

**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS AND ECONOMICS**

**CHALLENGES AND OPPORTUNITIES OF
E-MARKETPLACES: *ETHIOPIAN CASE***

**BY
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Challenges and Opportunities of E-Marketplaces: Ethiopian Case

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LIST OF ACRONYMS

ARPA: ADVANCE RESEARCH PROJECT AGENCY

ARPANET: ADVANCED RESEARCH PROJECT AGENCY NETWORK

E-BUSINESS: ELECTRONIC BUSINESS

E-CARD: ELECTRONIC CARD

E-COMMERCE: ELECTRONIC COMMERCE

E-DISTRIBUTORS: ELECTRONIC DISTRIBUTORS

E-ENVIRONMENT: ELECTRONIC ENVIRONMENT

E-MARKETPLACES: ELECTRONIC MARKETPLACES

E-PROCUREMENT: ELECTRONIC PROCUREMENT

ETC: ETHIOPIAN TELECOMMUNICATIONS CORPORATION

NSFNET: NATIONAL SCIENCE FOUNDATION NETWORK

ISP: INTERNET SERVICE PROVIDER

SMEs: SMALL AND MEDIUM SIZED ENTERPRISES

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ABSTRACT

In this study, the prevailing challenges and opportunities of e-marketplace development in Ethiopia were addressed. With regard to this, assessing the existing challenges and opportunities of e-marketplaces is the most important theme of the study. Data were collected through questionnaires from a sample of four companies operating in e-marketplaces and a total of 408 sample internet users.

Various challenges of e-marketplaces were found during the study at e-environment, societal, business and consumer levels. Despite these challenges in the operations of e-marketplaces in the country, there is a potential market for business firms.

Based on the findings of the study, devising governmental policies and legal framework, extensive education campaigns and promotional activities to create awareness of e-marketplaces are among the most important recommendations forwarded.

Keywords: E-Marketplace, E-Environment



CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

Nowadays, with the explosive growth of the number of users, number of computers and number of networks connected to the internet, the internet has become a place where buyers and sellers meet to exchange information and goods and services. It has created a new global electronic marketplace bringing the World into a 'global village'. Internet use of business has now become a hot area for many companies to engage in.

Since the time Ethiopia joined the World of Internet as of 1997 (Adane, 2000, p.1), the use of internet service has grown. The Ethiopian Telecommunications Corporation (ETC), the sole Internet Service Provider (ISP) of the country, has been and is still expanding internet services mainly to the urban areas. The user base is also growing at a tremendous rate.

With the rapidly increasing number of internet users and the expansion of internet services in the country, companies are now making it easy to find them on the Net. Most of the companies are using the internet for promoting the company's background and the products and services they offer.

Regardless of these developments, the commercial use of the Internet is a more recent phenomenon in Ethiopia. It is growing by opening up new ways of doing business. There are also few emerging online marketplaces.

However, in spite of the benefits of electronic marketplaces for the country, they have not been fully exploited. Various challenges can be ascribed for this low level development in the area. These challenges still exist till now.

Since the development of e-marketplaces can be one contributor for the economic well being of the country, it is important to address these challenges and grasp the full efficiencies and benefits of e-marketplaces. Therefore, it is necessary to assess the existing challenges and opportunities in e-marketplaces.

1.2. STATEMENT OF THE PROBLEM

Internet has become a new frontier in trade where business transactions are taking place at an alarming rate. It has proved to be a cost-effective global marketplace that could be accessible 24 hours a day and 7 days a week (24/7), i.e. the business storefront never closes. With the increasing need of providing convenient purchasing methods for consumers and with the goal of increasing sales and name recognition, business firms, from large corporations to small enterprises, put their business online (Kaye & Medoff, 2001, p.195). The traditional marketing and sales has been extended beyond any limitation (Kebede, 2001, p.1).

However, the blessings of online marketplaces are accompanied by a number of challenges. Despite the benefits, most African countries have a number of problems in fully exploiting the benefits and opportunities (Akoh, 2001, p.9). Ethiopia is of no exception in facing those problems.

In Ethiopia where the traditional physical marketplace dominates business activities (business communications and transactions), business use of the internet is at its infancy stage. It is more recently that a very few number of firms have made their presence on the Net and created their own marketplaces there to conduct businesses. Though these emergences are major steps for the future development, Ethiopia is still lagging behind.

In the past few years, the growth of online marketplaces is being influenced by a number of factors. The most critical barrier faced was the

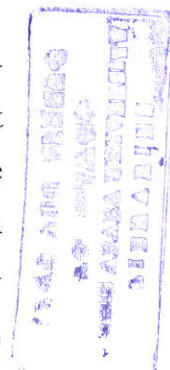
limited availability of information and communication infrastructure (Abbay Media, 2007, p.8). In addition, the available infrastructure is mainly confined to capital cities. Without the provision of good quality infrastructure, it is impossible for the existence and growth of e-marketplaces in the country.

To begin an e-marketplace, the lack of legal framework is a problem in Ethiopia. Governmental policies governing and supporting the electronic business transactions conducted over the Internet are not in practice. Since, the presence of governmental policies and legal framework is important for the success of e-marketplaces, they must be available in the operations of e-marketplaces. On the contrary, there are lack policies and legal frameworks for e-marketplaces in Ethiopia.

Besides, there is less public awareness about the benefits of e-marketplaces, i.e. electronic business transactions. The public do not aware that there are e-marketplaces in the country. There is little knowledge of electronic transactions on e-marketplaces. Familiarity with internet technologies can also affect the use and participation in e-marketplaces on the internet. Cultural differences, such as language, among countries are also important to expand markets both locally and internationally.

The other factor in the development of e-marketplaces in the country is lack of trust on the part of consumers to buy products online due to the quality of products and the attitude of the public towards the e-marketplaces. This can lead to resistance to change in the shift from the traditional marketplaces to the e-marketplaces. Thus, these factors need a thorough investigation in the country's current e-environment.

Moreover, in Ethiopia where traditional payment methods dominate, online payment facilities are not developed well. This may force companies to



operate cash-on-delivery basis. On top of this, the security of financial transactions is important since people must feel safe and protected in using e-marketplaces. Privacy of customers is also a major concern for both customers and companies for the same reason.

The quality of the products produced by companies selling on e-marketplaces is another issue for consumers since the reliability of the product can not be known by simply looking at the graphics presented in the advertisement at e-marketplaces. Thus quality of the products sold on e-marketplaces is one factor in either back warding or forwarding the development of e-marketplaces. The distribution and delivery of products sold to consumers is another problem of the e-marketplaces in Ethiopia due to unavailability of unique addresses for locating consumers in different parts of the country.

The high cost of internet connectivity and usage is still a problem for both buyers and sellers participating in the virtual marketplace. The prevailing Ethiopia's monopolistic environment in the telecommunications sector has also an effect. Customers have been charged with increasing rates beyond any reasoning (Kebede, 2001, p.12). In addition, the income level of the people of the country is very low (Abbay Media, 2007, p.4). With a low per capita income, it is a problem for people who want to have access to the internet but have no enough money to pay for the service they get.

In a nutshell, though the Internet is leading many buyers and sellers to the electronic environment, being unaware of the challenges that come on the way creates difficulties for both buyers and sellers.

Therefore, it is important to examine the existing challenges and opportunities of e-marketplaces in Ethiopia for successful operations in the subject area which assists in taking proper actions to tackle the problems and catch-up with the technological trend. As a result, this study

attempts to assess the challenges and opportunities in Ethiopian current online marketplaces.

In line with this, the study tries to address and seek answers to the following research questions:

- ➡ What are the major challenges of e-marketplaces in Ethiopia at e-environmental level, societal level, business and consumer level?
- ➡ What are the opportunities of e-marketplaces domestically and globally for Ethiopian business firms?

1.3. OBJECTIVES OF THE STUDY

The study has the general objective of examining the challenges and opportunities of online marketplaces in Ethiopia. Adding to this, the study has the following specific objectives:

- ➡ Assess the factors affecting e-marketplaces at e-environmental level
- ➡ Assess the factors affecting e-marketplaces at societal level
- ➡ Assess the factors affecting e-marketplaces at business level
- ➡ Assess the factors affecting e-marketplaces at consumer level
- ➡ Assess the opportunities prevailing in the operating in e-marketplaces in Ethiopia

1.4. METHODOLOGY

1.4.1. DATA SOURCES

For the purpose of the study, primary data was collected using questionnaires distributed to sample internet users and companies. Other supportive and relevant materials for the study were obtained from secondary sources including related books, journals, research reports, online resources, companies' documents, etc.

1.4.2. METHODS OF DATA COLLECTION

In conducting the study, data were collected through questionnaires. Two types of questionnaires were designed and distributed to sample companies and internet users.

Though it is difficult to obtain the exact number of e-marketplaces in Ethiopia since many of them are hosted outside, purposive sampling has been used in order to select four companies operating in e-marketplaces. Since their presence on the global online marketplace, these companies are exerting much effort to succeed and are still striving to survive; obviously confronting many obstacles. This can help in identifying the major challenges of online marketplaces in the country. It will also be helpful to share past experiences with prospective companies hoping to join the electronic marketplace.

In addition to the sample companies, samples of 400 internet users were to be selected for the study using random sampling. However, it was possible to distribute some more questionnaires and collect a total of 408 questionnaires in a week from different internet centres in Addis Ababa. Distribution and collection of questionnaires was done by hired data collectors and the researcher.

1.4.3. VARIABLES

The variables of the study are classified into four levels: at e-environment level, societal level, at business level, and at consumer (internet users) level. The e-environmental factors influencing e-marketplaces involve lack of legal framework and government policies, unavailability of telecommunications infrastructure, inadequate online payment facilities and high cost of internet connectivity. Culture, specifically language, is considered at societal level. At business level, the factors include quality of products, promotion, distribution and delivery, privacy of consumers, security of financial transactions, and customer support services. The factors related with consumers are income, familiarity with internet technologies, trust, attitude towards e-marketplaces and knowledge of electronic business transactions.

1.4.4. METHOD OF ANALYSIS

The data obtained through questionnaires was analyzed. The units of analysis for the study are both at company and individual levels. SPSS software, a statistical tool, was used to know frequency distributions and percentiles were used during the analysis.

1.5. SCOPE OF THE STUDY

The study encompasses four sample companies in Addis Ababa that are conducting their businesses on their own e-marketplaces. It will assess the existing challenges and opportunities in those virtual marketplaces using the e-environmental, societal, business and consumer level factors, as discussed in the variables section.

The study will be conducted from the customer and business side, and it will not incorporate concerned bodies from the government side. It will

examine the sample e-marketplaces and internet users based on the different variables of the study categorized under the four levels as above. The sample companies involve B2C, B2B and C2C e-marketplaces. Since the study is limited to assessing the existing challenges and opportunities in e-marketplaces, no attempt has been made to differentiate the challenges based on the three types of e-marketplaces.

1.6. SIGNIFICANCE OF THE STUDY

At the start, no one envisioned the internet to be a tool to conduct businesses virtually anywhere at anytime with anyone having access to the internet. Despite this, the internet has proved to be an extremely useful marketplace where business firms and consumers can execute transactions. Recognizing the need to identify the challenges of online marketplaces at the beginning, various scholars have conducted researches and obtained relevant results.

On the contrary, in Ethiopia, due to the newness of the internet, a number of studies have been conducted assessing the current challenges and opportunities of virtual marketplaces. And most of the studies are either at a general level or confined to companies. In this regard, the most significance of the study is to assess the prevailing challenges and opportunities at different levels, with the possibility of pulling concerned authorities in order to find the best way on the road to success in the exploitation of the advantages of virtual marketplaces.

As a baseline, this study may also invoke other researchers to investigate the various dimensions of the subject area under the study. Researchers can also use this study for further study with broader scope.

Finally, the study helps to create awareness among business firms of the country hoping to 'swim in the new water' about the present challenges

and opportunities. It can assist them in preparing themselves to go forward. Moreover, firms conducting their business on the virtual marketplace may consider the recommendations of the study in order to take proper actions to fight against the existing challenges and take full advantage of the opportunities.

1.7. ORGANIZATION OF THE PAPER

The paper has four parts:

- ➡ Introduction
- ➡ Literature review
- ➡ Data presentation and analysis, and
- ➡ Summary, Conclusion and Recommendations

CHAPTER TWO

LITERATURE REVIEW

2.1. CONCEPTS AND DEFINITION OF

E- MARKETPLACES

2.1.1. The Internet

In fear of the infiltration of the American life by the Communist, USA pursued the Advanced Research Project Agency (ARPA) project that was eventually to the development of the internet (Groucutt & Griseri, 2004, p.10). The primary purpose of ARPA was for the direction and performance of advanced projects in the field of research and development. However, being impossible to communicate electronically among the research institutes funded by ARPA was a major problem. Then what was called ARPANET (Advanced Research Project Agency Network) came into existence. It was the first military computers' network. It was built with the intention of facilitating the communication among the research institutes under ARPA.

With the realization of the benefits of such a network, various researchers started making use of this network for the purpose of data sharing. In the early 1980s, ARPANET was broken down into two distinct networks: MILENT and NSFNET. The former one, MILNET, was used for military purpose. The NSFNET, funded by the National Science Foundation (NSF), was used for educational and research purposes. Various governmental, academic and business computer networks began connecting to the NSFNET. It was the combination of NSFNET and the other available

computer networks that formed the present INTERNET- the Worlds' largest 'network of networks of computers' (Paul, 1996, p.27).

2.1.2. Electronic Marketplaces (E-Marketplaces)

There is no doubt that the internet has changed the way business is done. A business firm can enter into the electronic environment (e-environment) by just having a web site that promotes the company and its products and services. Many firms are now online simply because the internet has provided an additional interface for them. However, this is much less than the internet can offer.

Electronic Marketplaces (e-marketplaces) represent a new wave development in the e-commerce propagation and extending the combinations of businesses and consumers ('Information Society Technology' Programme, 2003, p.2). Several definitions of e—marketplaces have been forwarded by various scholars. According to Wellman (2004, p.4), however, no precise and well established definitions exist to differentiate between what is and what is not an online marketplace.



To begin with, what do we mean by a market? For the purpose of this study, "a market is an interaction mechanism where buyers and sellers exchange goods and services for monetary payments" (Wellman, 2004, p.4). Narrowing the scope, a 'marketplace' is a location where goods and services are exchanged between buyers and sellers.

In broad terms, an e-marketplace can be described as a website where business transactions take place between multiple buyers and sellers (Nathan, 2001, p.2). An E-marketplace can also be a virtual marketplace, a location on the internet, where a community of buyers and sellers find and exchange information, products and services and engage in e-commerce and/or e-business activities through coordinating support services

(retrieved from the site www.e-businesssguide.com and www.emarketservices.com). Participants are able to access various mechanisms for the buying and selling of almost anything from services to direct materials ('Information Society Technology' Programme, 2003, p.2).

The major purpose of an e-marketplace is increasing efficiency through the automation of the relationships between suppliers and buyers. In addition, e-marketplaces work on many-to-many basis. It can consist of a company being a member of the community of companies using the e-marketplace to sell their products (Nathan, 2001, p.2).

E-marketplaces can be structured in several ways. One structure is where an independent body runs the e-marketplace. The body is neither a buyer nor a seller. It regulates the marketplace and facilitates communication between sellers and buyers. The other way in which e-marketplaces can be structured is where a company or a group of sellers establish an e-marketplace to efficiently sell their products to buyers. It is also possible for buyers to establish an e-marketplace in procuring goods and services. They can reduce cost and get better choices of the goods provided by different suppliers (retrieved from the site www.epiq.com).

Today, with the increasing of operations on business transactions on the internet, a diverse range of e-marketplaces are arising in every sector or industry. Companies are now shifting to e-marketplaces for better trading relationships and get a wider number potential customers ('Information Society Technology' Programme, 2003, p.2).

2.1.3. DIFINITION OF TERMS

Traditional marketplaces refer to those marketplaces where there is a physical marketplace for the buyer and the seller to meet face-to-face.

E-Environment of e-marketplaces refers to the adequacy of relevant facilities for the operations of e-marketplaces. These include telecommunication infrastructure, online payment facilities such as credit cards, legal framework and government policies.

Telecommunication infrastructure includes availability of internet service, and transmission capacity.

Legal Framework for e-marketplaces include laws such as contractual issues, copyright issues, signatures, security issues, privacy issues, consumer protection from fraud through efficiency in record-keeping; transaction privacy and safety, competitive payment services to ensure equal access to all consumers, and the right to choice of institutions and payment methods (Andam, 2003, p.22).

Privacy of consumers is the disclosure of private information of customers to other third parties.

Government policies incorporate “bridging the digital divide” or promoting access to inexpensive and easy access to information networks; legal recognition of e-commerce transactions; consumer protection from fraud; protection of consumers’ right to privacy; legal protection against cracking (or unauthorized access to computer systems); and protection of intellectual property (E-Commerce and E-Business/E-Commerce in Developing Countries, 2007).

Knowledge of electronic business transactions is having the know how to use internet for communicating with sellers or buyers, ordering, knowing the payment system, security concerns, privacy concerns and other relevant issues.

Attitude is one’s feeling towards e-marketplaces.

2.1.4. CONCEPTUAL FRAMEWORK

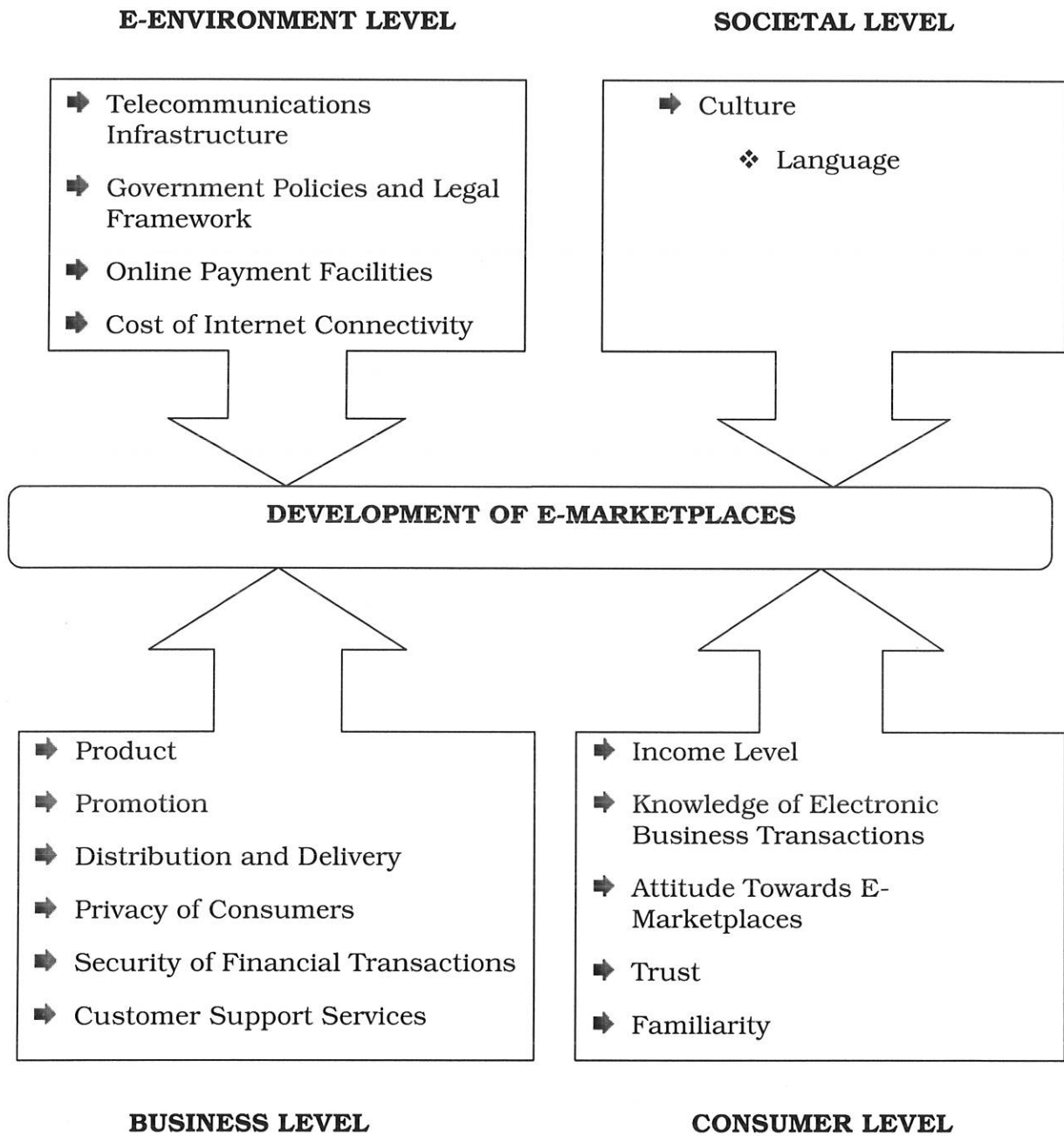


Figure 1. Conceptual Framework

2.2. HISTORICAL DEVELOPMENT OF

E- MARKETPLACES

The late 1990s have witnessed various changes in the internet arena. Through the internet, users were linked to the electronic world and able to communicate (Forcht, Pierson & Aldridge, 1997, p.1). This was followed by the explosive growth of the internet, with more increasing number of internet users looking for the benefits. This has increased the number of business firms coming onto the Net. The Net reduced marketing costs of firms and provided them with international prospective customers.

The internet created new opportunities to bring goods and services to the market. It was later that various attempts have been made to translate existing markets and introduce new ones to the internet medium (Wellman, 2004, p.3).

The first launched e-marketplace was the British Telecom that established a Private Digital Exchange (PDE), known as BT Trading Place, in 1996. Getting wider acceptance of e-marketplaces in the next two years, BT Trading Place was re-launched as a full-fledged true e-marketplace. The coming years have seen an increasing number of e-marketplaces. Many e-marketplaces emerged totalling 1000 (Singh, 2004, p.2). Gaining the early mover advantage was the aim of many companies. These companies have also got lots of buyers (Stockdale & Standing, 2003, p.24).

Consumers and firms were attracted to the global online marketplace with the tremendous growth of the internet (Hoffman, Novak & Chatterjee, 2000, p.1). However, the principles of market and marketplaces were not changed with the new development of online marketplaces. Instead, the conduct of trade changed by facilitating the business of the market (Stockdale & Standing, 2004, p.302). According to Gartner, Vice President

& Fellow Andy Kyte, "The act of commerce demands communication between buyers and sellers. The communication needs to be fast, reliable and secure and as integrated as possible into the transaction systems of the trading parties. It simply does not make sense to try to run large complex enterprises with paper-based communication- it is too slow, unreliable, insecure, and impossible to integrate" (retrieved from the site www.answers.com).

"E-marketplaces are one of the most significant developments of the internet age to date" (Nathan, 2001, p.2). They have been and are still being established in virtually every manufacturing and service industry.

Most firms are now realizing that e-marketplaces help to promote greater economic efficiency, and sustain economic growth. In the present scenario, e-marketplaces are more on the consolidation stage rather than booming, by showing strong growth (Singh, 2004, p.3). Existing marketplaces are merging with other e-marketplaces. Some are left behind for they do not have sufficient funding source and less transaction volumes. However, the increasing number of e-marketplaces will compensate the consolidation, resulting in substantial net increase of e-marketplaces (Nathan, 2001, p.14).

Currently, e-marketplaces generate a much higher return for less investment. According to Arabe (2001, p.3), beyond facilitating trade, e-marketplaces can create a highly collaborative environment in the communication between buyers and sellers.

2.3. E-BUSINESS, E-COMMERCE AND

E- MARKETPLACE

Many people use the term electronic commerce (e-commerce) to the buying and selling of products and services over the internet. Some prefer to use the term electronic business (e-business) in a broader way to encompass the above e-commerce definition. And some use the term interchangeably. However, E-Business indicates “a broad spectrum of business activities on the internet, including buying and selling products and services, customer service and support, business partner collaboration, and enhancing internal productivity”, as Napier, et al (2001, p.400) pointed out. On the other hand, E-Commerce refers to “the buying and selling of products and services on the internet” (Napier, 2001, p.7) Apart from this, E-Marketplace refers to a location or a website on the internet where a number of buyers and sellers of products and services meet.



In spite of the differences in defining the above three terms, all have a common attribute. They all involve business activities on the internet.

2.4. ELEMENTS OF E-MARKETPLACES

E-marketplaces are now the new generation online hubs. They are lowering costs and speeding up business transactions over the internet. The key elements of e-marketplaces are Customers, Sellers, Goods and Services, Infrastructure, and general Services (Kangpladan, 2007, p.4).

Companies should first create awareness among potential customers in order to attract them to their marketplace. Since online consumers are impatient who want to be able to move quickly and efficiently within the marketplace (Geissler, 2001, p.492), companies should provide customers with an easy means of navigating through a web site in order to facilitate

interaction between the buyer and the seller. In addition, companies can also ensure that their customers are satisfied or not through online or offline surveys. Thus, since consumers are one key component of e-marketplaces, they should be given due attention by the selling party.

It is now unthinkable for companies not having their own website where they can conduct their business (The Internet: Challenges, Opportunities and Prospects, p.1). According to Geissler (2001, p.492), some of the top objectives why companies create their own e-marketplace on the internet are: to conduct business and perform transactions; to reach existing and prospective customers; to meet and exceed customer expectations; to establish a presence and improve corporate image; to advertise the business and gain exposure; to provide customers with a free place to obtain free information; reduce costs; and get up to speed before it is too late. In the present business environment, where e-marketplaces are no longer alternatives, but mandatory, no company can afford to ignore it (The Internet: Challenges, Opportunities and Prospects, 2001, p.1).

The other key elements of e-marketplaces are the products and services sold. They vary from the intangible ones which are in digital form to the tangible ones. The intangible products can include software, documents, and books. These can be delivered online. The tangible products include physical equipments such as computers, bag, and medical facilities.

The infrastructure of e-marketplaces can be categorized into three parts, according to Mann (2000, p.3). These are:

a. Technological infrastructure

It includes reliable hardware and software systems such as information and communication technologies (computers, networks, network operating systems); telecommunications services (broadband or wireless connections, internet service providers (ISPs)

and other digital technologies); and power supplies which has become a concern in many African countries (Grouchutt & Griseri, 2004, p.15).

b. Process Infrastructure

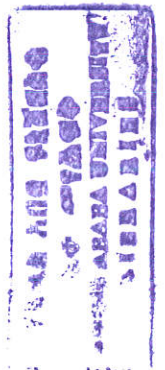
This enables payment, distribution and delivery of products and services over the internet for those that are purchased.

c. Infrastructure of Protocols, Laws and Regulations

These include communication and interconnectivity standards; the legality and modality of digital signatures, certification, and encryption; and disclosure, security, privacy and content regulation.

In addition to these, the firm's infrastructure is necessary for success in e-marketplaces (Groucutt & Griseri, 2004, p.38). This may incorporate the availability of qualified human resource, and the technological development in acquiring and obtaining internet infrastructure.

The services of e-marketplaces are of two: front end and back end (Kangpladan, 2007, p.4). The front end components include the portion of an e-seller's business processes through which customers interact, including the seller's portal, electronic catalogs, a shopping cart, a search engine, and a payment gateway. The back end incorporates inventory management, purchasing activities that support online order-taking. It includes fulfillment from suppliers, payment processing, packaging, and delivery, authorized access to company's database. The support services given are customer support services with the provision of relevant information about the company, its products and services; gathering and responding to customers' feedback and live help via the internet, and giving the necessary training on basic computer skills, how to use and access the internet. It is necessary to develop the skills of employees too.



The above major elements of e-marketplaces are interdependent on one another. They rely on each other. They are also detrimental for an effective e-marketplace.

2.5. COSTS AND BENEFITS OF E-MARKETPLACES

2.5.1. Costs of E-Marketplaces

Businesses have to incur various costs in order to establish and operate e-marketplaces. The costs associated include:

i. Costs of acquiring necessary infrastructure

- ➡ Technological infrastructure such as internet connectivity, and other relevant hardware and software systems
- ➡ Process infrastructure such as online payment facilities, distribution and delivery of products and services

ii. Costs of qualified personnel

- ➡ If the company outsourced the web designing, it is necessary to pay for the web designers.
- ➡ Online operators that keep track of the e-marketplace and update accordingly with the information posted and listed.

iii. Switching cost to change e-marketplaces

2.5.2. Benefits of E-Marketplaces

E-marketplaces proved to be places where anyone participating in them gains something, be it tangible or intangible. The benefits of e-marketplaces can be categorized in three levels. These are: consumers, businesses and country. According to Stockdale & Standing (2004, p.306;

2003, p.25) and Nathan (2001, p.5-6), the following are some of the benefits of e-marketplaces.

CONSUMER BENEFITS

a. Wider product availability

Consumers have much greater choice of products from companies in different industry sectors.

b. Customized and personalized information and buying options

Consumers can now have the privacy in buying products and services.

c. Access to greater amounts of dynamic information

This enables consumers for comparison of product information and quality among different competitors producing the same product.

d. Access to global markets

Since e-marketplaces merge the domestic and international marketplaces, there is no geographical barrier to access other marketplaces outside their residence country.

e. Quick delivery of digital products and information

f. Lower search costs

g. Lower process and acquisition costs

i. Improved Customer service

j. Time savings on buying

BUSINESS BENEFITS

a. Increased sales opportunities

Since a company can reach existing and potential consumers worldwide through e-marketplaces, there is an increased sales opportunity.

b. Lower transaction costs

c. Time savings on transactions

d. Operate 24 hours a day, and 7 days a week from one virtual marketplace

(Convenience in interaction with partners)

e. Improved company visibility/presentations

f. Improved reach to geographically dispersed customers

g. Better marketing research

With online ordering and the use of fill out forms, companies can now capture customer information which helps to identify customer needs, and get feedback from customers (Hoffman, Novak & Chatterjee, 2000, p.5).

h. Lower marketing and sales costs

The interactive nature of the internet is favourable to develop customer relationships. It facilitates better relationship marketing and customer support. Thus, companies can market and sell their products and services with low cost.

i. Reduced administration costs

j. Improved inventory management

Through computerized database, companies can manage their inventory easily and efficiently.

k. Opportunities for small and medium sized enterprises

SMEs can now enter into and expand their market globally without any barrier such as capital requirements. They can also have the chance to compete with large companies, if they can.

l. Improved quality of service and delivery

Quality in e-marketplaces incorporates the quality of products or services, the quality of the transaction and the entire customer relationship. (Vering, et al, 2001, p.35).

m. Creating new markets in time, space and information

n. Flexibility in administration and communication

o. Improved customer services

E-marketplaces provide online customer support services and live help.

COUNTRY BENEFITS

E-marketplaces can be one source of revenue for the country since they can involve both export and import trading. In addition, it can be “the engine that improves domestic economic well-being through liberalization of domestic services, more rapid integration into globalization of participation, leap-froging of available technology” (Mann, 2000, p.1).

2.6. TRADITIONAL Vs E-MARKETPLACES

A comparison of traditional and electronic marketplaces is shown in the table below.

TRADITIONAL MARKETPLACES	ELECTRONIC MARKETPLACES
Less sales opportunities unless excessive promotion	Increased sales opportunities
Less flexible since costly (Rao, 1997, p.231)	Flexibility in changing ads everyday(Rao, 1997, p.231)
Difficult to conduct market research	Easy to conduct market research to understand customers' needs
Less global visibility	High chance of global visibility
High marketing and sales cost	Less marketing and sales cost
May not be possible to find different products in a physical marketplace	Possible to get a bunch of varied products in e-marketplaces
Affected by geographical and time barriers	Breaks the geographical and time barriers with 24/7 accessibility all over the world
Entry barriers exist, such as start up capital, etc.	Entry barriers are less, even small and medium sized enterprises can enter into the market and compete with large companies
Intermediaries may be necessary to expand the market locally and	Intermediaries are unnecessary since it is possible to reach the international

internationally	audience in a single e-marketplace
Consumers have forced exposure to advertisements (Raman & Leckenby, 1998, p.739).	E-marketplaces are consumer-driven. Thus, there is self-exposure to advertisements on the part of consumers (Raman & Leckenby, 1998, p.739).
Success is largely based on the size of a company's investment, its location, its physical assets, or its history (Vering, 2001, p.189).	Criteria have been replaced by data, knowledge, and relationships (Vering, 2001, p.189).

Table 1. Traditional Vs E-Marketplaces

2.7. TYPES OF E-MARKETPLACES

There are several criteria to classify e-marketplaces. The following are some of the criteria and the classifications according to various scholars.

Business Functionality and the Way the Buying Process Occurs

E-marketplaces can have two business functionalities: they can either provide indirect goods that support production processes or provide direct goods that support the production process. In the way the buying process occurs, they can be long term contractual buying agreements between the two parties or one-time on spot buying.

Using these two criteria, Murtaza et al (2004, p.327) classified e-marketplaces in to four categories as shown in the table below.

		Supply	
		Indirect Goods	Direct Goods
Relationship	One Time	E-Distributors	Exchanges
	Long Term	E-Procurement	Consortia

Figure 2. Types of E-Marketplaces

(Adopted from Murtaza, Gupta & Carroll, 2004, p.327)

In most cases, e-distributors and exchanges involve matching and dynamic prices; while e-procurement and consortia involve aggregations and fixed/negotiated pricing.

Motivation or Driving Force

Based on the motivation that leads to the creation of e-marketplace, there are four types (Nathan, 2001, P.3).

i. Buyer Driven E-Marketplaces

Established by a group of buyers to procure products from their suppliers via the internet.

ii. Seller Driven E-Marketplaces

Established by a groups of sellers in order to sell their products and services online.

iii. Independent E-Marketplaces

Established by independent organizations to obtain revenue by operating the marketplace on behalf of buyers and sellers.



iv. Technology Provider E-Marketplaces

Established by an e-marketplace technology provider to set up an e-marketplace. In principal, they are very similar to independent e-marketplaces, though the driving force differs from one another.

Ownership Models

Based on Stockdale & Standing (2004, p.302), there are four kinds e-marketplaces with regard to ownership structure.

i. Intermediary E-Marketplaces

These e-marketplaces simply serve as market-makers. They operate the marketplace. They bring together buyers and sellers to allow trading to take place through a variety of mechanisms.

ii. Consortia E-Marketplaces

These kinds of e-marketplaces operate by groups of sellers on the internet. Large multinational organizations invest in partnerships to form collaborations with competitors to launch industry specific marketplaces, i.e. several major players within an industry (consortium) get together and run the e-marketplace.

iii. Private E-marketplaces

Organizations invest in and host their own e-marketplaces in order to sell their products and services.

iv. Cooperative E-Marketplaces

Cooperative e-marketplaces have a large group ownership structure.

Market Participants

There are four types of e-marketplaces (Grouchutt & Grisseri, 2004, P.16; Napier, Judd, Rivers & Wagner, 2001, p.14).

i. Business to Consumer E-Marketplaces

Businesses sell directly to end consumers.

ii. Business to Business E-Marketplaces

Businesses sell to other businesses bringing together multiple buyers and sellers into a central marketplace.

iii. Business to Government E-Marketplaces

Businesses sell their products and services to government local and state organizations.

iv. Consumer to Consumer E-Marketplaces

Consumers sell directly to other consumers.

2.8. DIFFERENT ASPECTS OF E-MARKETPLACES

Given the world wide economic environment in which the internet operates, e-marketplaces need to consider various aspects in conducting business on the internet.

Payment Facilities and Security of Financial Transactions

Acquiring adequate online payment facilities is necessary. While there are different means of payment in e-marketplaces such as credit cards, debit cards, money orders, they do present some risks. Thus, it is important to decide which instruments to use for payment. Considering this, Palumbo



and Herbig (1998, p.256) pointed out a number of variables that the selected payment instrument must be:

- ➡ Used and recognized world wide
- ➡ Easy to obtain for a customer
- ➡ Simple to use
- ➡ Secured

Privacy

The Net has little security and any company using the net risks disclosure of proprietary information (Paul, 1996, p.32). In addition, protection of privacy for customers is also inherently a concern (McKnight, 2001, p.257). Although the level of concern for privacy varies across countries, e-marketplaces should be aware that the internet community is impatient (Geissler, 2001, p.492) and thus, violating customer privacy causes them to react with anger (Palumbo & Herbig, 1998, p.257).

Cultural Differences

As to Palumbo and Herbig (1998, p.256), among the most cultural differences, language is important to expand business to foreign markets using e-marketplaces. Therefore, it is necessary to have multi-language options in e-marketplaces.

International Pricing

Forcht and Wex (1996, p.8) indicated that this is also an important factor in selling products and services on e-marketplaces. Since prices are seen in several markets at the same time, companies should be careful in making decisions regarding the price of items they offer in their e-marketplaces.

Logistics Services: Distribution and Delivery

These are also the major aspects which e-marketplaces should be able to provide. Sellers on e-marketplaces must deliver products and service to consumers in their promised time.

Customer Support Services

Customer support services are part of e-marketplaces which are necessary to retain existing customers and attract new ones. And since consumers have power in e-marketplaces, both online and offline support services should be available.

2.9. SUCCESS FACTORS IN E-MARKETPLACES

The success of e-marketplaces depends on a number of factors. According to Vering, et al (2001, p.208) and other scholars, the following are some of the major factors to be considered in successful operations of the marketplace.

Customer Centred Design and Development of E-Marketplaces

The design and functionality of the marketplace, web site, should be attractive, easy to use and facilitate interaction between buyers and sellers.

Inclusion of All Relevant Content

Decisions should be made on how much content is included. Push content for customers and other business partners is profitable.

Appropriate Control

There should be control over the business activities and transactions in e-marketplaces to a necessary level or degree.

Funding Of E-Marketplace

Enough budget to acquire the relevant materials and necessary infrastructure should be available to establish and operate an e-marketplace. Moreover, income streams like transaction related fees should be designed (Stockdale & Standing, 2003, p.27).

Availability of Basic Infrastructure Technologies

Technological and process infrastructures should be acquired for successful operations of the e-marketplace.

Open Participation

The marketplace must not be skewed to the needs of any one participant in the e-marketplace. Adding to this, Stockdale & Standing (2003, p.27) stated that open participation is also “the ability to offer a neutral environment in which participants can trade without the fear of compromise”.

Relationship Management: Trust and Privacy

Companies should build trust by various means including online community facilities allowing interaction and the sharing of positive references and links to trusted sites. Privacy is also a concern for both companies and customers. Thus, according to Stockdale & Standing (2003, p.27), safeguarding sensitive information is necessary in e-marketplaces.

Value Added Services

Companies need to achieve a form of competitive advantage to attract participants and maintain profits (Stockdale & Standing, 2003, p.27).

Critical Mass

According to Stockdale & Standing (2003, p.27), E-marketplaces should have sufficient number of participants to ensure effective running of the e-marketplace.

2.10. THE INTERNET IN ETHIOPIA

The internet is a major revolutionary phenomenon in the area of telecommunication and information technology in the 21st century. It has opened up new opportunities for a networked society and it has established new concepts for human communication and interaction. The social and technical aspects of the internet are enormous and revolutionary in the developed as well as in the developing world (Kamel, 1997, p.1).

It is now more than eleven years since Ethiopia joined the world of internet. Starting from that time on, there have been developments in the internet market. According to the Internet World Statistics (retrieved from the site www.internetworldstats.com), internet users have grown rapidly. In the year 2000, there were only 10,000 internet users in the country. In 2005, the number has increased to 113,000. And based on the latest data from the Internet World Statistics, the number has reached to 164,000 in December 2007. Though the internet population is growing, the number is still less as compared to the total population and even as compared to other African countries. The internet penetration is only 0.2% as of December 2007 (retrieved from the site www.internetworldstats.com). The number of internet subscribers is also small which increased from 2590 in 2000 (Adane, 2000, p.3) to 9575 in 2007 (Ethiopian Telecommunications Corporation).



Behind all these increases, the activities of Ethiopian Telecommunications Corporations (ETC) contributed by providing internet connections to individuals, NGOs, international and business sectors groups, to all non-profitable governmental and other indigenous sectors. ETC has also increased its bandwidth from 256kbps to 512kbps as of November 1998 (Adane, 2000, pp.4-5). Currently, ETC is providing broadband connection to its users. There are now about 200 broadband internet subscribers as of September 2007 (retrieved from the site www.internetworldstats.com).

Presently, the number of internet users in the country is increasing though with low internet penetration rate of 0.2% (Internet World Statistics: Usage and Population, 2007).

The following table shows the global online population comparing it with Africa's internet population. The figure below the table shows the percentage of Ethiopian internet population in Africa.

REGION	INTERNET USERS	PENETRATION (%Population)	% USERS IN WORLD
Africa	51,022,400	5.3%	3.6%
Rest of the World	1,356,702,520	23.7%	96.4%
World Total	1,407,724,920	21.1%	100%

Table 2. Comparison of Internet Users between Africa and the Rest of the World

Source: *Internet World Stats: Usage and Population Statistics* (retrieved from www.internetworldstats.com)

Out of the world's total internet population, Africa represents 3.6% while the rest of the world constitutes 96.4%.

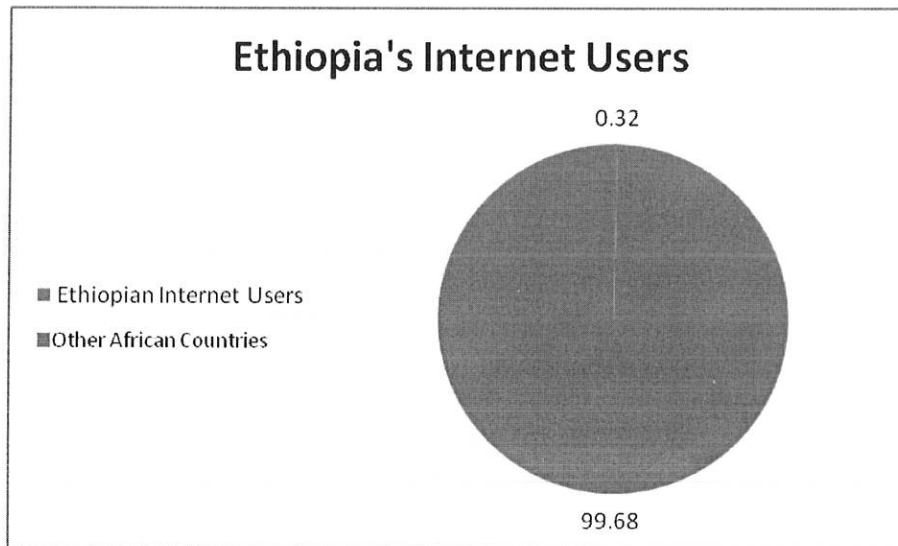


Figure 3. Percentage of Ethiopian Internet Users in Africa (2007)

Source: *Internet World Stats: Usage and Population Statistics* (retrieved from www.internetworldstats.com)

2.11. E-MARKETPLACES IN ETHIOPIA

The internet has opened new ways to Ethiopian business firms to conduct business over the internet. Many small and medium sized enterprises (SMEs) in the country have now the chance to establish their own e-marketplaces with less cost and compete with large companies. It is now possible to reach the entire planet 24 hours a day. For SMEs, it helps them to link directly with a consumer who is usually interested in few items for personal use (Kebede, 2001, p.8).

According to Lake (2001, p.11), even though Ethiopia is late in establishing internet connectivity, the use of internet for business purposes and development of e-marketplaces is alive and well. Many companies are now

making their presence on the Net. Beyond presence, some companies have been able to use the internet for business purposes. These companies have established their own e-marketplaces and conduct their business there with both local and international customers. Interesting examples are Ethiogift, Genuine Leather Craft and SEDNet General Business private limited company.

Ethiogift is a profitable online gift e-marketplace based in Addis Ababa. It makes it possible for Ethiopians, mostly in the Diaspora, to buy and deliver gifts to their families and friends in Ethiopia. The business was established by four entrepreneurs who saw an opportunity in the growth of internet use for business purposes.

Genuine Leather Craft is also another company with a promising e-marketplace. It produces and sells leather products such as clothes and bags to domestic and international markets. Prior to the use of the e-marketplace, the company had been using intermediaries to distribute its products both locally and worldwide. Now, with the help of the e-marketplace which they have established in March 1997, it has been possible to market leather garments directly to the end consumers. Online orders from both domestic consumers and from around the world constitute 42% of the Genuine Leather Craft's total sales in 2001 (Kebede, 2001, p.8).

SEDNet General Business Plc is a recently emerged company in the e-marketplace arena established in 2005 (SEDNet Marketplace, 2007, p.12). The company has been and is still conducting business in both business to consumer and consumer to consumer ways. It has gained reputation in a short period of time due to the aggressive promotion in various multimedia and print media. It is now selling products and services online to both local and international existing and potential customers.

Despite these developments, most of the sites of e-marketplaces have common characteristics in that they are not hosted in Ethiopia. For example, the site of Genuine Leather Craft is hosted in Canada. Moreover, the common features of most of the e-marketplaces established in the country view their target markets in developed countries including the Diaspora. This has been the experiences of most of the e-marketplaces established and based in the country due to a number of factors. According to Lake (2001, p.12), some of the reasons associated with the home country are:

- ➡ Lack of e-marketplace infrastructure and low bandwidth availability
- ➡ Lack of web hosting, design and maintenance services
- ➡ Problem of setting up secure payment sites due to restrictive regulations
- ➡ Logistics services from the home country are unreliable
- ➡ Lack of local initiative- most of the sites are set up due to the initiative of people living in developed countries that simply buy products from the country and resell
- ➡ Lack of confidence on the part of buyers to purchase from sites based in developing countries

Recently, however, private companies providing hosting services are growing in the country. Other improvements are also being seen. Companies like SEDNet have established their own payment system with the company's electronic card (e-card). Awareness about internet technologies and e-marketplaces is also seen among the public. These developments and others will help foster the development of e-marketplaces in the future for the country. In general, the use of the

Internet in trade is at a very early stage of development in Ethiopia (International Telecommunications Union, 2002, p.29).

CHAPTER THREE

DATA PRESENTATION AND ANALYSIS

3.1. CHARACTERISTICS OF RESPONDENTS

Four companies running e-marketplaces were chosen for conducting the study. SEDNet E-Marketplace (www.sednet.net) is run by SEDNet General Business Plc, a partnership company involved in selling products and services in its e-marketplace. The company also provides domain name registration, web hosting and software development service to its customers through the e-marketplace it has created on the internet. It involves both consumer-to-consumer transactions and business-to-consumer transactions.

Felega.net (www.felega.net) was the other e-marketplace selected for the purpose of the study. It is run by Fritzcom, an Ethiopian IT company providing computer related goods and services. Products and services are available in this e-marketplace for sell. It involves consumer-to-consumer transactions in the selling and buying of products.

Ethiogift (www.ethiogift.com) is an e-marketplace run by Ethiolink Plc, a partnership company. It sells gift items (traditional gifts on holidays) and flowers. The company also provides web site development, web hosting and domain name registration services to its customers. It involves business-to-consumer transactions.

Genuine Leather Craft (www.genuineleathercraft.com) is another e-marketplace selected for conducting the study. It is a private limited company run by Genuine Leather Craft plc. It sells leather products including clothings and bags to its customers. It involves business-to-consumer transactions.

Other than the sample companies running e-marketplaces, a total of 408 individuals were selected and studied to identify their characteristics based on educational level, income level, familiarity with internet technologies (availability of personal computers, type of occupation), attitude towards e-marketplaces, trust and knowledge of electronic business transactions.

Of the total 408 respondents, 64.5% of the respondents were males and 35.5% of them females. The table below shows the frequency of respondents by sex.

Sex	Frequency	Percent
Male	263	64.5
Female	145	35.5
Total	408	100.0

Table 3. Respondents' Sex

Age was also the characteristics of the respondents. Data was collected about the age of the respondents based on six groups. For the purpose of the study, the age group has been regrouped in four categories as shown in the table below.

Age	Frequency	Percent
<18	83	20.3
18-30	294	72.1
31-50	28	6.9
>50	3	0.7
Total	408	100.0

Table 4. Respondents' Age

Respondents in the age category <18 were 20.3%. 72.1% of the respondents were found in the age group 18-30. Respondents within the age category 31-50 accounted for 6.9% of the total respondents, while 0.7% of the respondents are in the age group >50.

As to the educational level of the respondents, data was collected based on school student, junior college, college diploma, Bachelor and above. Accordingly, 42.2% of the respondents were school students while 9.8% of the respondents were college students. Respondents with college diploma were 23%. Those respondents earning Bachelor degree or above accounted for 25% of the respondents.

Educational Level	Frequency	Percent
School Student	172	42.2%
Junior College	40	9.8%
College Diploma	94	23%
Bachelor and above	102	25%
Total	408	100%

Table 5. Respondents' Educational Level



The other characteristic of respondents taken into account was occupation. Respondents were asked if they are either students or workers and the following data was obtained.

Occupation	Frequency	Percent
Student	237	58.1%
Worker	171	41.9%
Total	408	100.0%

Table 6. Respondents' Occupation

Among the total respondents, 58.1% were students while 41.9% of them were workers.

After identifying respondents based on occupation, income level of workers was asked among those respondents and categorized based on four groups as shown in the table below for the purpose of the study.

Income Level	Frequency	Percent
<501	2	1.2%
501-1500	100	58.5%
1501-3000	54	31.6%
>3000	15	8.8%
Total	171	100.0%

Table 7. Respondents' Income Level

Those with monthly income level 501-1500 birr were the majority of the respondent workers accounting for 58.5%. 31.65% were with monthly income level between 1501 and 3000 birr while 8.8% of the respondent workers were with income level more than 3000 birr. Only 1.2% of the respondent workers were with less than 501 birr monthly income.

The type of occupation of workers is a variable that affects the access and familiarity with internet. Thus, workers were asked if their job is associated with internet or not. Among the total workers, the job nature of 31.6% of them is associated with internet, while the job nature of the rest 68.4% is not associated with internet.

Type of Occupation	Frequency	Percent
Associated with internet	54	31.6%
Not Associated with internet	117	68.4%
Total	171	100.0%

Table 8. Job Nature of Respondents

Personal computer availability and internet connectivity at home also affect familiarity with internet. Respondents were asked if they have personal computers and those having were asked if the have internet

connection at home. Among the total respondents, 41.1% of them have personal computers while 58.6% do not have.

Personal Computer at Home	Frequencies	Percentage
Yes	169	41.4%
No	239	58.6%
Total	408	100.0%

Table 9. Personal Computer Availability among Respondents

Out of those respondents with personal computers, 31.4% of them have internet connection at home, and 68.6% do not have.

Personal Computers Connected to Internet	Frequencies	Percentage
No	116	68.6%
Yes	53	31.4%
Total	169	100.0%

Table 10. Personal Computers of Respondents connected to internet

Knowledge of internet business transactions was also a variable considered to have an effect on the growth of e-marketplaces. Thus, respondents were asked if they have the knowledge or not. According to the respondents, 57.6% of them replied that they have the knowledge of e-business transactions while the rest 42.4% indicated they do not have the knowledge.

Have Knowledge	Frequencies	Percentage
Yes	173	42.4%
No	235	57.6%
Total	408	100.0%

Table 11. Respondents' Knowledge of Electronic Business Transactions

People's attitude is the other factor taken in to account that influences the growth of e-marketplaces. Accordingly, to know the attitude of the respondents towards e-marketplaces, they were asked if they have either

positive or negative attitude. The table below shows that the majority of the respondents totaling 85.3% have positive attitude towards e-marketplaces with the other 14.7% having negative attitude.

Attitude	Frequencies	Percentage
Positive	348	85.3%
Negative	60	14.7%
Total	408	100.0%

Table 12. Attitude of Respondents towards E-marketplaces

Respondents' preference of marketplaces, either traditional or electronic, was also asked, and the following result was obtained.

Marketplace	Frequencies	Percentage
Traditional	176	43.1%
Electronic	232	56.9%
Total	408	100.0%

Table 13. Marketplace Preference of Respondents

Respondents were also asked what problems hinder the development of e-marketplaces in the country, based on their point of view. They were presented with possible perceived factors influencing the growth of e-marketplaces in the country. The result is as follows.

Hindrance Factors	Percentage of Respondents
High Cost of Internet Connectivity	64.5%
Security of Financial Transactions	32.4%
Cultural Practices	55.1%
Unavailability of Infrastructure	47.5%
Monopolistic Environment of Telecom Sector	37.3%
Lack of online Payment Facilities	36.3%
Privacy of Consumers	22.5%
Other Factors	16.9%

Table 14. Respondents' Perception of the Factors Hindering the Growth of

E-marketplaces in Ethiopia

3.2. RESULTS AND DISCUSSIONS

3.2.1. E-ENVIRONMENTAL LEVEL FACTORS

TELECOMMUNICATIONS INFRASTRUCTURE

Information and communication technologies are important in this information age. ETC is expanding its telecommunications services coverage to different parts of the country. However, the infrastructure availability is still a major problem in the country. 47.5% of the respondent internet users agreed that lack of information and telecommunications infrastructure and services is a problem in the country. Infrastructure and adequate internet services, however, are important in assisting the growth of e-marketplaces.

The effect of telecommunications infrastructure extends to businesses, too. The data obtained from all the sample companies reveals that there is lack of infrastructure to enhance e-marketplaces in Ethiopia. Slow internet connection speed and transmission capacity has led to most of the e-marketplace web sites being published in developed countries. All the e-marketplaces under study are hosted outside the country (three of them in the US and one in Canada).

In line with this, due to less coverage of telecom infrastructure, especially internet services, Internet penetration in Ethiopia is low. Based on the latest data obtained from Internet World Stats (Internet World Stats, 2007), the number of internet users in Ethiopia is 164,000 as of December 2007 with 0.2% Internet penetration. This is low as compared to other African countries and the total population of the country. In comparison with other African countries, according to Kinde (2007, p.12), the reasonably expected Internet penetration in the country is 5-10%. This is not the fact in the present times.

Currently, unavailability of infrastructure is, therefore, a constraint in the growth of e-marketplaces in Ethiopia.

GOVERNMENT POLICIES AND LEGAL FRAMEWORK

Government policies are important in e-marketplaces and can either foster or hinder the growth of e-marketplaces. Governments are expected to help develop e-marketplaces and intervene in situations where they should involve.

However, based on the data obtained from sample companies, there are no government policies fostering and regulating e-marketplace environment in their operations. In addition, the sample companies also indicated that due attention and support has not been given to them. The missing of government policies can also discourage potential foreign investors in the area. Unavailability of legal framework also creates lack of confidence on consumers to involve in electronic business transactions over the internet. It results in pushing consumers to use traditional marketplaces fearing that there is no responsible body if something goes wrong during the conduct of transactions between the buyer and the seller.

Other than this, the government policy in monopolizing the telecommunication sector has an effect on the growth of the sample companies, as they have indicated. The government has all the power in providing telecommunications services to its customers, and currently there are no licensed private organizations, ISPs, that provide telecommunication services. 37.3% of internet user respondents agreed with the fact that the monopoly in the telecom sector has an effect on growth of e-marketplaces. Poor internet service and unavailability of telecom infrastructure in most parts of the country has been the major challenge to expand e-marketplaces of these companies to different parts

of the country. Better internet service with more people having access to internet is a core point for the success of e-marketplaces.

Thus, government policies and inexistence of legal system in the operations of e-marketplaces appears to be one constraint hindering the growth of e-marketplaces in Ethiopia.

ONLINE PAYMENT FACILITIES

Based on the data obtained from all sample companies in e-marketplaces, there is lack of online payment facility in order to expand their market further. Though some electronic cards (e-cards) are coming in to existence such as Dashen Card and ATM Card, they do not fit to international standard. In addition, most people in the country do not have e-cards. All company respondents conduct their business in other countries of the world using agents. Otherwise, without these agents, it would have been impossible for them to receive international orders. However, one company among the samples, SEDNet General Business Plc, has developed its own e-card for local orders. It is made possible by registering consumers in the company's list, receive money from them, and deposit that money in the company's bank account. After these steps, they will give their consumers e-cards having unique card number representing to their bank account. In order to buy products online from SEDNet, one has to have either the company's e-card or international payment cards. However, the e-card implemented by the company is not standardized and not used internationally. From consumers' perspective, it will not be possible for other consumers who do not have those e-cards to buy products from the company's e-marketplace. Secondly, they will not have enough financial freedom in using their money deposited in the company's bank account for other purposes. This creates difficulties for consumers to acquire SEDNet's e-card. The other company, Ethiogift, uses only international payment

cards. Since the majority of their target markets are Ethiopians in the Diaspora, it is possible for them to use VISA or other online payment cards via representative agents in other parts of the world. However, they have not been able to accept local orders due to unavailability of standard payment cards in the country. Genuine Leather Craft also makes use of international payment cards for foreign orders and uses bank transfer for local transactions. Local consumers who want to buy products from this leather company online are expected to send money through money or bank transfer to the company. And it is only when the money reaches the company that products can be delivered to consumers using postal services. The site felega.net receives money only on cash-on-hand basis and it mostly involves consumer-to-consumer transactions. 36.3% of respondent internet users mentioned lack of online payment facilities as a problem. This lack of local and standardized online payment facilities is major constraint hindering prospective online consumers and the growth of e-marketplaces in Ethiopia.

HIGH COST OF INTERNET CONNECTIVITY

For every telecom service, there is a cost of using that service. Two companies running the e-marketplaces under study replied that the cost of establishing an e-marketplace is greater than the traditional marketplace. The high cost of internet connectivity they are charged by ETC increases the cost of operating in their e-marketplaces. The amount companies are charged for getting internet service is a problem in establishing and using e-marketplaces to conduct business. Companies are expected to pay 4752 birr monthly rent and 1872 birr connection charge. If a company wants ETC to install the whole connection, it should pay additional 100 birr for installation. This amount is not affordable by local businesses with low capital.

These indicate that the cost of internet connectivity is high for low capital businesses and is still a problem in the expansions of e-marketplaces in the country.

3.2.2. SOCIETAL LEVEL FACTORS

CULTURE

The advent of new technologies has influenced culture in one way or the other way. 55.1% of the respondents indicated that culture has an influence on the growth of e-marketplaces in the Ethiopia. Since the contents of some other web sites on the internet contradict with the norms and values of the people, people tend to use traditional marketplaces developing negative attitude towards the internet. Cultural factors are, therefore, important in the success of e-marketplaces in the country.

Language is one of the most important parts of every culture. In order to expand e-marketplaces both locally and internationally, the language used in e-marketplaces is important. Companies under study use only one language, i.e. English. With low literacy level of the country which was 37.9% in 2004/05 (MOFED, 2005, p.9), it is difficult for consumers to understand the contents of the e-marketplaces using English language. Of the total respondents in the study, 36.5% of them preferred to use local language in order to buy products online from Ethiopian e-marketplaces.

Language	Frequencies	Percentage
Local (Amharic)	149	36.5%
International (English)	259	63.5%
Total	408	100.0%

Table 15. Language Preference of Respondents in E-marketplaces

On the other hand, though helpful in expanding markets both locally and internationally, multi-language capabilities are not supported in the

sample e-marketplaces. Thus, language used in e-marketplaces is one factor in the expansion of e-marketplaces in Ethiopia.

3.2.3. BUSINESS LEVEL FACTORS

PRODUCT

The product sold on e-marketplaces is one important component. Companies must deliver quality products to their consumers. The case in Ethiopian e-marketplaces is that consumers do not have confidence on the quality of products. Respondents who preferred to use traditional marketplaces (43.1%) indicated that it is because they will be able to check the quality of the product they are going to buy. Buyers want to verify the authenticity, the quality and durability of the products they are going to buy. The other concern of consumers of e-marketplaces is the difference between the graphics or image presented for advertising products on e-marketplaces and the real products themselves. The variation between the graphics of products and the reality creates doubts on consumers about the quality of the products. Therefore, consumers tend to prefer traditional marketplaces. The quality of products and services sold on Ethiopian e-marketplaces is, thus, another factor hanging consumers from buying products online.

PROMOTION

All the sample Ethiopian e-marketplaces are not known by the public at large. The respondent internet users were asked if they know the e-marketplaces. The awareness of the internet users about the e-marketplaces is shown as follows.

E-Marketplaces	Internet Users	
	Do Not Know	Know
SEDNet	87.5%	12.5%
Felega	92.2%	7.8%
Ethiogift	83.1%	16.9%
Genuine Leather Craft	93.6%	6.4%

Table 16. Respondents' Knowledge of E-Marketplaces in Ethiopia

For those respondents who know the e-marketplaces, they were asked in which means they have come to know them. They were presented with six means (media) and responded as shown in the table below.

Media	Internet Users
TV	6.4%
Other Internet Sites	8.6%
Magazines	8.6%
Newspapers	6.9%
From Friend	16.2%
Other Means	3.2%

Table 17. Sources of Information bout the E-marketplaces (Media that created awareness of e-marketplaces among Respondents)

As can be seen from the tables above, most respondent internet users under study do not know the sample e-marketplaces. Among the ones knowing the e-marketplaces, those hearing from friends (words of mouth advertisement) outnumber the others contributing the 16.2% internet users of those who know the sample e-marketplaces. This leads to the fact that little has been done in promoting the e-marketplaces. As three of the companies replied they do not have enough and qualified marketing personnel in order to devise and implement promotional strategies. Ethiogift, for instance, uses only newspapers and foreign media to promote the e-marketplace. They use foreign media since their majority of target market is in foreign countries. And they rarely use newspapers to promote themselves locally and internationally because they do not have enough

marketing personnel. This in effect makes local consumers not having access to the newspaper unaware of the e-marketplace.

The promotional problems result in potential consumers in not being aware of the e-marketplaces existing in the country. People with less knowledge of the existing e-marketplaces in the country prefer to use traditional marketplaces thinking that they have no other options.

DISTRIBUTION AND DELIVERY

Distribution and delivery of products and services in promised time is important for e-marketplaces for different purposes including customer satisfaction and building trust on the part of consumers. Ethiopian e-marketplaces, however, are facing problems in delivering their products to their consumers. A case in point is Ethiogift. According to the information provided by the company, they have been and are still confronting delivery problems due to lack of street names and numbers to exactly identify consumers. Consumers must be contacted in telephone to make the search easier for further delivery of products, adding costs to the company. Genuine Leather Craft also uses postal services to deliver its products to its local consumers due to the same problems faced by Ethiogift. The speed of the postal service determines the time of delivery. These distribution and delivery practices of e-marketplaces in the country have negative impact on delivery time in that it may extend it. This eventually can affect customer satisfaction on the delivery services of the companies. Currently, this remains as a challenge for e-marketplaces operating in Ethiopia.

PRIVACY OF CONSUMERS

Privacy of consumers is an important concern to both buyers and sellers. Companies selling products on e-marketplaces are responsible in keeping privacy of their customers. According to the respondents, 72.1% of them are concerned about their privacy. And the rest do not have privacy concern in online business transactions.

Privacy Concern	Frequencies	Percentage
Yes	212	72.1%
No	82	27.9%
Total	294	100.0%

Table 18. Privacy Concern of Respondents

On the other hand, the sample companies said that the privacy of their customers is confidential. Customer privacy violations discourage procurement of products from an e-marketplace. Thus, privacy of customers is a major issue in e-marketplaces.

SECURITY OF FINANCIAL TRANSACTIONS

The security of financial transactions is one of the major concerns of e-marketplaces. Three of the e-marketplaces under study use the service provided by companies that handle security of financial transactions. This third party is responsible for handling the security of financial transactions. The three e-marketplaces have subscribed to these third party international companies and get security services including verification of credit cards, and etc. For example, Genuine Leather Craft employs the services of a credit clearing company in Canada responsible for financial transactions including their security in the e-marketplace. One of the sample companies has not subscribed to the third party since financial transactions take place on cash-on-hand basis. However, the system laid down by the third parties is not 100% risk free. One of the companies indicated that they have encountered some problems with

stolen credit cards. This is still a universal problem wherever e-cards are used. Among the respondent internet users, 32.4% of them perceived that one of the problems e-marketplaces is security of financial transactions. In addition, the sample internet users who preferred to use traditional marketplaces (43.1%) also responded that one of their major concern the security of online money transactions. This puts Ethiopian e-marketplaces in the same line with other parts of the world in facing the same problem as other parts of the world experience.

CUSTOMER SUPPORT SERVICES

Customer relationship management is a major part of any company that wants to sell its products in any marketplace. In e-marketplaces, customer support services are also part of the system. The respondent e-marketplace companies were asked what kind of customer support services they provide. They were presented with four of the customer support services that could be provided to online customers. The following data was obtained accordingly.

Customer Support Services	E-Marketplaces			
	<i>SEDNet</i>	<i>Felega</i>	<i>Ethiogift</i>	<i>Genuine Leather Craft</i>
Online (Prebuilt System and through company e-mail address)	Yes	Yes	Yes	Yes
Live Help	No	No	Yes	No
At the time of Purchase	No	No	Yes	No
After-Sales Service	Yes	No	No	Yes

Table 19. Customer Support Services provided by Sample E-Marketplaces [53]

In spite of the differences in the operations of each of the e-marketplaces, all have online help that can be done through built in system for support, search facilities, and a company's e-mail address. On the other hand, Ethiogift is the only e-marketplace providing live help to its customers. Live help is a support provided for customers at the moment of buying a product for an e-marketplace or at any day time. Having live help in e-marketplaces can make shopping easier for online customers. Despite this, Ethiogift only provides live help during office hours which leaves customers purchasing products without help during the times other than regular office hours. This is another problem. The other two e-marketplaces, SEDNet and Genuine Leather Craft, give after-sales services. Felega e-marketplace only provides online help.

Despite the existence of customer support services in all the sample e-marketplaces, the support services are not adequate. For example, one of the key informants of one of the e-marketplaces addressed that using the companies e-mail address to provide customer support service is not sufficient since the company personnel checks his/her e-mail box only once in two or three days. And the help may arrive after the customer left the e-marketplace. Thus, there are difficulties in providing support services for consumers who need help in order to procure products from an e-marketplace.

3.2.4. CONSUMER LEVEL FACTORS

INCOME

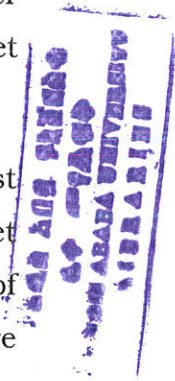
The financial status of consumers affects their decision to buy or not to buy products based on their prices on e-marketplaces, provided that they know them well. The prices of products on e-marketplaces are relatively higher than those sold in traditional marketplaces since they incorporate

the costs of distribution and delivery on top of the real price of the product.

These high prices of products on e-marketplaces inhibit consumers from purchasing products on e-marketplaces and eventually prefer to continue using traditional marketplaces. As the data obtained shows, the majority of internet users (58.1%) constitute students with low or no income at all. They can not afford to buy products from e-marketplaces.

The per capita income of the country being \$130 (African Development Fund, 2006, p.1), it is difficult for the people of the country to pay for the price of online products. Monthly income level of 59.6% internet user workers is less than 1500 birr, which makes it difficult for them to pay bet for the prices of products sold on e-marketplaces.

According to the data obtained from the sample internet users, the highest proportion of internet users are students accounting for 58.1% of internet users during the conduct of the study. Taking the highest proportion of internet users, it is difficult for students to afford the amount they are charged for getting internet services, since students are assumed to be with low or no income at all. This forces them to access internet for a very short period of time in order to reduce the total cost they are charged. Thus, the cost is high for them currently. Among the respondent students, 70.5% of them agreed on this.



Occupation	High Cost of Internet Connectivity		Total
	No	Yes	
Student	70(29.5%)	167 (70.5%)	237(100%)
Worker	75(43.9%)	96(56.1%)	171(100%)
Total	145	263	408

Table 20. Occupation and High Cost of Internet Connectivity

With the majority of low income level workers using internet, 56.1% of them indicated that the cost of internet access is high. Difficulty in paying internet access cost results in less frequency of visits. Among the total respondents, 44.3% of students and 33.3% of workers visits internet less often. Thus, the cost being high, it is impossible to access the internet for a long period of time frequently. And since transacting on the internet needs some time to spend on, they will not be able to have much time to do so.

Occupation	Frequency of Visits				Total
	Very frequently	Frequently	Often	Less often	
Student	13	75	44	105	237
Worker	21	43	50	57	171
Total	34	118	94	162	408

Table 21. Occupation and Frequency of Visits

In addition to this, internet connection is necessary for individuals to be acquainted with internet and buy products from e-marketplaces. As can be seen from the table below, 69.8% of respondent workers with personal computers at home do not have internet connection. This is due to the fact that internet connection costs them high at home and they prefer to use internet outside their home.

Income Level	Personal Computers Connected to Internet		Total
	No	Yes	
501-1500	20	5	25
1501-3000	19	10	29
>3000	5	4	9
Total	44	19	63

Table 22. Income Level and Personal Computers Connected to Internet

Income level has remained as one of the limiting factors for consumers' participation and in the growth of e-marketplaces in the country.

KNOWLEDGE OF ONLINE BUSINESS TRANSACTIONS

Educational level and knowledge of electronic transactions are significant in being a participant in e-marketplaces either as a buyer or a seller.

Educational Level	Knowledge of Electronic Business Transactions		Total
	Yes	No	
School Student	61	111	172
Junior College	5	35	40
College Diploma	49	45	94
Bachelor and above	58	44	102
Total	173	235	408

Table 23. Educational Level and Knowledge of Internet Business Transactions

With 51.9% of the respondents being students and 57.6% of the respondents having no knowledge of electronic business transactions, this creates problems for them to participate in e-marketplaces for the reason that it requires knowledge of online business transacting, beyond using internet, including communicating with sellers and/or buyers, ordering, paying, and etc.

Besides this, knowledge of business transactions on the internet affects the purpose of visiting internet. Respondents were asked the purpose of their internet visit and five possible purposes of visiting internet were given. The following result was obtained.

Purpose of Visit	Internet Users (in percentage)
To check email	63.2%
To chat with friends	22.3%
To search documents	47.5%
To buy products online	.5%
For other purposes	16.4%

Table 24. Respondents' Purpose of Visit

Accordingly, those who visit the internet for the purpose of checking their e-mail constitute the highest percentage of the respondent internet users. The percentages of internet users who visit the internet to buy products online are only 0.5%. Little or no knowledge of internet business transactions and together with other factors can influence the purpose of visits by internet users.

Therefore, having knowledge of electronic business transactions is a decisive factor affecting e-marketplaces. Besides the government's plan and effort to expand education through educational campaigns, the high level of adult illiteracy rate still remains as one of the major challenges that retard the growth of e-marketplaces in Ethiopia.

RELATIONSHIP BETWEEN ATTITUDE TOWARDS E-MARKETPLACES AND TRUST, AND MARKETPLACE PREFERENCE AND RESISTANCE TO CHANGE

Attitude and trust are two of the factors that affect e-marketplaces. Positive attitude is related with trust while negative attitude results in distrust. The relationship between attitude and trust among the respondents is shown as follows.

Attitude	Trust		Total
	Yes	No	
Positive	143	205	348
Negative	16	44	60
Total	159	249	408

Table 25. Attitude and Trust on E-Marketplaces

Accordingly, among those who have positive attitude towards e-marketplaces, 58.9% indicated that they do not trust e-marketplaces while 41.1% of them trust e-marketplaces. Of the total respondents with negative attitude, 73% of them indicated their distrust of e-marketplaces.

The positive attitude towards e-marketplaces is due to the perception of the respondents about the benefits provided by e-marketplaces to consumers such as reduced search cost, more choice of products, etc. However, the negative attitude is associated with the unreliability of online business transactions.

Of those who distrust e-marketplaces, 53.4% of them prefer to use traditional marketplaces while 46.6% of them preferred e-marketplaces. Of the others who trust e-marketplaces, 73% of them preferred to use e-marketplace while the rest 27% indicated their preference to traditional marketplaces.

Marketplace Preference	Trust		Total
	Yes	No	
Traditional	43	133	176
Electronic	116	116	232
Total	159	249	408

Table 26. Marketplace Preference and Trust

Fewer developments in the country on the area of e-marketplaces develop distrust on people and prefer to use traditional marketplaces. People also tend to develop distrust on e-marketplaces due to the unreliability of e-marketplaces and lack of adequate facilities on e-marketplaces in the country.

Resistance to change is an important factor in the development of e-marketplaces in developing countries. It is influenced by attitude and trust. Having positive attitude towards e-marketplaces leads to less or no resistance to change because of the benefits that can be gained from them. In order to assess the level of resistance to change, respondents were asked if they are willing to change from traditional marketplaces to e-marketplaces and their attitude, too. The result was the following as shown in the table below.

Attitude	Willingness to Shift		Total
	Yes	No	
Positive	311	37	348
Negative	50	10	60
Total	361	47	408

Table 27. Attitude and Willingness to Shift to E-Marketplaces

Accordingly, 89.4% of those having positive attitude are willing to shift, while the rest 10.6% of them are not willing. It is because knowing the benefits that can be extracted from e-marketplaces has a positive influence on developing attitude and resistance to change.

Trust also affects the willingness of individuals to shift from traditional marketplaces to e-marketplaces. People who trust e-marketplaces tend to be willing to shift to them. Based on the response of internet users, however, it is not the reality. The following table shows the results obtained.

Trust	Willingness to Shift		Total
	Yes	No	
Yes	151	8	159
No	210	39	249
Total	361	47	408

Table 28. Trust and Willingness to Shift

Of the total respondents who trust e-marketplaces, 95% of them are willing to shift to e-marketplaces and the rest 5% are not. Respondents who distrust e-marketplaces have shown that the majority of them (84%) are willing to shift to e-marketplaces. Hoping the availability of adequate facilities in e-marketplaces and the use of technology to catch up with others drives people to shift from traditional marketplaces to e-marketplaces.

Thus, attitude and trust on e-marketplaces tend to influence the growth of e-marketplaces in the country and in such a way that they affect the willingness of individuals to shift from traditional marketplaces to e-marketplaces, i.e. resistance to change.

RELATIONSHIP BETWEEN FAMILIARITY, AND AVAILABILITY OF PERSONAL COMPUTERS AND TYPE OF OCCUPATION

Personal computers at home and internet connection, and type of occupation affect familiarity of an individual with information and telecommunication technologies (ICTs) and internet. Respondents were asked if they have personal computers at home and whether they are connected to internet or not. Workers were asked if their occupation is associated with ICTs and internet technologies. The following data was obtained as a result.

Availability of Personal Computer At Home	Familiarity			Total
	Less	Moderate	High	
Yes	55	84	30	169
No	118	110	11	239
Total	173	194	41	408

Table 29. Personal Computer Availability and Familiarity

32.5% of those having personal computers are less familiar with ICTs and internet technologies, while the rest 67.5% of them are either moderately or highly familiar. For those not having personal computers at home, 49.4% of them are less familiar, which is higher than the ones having personal computers. With the majority of the respondents being moderately or less familiar, there is less chance of visiting the internet for different purposes. People who are familiar with internet tend to visit internet more frequently than others.

It is possible to say that familiarity with ICTs and internet technologies and having personal computers at home are interrelated with each other in that having a personal computer at home increases the chance of an individual to be more familiar with ICTs and internet technologies. Increased familiarity of individuals with internet tends to increase their knowledge about the internet and the benefits. This can eventually influence people to use internet for buying and selling products on the internet, i.e. e-marketplaces.

On the other hand, job nature associated with ICTs and Internet technologies increases familiarity. It was found out that of the total workers whose work nature is associated with ICTs and Internet technologies, only 5.6% of them are less familiar. This may be because their Internet access limited only to work related web sites and purposes. The others 94.4% are either moderately or highly familiar. 47% of those

whose work nature is not associated with ICTs and internet technologies are less familiar. The table below shows this.

Type of Occupation	Familiarity			Total
	Less	Moderate	High	
Associated with internet technologies	3	25	26	54
Not Associated with internet technologies	55	58	4	117
Total	58	83	30	171

Table 30. Type of Occupation and Familiarity

Having an occupation associated to internet technologies can also help increase familiarity and may influence consumers to buy products online, provided they have enough money to do so.

Of the total respondents, 42.4% indicated that they are less familiar with ICTs and internet technologies, while 47.5% replied that they are moderately familiar and 10.1% are highly familiar.

Thus, familiarity with ICTs and internet technologies is important which can lead consumers (internet users) either to access internet and use e-marketplaces or not. However, with the majority of the people being moderately or less familiar with internet technologies, it has not been possible for consumers to buy and sell products on e-marketplaces as it remains as another challenge on the part of consumers.

3.3. OPPORTUNITIES

The Ethiopian government is making efforts to expand its telecommunication infrastructure and services to different parts of the country and introduce new information and communication technologies used for different purposes. The present government activities in the telecom sector are encouraging which show light in the future growth of e-marketplaces in the country since the availability of appropriate telecommunication infrastructure and other facilities is important in the development of e-marketplaces.

Being a more recent phenomenon in the country, business firms can now establish their own e-marketplaces and make their presence on global e-marketplaces to gain a first mover advantage than being left behind.

The findings of the study indicate that the majority of the respondents have positive attitude towards e-marketplaces and most prefer to use e-marketplaces in the buying and selling of products on the internet. This indicates that there is a potential market in the country. By developing positive attitude of the people through increasing awareness about the operations and benefits of e-marketplaces, this huge market potential can be taken over by companies in the country. And the future of the country seems to be e-marketplaces with both increasing number of internet users and increasing number of business firms being present on e-marketplaces.

The study revealed that the majority of the respondents are willing to shift from the traditional marketplaces to e-marketplaces. This less resistance to change can help business firms in the use of e-marketplaces for their existing customers. Current customers of the business firms can also convince and attract new potential customers by showing the benefits of the e-marketplaces in action, with more chance of attracting new customers to the business firms.



The number of internet users is increasing at an alarming rate world wide with the advent of new information and communication technologies. The number of internet users in Ethiopia is also growing at a faster rate. This opens up another opportunity for business firms to use e-marketplaces for their existing and potential customers. It can lead a critical mass of consumers to e-marketplaces, and eventually enhance the development of e-marketplaces in the country. Being present, the current companies running their own e-marketplaces can increase their market share with increased opportunities provided by e-marketplaces.

Since e-marketplaces make geographical and time barriers irrelevant that were obstacles in traditional marketplaces, they provide with endless market opportunities. The merging of local and international marketplaces in e-marketplaces enables business firms to reach a large number of prospective consumers from all over the world. It is now possible to generate income by reducing resources utilized and cost of business operations and saving execution time of the day-to-day transactions taking place.

Developing country SMEs can expand their market with the increased ability to transact directly with overseas or international customers and to advertise their services (Akoh, 2001, p.13). In line with this, in countries like Ethiopia where small, medium and micro-sized enterprises prevail at large with low capital investment, differentiation of business firms based on capital is eliminated by e-marketplaces through the breaking of entry barriers such as capital base. This opens up new opportunities for small and medium enterprises by enabling them to compete with larger companies both domestically and internationally without the need of large additional investment in expanding their market. Moreover, it helps companies in the country to avoid the use of intermediaries in the distribution of their products and services both locally and internationally,

and thus shortening the trading path by making it possible for direct communication between business firms to end consumers (Kebede, 2001, p.10).

Business firms can extend beyond trading in traditional marketplaces. They can establish their own e-marketplaces on the Internet and use this opportunity to market and sell their products and services with much reduced sales and marketing costs and better reach of the international audience through the internet medium, on top of the use of traditional marketplaces. It facilitates new market opportunities. This can also help to retain their customers and attract new ones. Business firms can also find new business partners in e-marketplaces from other domestic and global companies.

Through e-marketplaces, business firms have the opportunity to improve their business activities and operations than before. By having a database for handling the transactions taking place on e-marketplaces, business firms can improve their inventory management. Better customer handling can also be achieved by providing better customer support services on the e-marketplaces. E-marketplaces can serve to enhance communication between buyers and sellers.

Moreover, it gives more flexibility for business firms in their approaches to market and their business activities, living in this dynamic market environment. This also helps in customizing their operations.

Partnering is another opportunity that e-marketplaces provide to business firms (Murtaza, et al, 2004, p.2). E-marketplaces increase the chance of firms to find new business partners. Building partnerships with other local and international firms is helpful in sharing critical skills in the market and speeding up the integration and operation of e-marketplaces in to the rapidly changing business environment.

New entrepreneurs can also take the opportunity to generate more income by establishing independent e-marketplaces and serving as only market makers. By doing so, they can charge any participant who wants to take part in the e-marketplace by either selling products and services or buying products.

On the other hand, consumers are presented with more choice of products and comparative information of products, being able to procure goods and services from any part of world without the traditional barriers of time and geographical locations. They can access not only local e-marketplaces, but can also take part in other international e-marketplaces present on the internet. Saving time with reduced search cost is another opportunity that consumer can gain from buying products on e-marketplaces.

Apart from buying products and services online via the internet through e-marketplaces, on the way, there is an opportunity for consumers to upgrade their skills in the area and keep pace with the rapidly changing information and communication technologies and get acquainted with it as soon as possible (Nathan, 2001, p.5).

Consumers can get market information more easily and faster than the traditional means. Getting faster market information can help consumers be aware of the developments taking place in the market such as the prices of products and new products introduced to the market (Stockdale & Standing, 2004, 309).

Enhancement of e-marketplaces in Ethiopia can also provide the opportunities for the country to generate revenue and assist in the business and socio-economic development of the country. Thus, e-marketplaces can provide profit opportunities for both business firms and the country.

Development of e-marketplaces can also serve as a tool for globalization in this era. The growth of internet has brought the world into one 'global village'. Being part of that village is important for the country's future economic and social well being. On top of this, it grabs the country to the technological trend in the world and helps the country to catch up with it.

CHAPTER FOUR

SUMMARY, CONCLUSION AND RECOMMENDATIONS

4.1. SUMMARY

Assessing the challenges and opportunities of e-marketplaces is relevant in order to devise solutions and act accordingly. In this manner, the researcher tried to identify the various challenges and opportunities of Ethiopian e-marketplaces.

- ➡ Telecommunication infrastructure availability is one of the major challenges of Ethiopia, a developing country. All respondent companies running the sample e-marketplaces and 47.5% of the respondent internet users mentioned lack of infrastructure problem as a major cause. Other than these, 37.3% of respondent internet users mentioned the telecom service monopoly as one factor that hinders the growth of e-marketplaces in the country.
- ➡ Based on the responses of sample companies, it was found out that no such policies and regulations exist in e-marketplaces. They have also indicated that no supervision or support is provided to them and no government-private partnerships exist.
- ➡ In terms of culture, 36.5% of the respondents preferred to use local language for communicating with sellers and buy products on e-marketplaces. The rest 63.5% respondents preferred international language (English). Cultural practices were also identified as one of the challenges in the growth of e-marketplaces as indicated by 55.1% of the respondent internet users.
- ➡ Three the respondent companies indicated that they use agents abroad to execute international transactions taking place on their e-

marketplaces. 36.3% of respondent internet users agreed that lack of online payment facilities is a problem in the low level development of e-marketplaces in the country.

- ➡ All respondent companies together with 64.5% of the respondent internet users also mentioned the high cost of internet access as a factor in the growth of e-marketplaces. Adding to this, with 58.1% of the total respondents being students with little or no income at all and 59.7% of workers being low income with less than 1500 birr, it is difficult to afford long time internet service cost and buy products online holding potential consumers of e-marketplaces.
- ➡ 43.1% of the respondent internet users preferred traditional marketplaces for the reason that quality of a product and unreliability of e-marketplaces is their concern. Together with this, 61% of the respondents indicated that they do not trust electronic business transactions conducted over the internet.
- ➡ In terms of awareness of the e-marketplaces existing in the country, 87.5% of the respondents do not know SEDNet e-marketplace, while the rest 12.5% have known it. 92.2% of the respondents do not know Felega e-marketplace, while the rest 7.8% have known it. 83.1% of respondents do not know Ethiogift marketplace, while the rest 16.9% have know it. 93.6% of the respondents do not know Genuine Leather Craft e-marketplace. These figures indicate the unawareness of the majority of the public about e-marketplaces.
- ➡ Distribution and delivery of products in the country was also a problem for companies operating in e-marketplaces due to lack of unique street names and addresses.
- ➡ Privacy of consumers is kept by all the respondent companies. The security of financial transactions is also made possible by

subscribing to the international companies providing security services. However, privacy and security threats in financial transactions are still major problems of e-marketplaces at international level. As a result, this puts Ethiopia in the same front with other parts of the World in facing violation of customer privacy and problems in financial transactions.

- ➡ All respondent companies provide online help to their customers. Live help and purchasing support services are only provided by Ethiogift. SEDNet and Genuine Leather Craft provide after sales service.
- ➡ 52% of the respondents constitute either school or college students. 23% of the respondents have college diploma. The rest 25% of the respondents are with Bachelor degree and above. Respondents with knowledge of electronic business transactions accounted for 42.4% of the total respondents, while 57.6% do not have. This indicates that knowledge of electronic business transactions is necessary for the growth of e-marketplaces.
- ➡ 42.4% of the respondents are less familiar with internet technologies. 47.6% of the respondents are moderately familiar, while the rest 10% are highly familiar. 68.4% of the workers have jobs which is not associated with internet technologies, while 31.6% have associated jobs with internet technologies.
- ➡ Out of the total respondents, 85.3% of them have positive attitude realizing the benefits provided by e-marketplaces. 14.7% of the respondents indicated that they have negative attitude towards e-marketplaces due to various factors such as trust, security of financial transactions, etc. Of the total respondents, 61% of them

mentioned that they do not trust electronic business transactions while 39% of them mentioned they trust such transactions.

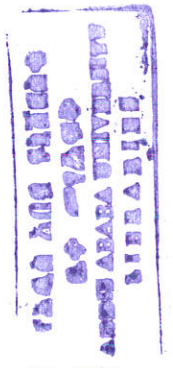
- ➡ It was found out that the type of occupation and availability of personal computer at home has the probability of increasing the familiarity of an individual with ICTs and internet technologies. Increased familiarity with ICTs and internet technologies results in more use of internet for different purposes including participation in e-marketplaces.

4.2. CONCLUSION

E-Marketplaces are one of the internet developments that have attracted many consumers and buyers to the electronic environment. They provide more benefits than traditional marketplaces in various ways including saving time, reducing search cost, giving more choice of products, and lower transaction costs. They have proved be essential in the current turbulent business environment where competition has increased.

Though beneficial, they have not been exploited to their full efficiencies by many developing countries. This study tried to assess the major challenges and opportunities in developing countries by taking the case of Ethiopian e-marketplace development. Unlike most other researchers who have tried to identify the challenges as a whole or company specific, this study tried to examine the challenges at four levels: e-environment level, societal level, business level and consumer level. This has helped for further refinement and better understanding of the challenges and opportunities prevailing in the country.

Even though the internet population is increasing in an alarming rate in Ethiopia, there is less awareness of e-marketplaces and their benefits. The high numbers of internet users are with less or no income. There is also



less know-how of electronic transactions. Restrictive government policies in the telecom sector have also impact in the provision of telecommunications infrastructure and services. Reasonable costs of internet services and acquiring internationally standardized online payment facilities are other important issues which need attention in the study area.

Business firms concern different aspects in participating in e-marketplaces. Privacy of their customers and security of financial transactions are of the key ones. Producing quality products and promoting their products and services are also equally important in order for the firm to expand its market both locally and internationally. Furthermore, business firms are expected to build trust on the part of their customers and provide them with appropriate support services.

In general, the findings of the study showed that there is less development of e-marketplaces in the country due to a number of challenges. The challenges vary from e-environmental factors to consumer characteristics. Education and awareness about the prevailing e-marketplaces in the country and their benefits are problems to enhance the development of e-marketplaces in the country. Telecommunication infrastructure, legal framework and government policies, online payment facilities and high cost of internet connectivity are important factors at e-environment level. At societal level, considering cultural differences, such as language, is critical for expanding markets both domestically and internationally. Quality of products, promotion, distribution and delivery, privacy of customer, security of financial transactions and customer support services are detrimental at business level. Income level, knowledge of electronic business transactions, trust, familiarity and attitude towards the e-marketplaces also proved to be decisive factors in driving people to e-

marketplaces and creating a critical mass in e-marketplaces for successful growth.

4.3. RECOMMENDATIONS

Assessing the challenges is not enough by itself to bring about consistent development in the study area. Alternative solutions must be developed to tackle those challenges and take advantage of those opportunities. Accordingly, based on the findings of the study, the following recommendations are forwarded by the researcher.

GOVERNMENT ROLE

The Ethiopian government must create an enabling and attractive environment for e-marketplaces through various ways in order to fasten their development.

The government should expand its telecom services to different parts of the country. Though the government is making efforts in this regard, there is much left to do. Considering the advantages of expanding the number of private ISPs in assisting the government to provide telecom infrastructure and services, it is recommended to license private ISPs. This helps in fostering the development of e-marketplaces in the country. Thus, providing adequate telecom infrastructure and services and privatizing telecom services are important in Ethiopia.

The government should develop policies for governing and fostering the development of e-marketplaces in the country. Having a legal framework encourages more sellers and buyers to trust and employ e-marketplaces. Competition can also arise and increase the number of e-marketplaces in the country.

Due attention and support should be given to e-marketplaces existing in the country. Better results can also be obtained from government-private partnerships. Coordinated activities of these partnerships and the support provided motivate existing e-marketplaces to move forward and attract more new companies to enter into the global online marketplace.

Improving the literacy rate of the country contributes to the increasing use of internet technologies and e-marketplaces. The current literacy campaign by the government is encouraging. Quality should also be given priority in expanding education. Here, the most important activity is teaching about internet technologies and electronic business transactions starting from the early stages.

The cost of internet connectivity is also a major issue that needs consideration by the government. Cost structure of internet services must take into account the average income level of the country's population, if not the majority. It is to mean that the costs of internet access and connection must be reasonable. This will encourage even small companies to be present on the Net, and develop their own e-marketplaces in short period of time. Eventually, a critical mass of consumers and businesses will be attracted to e-marketplaces.

Online payment facilities are critical for the conduct of business on e-marketplaces. The Ethiopian government should acquire and distribute appropriate payment facilities on the internet. Although there are some electronic cards in the country that enable payments through credit cards, they are not standardized and not applicable internationally. Though it has to do with the Ministry of Finance and Economic Development (MOFED), it is suggested to implement standardized online payment facilities in the country so that consumers and businesses can participate in both Ethiopian and international e-marketplaces.



BUSINESS ROLE

Providing quality products helps to retain existing customers and attract new ones. A business firm operating in e-marketplaces must also sell quality products to its customers. In addition to this, in advertising products using graphics pictures, showing real image of the products to be sold is important in order to raise customers' confidence in buying products online. It also assists in building trust on the part of customers. Business firms can gain trust from customers by providing quality services, keeping their promises and on time delivery.

Promotion is a key factor in creating awareness about any business firm about its background information and its products and services. Ethiopian business firms operating on e-marketplaces must create awareness among the public through various promotion mechanisms. This can lead to more customers' awareness and increases their probability of visiting the e-marketplaces. For example, business firms can use the most accessible media for advertising about their e-marketplace such as newspapers, TV and radio. Using most frequently visited internet sites, such as Yahoo and Google, to advertise the e-marketplaces is also another approach to create awareness. Unless they create awareness among the local people, it is not easy for them to enter into the local market. Business firms should also recruit qualified and experience marketing personnel for devising and implementing promotional strategies.

Customer handling is part of the service provided to customers. Customer support services vary business to business. E-marketplace customer care is important to keep online customers. The support services must be available to customers at the time needed by them. Business firms should help customers in online shopping from e-marketplaces. Thus, it is advisable for business firms to provide adequate support services to

customers. Especially, live help and online help are important because it gives support to customers at the time they needed them.

Furthermore, business firms selling their products on e-marketplaces must keep privacy of their customers. Disregarding and not keeping customers' privacy discourages customers from buying products on that e-marketplace. As a result, Ethiopian e-marketplaces must take care of the privacy of their customers.

Though not 100% sure of security of financial transactions, even in well known companies operating at international level, business firms must do what they can so as to protect theft or any other fault that can happen during financial transactions. It helps to increase customer confidence in online transactions. Therefore, having necessary security system in financial transactions can help reduce theft.

Finally, business firms must take into account the cultures of the country in which they are operating. This can be reflected in the content of the e-marketplaces. Inclusion of content in e-marketplaces must consider the norms and values of the people of either domestic or other countries of the world. It must not incorporate parts that influence the culture of the country in a negative manner. Proper inclusion of relevant content in e-marketplaces is advisable. In line with this, it is more favorable and easier for customers if business firms incorporate multi-language capabilities. It simplifies the communication between sellers and buyers and facilitates better understanding.

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WEB RESOURCES

www.internetworldstats.com

www.answers.com

www.ebusinessguide.com

www.emarketservices.com

ANNEXES

QUESTIONNAIRE DISTRIBUTED TO INTERNET USERS

SECTION 1: BACKGROUND INFORMATION

1. Sex ☐ Male ☐ Female

2. Age ☐ <18 ☐ 18-24 ☐ 25-30 ☐ 31-35
☐ 36-40 ☐ 41-50 ☐ 51-60 ☐ >61

3. Educational Level

☐ School Student ☐ College Diploma
☐ Junior College ☐ Bachelor and above

4. Occupation

☐ Student ☐ Worker

5. If you are a worker,

5.1. Monthly Income Level

☐ <500 ☐ 501-1000 ☐ 1001-1500 ☐ 1501-2000
☐ 2001-2500 ☐ 2501-3000 ☐ 3001-4000 ☐ >4000

5.2. Work Nature

☐ Associated with Internet Technologies
☐ Not Associated with Internet Technologies

6. Do you have personal computer at home? ☐ Yes ☐ No

6.1. If your answer is yes, do you have internet connection at home? ☐ Yes ☐ No

SECTION 2: INTERNET AND BUSINESS TRANSACTIONS

7. How often do you visit internet?

☐ Very Frequently ☐ Frequently ☐ Often ☐ Less Often

8. Are you familiar with internet technologies?

☐ Less Familiarity ☐ Moderate Familiarity ☐ Highly Familiarity



9. For what purpose do you mostly visit the internet?

- ☐ To check Email ☐ To search documents
☐ To chat with friends ☐ To buy products online
☐ For other purpose

10. Do you have know-how about electronic business transactions? ☐ Yes ☐ No

11. What benefits do you think you can gain by purchasing products online, i.e. electronically?

- ☐ Reduced Search Cost ☐ More choice of products
☐ More comparative information about products ☐ Speed
☐ Other benefits _____
-

12. What is your attitude towards business transactions over the internet, i.e. electronic marketplaces? ☐ Positive ☐ Negative

13. Why do you think that you have such attitude?

SECTION 3: ETHIOPIAN E-MARKETPLACES

14. Do you know any of the following sites? Tick the sites you know.

- ☐ www.sednet.net ☐ www.felega.net ☐ www.ethiogift.com ☐ www.genuineleathercraft.com

14.1. If you know any of the sites mentioned above, how did you hear about them?

- ☐ TV ☐ Newspaper
☐ Other internet sites ☐ From a friend
☐ Magazine ☐ Other way _____

14.2. Have you bought products online from one of the above sites? ☐ Yes ☐ No

15. Will you be concerned about your privacy in buying products online? ☐ Yes ☐ No

16. Do you trust paperless, faceless business transactions conducted over the internet? ☐ Yes ☐ No

17. Which language will be easier for you buy products over the internet?

- ☐ Local (Amharic)
- ☐ International (English)

18. Which marketplace do you prefer to buy products and services?

- ☐ Traditional (Physical)
- ☐ Electronic (Virtual)

19. Why do you choose the above marketplace that you have selected?

20. Are you willing to shift from traditional/physical marketplaces to online marketplaces for buying and selling of products and services? ☐ Yes ☐ No

21. In your point of view, which of the following factors do you think hinder the development of electronic marketplaces (e-commerce) in Ethiopia?

- ☐ High Cost of internet access
- ☐ Unavailability of online payment facilities
- ☐ Security of financial transactions
- ☐ Privacy of customers
- ☐ Cultural Practices
- ☐ Resistance to Change
- ☐ Unavailability of Information and Communication Infrastructure
- ☐ Monopolistic Environment of the Telecommunications Sector

Any other

22. What is your general comment on the current development of electronic marketplaces in Ethiopia?

QUESTIONNAIRE DISTRIBUTED TO COMPANIES

SECTION 1: BACKGROUND INFORMATION

1. Company Name _____

2. Type of business _____

3. Web Site Address _____

4. Products and Services offered

5. How was the reality of the e-marketplace environment?

- ☐ Less than you expected before entering
- ☐ Almost the same as your expectations before entrance
- ☐ More than you have expected before entrance

6. Why do you think is the reason for the above answer?

SETION 2: TRADITIONAL Vs ELECTRONIC MARKETPLACES

9. What benefits have you gained from the e-marketplace as compared to the traditional physical marketplace?

10. Are the costs of establishing and operating e-marketplaces

- ☐ Greater than the traditional marketplace?
- ☐ Less than the traditional marketplace?
- ☐ As close as the cost of the traditional marketplace?

SECTION 3: SYSTEMS AND SERVICES

11. Do you have sufficient and suitably qualified staff for promoting the e-marketplace, devise and implement promotional strategies and to provide help desk facilities? ☐ Yes ☐ No
12. Delivery and distribution of products and services is done
☐ Online ☐ Offline (Just-In-Time (JIT), Overnight Delivery) ☐ Both
13. Financial transactions are conducted
☐ Online ☐ Offline (Cash on Delivery) ☐ Both
14. If you answer for Q.13 is online,
- 14.1. Do you have enough supportive payment facilities? ☐ Yes ☐ No
- 14.2. If your answer is yes for Q.17.1, the payment facility works
☐ Locally (Developed by the company itself, etc)
☐ International (VISA, MasterCard, etc)
- 14.3. How do you handle security of financial transactions?
-
-

15. What kind of customer support services do you provide?
☐ Online ☐ Live Help on the internet
☐ At the time of purchase ☐ After-Sales Service
16. Does your e-marketplace support multi-language capability? ☐ Yes ☐ No
17. Is there lack of infrastructure (technological such as internet connectivity, process infrastructure such as payment facilities and distribution, and legal and protective issues) in using online marketplaces in Ethiopia? ☐ Yes ☐ No

SECTION 4: RULES AND REGULATIONS, GOVERNMENT

18. Are there any rules for admission and participation to enter into e-marketplace? ☐ Yes ☐ No
19. Are there any government policies and procedures governing the conduct of business in E-

Marketplaces? ☐ Yes ☐ No

20. Are there any government-private partnerships and activities in the commercialization of internet services? ☐ Yes ☐ No

21. Is there any governmental supervision provided to you? ☐ Yes ☐ No

22. Does the monopolistic environment in the telecommunications sector affects the growth of e-marketplaces in Ethiopia?

23. Do you believe expansion of private internet service providers would facilitate the growth? ☐ Yes ☐ No

SECTION 5: CONSUMER RELATED ISSUES

24. Which media have you used to create awareness among the public about your e-marketplace?

☐ TV

☐ Newspaper

☐ Magazine

☐ Other internet sites

☐ Other means _____

25. Is privacy of your customers kept? ☐ Yes ☐ No

26. What have you done to build trust on the part of you customers?



SECTION 6: BUSSINESS ENVIRONMENT

27. In your point of view, what barriers do you think hinder the development of e-Marketplaces in Ethiopia?

28. How do you think Ethiopia can benefit from e-marketplaces and achieve national competitiveness in successful operations?

If you have any additional comment or idea concerning e-marketplaces in Ethiopia?

I, the undersigned, declare that this project is my original work, has not been presented for the degree in other university and that all sources of the materials used in this project have been duly acknowledged.

Name: Ermias Tenaw

Signature:  _____

Date: June, 2008

This project has been submitted for examination with my approval as a university advisor.

Name of Advisor: Salehu Anteneh (Ph.D)

Signature:  _____

Date of Approval: 23/07/08

