barriers of access such as physical remoteness for poor rural communities. However, advances in electronic service technology have created great opportunities as well as threats to organizations in various business and services sectors. As such businesses, either willingly or reluctantly, are increasingly embracing the Internet as distribution channel in order to remain competitive or gain market share. With particular reference to e-services, absence of accurate information on factors that have influenced user's behaviour to adopt or use e-services could mislead an organization into adopting unhelpful solutions as it strives to accelerate the implementation of e-

services (Mpungose, 2012). According to Sharma (2005), e-commerce has already improved business value by fundamentally changing the ways products are conceived, marketed, delivered, and supported. The relationship and interaction of various stakeholders such as customers, suppliers, strategic partners, agents, and distributors is entirely changed. On the positive side, e-commerce has been creating opportunities for individuals and businesses in the new economy. E-commerce is helping organizations to reduce transaction, sales, marketing, and advertising costs (Sharma, 2005). Rural markets have always been a challenge for market researchers. Conventional tools applicable in urban areas are not directly adaptable in the rural setting. With the emergence of rural markets in terms of brand awareness, and the shift from nominal decision-making process to a more extensive decision-making process, more innovative research tools are required to capture data about rural consumers in a more effective way (Mohanta, Mishra & Dash, 2012). E-commerce in China's rural areas report (2014) highlights that it is worth remembering that while the choice of products may be similar, consumer buying habits are still very much influenced by their location. This means that rural consumers are likely to value quality over fancy designer labels as their generally lower incomes require a more frugal attitude to shopping.

Problem Statement

Recent research has shown that benefits gained through e-commerce are being realized by larger,

rather than smaller, firms and small to medium-sized enterprises (SMEs) have been slow to capitalize the advantages of e-commerce (Jagoda, 2010). Sanchez (2013) reports that business-to-consumer e-commerce sales in South Africa are expected to grow by 25 percent in 2013. The number of active Internet users in South Africa grows at small double-digit growth rates, with mobile being the leading type of connection. Local online retailers, auctions websites and international sites are among the prominent players on the South African e-commerce market. Inusa (2006) study reveals that the use of e-commerce by rural communities is a bit complicated. It is found that the availability and use of appropriate e-commerce technologies extend beyond provision of access, to provision of support outside technology and multi-stakeholder approach to addressing the economic situation of rural communities (Inusa, 2006). Literature indicates that in many developing countries lack of telecommunication infrastructure such as poor internet connectivity, lack of fixed telephone lines for end user dial - up access and the underdeveloped state of Internet service providers, lack of qualified staff to develop and support e-commerce sites, lack of skills among consumers needed in order to use the Internet, lack of timely and reliable systems for the delivery of physical good (Kapurubandara, 2009).

Aims and Objectives

The main aim of this survey was to investigate and describe the use of all -times e-Commerce in order to propose new ways to improve use of e-Commerce by rural entrepreneurs.

This overall aim is guided by the following research objectives:

- To identify the respondents' e-commerce knowledge; and
- To identify the extent to which rural consumers use and perceived e-Commerce to be important to their buying process.

2. LITERATURE REVIEW

The term 'E-commerce' has come out of the term 'e-mail' which means doing online business with the help of computer, e-mail, fax, and telephone lines. In 1972, IBM used the term 'e-commerce' and with the invention of computers in 1973 the first successful transaction was carried out between USA and European Union. In the 1990's we witnessed commercialization of internet, and growing popularity of the term e-commerce. Increasing mobile penetration is further expanding the scope and size of e-commerce (Anjum & Tiwari, 2011). In simple terms, e-commerce means electronic commerce, which is defined as the buying and selling of products or services over electronic systems such as the Internet (Chaudhury & Kuilboer, 2002). What is critical concept is that the Internet allows rural businesses or organizations 24-hour exposure to an always open and international marketplace. Further, Lane (2014) maintains that because exchanges of goods and services are done completely electronically or with contracted mail providers, electronically based commerce removes the remoteness of rural location as a determinant

for business growth. Thus, rural community education programs focused on the subject of technology are added in hopes that personal use of technology will increase along with the adoption of e-commerce strategies as a means to intensify economic development efforts.

Consumer Behaviour Concept

Consumer behaviour is an ever changing concept, which tends to change according to time, tastes and fashions, income of consumers and so on. It is understood that there is always a gap in the study of consumer behaviour, particularly towards FMCG products. Urban markets are almost saturated on account of aggressive marketing of firms and buying habits of urban consumers, rural markets are possessing a huge potential yet untapped on account of many reasons like less income among rural consumers (Karnam, Rao & Reddy, 2014). People with more online experiences in a more private and secure environment like home are disposed to order more from the Internet (Koyuncu & Lien, 2003). Consumer's trust, privacy concerns, security concerns are the major factors for using internet for shopping, the trust on websites influence to the purchasing decision of any consumer (Mittal, 2013). Age, income and education permit a deeper analysis and comparison (De Muyllder, de Oliveira & Alves, 2013). Al-Kasasbeh, Dasgupta & AL-Faouri (2011) articulate that user satisfaction is an important predictor of online consumer behaviour and the success of a web-based system. Therefore, if customers are satisfied with the services received through the online system, it is likely they will keep using the system but if customers believe that an organization's website is hard to use, poorly designed and doesn't take into consideration distinguished services for each user, then customers are likely to move to other organizations websites.

The Important Benefit of E-Commerce

It has been found that rural businesses were beginning to apply e-commerce tools to add value to products and improve relationships with customers (Stayner & McNeil, 2003). Electronic commerce is one of the most discussed topics in business today. It is already leading to the reshaping of customer and supplier relationships, the streamlining of business processes and, in some cases, even the restructuring of whole industries. E-commerce is beneficial to both businesses and consumers by removing time and space barriers. For modern enterprises, the value of information technology is multi-faceted, such as improving product variety, quality, and customer satisfaction, facilitating administrative processes, reducing cost, enriching labour and management productivity, and enhancing a competitive (Senarathna & Wickramasuriya, 2011). Anjum & Tiwari (2011) indicate that one of the most important benefits of e-commerce is its potential to help a developing rural community to leap-frog into the knowledge paradigm. E-Commerce is providing useful resource for growth of microfinance and MSME's. The positive effects of e-commerce can be magnified beyond purely commercial growth to have a profound impact on all aspects of rural

community. With an appropriate IT infrastructure firms were able to harness benefits of the internet technologies (Eriksson, Hultman & Naldi, 2008). However, many researchers pointed out that SMEs are slow to adopt e-commerce applications to their business models (Simpson & Docherty, 2004).

Use of E – Commerce in Rural Areas

E-Commerce generally refers to the use of the internet for buying and selling activities including advertising, invitation to treat negotiation and conclusion of contracts (Chen & McQueen, 2008). Research indicates that the use of e-commerce by rural communities is a bit complicated. It is found that the availability and use of appropriate e-commerce technologies extend beyond provision of access, to provision of support outside technology and multi-stakeholder approach to addressing the economic situation of rural communities (Inusa, 2006). The Internet revolution has transformed the way many companies do business. However, in South Africa, e-commerce is described as a sale or purchase of goods or services, conducted over

computer networks by methods specifically designed for the purpose of receiving or placing of orders (South African Department of Communications, 2014)

According to Lamie, Barkley & Markley (2007), many U.S. businesses are finding that they are no longer constrained by geographic location due to the fact that e-commerce afforded them access to a full range of market opportunities from local to international. This include rural entrepreneurs and small business owners as it internet revolution offers a double-edged sword. It helps rural businesses to get access into the new markets and service new customers through the effective use of e-commerce. This new competitive e-environment, rural entrepreneurs will need to adopt innovative and informed e-marketing strategies to remain distinct and profitable (Lamie, Barkley & Markley, 2007). The Mobility 2011 research project, conducted by World Wide Worx and backed by First National Bank (FNB), reveals that 39% of urban South Africans and 27% of rural users are now browsing the Internet on their phones (Goldstuck, 2011) more explanation is provided in table 1.

Table 1. South Africa mobile Internet usage

Website type	Age categories	Urban area	Rural area
Mxit	Over -16 year old	29%	19%
Facebook	Over - 16 years old	30%	13%
Twitter	Over - 16 years old	8%	4%

The study excludes deep rural users and represents around 20 - million South Africans aged 16 and above. This means that at least 6-million South Africans now have Internet access on their phones.

Impact of E- Commerce of Rural Consumer Buying Patterns

IT has been found that e-commerce adoption affects business success (Palan & Sommai, 2011). The Internet revolution is transforming the way many businesses operate. Through e-commerce, they are securing affordable access to a full range of market opportunities. For rural entrepreneurs and small business owners, this Internet revolution, and general "flattening" of the global economic context, represents a double-edged sword (Spoto, 2010). The major impediments towards the non-adoption of e-marketing include technology incompatibility with target markets, lack of knowledge, stakeholder unreadiness, technology disorientation and technology perception (Dlodlo & Dhurup, 2010). These make it difficult for businesses including rural businesses to get access into the new markets and serve new customers through the effective use of e-commerce as by doing so will thrusts them into a new marketplace where they experience increased competition, most well outside of their normal market reach. It has been noticed that in this new competitive e-environment, rural entrepreneurs must adopt innovative and informed e-marketing strategies to be profitable (Dlodlo & Dhurup, 2010). Consumers increasingly rely on the Internet for information, and a website is a relatively inexpensive way to present information on a business' products,

hours, location, phone number, and sales (Lamie, Barkley & Markley, 2007).

Factors Affecting Use of E-Commerce

Literature indicates that size and age of a firm plays a vital role in e-commerce adoption (Jagoda, 2010). On the other hand, consumer’s purchasing behaviour with regard to e-commerce found to be relevant on the perceived ease of use, perceived usefulness, perceived risk with products/ services, and perceived risk in the context of online transactions (Lee, Park & Ahn, 2000). This means that firms providing products/services through e-Commerce should consider these contextual factors in order to facilitate consumers’ adoption behaviour. However, it has been noticed that factors are perceived differently by adopter/ users, intended adopters and those not intending to adopt (Wymer & Regan, 2010). Study conduct in Saudi Arabia by AlGhamdi, Nguyen & Jones (2013) found that e-commerce was lacking in governmental support as well as relevant involvement by both customers and retailers. On the hand Shemi & Procter (2013) mention that characteristics of the managerial, technological and environmental issues that confront each SMEs.

3. RESEARCH METHODOLOGY

The primary data were collected using mixed method approach of both quantitative and qualitative. It was collected from 224 local people with a questionnaire containing both closed -ended and open -ended questions. The research design was exploratory and cross-sectional in nature

Target Population

The target population of the study was local people who normal buy from SMEs located in rural areas of KwaZulu - Natal province. It has been indicated each rural municipality has more than 284 SMEs in the province (Nkonde, 2012). However, the number of SMEs specifically located in rural areas of the province is not known.

Sampling

Since a suitable sampling frame was not available from which draw a probability sample, a quota sampling approach was used to select respondents from five areas in rural KZN, namely from Nquthu, Kwa-Nongoma, Empangeni, Ulundi and Escourt. The main reason for selection of these areas was that they have relatively large rural municipalities and rural populations, which allowed for the identification of more SMEs in these areas. This final usable sample is shown in Table 1 in terms of demographic profile of respondents.

Questionnaire Design

The measuring instrument used was a questionnaire, consisting mainly of closed-ended questions. The

literature was used as the source of information to formulate the questionnaire for this study. Each question also allowed for comment via an open-ended response alternative. The main questions are summarised in Table 2.

Table 1. Demographic profile of respondents

Gender	Frequency	Percentage
Female	146	65 %
Male	78	35 %
Race		
Black	199	85%
White	12	5%
Indian	20	9%
Coloured	3	1%
Education level		
< matric	56	25%
Matric	97	43%
Diploma	48	22%
Degree	20	9%
Post -graduate	3	1
Geographic area		
Nquthu	32	14%
Empangeni	75	33%
Ulundi	53	24%
Kwa-Nongoma	27	12%
Escourt	37	17%

Table 2. Summary of key questions

Research area	Question
Behavioural change	e- Commerce has changed the way I use to buy products from small and medium retailers/traders Response alternatives: <i>Strongly Agree; Agree; Neutral; Disagree; Strongly Disagree</i>
Customer convenient	e- Commerce can make me to choose and purchase almost anything from my home Response alternatives: <i>Strongly Agree; Agree; Neutral; Disagree; Strongly Disagree</i>
Advantage of e-commerce	e-Commerce is costs effective, safe and improves the way we use to do things including buying of goods/ services Response alternatives: <i>Strongly Agree; Agree; Neutral; Disagree; Strongly Disagree</i>
Disadvantage of e-commerce	e-Commerce does not allow me to inspect goods in advance of purchase Response alternatives: <i>Strongly Agree; Agree; Neutral; Disagree; Strongly Disagree</i>
Risks of using e-commerce	e-commerce risks us in buying damaged or broken goods Response alternatives: <i>Strongly Agree; Agree; Neutral; Disagree; Strongly Disagree</i>
Most common frustrations of e-commerce	Most common frustration with shopping websites are: Response alternatives: <i>Unable to reach the e-shop by phone; problems with account/ logging in; lack of information about the products/service; lack of fast chat/instant messaging; difficult reaching the organisation; Trouble at checkout</i>

Data Collection

The questionnaires were administered during personal interviews with respondents at their local villages. In order to standardize the conditions under which the questionnaires were completed, former unemployed matric students were in the selected areas were recruited and brief as fieldworkers. They distributed and collected self-completion questionnaires to the targeted population. The survey was conducted at the same period on weekdays and over weekends. To increase the respondents' ability to answer the questionnaires and thus improve the response rate, a number of instructions were proved throughout the questionnaire and the interviewer was on hand to explain any uncertainties where necessary. However, inconsistency in coding of the closed - ended questions was avoided by having all questionnaires pre-coded.

Data Analysis

Data were entered into the computer according to the question codes and analysed using SPSS version 22.0. The first type of analysis was to check frequencies, which was also used to check the coding of data. Variables were then screened, identifying those that were highly influential on the dependent variables of the study. A number of analytical procedures were used. Descriptive statistics were used to help describe and compare the main features of the collected data. Bivariate analysis was used in the form of cross -tabulations to test relationship. Inferential statistics were used to test relationship and data were presented by means of bar graphs and tables to show the association between variables. The statistical finding of the survey are integrated and presented with the discussion of the findings that follow.

Validity and Reliability

Content and construct validity were assessed via the assessing of the questionnaire by research and statistical experts and by pre-testing it with a small sample similar to the population. No significant changes were required. Reliability was tested using Cronbach's coefficient alpha, achieving a coefficient of 0.756, thus concluding that the reliability of the study were acceptable.

4. DISCUSSION OF FINDINGS

Literature review was used e-commerce to identify problems experienced by rural consumers with regard to the use of e-commerce and its influence on their buying behaviour and variables to be tested were also identified. Completed questionnaires were received from 224 local consumers living in rural KZN (n=224). And the key findings of this research reveal the following results.

Figure 1. Respondents' consumer buying Behavioural change

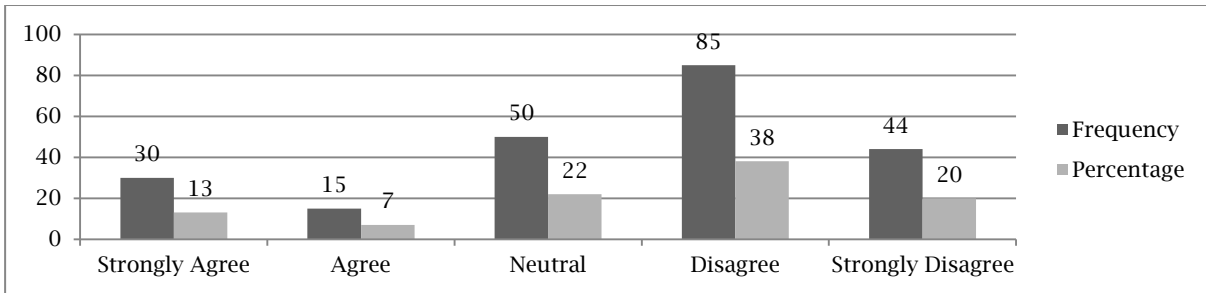


Figure 1 illustrate that 30 (13 percentage) and 15 (7 percentage) respondents agree that e-commerce has changed the way they use to buy products from small and medium retailers/traders. Thus indicate that people at rural areas of South Africa with specific reference to KwaZulu -Natal has started using e-Commerce and believe that e-Commerce has changed their past consumer buying behaviour. At the same time, 50 (22 percentage) were neutral and large number of the respondents

85 (38 percentage) and 44 (20 percentage) disagree that the use of e-Commerce has changed their consumer buying behaviour. This suggests that at all times e-Commerce is not effectively used by many and they don't see it as an agent for change in their daily consumer buying behaviour. A Chi-square goodness of fit test indicated this finding to be statistically significant (P-value = .000; std. deviation = 1.25838; mean = 3.4375).

Figure 2. Respondents perceptions of e-Commerce convenient

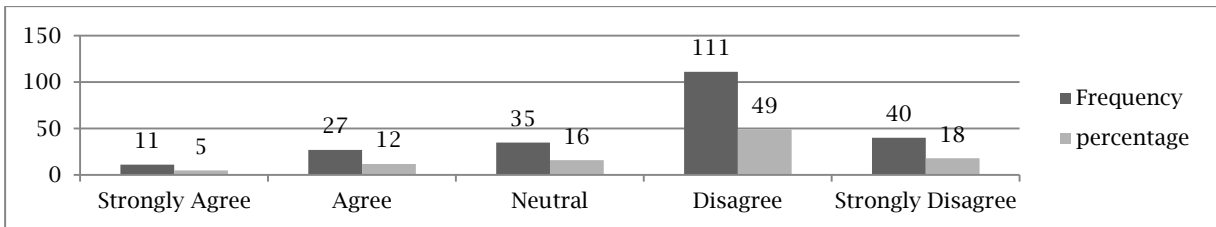


Figure 2 indicates that majority of respondents 111 (49 percentage) and 40 (18 percentage) disagree with the statement that e-commerce is more convenient for them to do purchase everywhere they are even from their home. 35 (16 percentage) of the respondents were neutral with the statement, while

a few respondents 11 (5 percentage) and 27 (12 percentage) agree. A Chi-square goodness of fit test indicated this finding to be statistically significant (P-value = .000; std. deviation = 1.06300; mean = 3.6339).

Figure 3. Respondents perceived advantage of e-commerce

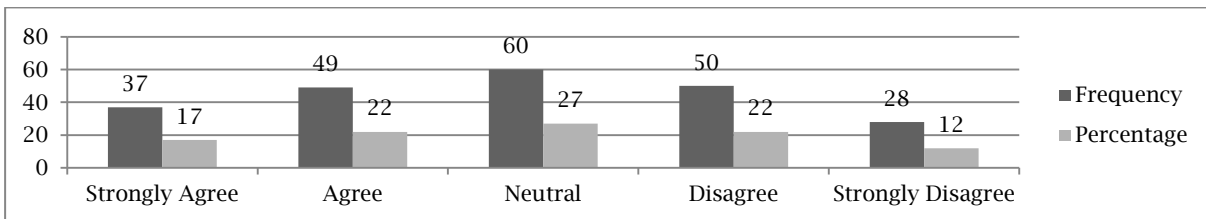


Figure 3 indicates that 37 (17 percentage) and 49 (22 percentage) of respondents agree that e-commerce is costs effective, safe and makes things easier for them in their respective areas including

buying of products from different small businesses. 60 (27 percentage) of respondents were neutral and 50 (22 percentage) and 28 (12 percentage) disagree with the statement. Thus indicate that about 78

percentages of people who live in the South African rural areas particularly in KZN do not understand the reasons why they should use e-commerce. A Chi-

square goodness of fit test indicated this finding to be statistically significant (P-value = .000; std. deviation = 1.26652; mean = 2.9241).

Figure 4. Respondents perceived disadvantage of e-commerce

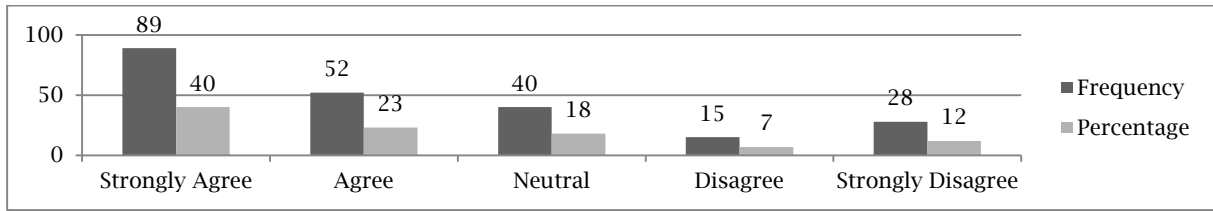
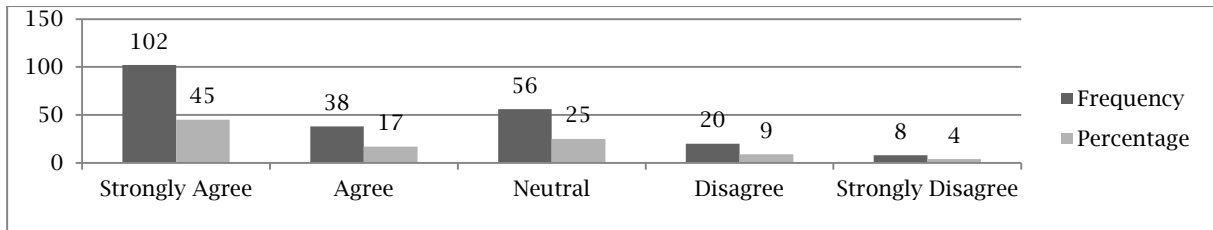


Figure 4 shows that more than half of the sample agreed that e-Commerce does not allow me to inspect goods in advance of purchase (89 (40 percentage) and 52 (23 percentage). However, there were some few who were neutral and disagree with

the statement. A Chi-square goodness of fit test indicated this finding to be statistically significant (P-value = .000; std. deviation = 1.37586; mean = 2.2902).

Figure 5. Respondents perceived risk of using e-commerce



The second objective was to examine the extent to which rural consumers use and perceived e-Commerce to be important to their buying process. Although majority of respondents do not use or notice the important of e-commerce and how it can affect their buying patterns, more than half of the respondents do understand the advantages of using e-commerce and the risk associated with it, which is

shown in Figure 5, with 102 (42 percentage) 38 (17 percentage) agree that e-commerce risks them in buying damaged or broken goods. While other small portion of respondents were neutral and disagree with the statement. A Chi-square goodness of fit test indicated this finding to be statistically significant (P-value = .000; std. deviation = 1.17629; mean = 2.0804).

Figure 6. Most common frustrations caused by e-commerce

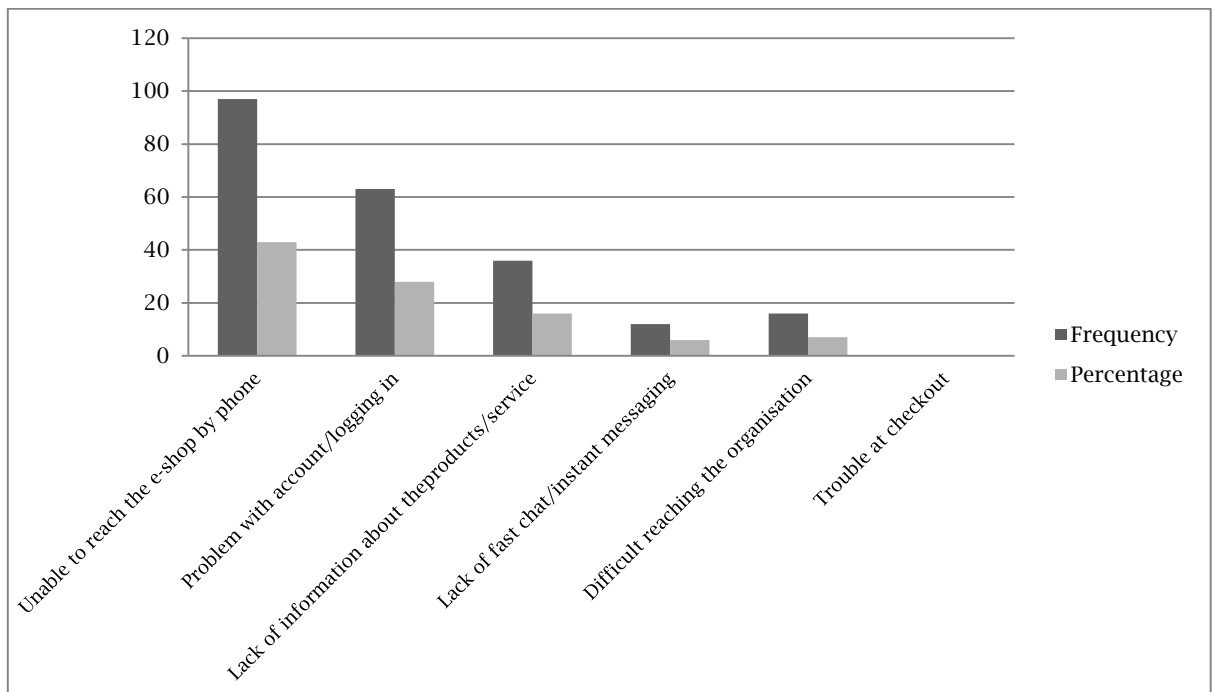


Figure 6 shows that there was a general feeling among the sample that major challenges facing rural consumers included unable to reach the e-shop by phone and problems with account/ logging in to access to e-commerce transactions 97 (43 percentage) and 63 (28 percentage) in KwaZulu – Natal rural areas. However, lack of information about the products/services, lack of fast chat/instant messaging, and difficult reaching the organisation also have significant impact for the consumer behaviour. A Chi-square goodness of fit test indicated this finding to be statistically significant (P-value = .000; std. deviation = 1.20622; mean = 2.0491).

Limitations

This study did not include all rural areas of KwaZulu –Natal province, was only confined KZN areas only, therefore, the results of the study cannot be generalized to all South African Provinces. Due to the size of South Africa, as well as socio –economic` difficulties and geographical profiles, it was difficult to research every rural area in every province. Further research needs to include other rural areas in other provinces with large sample.

Implications

A first managerial implication results from the findings is that SMEs owners/mangers in South Africa want to or need to success /sustain business growth or simultaneously. This study provides some useful strategies which can be applied with regard to encouraging local consumers to use e-Commerce every time they want to buy products/ services. This study suggests different promotional activities that can be employed to enhance the use of e-commerce in rural business environment.

A second managerial implication is that it is evident SMEs owners/managers should structure and improve on their communication strategies with consumers and their marketing tactics should be well communicated and known by local consumers including the important of using e-Commerce.

Finally, the analysis of the results indicate that the most difficult facing rural consumers when want to use e-Commerce include unable to reach the e-shop by phone and problems with account/ logging into access to e-commerce transactions, which have managerial implication of losing potential customers if SMEs owners/managers does not re-direct their focus and improve their ICT infrastructure by working together with South African government.

CONCLUSIONS

This paper attempted to find the most significance of e-commerce has in changing rural consumers buying behaviour in KZN. The research found that majority of respondents do not use e-commerce to purchase SMEs products with about half of respondents indicate that still do not agree that e-commerce can change their buying behaviour. However, on the other hand, many respondents believe that e-commerce is more costs effective, safe and important for the improvement of rural consumers; but, thus it is not mean that they are

using it. Since the use of new emerging technology is rapidly growing in South Africa in both the business and social sectors, SMEs owners/managers in rural emerging economies can build more awareness campaigns to the rural consumers with regard to the benefit and importance of using e-commerce. Furthermore, the results indicate that most of the respondents believe SMEs owners/managers lack corporate government orientation due to lack of qualified members of corporate in their business leadership structures. Therefore, partnership with government agencies is encouraged as this will be help them in limiting the skills gap and shortage of human capital in rural SMEs sector in South Africa. This study found that many people don't believe e-commerce is more convenient indicate the need for SMEs in operating in rural areas to put more effort on direct marketing and consumers education with regard to the advantages of using e-commerce.

RECOMMENDATION

It has been noticed from the findings that e-commerce does not show much influence in the change of rural consumer behaviour. However, it is evident that most consumers perceived the use of e-commerce as a high risk taking due to the fact that products are purchased before physical inspection. Therefore, this recommends that government should spread the availability of ICT facilities in rural and remote areas of KZN, community briefing and workshops with regard to the benefits of using internet and buying products through the e-commerce transactions. The awareness building and community education in both rural entrepreneurs and community at large must be conducted by the well trained government staff on ICT importance and benefits. Furthermore, in the current business environment, rural SMEs need to adapt to new technologies to stay relevant with competitors and access the global marketplace. Technology partnership can strengthen any SMEs capabilities and support stable growth, when it comes to time to adapt to a new to trading technology. A technology partnership can keep transition and training issues from overshadowing the business plan, therefore, it is important for rural SMEs to start using new technology. In addition, the use of digital marketing can be effective in rural SMEs sector in South Africa as technology making physical location factor less important as networks become ubiquitous, allowing previously unavailable internet and cellphone access in even the most remote location. This can allow rural SMEs to navigate foreign market and understand the consumer behaviour of their target audiences.

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