

A Review of the Uprising of Ecommerce among SME's in Tanzania

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Abstract Tanzania's internet usage has recently gained popularity with the introduction of the new measures and policy put in place by the central government. This research sought to review the factors that affect the uprising ecommerce in Tanzania, the study is carried out to review the uprising effect of ecommerce in Tanzania and how this factors leading to the effects has been curtailed, and addressing it effect on the Tanzania's economy. Tanzanian Government has withdrawn import duties from computers and computer related peripherals. Due to the withdrawal of duties prices of computers and related products have become affordable to general communities. This to some extent has increased the use of computer for general purpose of which internet marketing has become a main promotional tool for SME's.

Keywords Uprising of ecommerce, Small and medium enterprises, Factors affecting SME's adoption

1. Introduction

Internet marketing is becoming essential for every business activity. The Internet and its enabled technologies are already being viewed as the world's most revolutionary development. According to Mensah and Marfo (2009) internet is driving the new economy by creating unique opportunities for countries, companies and individuals around the world. It is conceived that e-commerce is a phenomenon of developed country and new technology generally put challenges for developing countries that lack the requisite capabilities, as well as the economic and financial resources to cope with the developed countries. Especially internet presents both opportunities for economic and social development, and a threat to further increasing the gap between developed and developing countries various studies. Arora and Banwet, 2003; Singh and Singh, 2004) revealed that e-commerce offers huge business opportunities. Small and large companies are using the Internet to make their product information, ordering, and customer support immediately available to help buyers and sellers to make contact (Singh and Singh, 2004). Tanzanian Government has withdrawn import duties from computers and computer related peripherals. Due to the withdrawal of duties prices of computers and related products have become affordable to general communities. This to some extent has increased the use of computer for general purpose though effective applications of computers are still underutilized due to

particularly government policy. Economist Intelligence Unit, 2009). In Tanzania, SMEs historically played a relatively significant role in the process of economic development. The definition of SMEs is not uniform; it varies across countries and in some countries.

The definition differs further between sectors (Cudjoe Dan, electronic commerce: state of the art American journal of intelligent systems). Number of people employed and size of capital, sales, assets, used to classify enterprises into micro, small, and medium. The Tanzanian Ministry of Industry (MOI) classified SMEs based on labour and investment costs criteria. Small and medium enterprises are defined as those having 4-50 workers respectively. As to the ceilings for investment costs, they are set at Tshs5 million and Tshs10 million for small and medium enterprises respectively (Ministry of Industry and Trade, 2010). It has been said that factors affecting the successful adoption of new technologies such as E-commerce are generic in nature. However reasons vary widely among sectors and countries (Windrum and De Berranger, 2002). But to be competitive in the internet economy, companies needs to be honest (Al-Mudimigh, 2007). (Bolongkikit et al 2006) discussed among other issues that SMEs markets needed a high degree of human communication. (Taylor & Murphy 2004) discussed that SMEs occupy small and clearly defined niche markets that do not need global connectivity through experimentation as inhibitors to e-commerce adoption. 2004; Mukti 2000; Udo 2001; Aldridge et al. 1997; Bauman et al. 1996). A number of studies (Limthongchai and Speece 2003; Shi and Salesky 1994; Kendall et. al. 2001) have discussed that one of major barrier in developing E-commerce is the security of using it. To adopt E-commerce information safety is essential for the company to have integrity of the entire system (Alam et al.

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2004). A study conducted by Beale (1999) revealed that the reluctance among many consumers to embrace e-commerce is basically centered on the concerns over security issues and lack of confidence in the current set-up e-commerce.

2. Various Thoughts of E-Commerce

Scholars, researchers and academicians in quite recently have focused on the emergence of ecommerce and its significant importance towards the business environment. Most scholars considered e-commerce as a by-product of technology and information. (Lucas, 1999) (Dos Santos and peffers) outline some of the organizational factors and the ability of management in the aspect of IT innovations and adoption. According to new north blog page, creating customer retention in E-commerce is one of the most difficult issues in running an online store. Despite being engaged in a global market with sometimes equal competitors offering similar products, creating value for your listing of the product over any other very difficult. If you are lucky enough to offer a unique set of products, then your task is a bit easier, but not simple by any means. Many E-commerce experiences seen are not following up with customers after the purchase. Customers buy a product and that might be the last time you ever hear from them. More successful shopping experiences are using email and traditional media to bring customers back to the shopping experience. They know what the customer purchased, and make suggestions, offers, and other enticing appeals to bring them back related to that initial purchase. If the customer is happy with the purchase and the cart is simple, they will be back.

Most E-commerce systems do require users to make an account, but many schools of thought think the one time checkout option is better because it allows the user to define their experience with the business and the internet. Making customers create accounts allows an ability to create detailed demographic information about them to supplement retention efforts. Once a user has an account, making it simpler to login and complete purchases from stored credit cards make the next purchase that much simpler. For instance with "One-click checkout" from Amazon. They are the first company to make a multistep process of buying a product online, as simple as one click, and it comes from successful customer accounts, according to new north blog.

3. Key Barriers to Tanzania's Ecommerce

Tanzania has an area of 945,000 sq. km (365,000 sq. miles) and a population of about 42 million. Dar-es-salaam is the commercial capital and home to many government institutions and diplomatic missions. There are about 120 ethnic groups on the mainland, although none these exceeds

10% of its population, as well as minority Asian and expatriate communities. Tanzania's economy relies heavily on agriculture, which accounts for nearly half of GDP and employs 80% of the workforce.

(George S. Oreku, Fredrick J. Mtenzi, and Al-Dahoud Ali)

A study shows that the use of ICT equipment is still low in Tanzania compared to other countries in the world but it is growing at a staggering pace. According to the World Bank data in the last decade. The penetration rate of personal computers has increased, while the number of mobile phone subscribers has also been on the rise. By the year 2009 the penetration rates of personal computers lies around 19.5 computers per 1000 people, which corresponds to an installed base of 850'000 units in 2009. The Audiences capes survey of Tanzania was carried out in July 2010 by Tanzania Communications Regulatory Authority (TCRA) as a nationally representative sample. The survey depicted that Internet use has clearly grown in Tanzania at the rate of 4% but not at the same rate as in neighbouring countries like Kenya where the latest estimate of Internet users for Kenya from the ITU is 3995500 people, corresponding to a penetration rate of 9.7%.

Base on the International Telecommunication Union (ITU) report, there are 520,000 Internet users in Tanzania as of June, 2009, 1.3% of the population, according to 2010 ITU report. There are around hundreds of formal and informal IT training centres and numerous computer shops. Although ICT had been announced as a thrust sector in 2003 year no substantial and clear-cut IT policy has been followed since then. Still legislation towards electronic signatures, practical laws to protect intellectual property rights and relevant financial structure to facilitate electronic transaction are yet to be formalized. The entry into the global economy is effectively blocked because of inadequate ICT infrastructure and human. However, with the finalization of the NICTBB, the cost of making calls in Tanzania has dropped by 57 per cent and that of internet services increased by 75 percent in 2014.

Statistical data on internet usage on these specific years

| year | users | population | %pen | User source |
|------|---------|------------|-------|-------------|
| 200 | 50,000 | 14,712,000 | 0.3 % | ITU |
| 2002 | 500,000 | 13,874,610 | 3.6 % | ITU |
| 2005 | 820,000 | 12,247,589 | 6.7 % | ITU |
| 2009 | 520,000 | 41,048,532 | 1.3 % | ITU |

SOURCES: <http://www.internetworldstats.com/>

The cost of a brand new personal computer vacillates between a low of \$5 million and a high of up to \$12 million, depending on the brand of the machine. The government reduced the import duty on computer hardware from 15 precents to 5 precents, a happening Nkala and other experts in the field, hoped would lead to computers becoming considerably cheaper and easier to acquire.

Data on subscribers and percentage on below years

| year | users | population | %pen | source |
|------|------------|-------------|--------|--------|
| 2011 | 4,932,535 | 42,746,620 | 11.5 % | ITU |
| 2012 | 4,932,535 | 7.5,000,000 | 17% | ITU |
| 2013 | 2.7,000000 | 4,932845 | 37% | ITU |

Source: Sunday guardian

Tanzania has two fixed-line operators (TTCL and Zantel) and seven operational mobile networks, with five additional players licensed under a new converged regulatory regime. With four major operators (Vodacom, Zain, Tigo and Zantel) the mobile market is expected to break the 50% penetration barrier during 2010, but subscriber growth is expected to slow to 20%. At the same time, the average revenue per user (ARPU) continues to fall despite government efforts.

3.1. Tanzania's Effort towards the Barriers

According to a web blog the citizen, wrote that the rapidly growing number of Internet users in Tanzania is attributed to the technological revolutions and improvements that have led to a substantial decline in the cost of using internet services backed by government's initiative to heavily invest in the national fibre optic technology. Currently, through the NICTBB Tanzania is connected to the international submarine cables landing in Dar es Salaam (SEACOM AND Easy) with 7400 kilometres of optic fibre cable already constructed and extended to eight border points of Sirari, Namanga and Horohoro (Kenya); Mtukula (Uganda), Rusumo (Rwanda), Kabanga and Manyovu (Burundi), Kasumulu (Malawi) and Tunduma (Zambia).

Internet services in Tanzania started in 1995. Five years later, in 2000, the country had only 115,000 people connected to the Internet, since then the number has kept growing significantly –reaching 9.3 million users in 2014; equivalent to 20 percent of the 45 million people in Tanzania. The President Kikwete said the expansion in the communication services and reduction of costs is an important catalyst for the growth and development of the country's economy as it has enabled convergence of service provisions through mobile operators.

Estimated market penetration rates in Tanzania's telecoms sector – 2014

| Market | Penetration rate |
|----------|------------------|
| Mobile | 70% |
| Fixed | 0.3% |
| Internet | 18% |

(Source: Budde Comm based on various sources)

The key development according to Budde comm)

| | |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tigo and Vodacom sign Africa's first m-money interoperability scheme | Zantel extends 3G services to mainland Tanzania |
| Vodacom and Bharti Airtel both submitted bids to buy Zantel from Etisalat State to secure 35% in TTCL held by Bharti Airtel | Viettel awarded 3G licence, expected to launch services in mid-2015 |
| AzamTV reports 34,000 satellite TV subscribers within three months of launch; Etisalat increases stake in ZanTel to 80%; | Low ARPU encouraging mobile operators to develop mobile data and commerce services; Regulator sets voice interconnection rates to 2017; government allocates TZS17.5 billion (\$10.8 million) to improve rural telecom infrastructure; Smile Communications trials VoLTE services; |
| Government reviews ICT policy, considers measures to tackle cybercrime | Tigo integrates M-Pesa service with 17 major banks; Airtel, Zantel and Tigo make m-money schemes interoperable |

3.2. Major Types of Ecommerce Available in Tanzania

In Tanzania C2C e-commerce is commonly practiced. In c2c the consumers transact with each other directly. The types of ecommerce business are as follows: Business-to-Business (B2B) Business-to-Consumer (B2C) Consumer-to-Consumer (C2C) Consumer-to-Business (C2B). Business-to-Administration (B2A) Consumer-to-Administration (C2A).

Business-to-Business (B2B)

Business-to-Business (B2B) e-commerce encompasses all electronic transactions of goods or services conducted between companies. Producers and traditional commerce wholesalers typically operate with this type of electronic commerce.

Business-to-Consumer (B2C)

The Business-to-Consumer type of e-commerce is distinguished by the establishment of electronic business relationships between businesses and final consumers. It corresponds to the retail section of e-commerce, where traditional retail trade normally operates.

Consumer-to-Business (C2B)

In C2B there is a complete reversal of the traditional sense of exchanging goods. This type of e-commerce is very common in crowd sourcing based projects. A large number of individuals make their services or products available for purchase for companies seeking precisely these types of services or products.

Business-to-Administration (B2A)

This part of e-commerce encompasses all transactions conducted online between companies and public administration. This is an area that involves a large amount and a variety of services, particularly in areas such as fiscal, social security, employment, legal documents and registers, etc. These types of services have increased considerably in recent years with investments made in e-government.

Consumer-to-Administration (C2A)

The Consumer-to-Administration model encompasses all electronic transactions conducted between individuals and public administration.

4. Conclusions

The strong growth experienced in recent years in Tanzania shows that, there is a clear acceleration in the growth. The effect on this, such as the development of broadband and with it the appearance of flat-rate charges for Internet and the reduction of import charges on other peripheral devices has contributed to this factor. However, the preparation of the Law of Information Society Services and Electronic Commerce suggests a possible upward shift of the growth.

With regards to the effort of the Tanzania's government, there seems to be lack of sufficient system security, reliability, standards, communication, protocols, Insufficient telecommunication bandwidth and the software development tools are still evolving and changing rapidly and integrating the internet and e-commerce software with some existing applications, databases and special web servers and other infrastructures. (George S. Oreku, Fredrick J. Mtenzi, and Al-Dahoud Ali 2013) according to the study conducted, the readiness in Tanzania is challenged with Poor physical and network infrastructures, Inadequate human resources and absence of required rules, Low level of computer literacy and widespread poverty.

In future a research will be conducted to investigate ecommerce and illiteracy rate in Tanzania and its effect on the economy. The growth of e-commerce depends on broad and affordable access to infrastructure, enabled by convergence of technologies, forward looking telecommunications policy, robust network infrastructure, sufficient bandwidth and support for targeted applications.

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