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POTENTIAL GROWTH AND OPPORTUNITIES FOR KENYAN SMALL SIZED FIRMS ONLINE

– E-business adoption for small boutiques and the
new customer online.



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The purpose of this thesis is to identify the online growth opportunities for the small sized firm in Kenya.

Kenya is the most developed nation in East-Africa. E-commerce is a rapidly rising trend in developing nations, that provides small sized firms with growth opportunities. The e-commerce trend also comes with changes in consumer behavior. Sufficient use of e-commerce by small sized firms in Kenya, can open a opportunity to reach a wider range of audience and increase profits by expanding their business online.

In this thesis, two small Kenyan garment business owners will be interviewed to understand why small business' should or should not expand online. The focus will be on (1) Informational Approach, how to develop an online strategy based on buying behavior. The ICT acceptance models will be explored to give an understanding on the actions needed for small business to grow into a e-business. A small sample of Kenyans, has been collected to support the hypothesis of the business owners' and to find the factors that small boutiques need to consider when regarding the Kenyan consumer when expanding online.

The findings indicate that the biggest factors affecting Kenyan small business owners moving their businesses' online lies under marketing. By moving from traditional marketing models and adopting online marketing allows companies to engage their customers, from the beginning, and tackle factors that contribute to perceived risks such as trust in payments and quality.

KEYWORDS:

Kenya, Technology Acceptance, E-commerce, Online Shopping, Consumer behavior, Trust

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LIST OF ABBREVIATIONS

CDJ = CONSUMER DECISION JOURNEY

EAL = E-BUSINESS ADOPTION LADDER

SEM = SEARCH ENGINE MARKETING

SEO = SEARCH ENGINE OPTIMIZATION

TAM = TECHNOLOGY ACCEPTANCE MODEL

1 Introduction

The rapid growth of e-commerce has a huge impact on the modern consumers behavior. Today and in the future, small businesses in developing nations have a hard time competing with bigger enterprises if they do not adapt to the evolving e-business environment. This involves networking and becoming more interdependent to survive. In more developed nations, micro-firms are doing just so, however in developing nations this is not the case.

In today's world the garment industry is one of the most successful industries online. In 2014, just in UK alone 64% of 25 – 34-year olds shopped online for clothing (BBC, 2014). Consumers are attracted to online shopping because of lower prices, and overall convenience. The biggest barrier that keep consumers from shopping online are trust issues, related to consumers credit card information, fraud or refund policies (Akbar & James, 2014). These are some of the most pressing issues that are currently keeping majority of the consumers from shopping online in developing nations such as Kenya.

1.1 Background

The internet has the power to change drastically the balance of power among consumers, retailer's distributors, manufacturers and service providers. Some participants in the distribution chain may experience an increase in their power and profitability. Others could unfortunately experience a loss in market share (Hollensen, 2011). The outcome of online shopping adoption can vary depending on the target market.

Kenya is the most developed nation in Eastern Africa, with a population of an estimated 41 million people. It is considered a very well-educated nation where most people are English-speaking and bilingual professionals (Nairobi U.S Embassy, 2016). 70% of Kenya's population is under the age of 35, of which according to statistics, 53% have a smartphone or access to the internet (Poushter, 2016).

1.2 Research purpose

The focus of this research is to investigate how small Kenyan boutique owners could increase their sales and profits by going online and what are risks of doing so. This will be done by exploring previous models on, how previous online producers have gone online. Interviews will be conducted with sellers/producers who own a brick and mortar shop to determine the most significant factors affecting Kenyan small clothing store owners expanding their service online and primary data will be collected from average consumers in Kenya to confirm the beliefs.

1.3 Motivation

I was born and raised in Finland, however my parents are both Kenyan. I just recently visited the country again at the age of 22 and realised there are multiple online opportunities. Especially amongst the Kenyan youth community the use of smartphones are rising which inturn has led to an increase in western trends and what we could consider the ever changing “pop culture”. This includes the use of smartphones and all the latest technology available. This research can also work as a part of a business strategy, therefore could be used as a basis for future implementation.

I am very fascinated and intrigued by the power of technology, and what can be achieved in developing nations with the use of new online tools. A lot of the small businesses in, for example Kenya have potential to grow. I hope this research will aid or give general guidelines to small business owners in Kenya, on how to expand their business online and what are the risks and benefits of doing so. This research can be helpful to anyone looking to get an idea of the challenges and opportunities in moving or expanding their business online in Kenya. I aim to write this as an exploratory research.

1.4 Research question

- What are the most significant factors that affect Kenyan small boutiques when expanding online?
- What are the most significant factors Kenyan small boutiques should consider regarding the Kenyan consumer when expanding online?

2 Literature review

It is important to understand what online shopping is and the nature of the small sized firms in Kenya. It is also important to understand consumer behavior and how it has evolved over the years. The level of technology acceptance in Kenya is lower than in developed nations, therefore when exploring an online business model we must also understand how consumers accept technology in Kenya and the factors affecting that.

2.1 PEST analysis

To determine the nature of the Kenyan market environment a proper PEST analysis must be conducted of the country. PEST analysis is a general outlook on the macro-environmental behavior of a nation. By understanding the moving factors in the macro environment the business allows the business to understand factors that may affect their business structure or strategy (Kotler & Armstrong, 2011). The PEST analysis is very general and can be affected by a wide range of variables, therefore the environmental factors that affect Kenyan micro business owners will only be taken into consideration.

Political/Legal

Kenya's political environment is heavily built on the historical domestic cultural divide between tribes. This has led into centralisation and abuse of power, high levels of corruption, a more than two decades long process of constitutional review and post-election violence (Institute of Development Studies, 2016). Domestic cultural divide can have effect on how some consumers might dismiss a good due to cultural/tribal beliefs. It is also important to take into account different segments of Kenyan when marketing efforts are made. Opalo stated that most successful business owners in Africa have not made it due to the value they create, but with the ties to the government that they have (Opalo, 2016). Bribery is still a major problem in Africa and according to statistics from a national survey made in 2013, 26.6% of small firms in Kenya believe that in order to "get things done", firms with similar characteristics are making informal payment or public officials to take care of taxes, customs, legislations etc.

Environmental

Environmental sustainability is a pressing issue in Kenya. Farmers in Kenya face problems with soil erosion, deforestation, water pollution and desertification. There is a substantial amount of citizens living below the poverty line that rely on water and land resources surrounding their communities (FSD, 2016). According to the World Bank Group Kenya currently has 45.9% of its population living under the poverty line (The World Bank Group, 2016). The population living under the poverty line usually rely on the water and land resources found around their communities. Kenya suffers from droughts and that can leave millions of people with barely enough food to survive. 75 percent of Kenya's workforce are engaged in agriculture, with only 8 percent of Kenyan land being arable (FSD, 2016).

Social

Social factors that may affect the clothing business in Kenya is closely related to the domestic divide between tribes. For example clothing industries must keep in mind that different tribes have different preferences and styles, which need to be represented in the variety of the clothings sold, however the modern Kenyans have adopted a western style in clothing (everyculture.com, 2016). Traditional clothing such as "kanga" which stands for a large piece of cloth that can be wrapped around the body as a skirt or shawl and head scarves. "Kitenge" is not only popular in Kenya but in other countries in Africa. It is a very colorful and bright cotton fabric (Nationalclothing.org, 2014). These clothing can be seen worn in remote areas in Kenya or worn in weddings, funerals and other big celebrations.

There has also been a recent boom of shopping malls in Kenya due to an expanding middle class. However Omondi (2016) reports that these malls are not being exploited by consumers. These shoppers typically shop out of containers and small supermarkets. Murphy (2013) states in his article how fewer people go to the major malls and if they do they do not stay there long. The Nairobi Westgate shopping mall attack in 2013 has left shoppers with mixed emotions concerning their own security whilst shopping (Murphy, 2013). This indicates that, the shoppers deeply affected by the tragedy, could be more encouraged to shop online, as it is safer.

Kenya has two official languages; English and Swahili, however a large amount of the populations does not speak neither one of the languages. Television has been the main news source in cities and towns. The people of Kenya have embraced social media, and according to BBC news facebook has become and even more popular source of mode of communication compared to the traditional email (BBC, 2016). As previously mentioned 70% of Kenya's population is under the age of 35, of which according to statistics, 53% have a smartphone or access to the internet. Social media sites such as facebook offer businesses opportunities to increase brand loyalty and recognition by updating the business social media accounts therefore increasing visibility to current and potential customers. (DeMers, 2014).

Technology

According to CNBC Africa, Kenya had outdone itself in ensuring to tackle infrastructure barriers that have hindered the nation from emerging as a leader in the internet market. Statistics from the Communications Authority of Kenya (CAK) released in 2014 indicate that internet penetration in Kenya stands at 52.3 per cent, placing it in the lead board in the region. Dr. Rutendo Hwindingwi, divisional director for Sage East and West Africa states on IT News Africa (2016), that Kenya has been introduced to cheaper smartphones and mobile data which have lead to more Kenyans going online. Furthermore, Hwindingwi predicts that in the long-run after Kenyans have become comfortable with the use of mobile data, Kenya should expect to see digital shopping and commerce really take off. This indicates that the use of internet is on a rise, therefore making way for more online businesses in the nation (CNBC Africa, 2014).

Mobile payments are very popular in Kenya. To serve the Kenyan local consumers online business owners have to accept mobile payments. Safaricom's M-Pesa is the dominant mobile payment platform, used for 98.5% of transactions by value (Shah, 2014). M-Pesa is the most popular choice of payments method used in Kenya, see more in section 2.7.2. While online shopping has been implemented successfully in more developed continents such as the United States, there is an obvious digital divide in the world that has kept developing nations behind. According to a market study done by Jana in 2013 developing nations that have a big amount of mobile users have started to purchase online. In the study Kenya came in with the lowest percentage of mobile phone users

sometimes buying online, at a 56% (eMarketer, 2013). Sites such as Amazon, eBay and OLX came in as the most popular sites used amongst Kenyans.

2.2 Micro-firms

According to data collected by Airaksinen, et. al, (2015) Small and Medium sized enterprises (SMEs) play a crucial role in increasing economic growth, employment and innovation globally, and account for two-thirds of the total employment in Europe. SMEs are made of medium sized-, small sized- and micro-firms, they represent about 99% of the whole European economy (Airaksinen, et al., 2015). Large enterprises only represent about 1% of the economy, due to the fact that there are smaller enterprises which belong to bigger corporate groups. It is suggested by Airaksinen, et. al. (2015), that the growth potential in SMEs is greater because they are affected less by international business cycles.

A firm can be classified as a micro-firm when there is a headcount of less than 10 employees and a turnover, or balancesheet total less than 2 million euros (European Commission, 2016). Keep in mind that the definition of a microfirm may vary depending on the nations average level of annual turnover per company. According to the Kenya Micro and Small Enterprises Act, a micro firm is defined as a firm, trade, service, industry or a business activity- a) whose annual turnover does not exceed five hundred thousand shillings; b) which employes less than ten people (LAWS OF KENYA: MICRO AND SMALL ENTERPRISES ACT: No. 55 of 2012, 2012). Five hundred thousand shillings is roughly 4436 euros, which represents how small micro firms need to be in Kenya compared to Europe. The reason why the turnover ceiling is so low has also to do with the large amount of micro firms in Kenya.

Much like in Europe small and medium sized firms in Kenya also make up about 98% of the country's economy (MyGov, 2015). Many SMEs in Kenya fall under the informal sector of Jua Kali, which are businesses that perform under the open air. These businesses are usually small employing few people, however contributed in creating 800,000 new jobs in 2014 (MyGov, 2015). Sources suggest that *"In Kenya, the operators of Jua Kali businesses are almost caught in a culture of not just remaining small, but also never graduating to formation and*

more organised businesses” (Softkenya, 2013). The government in Kenya has recognized the importance of small firms in addition to firms belonging to jua kali, which has steered them to simplifying legal requirements to start a business in order to encourage more small entrepreneurs. If micro firms manage to expand their businesses, not only will the specific firm gain more profit, this success will also reflect in the Kenyan economy.

2.3 Online Shopping

There have been a few studies on the online shopping platform in Kenya over the recent years, a study by Wanzala (2015) indicated that there is a significant shift in Kenya from consumers visiting brick and mortar shops to shopping through online forums. Wanzala discusses that, not only has the increase of internet use contributed to an increase in online shopping, but this has also led to an increase in online marketing (Wanzala, 2015). For example, some farmers eliminate the need of having any marketing intermediates and selling directly to their customers, leaving them with a greater profit. Online shopping has been very beneficially for individuals in Kenya selling second hand products, and small businesses should catch up to this trend in order to compete.

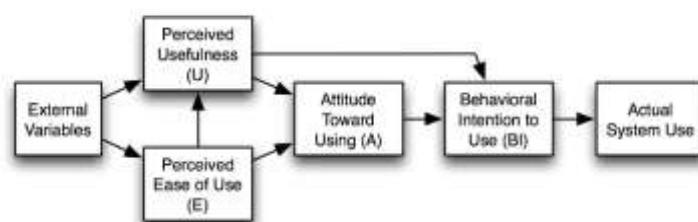
Depending on how one wants to understand it, the definition of online shopping can be rather broad. From a technological point of view a simple definition from Investopedia (2016) is “The sale of goods and services through the Internet. Electronic retailing, or e-tailing, can include business-to-business and business-to-consumer sales. E-tailing revenue can come from the sale of products and services, through subscriptions to website content, or through advertising”. We must keep in mind when using this definition that it does not describe the nature of online shopping from a psychological point-of-view and therefore we must also seek a different definition around this area. In a study by Cai and Cude (2012) on consumer behaviour over the internet; online shopping is defined as “the act of searching for product information, buying products or services, and communicating with retailers and other consumers. These definitions apply similarly to the over-all concept on online shopping, however both serve a different purpose in understanding the use of online shopping. The technological definition applies to how online shopping is defined to the sellers which is also known as the “transactional approach” later explained in section 2.5.1.2. The

psychological definitions is aimed at describing the use of online shopping to the consumer also known as the “informational approach” further elaborated in section 2.5.1.2.

2.4. Technology Acceptance Model

The more typical and modern framework first introduced by Engel, Blackwell and Kollat (1968) for determining the consumer decision making process consists of need recognition, information search, evaluation of alternatives, purchase and post-purchase evaluation of decision. The framework suggests that the typical consumer moves through these stages in order to recognise the problem, to examining potential alternatives to a purchase and to later evaluate the purchase (Fahy & Jobber, 2012). However before getting into this stage, the consumer must be familiar with technology.

The technology acceptance model (TAM) was first introduced by Davis in 1989, is the most known models related to technology acceptance. The model has been studied by multiple researches and verified as being effective in understanding an individuals technology acceptance behavior, and also in explaining individual Information Systems (IS) usage (Surendran, 2012). The model itself is quite outdated and does not take into account how technology has evolved from the 80's. This model helps us in understanding what consumers believe and perceive the technology to be.



Figure, 1 Technology Acceptance Model (TAM) Davis (1989).

It is important to examine TAM, because the use of online shopping or e-commerce for small boutiques is not as common in Kenya as it is more developed nations. Davis (1989) also believed that if a technology is actually easy to use or actually usefull, was not up to the tehnology, but our perception of the technology. This will depend on the consumers background, which is why sellers

should choose their segment wisely. 18 – 24% of Kenyans with internet access purchase products online (WWWMetrics, 2016). The acceptance level is still rather low and the statistics are backed by the theory that the lack of security and safety in online purchasing is problematic to all Africans.

Based on the TAM model Perceived Usefulness and the Perceived Ease of Use are the two most important factors in adopting technology use. Perceived Ease of Use is the level of ease the ICT applications such as, computers, handheld devices, online shopping and social networking sites, add to the individuals work (Surendran, 2012). In online shopping we can define work, as the effort in searching, evaluating and consuming a product. Perceived Ease of Use usually corresponds to the individuals existing judgments and actual performance. According to Kim & Han this involves a risk, because if the technology fails to deliver the expected outcome then it will result as a loss to the user (Kim & Han, 2008). Perceived Ease of Use directly contributes to the Perceived Usefulness, once the level of Perceived Ease of Use is high then the level of Perceived Usefulness correspondingly rises. These will shape the users Attitude towards using the service. The Actual Systems use, meaning whether or not the system will be implemented efficiently to use is determined by the behavioral intention to use (Davis, 1989). The TAM model by Davis (1989) assumes consumers are rational, they research and think before buying. The model ignores consumers that make impulse buys. The model also does not give us advice in how to design better technology.

2.5. E-business Adoption Ladder (EAL)

In the modern business environment it has become a necessity for almost any business in the developed world to have a viable e-business. In the case of a garment firm there are many different ways to adopt e-business, such as adopting e-business with sales, supply-chain, advertising or shipping (Chen & Lewis, 2012). Small firms especially micro-firms in developed nations are slow to catch on with the use of ICT applications such as personal computers modems and emails (Gray, 2012). These applications are crucial for any small business looking for growth with the use of technology. The E-business Adoption ladder is a simple yet helpful model for micro firms looking to create an step-by-step online presence.

Below on figure 2, is illustrated an e-business adoption ladder by Cisco, this model is one of the most widely used technology-push models. The model is used in the EU to support the next level of development for small ICT firms. Colin et, al. (2012) criticizes the model for being too linear, therefore not clearly explaining situations that are non-linear and very complex. Colin et. al, (2012) claims the ladder fails show the dynamic changes that drive small business from one step to the other.

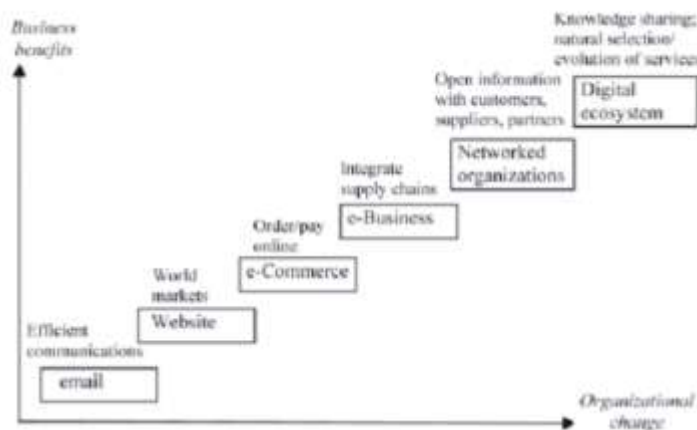


Figure 2. E-business Adoption Ladder. Adapted from DTI (2001), and Nachira (2002)

Colin refers to an earlier model by Venkatram's (1994) on business integration on ICT adaption, which agrees that the business opportunities and organizational change of technology adoption can be implemented in stages, or different phases, however small businesses can enter at any point according to their immediate business needs and according to the current capabilities in the firm (Venkatraman, 1994). The Venkatraman model of integration of ICT into the business seen in Figure 2.1. distinguishes between small evolutionary changes, where ICT applications are used to improve the effectiveness and efficiency of existing business practices and processes, and changes where ICT results in revolutionary changes to processes (Colin, et. al., 2012),

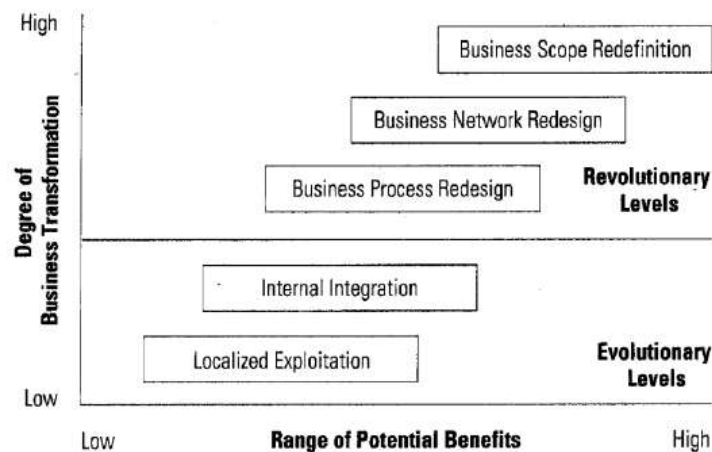


Figure 2.1. Business integration ICT model (Venkatraman, 1994)

In figure 2.1. when considering small business in Kenya the focus must first be engaged to the evolutionary levels of the framework. Level one is localized exploitation, which refers to creating an information system within the company. This level is best viewed as the deployment of standard IT applications with minimal changes to the business processes (Venkatraman, 1994). These systems are mostly implemented by managers to resolve operational problems or challenges. This can include an inventory control system that aid managers in keeping track of the inventory, with minimum errors or an customer order entry system. The benefits of these IT applications is that they pose a minimum amount of resistance from the current employees, since they are easy to ingrated and pose very little change to the actual business process.

Venkatraman (1994) describes the second level, Internal intergration as a logical extension of the first. This level reflects a more systematic attempt to leverage IT capabilities throughout the entire business process. This stage involves intergrating the different data collected from standard IT applications and using it to increase customer satisfaction or other areas of the business.

The revolutionary levels, which involve revolutionizing the firms business plan has a higher degree of business transformation, and also hold much bigger potential benefits. The third level known as business process redesign involves understanding the IT capabilities and using them for future organization capability. This level is based on building a competitive advantage in the basis of the potential IT benefits recognized in level one and two (Venkatram, 1994).

2.5.1. Website

A website allows companies to advertise their products or services to a larger market. In the case of a micro firm a world market would not be ideal to start from, this would take far more planning and strategizing which is much more complex than the EAL let's a reader understand. A website works as a source of information to the company's current customers. This should allow customers to have quick access to customer service, product information and previous customer feedback. When it comes to engaging customers, the digital world presents a unique set of challenges for retailers. Customer engagement is largely an emotional experience, and it can be difficult to create emotional connections through websites or apps (Deenen & Yu, 2015). Deenen and Yu argue that getting the customer experience right with an online clothing store brings opportunities in increasing customer engagement and growing the business.

Having viable online customer service will easily overlook the missing touch point of having face-to-face service in a brick-and-mortar store. In order to keep a positive customer engagement, it is important to have tools by which customers can reach out to company representatives easily online. These tools include online chats, and a frequently asked questions section on the webpage (Deenen & Yu). This allows the seller to create new touch point when the customer does information gathering seen in figure 3 on section 2.6.1.

2.5.2 E-commerce

The benefits of having e-commerce comes from the use of online transactions, which allows the consumer to purchase products or services from where ever they are at anytime of the day. Electronic commerce (e-commerce) stands for buying or selling helped by electronic means (Sherlekar & Gordon, 2009). Referring to Emerald (2009) there are two approaches for the use of e-commerce; informational approach or a transactional approach.

Informational approach is a combination of building the firms brand presence and informing the consumers buying decision. The consumer buying decision is influenced by utilizing the communication capabilities of the internet for marketing purposes (Emerald, 2005). For example, the use of personalized promotional material on social media sites such as Facebook. Using clickstream tracking tools

allows to firms achieve customer intimacy that allows them to create a personalised webpage for their customer. This will be explained in more detail in section 2.6.1. Transactional approach is heavily based on seeing the internet as a sales channel. This is generally about exchanging products or service for financial value (Emerald, 2015). In the case of Kenya where there is a high concern with trust and cyber security, it is important for online stores to assure their customers that the expectations of the quality of the purchase and the delivery are conformed. This way the customer decision making journey is a satisfying experience. If the customer decision making journey is satisfying, this will lead to customers becoming loyal and supporting the process online through word-of-mouth and giving positive feedback reviews to other users online, see more in detail on section 2.4.1.

2.6 Informational approach: Consumer Decision Journey

Buyer behaviour can be defined as all psychological, social and physical behaviour of potential customers as they become aware of, evaluate, purchase, consume, and tell others about products and services (Sherlekar & Gordon, 2009).

In recent studies it has become evident that with the growing opportunities of technology and the information available for consumers; the traditional model for the buyer behavior is evolving. According to (Oh, 2015) more than 70% of connected consumers use three or more digital devices. The amount of time consumers spend on their devices taking in content is multiplying (Oh, 2015). As buyer behavior evolves, so must the marketing strategy. Edelman (2010) discusses in his article “Branding in the Digital Age: You’re Spending Your Money in All the Wrong Places”, that consumers are today much more aware of brands. The traditional model where we talk of humans being social in nature has to now be understood in the digital platform. The internet has enabled for a customer to walk into a store today already with their mind made up on which product they will buy, leaving little influence to be made by the actual seller on the customers decision. This is because of the internet today, consumers are more aware of the products they buy. Consumers are smart (Edelman, 2010).

The Consumer Decision Journey (CDJ) first introduced by David Court et. al. in 2009, suggest that consumers are more empowered by the availability of

information, and this is causing marketers to move out of using the traditional marketing funnel. The traditional marketing funnel first introduced by E. St. Elmo Lewis (1898), suggest that a consumer goes through four linear stages of a consumers buying process; awareness, interest, desire and action/purchase which inturn will lead to loyalty. Court. et al.,(2009) suggest that in the modern buying environment the traditional funnel concept fails to capture all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, well-informed consumer. It is important to understand that in the traditional thought of marketing, the marketer is expected to approach the consumer. However in the modern environment consumers have more buying power, due to the availability of information.

In the new CDJ model, it is suggested the instead of the decision making journey being linear and one dimensional, it is actually more circular and has new touch points that should be considered in modern marketing.

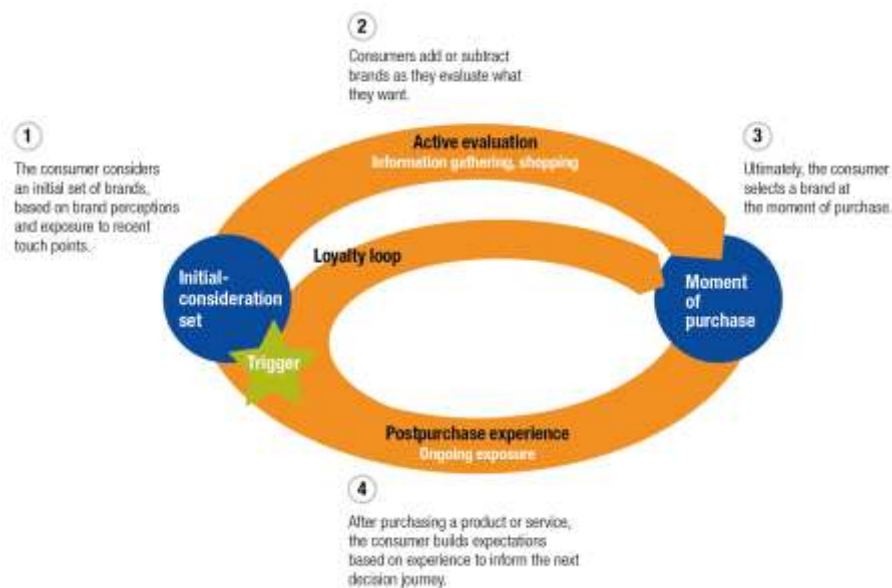


Figure 3. Consumer Decision Jouney(CDJ) Court, et al., (2009).

2.6.1 Consider/Evaluate

The first stage much like in the traditional funnel approach involves a trigger, which initiates the need recognition. This is a critical touch point for any marketer to have brand awareness that is apart of the informational approach of e-

commerce. According to Court, et al., brands in the initial-consideration set can be up to three times more likely to be purchased eventually than brands that are not in it (Court et. al., 2009). However with modern search engines the active evaluation process can be interrupted by other brands, which can ultimately lead to the consumer moving on to a competitor. Naturally with the information available today, consumers will go through the internet to look at past customer experiences. They will then build their decision on what to buy based on the feedback they have gathered. This inturn adds a new touch point on where new marketers can still impact a consumers choice, whilst brands that have already been under consideration have a competitive disadvantage. These new touch-points can be impacted with the sufficient use of online marketing. Online marketing tools can include search engine optimization/marketing, online advertising, social media marketing, real-time marketing or email marketing.

2.6.1.1 Online Marketing

There are numerous different websites that offer information and guidance to online marketing. Ward defines online marketing as “the art and science of selling products and/or services over digital networks, such as the internet and cellular phone networks. (Ward, 2016).” Ward particularly mentions on her article “What is Online Marketing?” that online marketing includes using search engines, email marketing and advertising.

Search Engine Marketing (SEM) includes Search Engine Optimization (SEO) and Search Engine Marketing (SEM). SEO is used to tune your websites ranking on for example google, as one of the first sites to pop-up when consumers search for a certain item or service. This can be done for free, however SEM will cost the business owner. It is known as paid search marketing. When a consumer searches for something using one of the give key words by the business on a engines such as google they will display the business' add. SEM statistics will provide feedback on how efficient the ad is (Ward, 2016).

Ward (2016) argues that advertisements online such as banners and ads, have their positive influence, however not maybe as much as different social media platforms such as facebook offer their own advatages

Social media marketing demands proactivity from the business', and online conversation skills, as to in advertising you are leaving consumers with very plain ads. Platforms such as Facebook, LinkedIn, Whatsapp and Pinterest are all opportunities for marketing online (Ward, 2016). They provide an platform for the business to directly address clients, and create a "virtual touch-point" to their online activity.

Real-time marketing is defined as the practice of brands engaging their audience via content, advertising, and product placement that is relevant to a specific current event or cultural happening. The content is most often in the form of a "meme" or graphic advertisement shared through social media channels (Carpenter, 2014). Real-time marketing can be used in affecting the consumers buying decision during the decision making journey. By for example, during Christmas time targeting consumers with holiday products that are suitable for presents.

Email Marketing allows companies to build a subscriber email list of potential customers who may be interested in the businesses' product or service. It is effective for keeping potential client up-to-date with company news, up coming events, special offerings and creating personalized offers catering to specific customer needs (Ward, 2016)

2.6.2 Buy

After the evaluation process the consumer has made up their mind and heads to the store to purchase the product. At this point the consumer will make the decision on which brand to buy, however once the consumers has reached the actual store, the store might easily distract the consumer to change their mind about the brand. This is common to happen when a customer enters a online retailers store, where many other competitors have their products on display, for example websites such as ebay.com, fashionnova.com etc. At this point a new powerful touch point is revealed. It important to consider product placement, availability, pricing, and sales, when the product is on a retailers website.

Retailers

Retailers are by definition intermediaries, helping supplier to find a market for their goods and customers to buy what they need or desire (Niemeier, S, Zocchi,

A, & Catena, p.10, 2013). Traditionally retailers have worked as an aid to suppliers matching the demand to the supply, however over the increase in technology this position is threatened to be extinct, since the online platform for sales is taking the place of retailers.

A great example of online retailers is the Wish app, that is currently one of the top mobile commerce operators. Their mobile platform gives independent garment producers a platform to sell their products online at a cheap price. According to Taulli, with 12 million users Wish app has a relatively Big Data back-end that constantly processes user information. This makes it possible to provide relevant offers and push notifications to users which has resulted in strong engagement (Taulli, 2013). Wish app has also taken to focus only consideration mobile commerce and do not even update their website anymore. This is due to the fact that the products sold in the apps are relatively cheap, usually on sale or less than 10euros which act as impulse buys. The products are backed by customer feedback on the products and they also have a customer service chat.

2.6.3. Enjoy, advocate and bond

Based on Court, et al., study more than 60% of consumers on skin products conduct online research of the product after purchase. This is a new touch point added into the traditional model. Once the consumer is satisfied with the product, then consumers will give positive feedback through word of mouth, creating feedback for the evaluations of others and invigorating a brand's potential. However in the case of a unsatisfied customer the consequences could be damaging towards the brand. But if the bond becomes strong enough, the consumer will enter the loyalty-loop that completely overlooks the consider and evaluate stages.

Edelman (2010) argues that 70% to 90% of marketing spending goes to advertising and retail promotions that hit consumers at the consider and buy stages. Yet consumers are often influenced more during the evaluate and enjoy-advocate-bond stages (Edelman, 2010). This often happens due to outdated management styles derived from following traditional models of marketing. Today customers work as indirect marketers and companies should push more investments into owned and earned media. Owned media include websites, facebook pages and instagram. Earned media on the other hand are customer

created channels such as communities created by brand enthusiasts (Edelman, 2010). This is a great opportunity for small garment producers, since if their customers are satisfied they will essentially promote the producers product online for free.

Edelman continues that traditionally there has been a vision that in order for a brand to succeed and become successful a large amount of the budget must be placed in marketing and advertisement. This modern approach to marketing, allows micro firms in Kenya with a smaller budget to succeed even without the use of a large investment. The emphasis in this case would be to spend a significant amount of time on online marketing and reaching out the customers at the right touch points online.

2.7 Transactional Approach: Developing a secure online platform for transactions

Earlier in the research transactional approach was defined as being heavily based on seeing the internet as a sales channel, therefore before setting up an online platform the seller must be familiar with the right tools (Emerald, 2005). There are two different ways to sell products online; either in your own webstore or as previously mentioned on section 2.6.1.2.1 through an online retailer.

Own webstore

A company will need a IT specialist or a web programmer in order to create a viable webstore. In the case of already owning a website for only informational purposes, then only a e-commerce software and merchant account is necessary to be installed.

E-commerce software

Earlier we touched the subject of e-commerce and stated that the benefits of having e-commerce comes from the use of online transactions, which allows the consumer to purchase products from where ever they are at anytime of the day (Sherlekar & Gordon, 2009). Benefits of having an e-commerce software allows you to sell your products at anytime of the day, handle more orders at once and is more convenient to the customer.

Logistics

A company will need a proper plan on how to transport the product to the customer. Ekekwe (2015) states that it is harder in Africa to send a package from point A to point B. Due to a poor postal system and high rate of crime. It is common in Africa for online service to operate delivery motorcycles, which can be very expensive.

Merchant account

The merchant account is a set up online where all the money from the online transactions are stored at (Investopedia, 2016). There are cyber security risks involved in having a merchant account that must be understood before opening a merchant account. These will be explained later in section 2.7.2.1.

Return policy

According to Ebay return policies are important because they portray a honest and trust worthy image of the business. Ebay states that *“Buyers are more comfortable shopping with sellers who accept returns, even though most buyers will never return an item. We've found that items that have clear return policies typically sell better than items that don't.”* (eBay Inc, 2016).

2.7.1 Security and Cyber security

Kenya has a very high rate of crime, and much like other major countries in the world this is a logistical issue to take into consideration when taking the product from the producer to the end user. Criminal threats such as car jackings are the most common crime in Kenya with an estimate of 10 car jackings happening everyday (ABC News, 2015). A recent survey released on July 20th 2016, by Ipsos (2016) indicates that about 40% of the people who have fallen victim for a any crime feel the police are inefficient and corrupt (Oywer, 2016). The consumers perceived security also plays a role in the consumers buying decision. This is something that sellers can not directly affect. Cyber security is a necessity in the modern world of the growing use of internet. Organisations need cyber security monitoring processes in order to protect their signature based processes. It is also important to educate the employees and possible third party users on how to protect their information online. According to the Kenyan cyber

security report (2015), having a efficient e-business plan requires cyber security monitoring and human based analysis, localized cyber intelligence and research, employee security awareness and training, third party vetting and training, and an evaluation of the need for managed security service (Kigen, et al., 2015). In Kenya an estimate of 30 companies or more suffer a cyber attack daily, and last year alone companies lost 15 billion kenya shillings from cyber attacks (Ochieng, 2016). Sellers can gain a lot more sales and brand awareness with the use of an online shop, however in the case of not taking good care of security it will do much more harm to the seller's brand.

2.7.2 Payment methods

Card payments include credit cards, debit cards, prepaid cards and gift cards. Credit/debt cards represent an online bank account, and when used for online payments sometimes require the consumer to enter the cards number (About Payments, 2016). Less than 0.5% of the population in Kenya owns a credit card, therefore having a credit card payment method would only serve usefull to a very small niche of consumers (Shah, 2014). Shah recognses a major limitation with using credit/debit card payments online in Kenya, since in order for the online transaction to go through consumers must enter their card information. This is usually the point where the consumer retrieves from confirming the payment if the consumer is previously not familiar with the website due to trust issues.

2.7.2.1 Mobile payments

As previous mentioned (see section 2.1) mobile payments are the most popular payment methods in Kenya. According to The Economist (2013) M-Pesa is a payment method developed by Safaricom originally to reduce the cost associated with handling cash and to possibly create lower interest rates. This would be achieved by allowing microfinance-loan repayments to be made by phone. This has been expanded into a general money-transfer scheme. Money is paid into the system by handing cash to one of Safaricom's agents, who will then credit the money to your M-Pesa account. There are 40 000 Safaricom agents, that most commonly operate in a cornershop selling airtime. The withdrawal is done by another agent that check you have sufficient funds before debiting your account and handing over the cash. It is also possible to transfer this money using a

mobilephone (The Economist, 2013). This all allows cash to be transferred fast, carefully and effortlessly.

2.7.3 Trust

“E-commerce stores need to ensure that logistics platforms are effectively managed as failure to deliver goods has the potential to do more harm than good” – Oliver Facey, Vice President of DHL Express Sub-Sahara.

The Information Principal Secretary of Kenya Joseph Tiampati reports to the the daily nation that cyber crime is on the rise in Kenya due to poor detection and lack of capacity to respond to the crime (Marete, 2015). Poor cyber security might lead to loss of data and/or money, and contributes to the willingness of consumers to purchase products online.

Previous literature explain that the concept of trust between buyer and seller is cross-related to how the buyer perceives risk. Thus, when there is a low level of risk, the higher is the buyers level of trust. One of the consequences of trust is it reduces the consumer’s perception of risk associated with opportunistic behavior by the seller (Jarvenpaa, et al., 2000). A widely used and revelant model to illuminate buyer behavior when introduced to a new service/product is the Theory of Planned Behaviour by Icek Ajzen proposed(1988,1991). The theory suggests that human action is guided by behavioral beliefs, normative beliefs and control beliefs. Behavioral beliefs create a favorable or an unfavorable attitude towards a behavior (Ajzen, 1991). For example, the perceived risk of a buyer having their bank account details being handed to the wrong people online, creates an unfavorable attitude towards placing your bank account details when shopping online. S.L. Jarvenpaa et al. (2000) suggests that reduced perceived risks associated with buying from an Internet store will increase a consumer’s willingness to purchase from that Internet store. In other words, if the Kenyan business owners can reduce the Kenyan buyers perceived risks of buying products online can be reduced, this will in turn increase their willingness to buy from that particular online store.

3 Research Method

To answer some of the research questions, a mixed method was applied. The purpose of using the mixed method was to determine the main factors affecting customer engagement to an online clothing store. This was done by first collecting qualitative data from online shop owners, which was cross referenced with quantitative data collected from consumers to give a more detailed answer. The qualitative answers are often easier to analyse compared to the quantitative answers.

The research was conducted by sending interview questions to small business owners in Kenya. At first the plan was to gather the answers by interviewing all the participants via telephone, however that became challenging. Firstly due to telephone calls to Kenya being expensive. Secondly, if the other person on the line is in a hurry, it can affect the quality of the answers, or if the phonenumber is bad there may be a misunderstanding on questions/answers. Thirdly, some participants might need the answer the questions properly in Swahili. These are then translated to English. Therefore it made most sense to send the interviews to the participants and have them answer them in their own time. The questions were structured to be very straight forward and easy to understand.

The aim of this research is to answer the following questions:

- What are the most significant factors that affect Kenyan small boutiques when expanding online?
- What are the most significant factors Kenyan small boutiques should consider regarding the Kenyan consumer when expanding online?

3.1 Mixed method

Qualitative research methods were created in the social science to enable researchers to study social and cultural phenomena. These methods are designed to help researchers understand people and the social and cultural contexts within which they live (Myers, 1997). Qualitative method can be a source of very

significant, valuable and rich information to a research. The data can be used by itself or can be mixed with other research tools to explain and interpret quantitative data (D'O Gorman et.al., 2015).

The qualitative data collected for this research is to determine the attitudes and current technological state of Kenyan small business owners. These answer will give an idea of their fears and limitations associated with expanding their business online.

Quantitative research methods such as graphs, charts and statistics allow us to to explore, present, describe and examine relationships and trends within our data (Saunders et. al, 2009). The quantitative research was conducted by sending out a survey which will collect categorical or ranked ordinal data. This data is used to understand the current Kenyan consumers online behavior.

3.2 Data collection

Primary data is original data generated for the specific purposes of a research project. (D'O Gorman et.al., 2015).

Interviews are a long-established research method. Qualitative interviews involve a conversation between the researcher and the subject towards developing understanding of central themes and research questions(D'O Gorman et.al., 2015). The primary interview data was collected electronically from business owners in Kenya. Both are company owners that wish to stay anonymous, were interviewed about their view on taking their business online. The first interview A was conducted to a small clothing store owner in Nairobi, and the second interview B was conducted to small legal consultancy firm owner in Nairobi. Interview A was conducted face-to-face with a swahili speaking translator and interview B was conducted via email.

Secondary data is the label used to describe data that is already available 'out there' for a researcher to collect and analyse (D'O Gorman et.al., 2015). Secondary data collected for this research included various sources such as newspaper articles, journal articles, previous researches, academis books and internet sources.

3.3 Limitations

In the end, after using email to receive the answers from the boutique owners, the answers are more quantitative than qualitative. There are numerous limitations for not having face-to-face interviews with the interviewees. For example, having the wrong profile; the interviewee is able to provide the researcher with the wrong information of themselves.

Secondly, the lack of nonverbal quotes. During an interview the subject may make non-verbal quotes such as, indicate with their body language that they are uncomfortable or confused with a question. This might be left undetected on the interviews. The subject might not understand the questions well enough and might give an uninformed response (Saunders, 2009). There might be a misunderstanding on the type of answer the researcher was looking for.

Secondly, due to the nature of Kenyan small business owners they seem to hold back information. The fact that both interviews wished to stay anonymous, indicates that they are not open about their business situation, which can also indicate that the answers might be contaminated. They could feel social pressure to answer a certain question a certain way, or hold back important data.

Doing non-probability sampling with a self-selection methods, does pose its limitations with the value and quality of the answers. A self-selection sampling occurs when the researcher allows each individual to identify their desire to take part in the research (Saunders et. al, 2009). Anonymous surveys also pose numerous limitations. The number of respondents who chose to respond to the questions may be different from those who chose not to respond, thus creating a bias (Wyse, 2012). The short period of time to carry out this survey also affected the sample. Due to a very small sample size the results can not be generalized. If there was more time to carry out the survey maybe there might have been more respondents that might have influenced the data.

4. Data analysis

The theories used to analyze the data can be found in section 2. The interview questions are available in appendix 1 and the survey questions can be found in Appendix 2. The purpose of these chapters is to explain: What are the factors affecting Kenyan consumers purchasing habits online and how can Kenyan small businesses engage customers to a new online shop?

4.1 Interview results

Company A is a brick and mortal store owner in Kenya that sells male and female clothing in Nairobi. They do not own any sort of an online store.

Company B, is a brick and mortal store that sells male and female clothing and accessories in Nairobi. They sell their products online but do not own a proper e-commerce platform. They use social media channels for marketing, communicating and selling their products.

Company A did not previously use an online platform to offer their customers any products or services. However company B owned two brick-and-mortal stores and use social media to distribute their products online. Company A's owner expressed that they have a traditional approach to marketing. They exploit channels such as traditional advertisement, face-to-face, telephone, Whatsapp, e-mail, venacular radio station, signage, billboards and word-of-mouth. Company A believed that the value of using traditional channels derived from abling them to reach an audience/customers who were consistant. However Company A has not considered that in the long-run these customers will most likely turn to online shopping, thus they are missing a critical touch point. Referring to Court et. al., see section 2.6: brands that are placed in the initial-consideration set are three time more likely to be purchased eventually than brands that are not. According to the CDJ, due to a poor online presence Company A is three times less likely to be considered by customers on the intial-consideration stage. Therefore not adopting a online presence will harm them in the long-run.

In the future Company A wishes to expand into opening an online store to reach a wider range of potential customers. It was quite evident that both companies highly valued having physical touch-points with their clients. In the case of company A, the channels mentioned such as whatsapp, e-mail and face-to-face are great personalised methods to engage the current customer, however are weak marketing channels in attracting new customers. Company B mainly exploits marketing channels such as social media sites Facebook, Instagram and Whatsapp. They use these channels because it is cost efficient. The company has banked on social media sites to market and reach out on the youth who have been ranked the highest data users in Kenya. Going back to Deenan and Yu in section 2.5.1; it was argued that *when it comes to engaging customers, the digital world presents a unique set of challenges for retailers. Customer engagement is largely an emotional experience, and it can be difficult to create emotional connections through websites or apps (Deneen & Yu, 2015)*. Company B has proven successful in creating emotional connections and operating efficiently with the use of social media. They use Facebook for outreach and advertisement purpose, Instagram for pictorial evidence to market their designs. They ultimately display their products and the price information on Instagram, and interestingly they use Whatsapp as a direct communication channel from client to the seller. Implementing the right customer experience with an online clothing store brings opportunities in increasing customer engagement which lead to loyalty, and if the customer is satisfied then this could lead to positive reviews that will allow new customers to trust your business.

Based on the TAM model see section 2.4; Perceived Usefulness and the Perceived Ease of Use are the two most important factors in adopting technology use. Company A expressed their desire to expand their business online, however showed a significant amount of fear concerning too much exposure. Company A described that *“the quality of goods might be compromised if they displaced online, since if the customer is given too much time to compare the price to the product sometimes they will judge the product too much by the price instead of the actual product”*. They feel the ease of use online might back fire on them and cause their customers to move on to their competitor. They also argued that their biggest risk and limitation was risking their own copyright. It is hard to obtain patents for clothing therefore, the company felt that by creating an online platform for their business they expose themselves to their competitors. Secondly, they

felt that if their prices were exposed their competitors could potentially start a price war with them. However they did admit that the benefit of going online for them would be the opportunity to target a wider audience across the country and potentially abroad in the future. Company A also believes that since they would be exposed business online their clients would become more flexible. It becomes easier for the customer to reach them online, and to produce products according to the demand.

Company B mainly using the social media platform to operate their e-business focused mainly on cyber security related limitations. They do however share the same fear with company A related to being over exposed and having their products or business idea copied. They mentioned that most clients/online users are not educated in online shopping therefore have a trust issue with the seller. One simple solution would be referring to section 2.7; introducing return policies. Items that have a clear return policy sell better because the customers can trust that if their expectations are not confirmed they will be compensated. It is a simple gesture of good will, that can help create a loyalty loop with a customer even if they returned an item. Company B also mentioned that hacking was an issue. They expressed a fear of incidents where transactions are tampered with directly or indirectly, which might harm the business. This is rather harmful for the business because as mentioned by Kim & Han if the technology fails to deliver the expected outcome then it will result as a loss to the user (Kim & Han, 2008).

Earlier in 2.4.1. TAM model was discussed and established that the technology acceptance level in Kenya is rather low. Perceived Ease of Use directly contributes to the Perceived Usefulness, once the level of Perceived Ease of Use of online shopping is high then the level of Perceived Usefulness should correspondingly rise. The results indicate that the Ease of Use is mostly affected by external variables that mostly have to do with the business' reputation. For company B, using Whatsapp as a customer service line is not only cost efficient for the business but for the customers too. If needed the customers may also visit the company in their brick and mortar store. The interview results and previous literature all indicate that the Perceived Ease of Use and Perceived Usefulness are both very high. And when these are all high the attitude towards using should be quite positive. This will be further elaborated in section 4.2.

Company A, states that some of their clients find their payment methods which is mainly cash basis restrictive, since they only accept cash payments. Company A has had challenges with trust concerning payments. There are clients that use fake currency, bouncing bank cheques or stolen bank credit cards. That is why they prefer to stay cash based. Going back to section 2.7.2. Shah states that the major limitation with using online card/debit payments in Kenya is consumers being reluctant to entering their card information online. Interestingly the owner of Company B argues that the reason why he seems to think people do not end up buying products from their online store, is because of too long delivery times which lowers the level of Perceived Usefulness to the client. Company B, accepts mobile payments which are more popular in Kenya and payments made in their brick and mortar store.

Naturally since Company A does not use any sort of online platform, their employees and customers are not trained in tackling cyber security. They do not take role in educating their customers in cyber security, since they feel there is minimum need for it. Company B claims to have employees trained in tackling cyber security. They offer a phone line where customers can reach them from and, from there tackle any issues. Company B is also very specific in using Whatsapp as a cost efficient mean to keep in contact with their customers.

Based on the interviews conducted to the small business owners they assumed that by going online might give them too much negative exposure. Even though they recognize the benefits of going online they fear that customers might get distracted by their competitors online or they might be giving their competitors too much information on their own pricing, which might lead to a price war.

4.2. Questionnaire results

The questionnaires were sent to various different Kenyan youth groups active on Facebook and Whatsapp that had all together 104 potential respondents. These answers were collected between 1st of November and 4th of November 2016. The survey was also sent to a few Facebook friends and family members currently living in Kenya that amounted to 6 people. Despite the very short collection period 42 responses were received. This made the response rate a total of 38.1% Out of which two respondents were disqualified since they have never lived in Kenya.

As seen in figure 4. 66.6% of the answers were given by females and 52.3% of all respondents were between the age of 22 – 28. 43.2% of all respondents were students and 42.8% of respondents were employed at the time. Therefore we can assume from this information most of the answers were given from female students or workers currently living in Kenya.

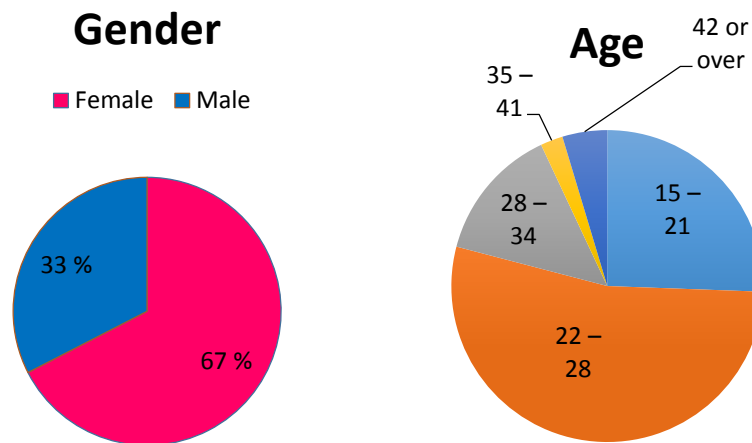


Figure 4. Gender and age

Based on the question addressing education as can be seen in figure 5, most of the of the respondents (85%) have been educated to atleast a University Bachelors level and all respondents currently own a mobile phone. There is only one person that was not active on any of the listed social media sites with their phone.

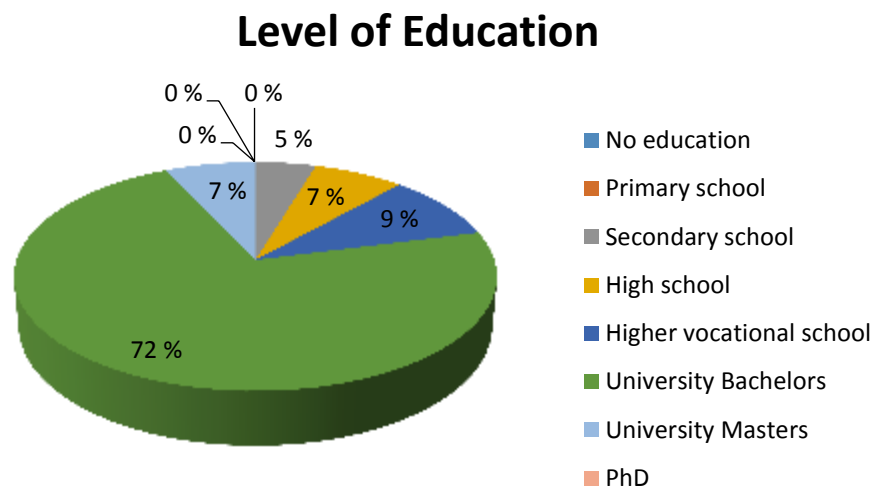


Figure 5. Level of Education

How much time do you spend on the internet on average? / About what percent of the time you spend on the internet do you spend on "surfing" the web?

Referring back to section 2.6 where the evolving buying behavior was discussed. Consumers are smarter today due to the availability of information. It can be seen from figure 6, that consumers are very active online as 47.62% of all respondents spend more than 5 hours surfing the internet. Referring back to the CDJ by Court et. al., see section 2.6; The data agrees that consumers are much more aware of brands today and 75% of all the respondents spend more than 30% of their time online surfing. In order for small boutiques to compete in the long-run they will need to adopt online marketing tactiques to influence their potential customers already at the consider/evaluate stage, thus by engaging their potential customer to the brand during the intial-consideration. Building a social media presence and using SEM see section 2.6.1.; can increase the likeliness of being considered by the potential customer spending their time searching online.

Time spent on the internet

■ 1-2 hours ■ 3-4 hours ■ 5 hours or more

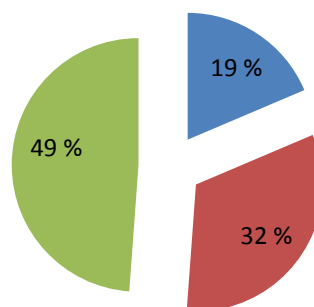


Figure 6. Time spent on the internet

The findings confirms the assumption in Edelman's' theory in section 2.6, that the one of the most important touch-points is during the consider/evaluate stage. David Court et. al, (2009) suggests that consumers who spend a significant amount of time surfing the web are most likely to make up their mind on what

they will buy before they enter the store, due to the amount of time they spend online searching for information.

Are you active on any of the below social media sites?

According to the data from figure 4.1; Facebook (83.72%) and Instagram (69.77%) are the most popular social media sites used by a majority of the respondents. This proves that Company B's strategy of mainly using social media sites such as facebook and Instagram, instead of paying for an out-sourced service is viable. The strategy is cost-efficient and allows them to reach a wide audience. However in the long-run if they wish to expand their business they will need to open their own website and webstore, and with the presence they have it is very possible for them to receive customers that are willing to accept online shopping and paying online.

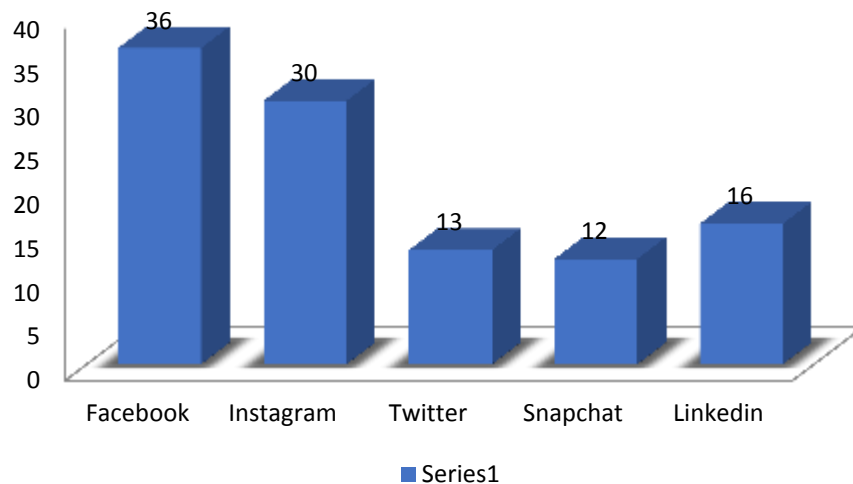


Figure 7. Social Media Activity

Out of all the respondents who answered that they were active in social media 98% also responded that they are active in social media on their mobile devices.

Do you own a bank card which allows you to buy products online? Do you shop online for Kenyan products or services?

As seen from Figure 8, 58% of all the respondents currently own a bank card that allows them to purchase products online. However, compared to Shahs' findings see Section 2.7.3 on payment methods; two-thirds of the respondents who own a

bank card that allows them to purchase products online, buy products or services online. However only 36% of these buy Kenyan products, which is roughly 22% of all the respondents. This result might be affected from the sampling method employed and the number of respondents in this research. The limitations to the methods used, that might hinder this result.

The response on why these consumers choose to purchase online was very consistent with the theory on the perceived ease of use. As you can see below on Figure 9, majority of the respondents who shop online for Kenyan products do this, because it saves time.

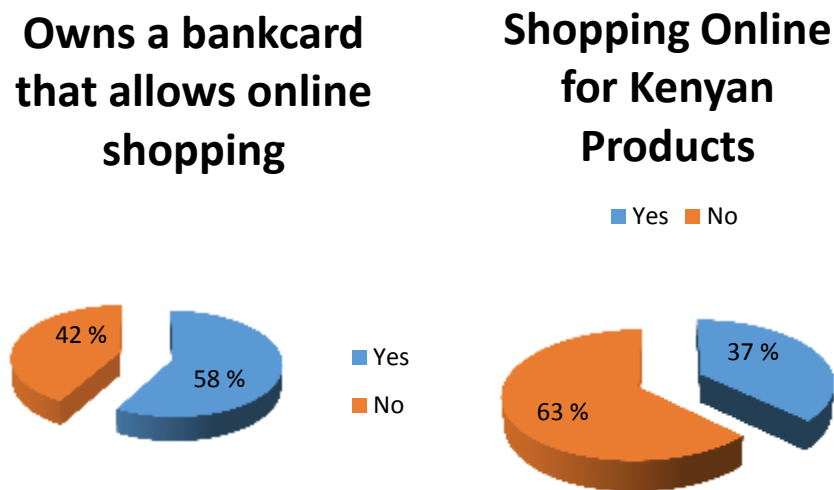


Figure 8. People who own bank cards and shop for Kenyan products and services online.

During the interview with Company B we established that from the sellers point-of-view the perceived ease of use of online shopping is high. According to Shah's theory this should correspondingly give rise to Perceived Usefulness. As can be seen in Figure 6. respondents felt that variety of products, time and less crowds are the most useful features of shopping online, thus increasing the level of perceived usefulness as Shah suggests in the TAM model. These factors also contribute to the attitude towards using the online shopping platform.

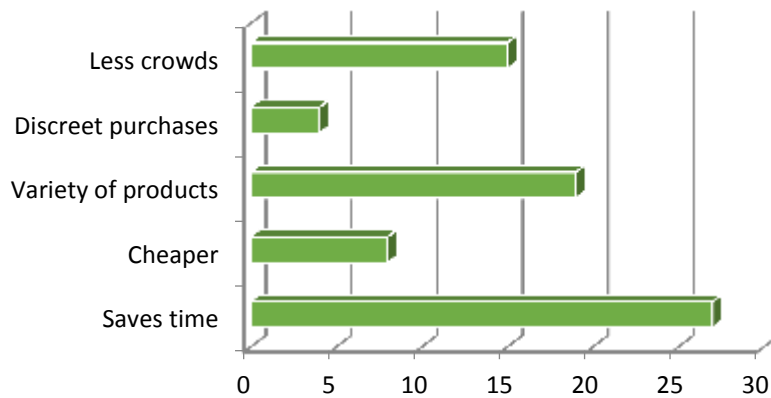


Figure 9. Perceived Usefulness

What are the biggest limitations to you buying products or services online? / Have you ever received the wrong order or had your bank details stolen online?

As can be seen in figure 10, respondents felt that their most significant limitation on buying products online were “Fear of bank account details being stolen” and “Lack of trust on the quality of product or service”. However only 20% of the respondents have actually experienced their details being stolen or have received the wrong order. 80% of these people with bad experiences were more likely to buy from a store that has information concerning cyber security. In general, it was very evident from the data collected that Kenyans have a very strong trust issue with online payments. Majority of the respondents felt that they had a fairly good knowledge on cyber security, and would be more likely to buy from a site that provides information on cyber security.



Figure 10. Limitations to buying online

5. Conclusion

What are the most significant factors that affect Kenyan small boutiques on expanding online?

According to the findings on this research the most significant factors that affect Kenyan small boutiques on expanding online are internet access, payment methods, cyber security and internet marketing.

Internet access is a significant factor in operating an online store anywhere. Even though 53% of the Kenyan populations of under the age of 35 own a smartphone or have internet access, there is a limited amount of coverage of the internet in some rural parts of Kenya. A large majority of consumers are starting to adopt hourly internet usage. However there is a segment that cannot read, write or access the internet. This segment should not be ignored. In the short-run having a brick and mortal store while operating online helps engage all customers and cater to all needs. E-commerce websites serve as both a way of communicating with current customers and potential new customers. Online communication allows marketers to create new touch-points between the buyer and seller that will inturn lead to loyalty from the customer.

Secondly, we earlier established that the E-business adoption ladder from DTI (2001), and Nachira (2002) suggest that business opportunities and organizational change of technology adoption can be implemented in stages. However Vekatraman (1994) argued that small business can enter at any point according to their immediate business needs and according to the current capabilities in the firm. The data collected proves that small business can enter at any point according to their immediate needs. Referring back to figure 3 on page 12 by Venkatraman (1994) Company B, has managed to create a modern business plan, with low costs by solely exploiting social media. Instead of using an email, Company B uses whatsapp and facebook to communicate with their customers. Instead of having a website Company B uses Insagram to display their products. They have managed to completely evolutionize their business by using simple IT applications. The only thing Company B is missing is an online payment system, to revolutionize their business. If Company A truly desires to

expand their business online, in the long-run they have to introduce other payment methods than cash. The data collected proves that there is a trust issue from both the seller and buyer concerning the payment methods. There is no guarantee which payment method is the safest to use, however the seller can influence the customer by guaranteeing that their service is safe and trustworthy by increasing customer experience with the use of basic IT applications, such as online chats, an email service, efficient customer service and internet marketing. Implementing an electronic payment service that accepts electronic payments or mobile payments will also decrease the risk of receiving fake currency from customers.

Thirdly, cyber security and education in cyber security is important in order to avoid fraud and hacking. Clients using fake currency, bouncing bank cheques and stolen bank/credit cards are avoided online by investing in a proper cyber security program and educating employees in tackling cyber-crime. This allows the company to protect themselves and their clients. Consumers are also more likely to trust an online store that displays on their webpages/social media that they take cyber security issues seriously.

Finally, Court. et al.,(2009) suggest that in the modern buying environment the traditional funnel concept fails to capture all the touch points and key buying factors resulting from the explosion of product choices and digital channels, coupled with the emergence of an increasingly discerning, well-informed consumer. It is important to understand that in the traditional thought of marketing, the marketer is expected to approach the consumer. Traditional advertising is effective and should not be ignored however as explained on the new CDJ model the traditional model on buyer behavior is evolving therefore in order for small boutiques to compete online they must understand and implement new thoughts in marketing. Consumers are spending increasingly more time on their mobile device searching for information and passing time. Social media marketing is not only cost efficient, but also allows the business to reach a wider audience. The data proves that it is important to take advantage of digital channels. Company B has managed to run their whole business just through social media, by using Instagram as their free retailer, facebook for marketing and Whatsapp as a communication device. Company B, has proven that by using internet marketing the company can increase gain new clients and increase

profits. However if Company B wants, to increase trust amongst skeptical potential customers Company B should implement a proper e-commerce plan. Eventhough they are doing well with using only free social media platforms to operate their business from, there are limitations to competing that will emerge in the long-run.

What are the most significant factors Kenyan small boutiques should consider regarding the Kenyan consumer when expanding online?

According to the data collected the most significant factors that affect Kenyan consumers purchasing habits online are trust and quality.

The data collected proves that consumers are most worried about bank details being stolen and not getting the right quality product or service. Trust is a major psychological barrier and most client will most likely never fully trust any online shop. However trust can be gained by making the business transparent online. Coming back to social media marketing creating a bond and a relationship with the client is important. Once that is done this will create a loyalty loop that will keep the customer coming back.

Implementing return policies, having a direct phone number for customer service and showing active presence on social media presence and tackling cyber security visibly, all portray an honest and trust worthy image of the business. These actions will all contribute enough to influence the consumers' attitude towards using e-commerce. So far company B has been successful in selling their products online with the use of cost efficient social media channels, however to increase the perceived eas of use Company B should consider implementing an e-commerce platform for payments, a website, a proper email and information on return policies. As previously mentioned, consumers are conctantly seeking information, and having a Instagram account might not be enough to convince the consumer to trust the seller. This would cost them more money, but it would pay off with loyalty and trust from current and potential customers.

5.1 Validity and Further Research

The method used to answer the first research question, was restricted to only two boutique stores. Thus, the results can not be generalized. The language barriers affected the final outcome of the results, and therefore it can not be ultimately

determined that the answers given by the boutique owners were as full/indepth as they expected them to be. Therefore these answers can not be generalized, however can be used by the boutique owners themselves to understand the benefits of going online. The method used to answer the second research question lacks validity, due to a small sample group. Thus, also can not be generalized. However these results can be used by the boutique store owners to understand what is the current situation concerning technology acceptance and online consumer behavior.

Further research should be conducted on a large number of boutiques to be able to generalize. A larger sample should be used and the study should be divided to different parts of Kenya to understand the behavior of Kenyans living in different areas of Kenya.

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APPENDIX

Appendix 1.

Appendix 1. Company A

The purpose of this interview is to collect data for my Bachelors' Thesis. The research explores growth and opportunities for small business' and micro firms in Kenya. The questions below are not for external use, therefore the answers will only be available in my analysis for my bachelors'. The answers will remain anonymous. If you wish to access the Thesis you may do so by emailing me after 2017. If you have any further questions or inquiries please email me to candy.mbare@edu.turkuamk.fi . Thank you for participating!

1. What is the nature of your company?

Boutique – Selling male and Women clothing line

2. What are the different type of products that you provide to your customers online?

NONE

3. How are your potential clients reached? What exactly are the channels your company uses? (For example, social media sites, f2f meetings etc.)

(1) TRADITIONAL ADVERTISEMENT

(2) TELEPHONE, WHATSUP. EMAIL. VERNACULAR RADIO STATIONS, FACE TO FACE, SINGNAGE, BILLBOARD

4. How does each of these channels mentioned in question 3, add value to your company?

THE COMPANY IS ABLE TO REACH A WIDER AUDIENCE/CUSTOMERS WHO ARE CONSISTENT

5. Which new channels would you like to explore or expand to in the future?

SHOPPING ONLINE AND MARKETING INTERMEDIARY

6. Do you have any marketing intermediates?

NO

7. What do you feel are the biggest risks and limitations of taking your business online? (From an organisational and a buyer-to-seller view)

THE ORGANIZATION RISKS COPYRIGHTS, AND LOCAL MANUFACTURES TEND TO COPY OUR LATEST FASHION DESIGN BEFORE WE ARE ABLE TO SELL. SECONDLY, CAPPING OF PRICES BY OUR COMPETITORS

8. What have been the greatest benefits of going online?

YOU TARGET THE WIDER AUDIENCE ACROSS THE COUNTRY AND ABROAD. YOU ARE ALSO EXPOSED BUSINESS WISE AND THEREFORE CLIENTS BECOMES FLEXIBLE – YOU CAN BE REACHED EASILY

9. How much emphasis do you have on social media marketing versus traditional advertisements? Why?

TRADITIONAL ADVERTISEMENT IS STILL THE BEST BECAUSE YOU GET CLIENTS WHO ARE CONSISTED, LOYAL AND RELIABLE AS OPPOSED SOCIAL MEDIA THAT TARGETS A WIDER AUDIENCE/CLIENTS BUT NOT RELIABLE. SECONDLY, PROXIMITY IS BUT A CHALLENGE. FOR EXAMPLE SOCIAL MEDIA OFFERS A WIDER COVERAGE ABROAD AND SO EVEN IF A PERSON MAY BE INTERESTED IN THE PRODUCT BUT THE COST INCURRED IN DELIVERING THE GOODS MIGHT BE MORE EXPENSIVE. THIRDLY, THERE IS A CERTAIN AGE GROUP THAT CANNOT READ OR WRITE OR ACCESS INTERNET.

FORTH, FRUAD

FIFTH, QUALITY OF GOODS MIGHT BE COMPROMISED

10. How do your clients perceive the payment methods that are used by your company? Have there been challenges with trust concerning payments?

(1) THE CLIENTS FINDS IT RESTRICTIVE BECAUSE IT IS ON CASH BASIS AND NOT CREDIT.

(2) YES THERE ARE SOME CLIENTS WHO USES FAKE CURRENCY, OTHERS GIVE BOUNCING BANK CHECQUES, OR STOLEN BANK CREDIT CARDS

11. How well are your employees and customers trained in tackling cyber security? Do you take any role in educating your own customers?

(1)OUR EMPLOYEES AND CUSTOMERS ARE NOT TRAINED IN TACKLING CYBER SECURITY

(2) NO I DON'T TAKE ANY ROLE TO EDUCATE MY OWN CUSTOMERS BECAUSE THERE IS MINIMAL EED FOR IT

Company B

Appendix 2. Company B

The purpose of this interview is to collect data for my Bachelors' Thesis. The research explores growth and opportunities for small business' and micro firms in Kenya. The questions below are not for external use, therefore the answers will only be available in my analysis for my bachelors'. The answers will remain anonymous. If you wish to access the Thesis you may do so by emailing me after 2017. If you have any further questions or inquiries please email me to candy.mbare@edu.turkuamk.fi . Thank you for participating!

1. What is the nature of your company?

Clothes and accessories store-

2. What is the different type of products that you provide to your customers online?

My products range from- Shoes, Clothing, Accessories, Sunglasses, Bags, Fragrances and so much more.

3. How are your potential clients reached? What exactly are the channels your company uses? (For example, social media sites, f2f meetings etc.)

The company has banked on social media sites like Facebook, Instagram and WhatsApp to market and reach out on the youth who have been ranked the highest data users in Kenya.

We use Facebook for outreach and advertisement purpose.

Instagram – use for pictorial evidence to market our different type of designs.

What's app- as a communication channel from client to the seller.

4. How does each of these channels mentioned in question 3, add value to your company?

The above channels, Facebook, Instagram and WhatsApp are so far the cheapest means of advertisement used. It only needs data to be able to advertise at the click of a button.

Convenience- on can work from anywhere provided that the merchandise is ordered online through the channels.

Although we have a physical store, other branches like in Nakuru, are online which doesn't require me to hire personnel or pay salary or rent in that order.

5. Which new channels would you like to explore or expand to in the future?

Having an online store for orders to be made online for delivery, linking of the online store with other social sites for marketing purposes.

6. Do you have any marketing intermediates?

Yes.

7. What do you feel are the biggest risks and limitations of taking your business online? (From **an organisational and a buyer-to-seller view**).

Traditionally – most clients or online users have not come to terms with online shopping siting it as a con site.

Secondly hacking- since there are a few transactions that might tampered with directly or indirectly by hackers thus ripping the organization of its business.

Identity theft – others might make a mock site that is exactly the same while ripping off your products.

8. What have been the greatest benefits of going online?

So far saving on cost of hiring personnel to handle customers.

It cheap advertising unlike having a shop and paying the cost of branding and rent in general.

9. How much emphasis do you have on social media marketing versus traditional advertisements? Why?

Costs- social media marketing is cost effective unlike using the traditional tends to target a wider scope in terms of outreach unlike a single business/shop which is limited to that one space. Whereas the site can go viral online.

10. How do your clients perceive the payment methods that are used by your company? Have there been challenges with trust concerning payments?

Yes. Paying online means the customer have entrusted you with their cash. Others back off due to the number of days for delivering the product.

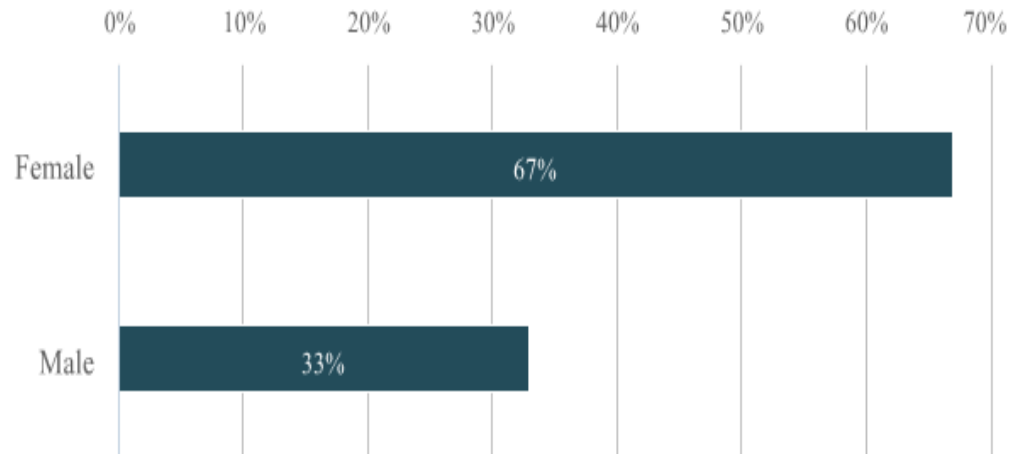
11. How well are your employees and customers trained in tackling cyber security? Do you take any role in educating your own customers?

Yes. Clients are only restricted to communicating on mobile phone for clarification. WhatsApp is one of the tools we use for communication purposes.

Appendix 3. Survey

1. Gender

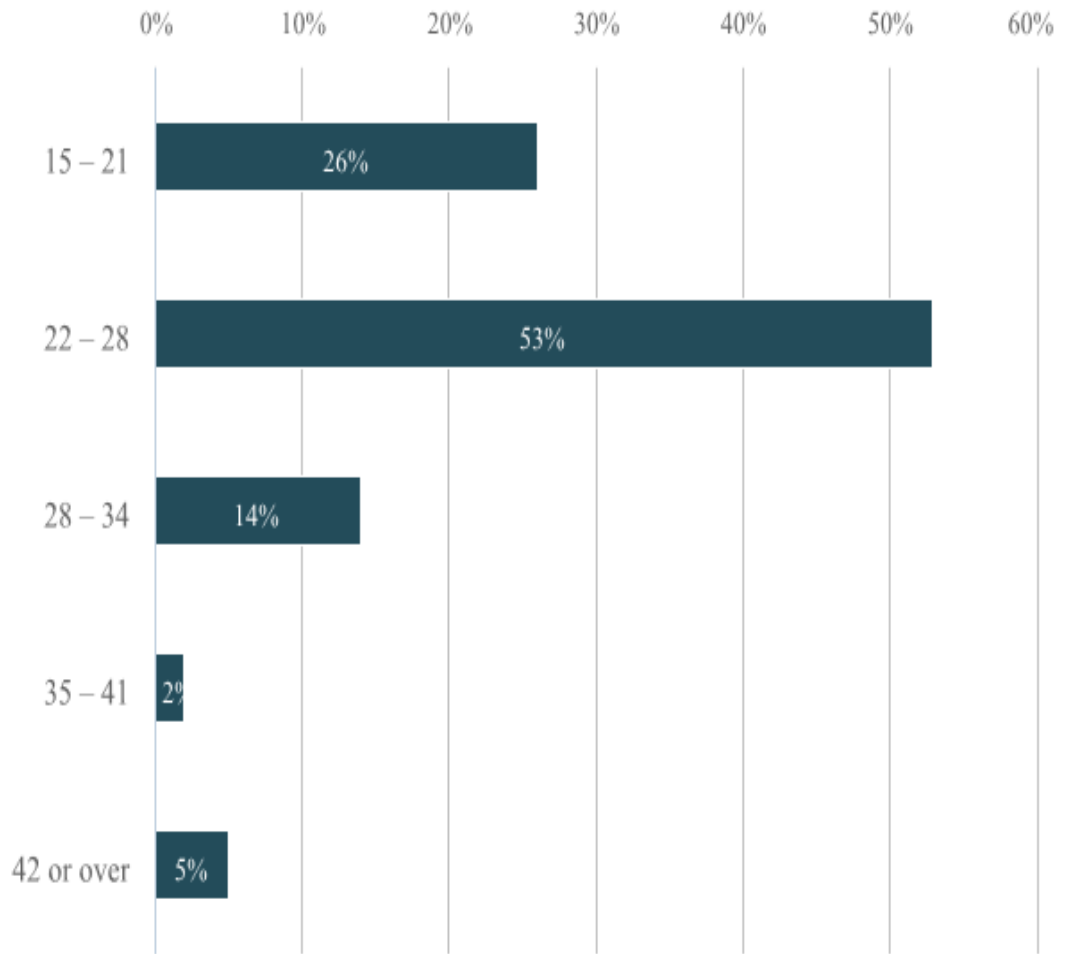
Number of respondents: 43



	N	Percent
Female	29	67,44%
Male	14	32,56%

2. Age

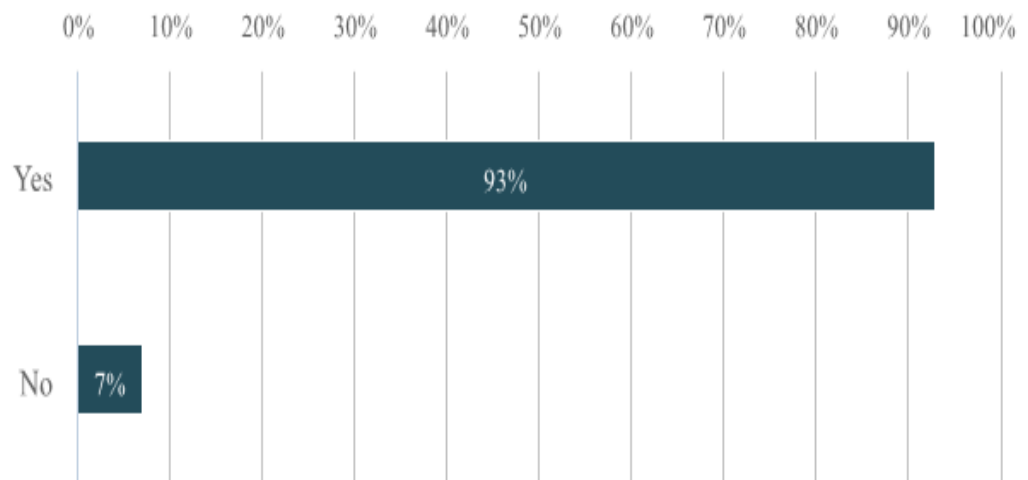
Number of respondents: 43



	N	Percent
15 – 21	11	25,58%
22 – 28	23	53,49%
28 – 34	6	13,95%
35 – 41	1	2,33%
42 or over	2	4,65%

3. Have you lived in Kenya?

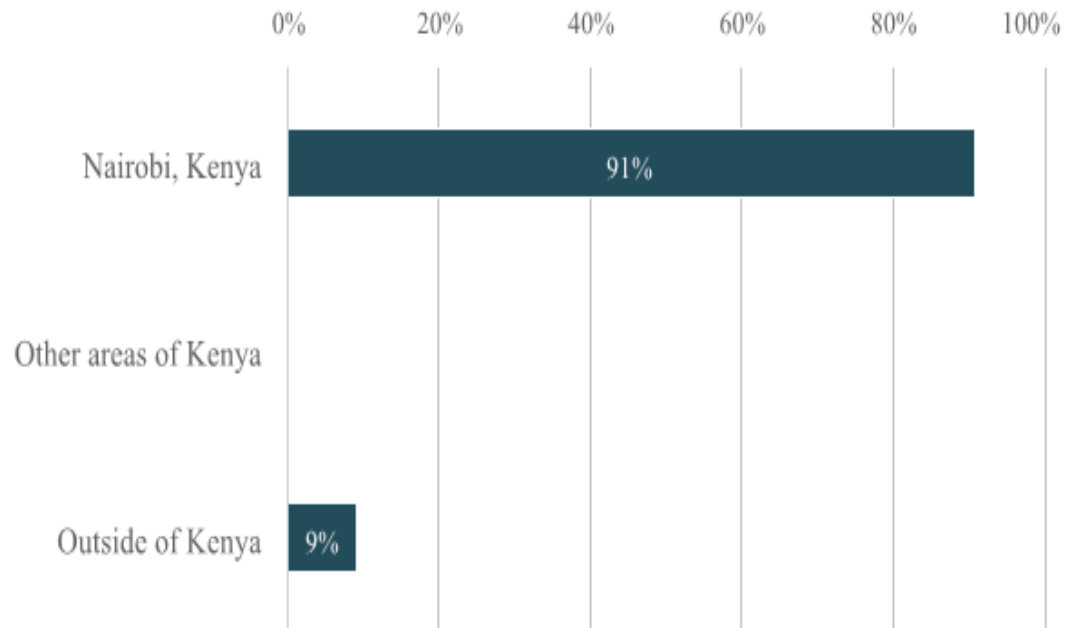
Number of respondents: 43



	N	Percent
Yes	40	93,02%
No	3	6,98%

4. Where do you currently live?

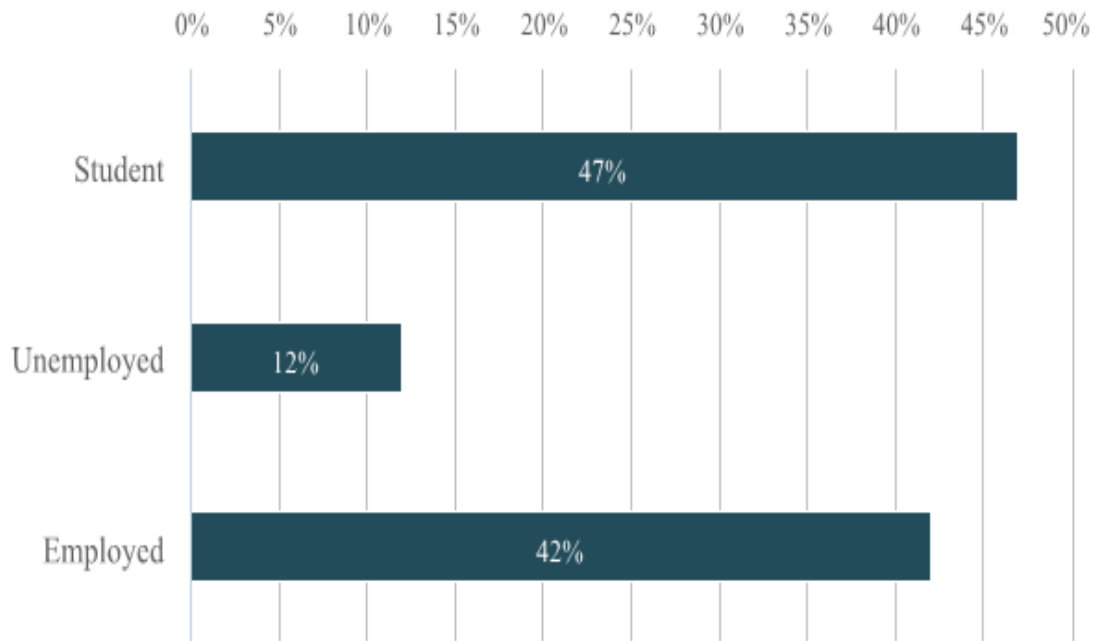
Number of respondents: 43



	N	Percent
Nairobi, Kenya	39	90,7%
Other areas of Kenya	0	0%
Outside of Kenya	4	9,3%

5. What is your current status?

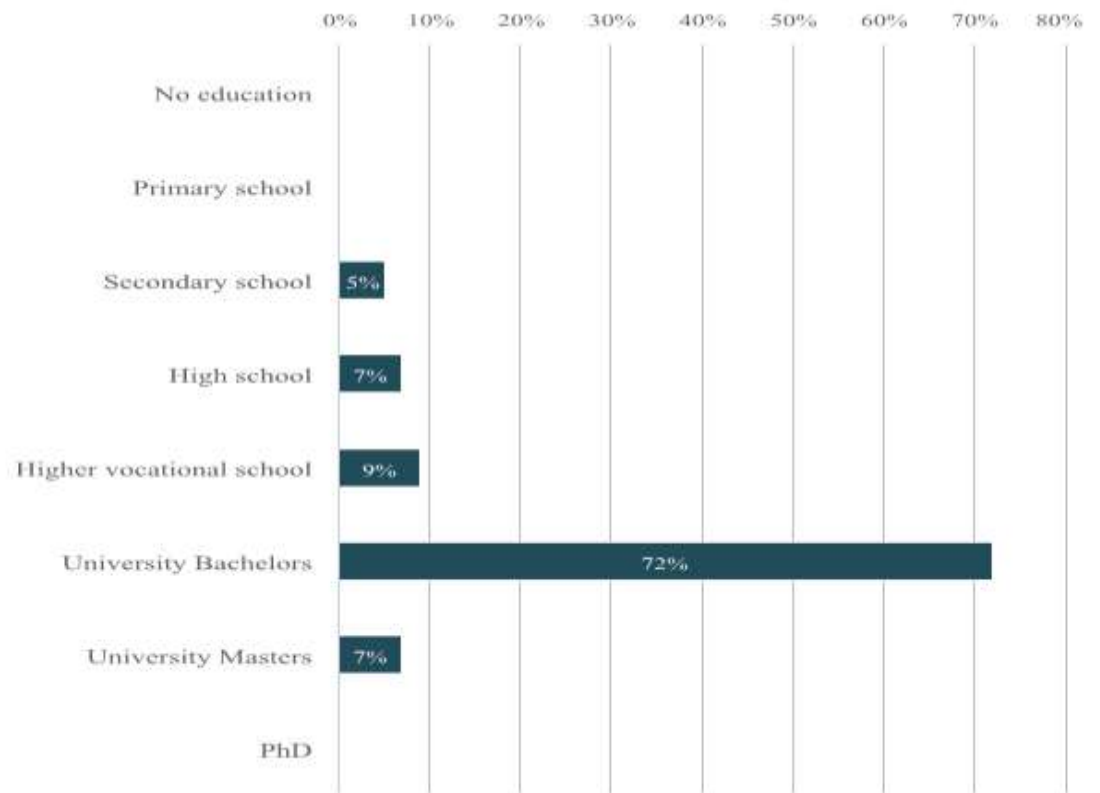
Number of respondents: 43



	N	Percent
Student	20	46,51%
Unemployed	5	11,63%
Employed	18	41,86%

6. Level of education (so far)

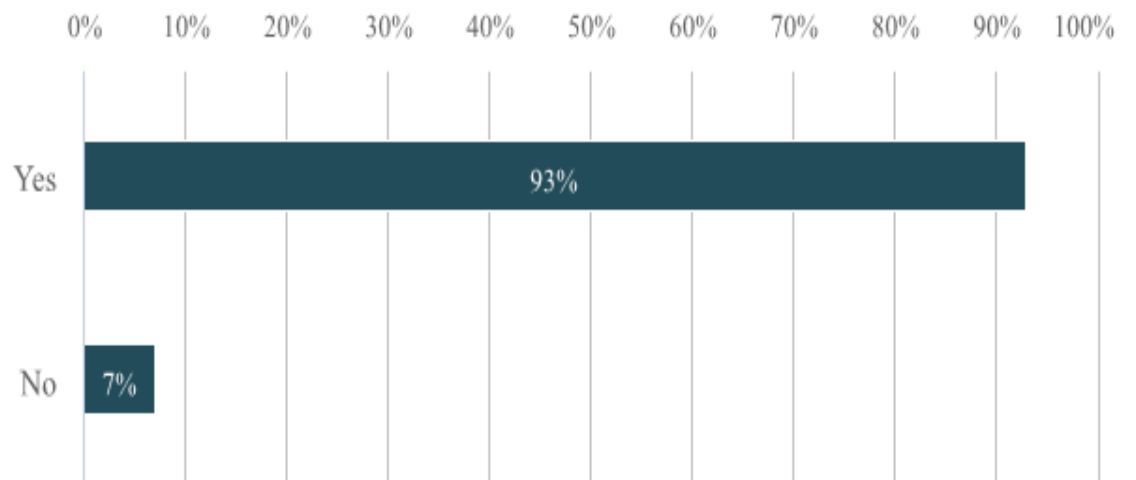
Number of respondents: 43



	N	Percent
No education	0	0%
Primary school	0	0%
Secondary school	2	4,65%
High school	3	6,98%
Higher vocational school	4	9,3%
University Bachelors	31	72,09%
University Masters	3	6,98%
PhD	0	0%

7. Do you own a personal computer?

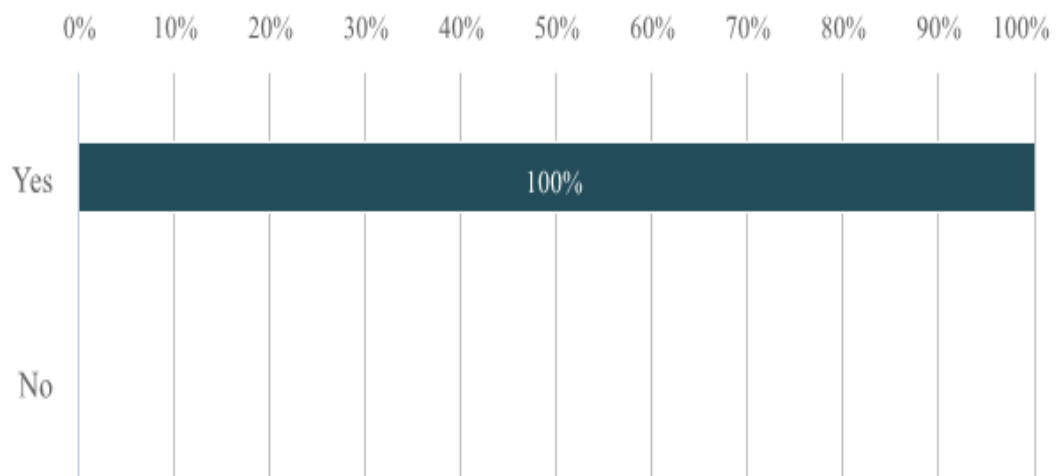
Number of respondents: 43



	N	Percent
Yes	40	93,02%
No	3	6,98%

8. Do you own a mobile phone?

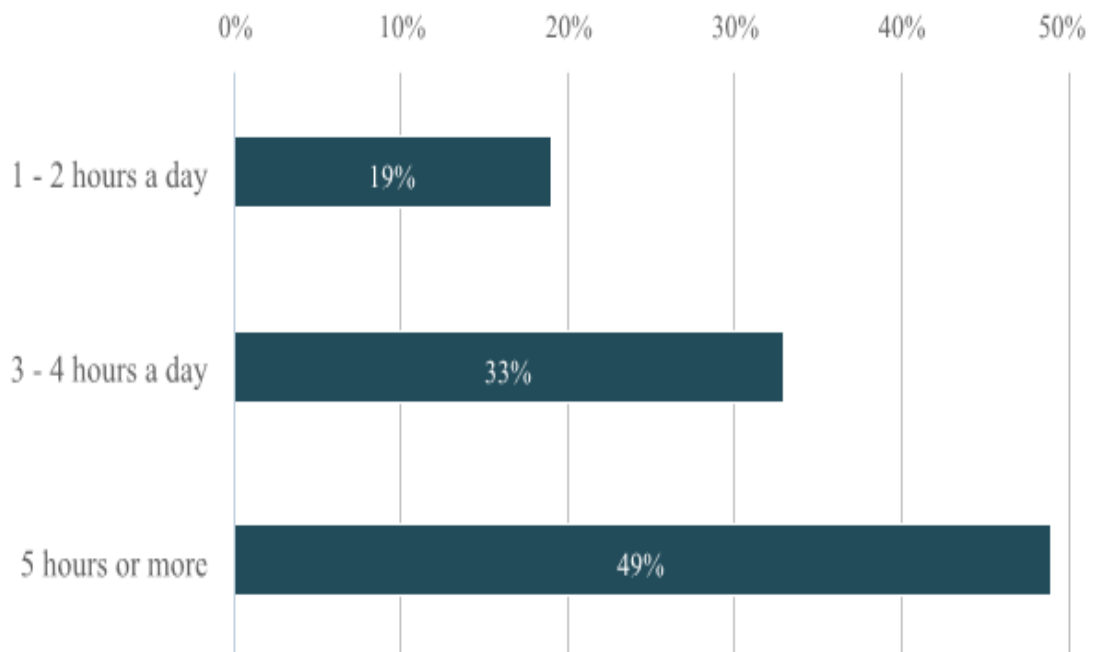
Number of respondents: 43



	N	Percent
Yes	43	100%
No	0	0%

9. How much time do you spend on the internet on average?

Number of respondents: 43



	N	Percent
1 - 2 hours a day	8	18,6%
3 - 4 hours a day	14	32,56%
5 hours or more	21	48,84%

10. About what percent of the time you spend on the internet do you spend on "surfing" the web?

Number of respondents: 43

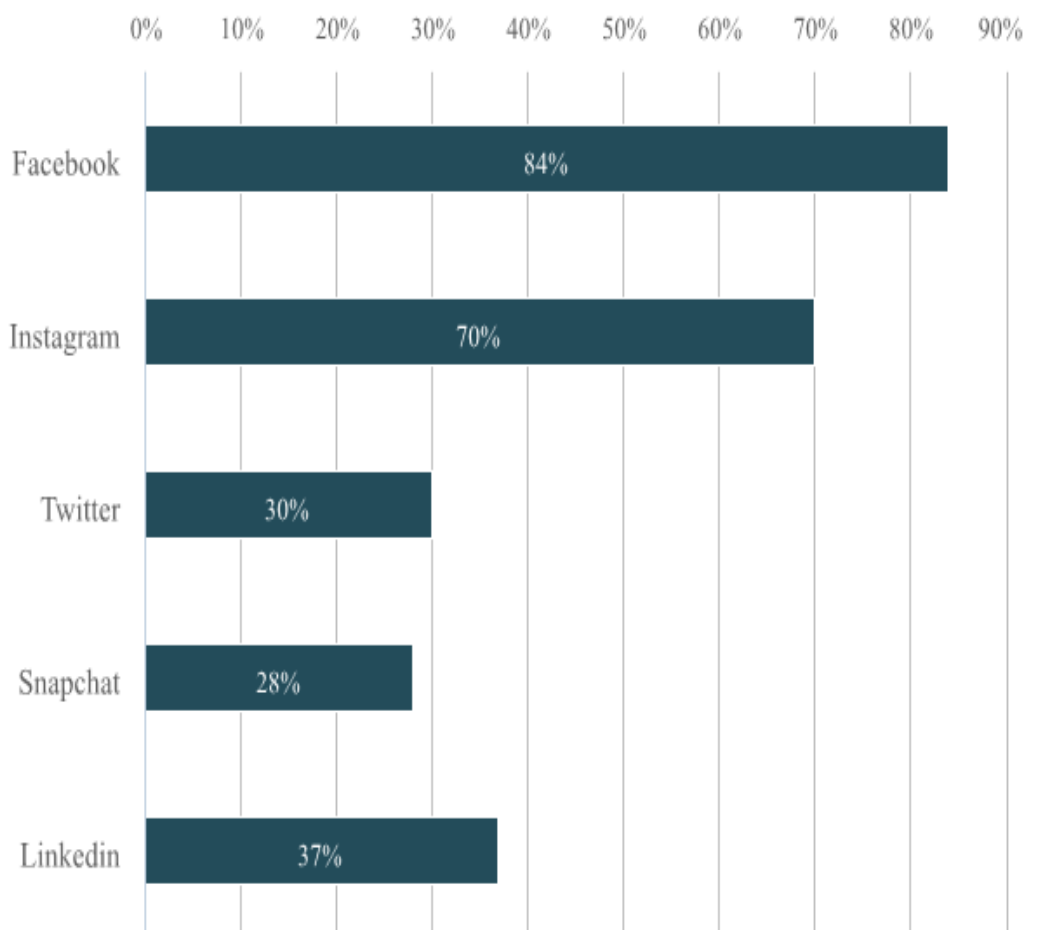
Responses
About 2hours so like 40%
90%
hd
70%
2hrs
70%
70%
2hrs
10%
40% getting information
20%
5
30%
40%
80
50
50%
95%

Structural engineering sites
10%
10%
70%
80%
70%
Most of my time
50%
4%
80%
Not much, i do only when need arises.
45%
30%
About 30%
Almost 50%
90
30%
About 40%
Say 2~4 hours
20
About 40 or so percent of my day

20%
Yea i do
95 percent
60%

11. Are you active on any of the below social media sites?

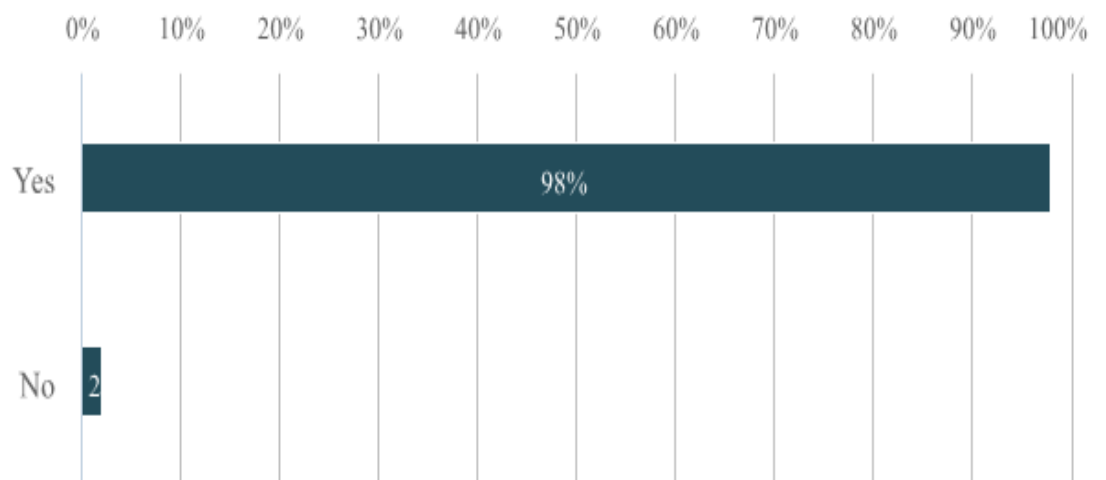
Number of respondents: 43, selected answers: 107



	N	Percent
Facebook	36	83,72%
Instagram	30	69,77%
Twitter	13	30,23%
Snapchat	12	27,91%
Linkedin	16	37,21%

12. Are you also active on the above mentioned social media sites on your mobile device?

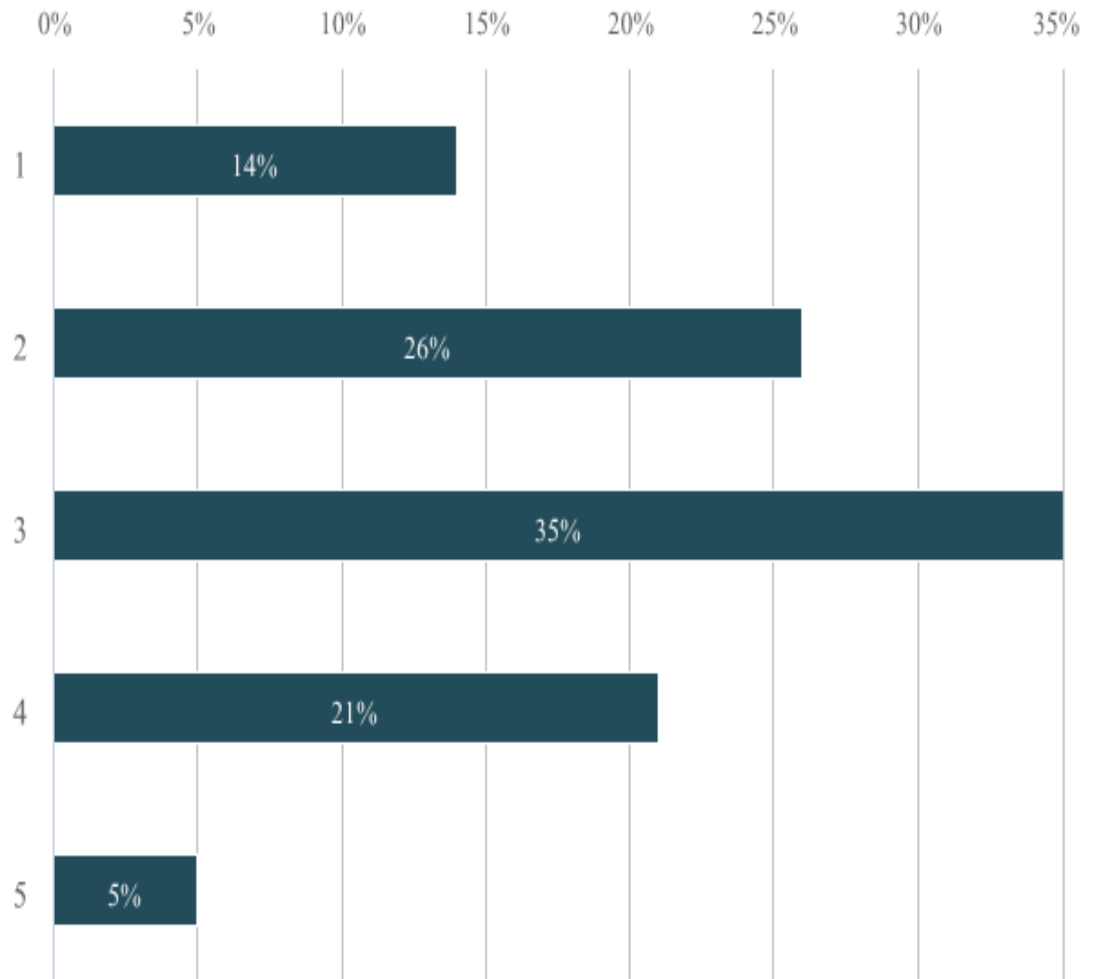
Number of respondents: 43



	N	Percent
Yes	42	97,67%
No	1	2,33%

13. How likely would you visit a company's webpage if they were to approach you with a marketing/advertising message through your social media account? (1-not very likely, 5-extremely likely)

Number of respondents: 43

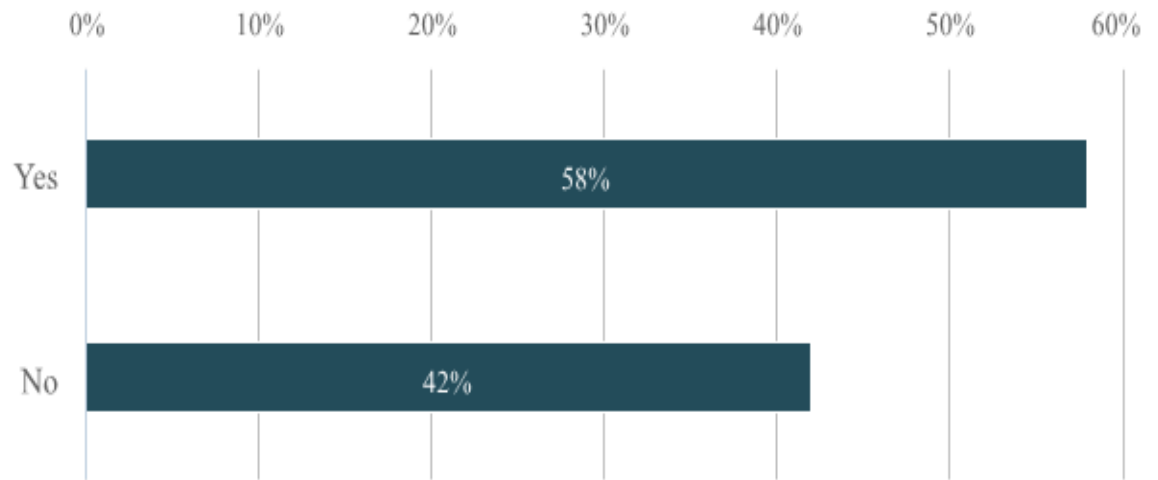


	N	Percent
1	6	13,95%
2	11	25,58%
3	15	34,88%

4	9	20,93%
5	2	4,65%

14. Do you own a bank card which allows you to buy products online?

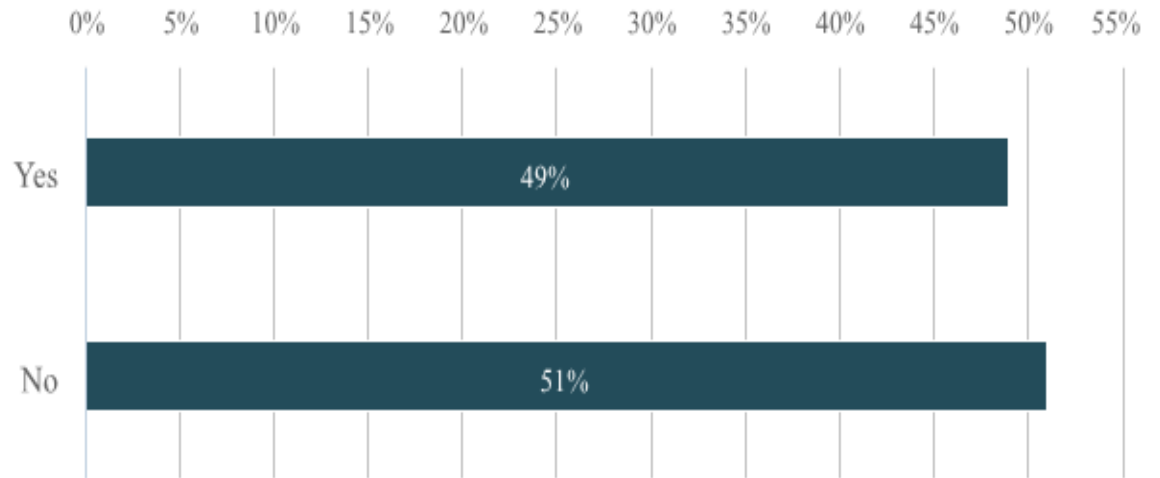
Number of respondents: 43



	N	Percent
Yes	25	58,14%
No	18	41,86%

15. Do you buy products online?

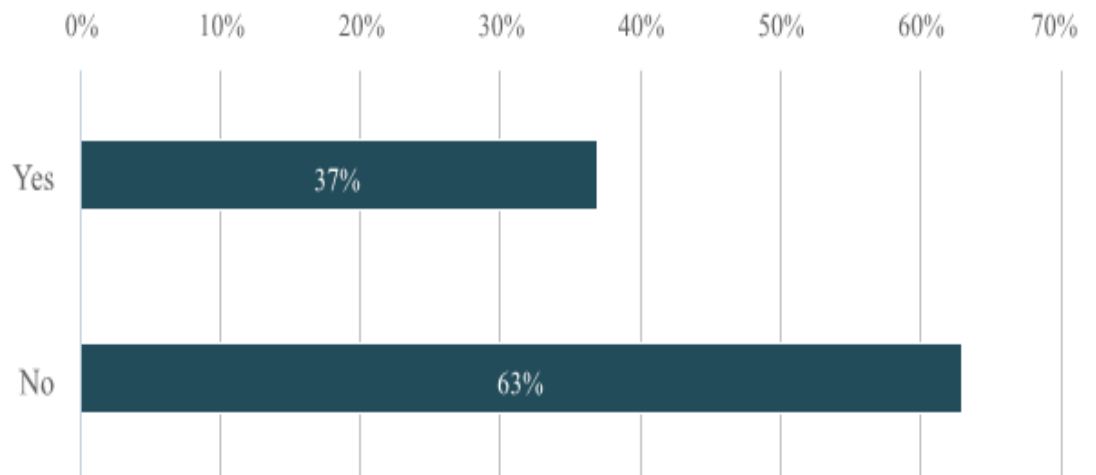
Number of respondents: 43



	N	Percent
Yes	21	48,84%
No	22	51,16%

16. Do you shop online for Kenyan products or services?

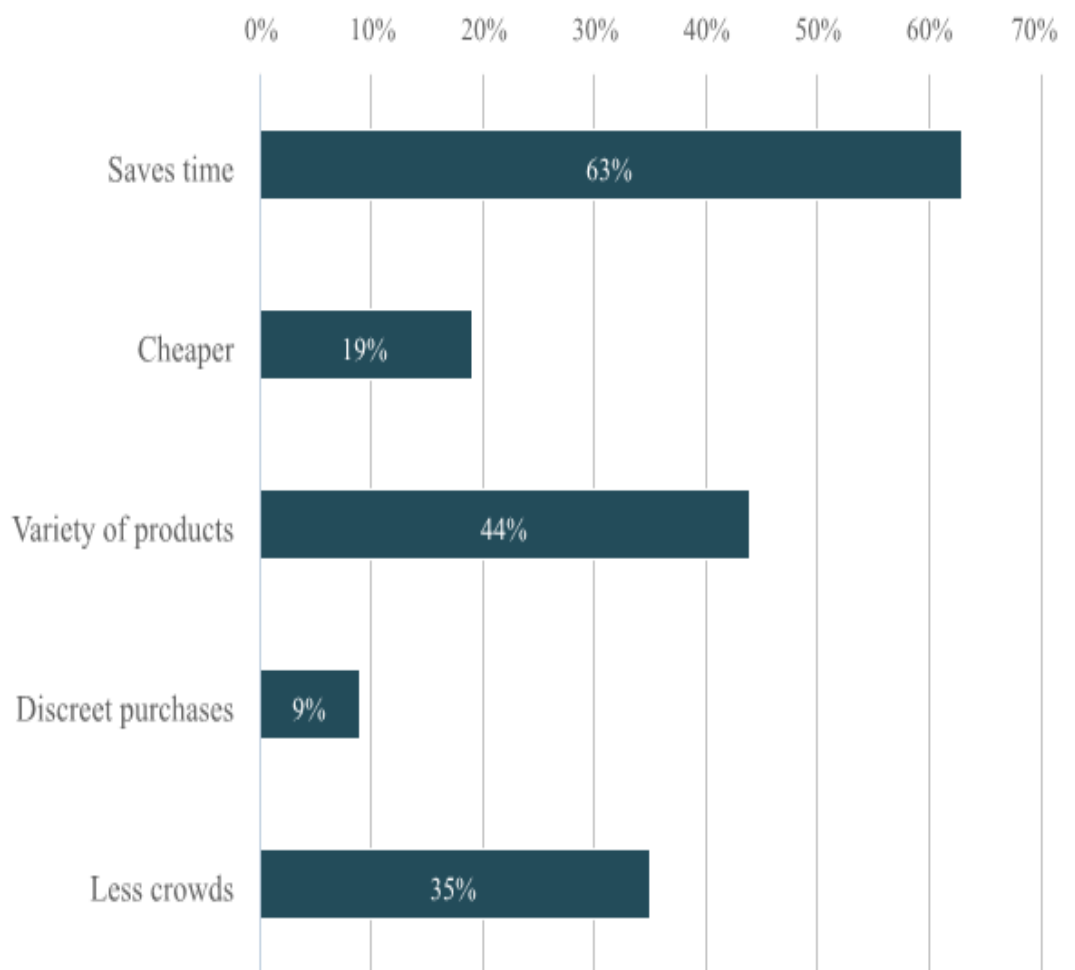
Number of respondents: 43



	N	Percent
Yes	16	37,21%
No	27	62,79%

17. What are the main reasons you buy products or services online?

Number of respondents: 43, selected answers: 73

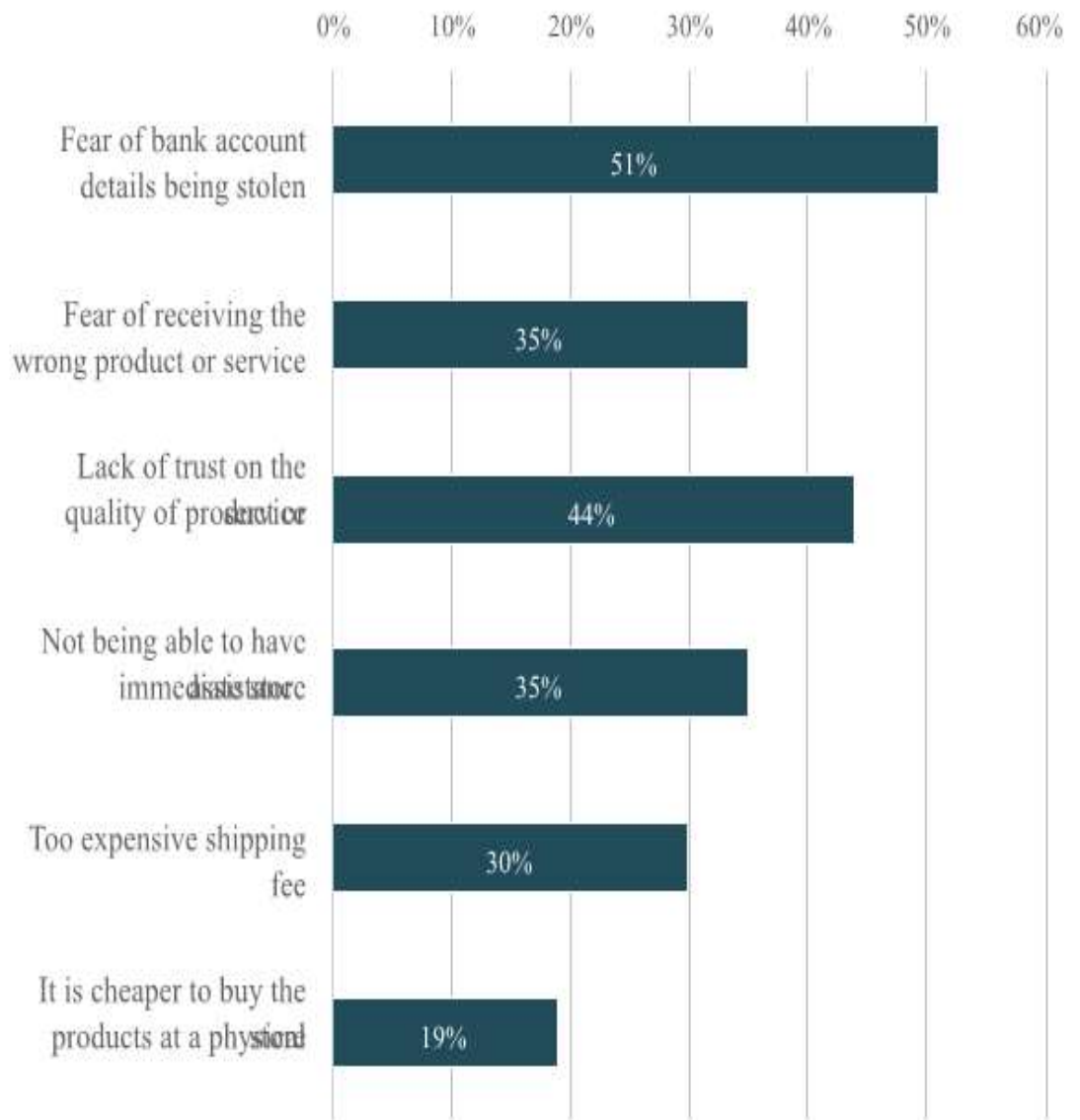


	N	Percent
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Saves time	27	62,79%
Cheaper	8	18,6%
Variety of products	19	44,19%
Discreet purchases	4	9,3%
Less crowds	15	34,88%

18. What are the biggest limitations to you buying products or services online?

Number of respondents: 43, selected answers: 92

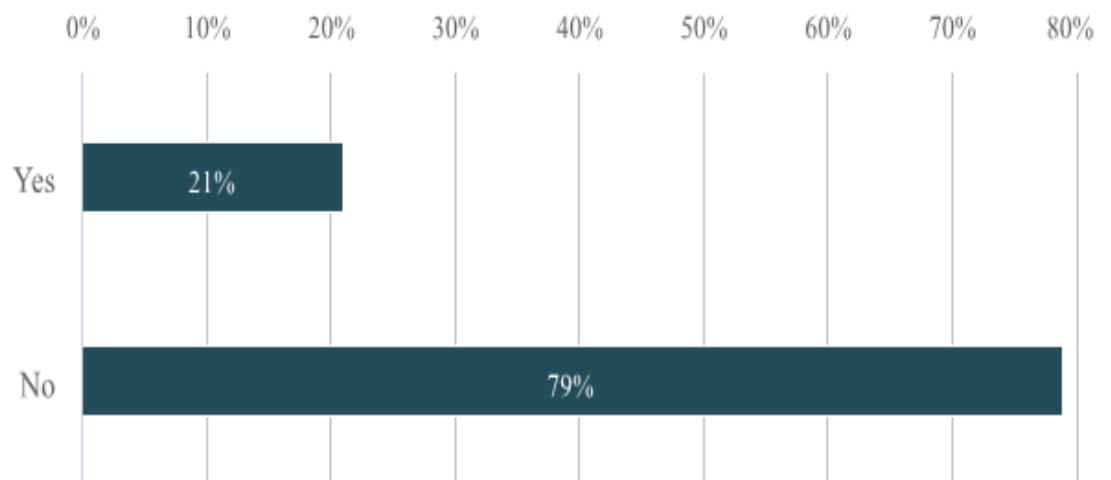


	N	Percent
Fear of bank account details being stolen	22	51,16%
Fear of receiving the wrong product or service	15	34,88%
Lack of trust on the quality of product or service	19	44,19%
Not being able to have immediate store assistance	15	34,88%

Too expensive shipping fee	13	30,23%
It is cheaper to buy the products at a physical store	8	18,6%

19. Have you ever received the wrong order or had your bank details stolen online?

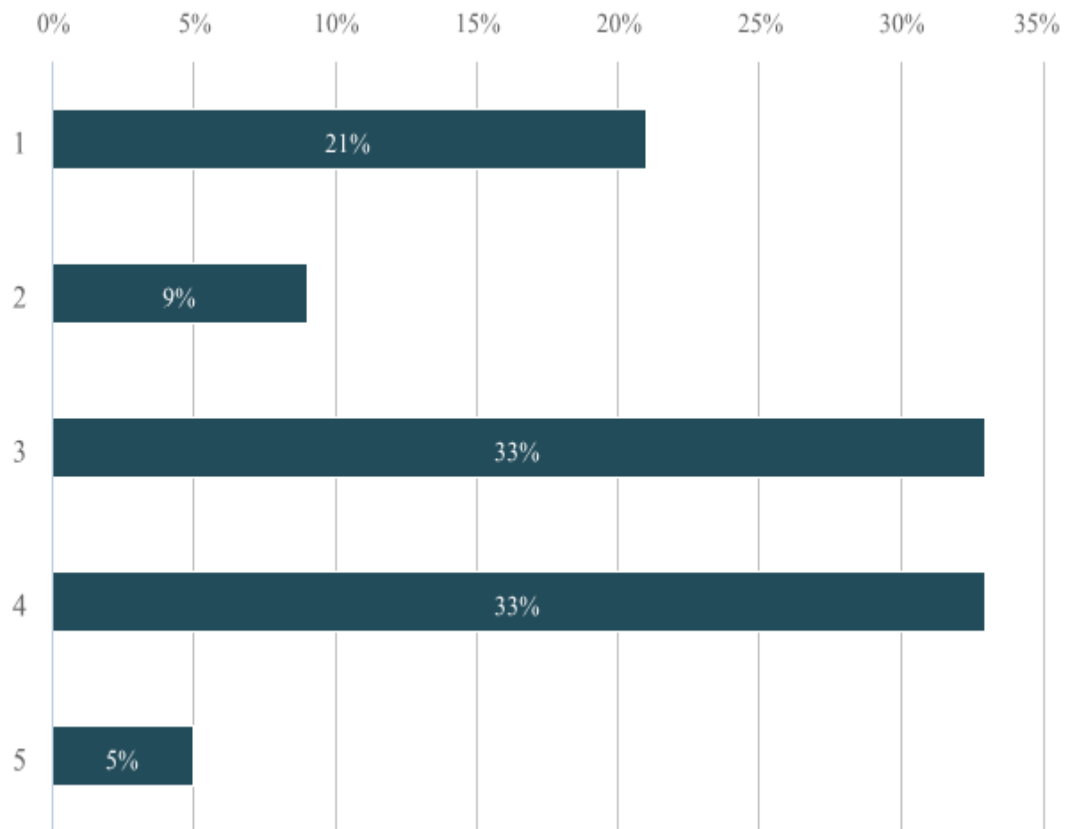
Number of respondents: 43



	N	Percent
Yes	9	20,93%
No	34	79,07%

20. How much knowledge do you have in cyber security? (1-Not very much, 5-a lot of knowledge in cyber security)

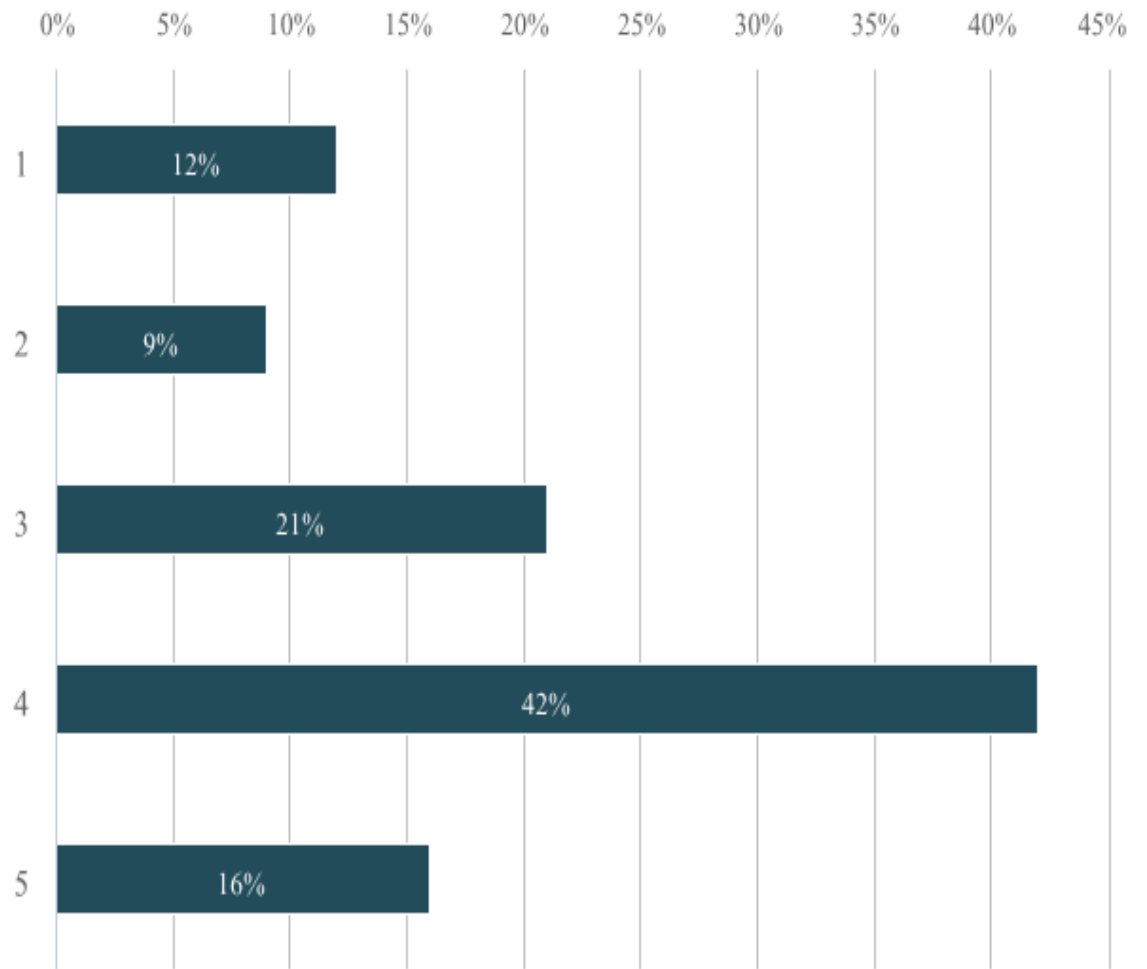
Number of respondents: 43



	N	Percent
1	9	20,93%
2	4	9,3%
3	14	32,56%
4	14	32,56%
5	2	4,65%

21. How much more likely are you to purchase products from a webstore that provides you with information concerning cyber security? (1-not very likely, 5-extremely likely)

Number of respondents: 43



	N	Percent
1	5	11,63%
2	4	9,3%
3	9	20,93%
4	18	41,86%
5	7	16,28%

