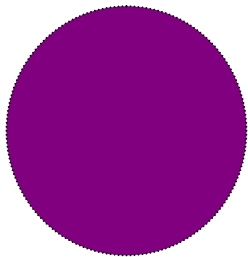


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Evaluating the attractiveness of the B2C e-commerce market in Dar es Salaam

Abstract: The e-commerce industry in Dar es Salaam is in an early stage. This thesis is an attempt to scan the market and to evaluate its attractiveness. By doing so, we aim to be a help for entrepreneurs planning on establishing an e-commerce business in Tanzania. We have performed a qualitative study in Dar es Salaam, consisting of focus groups with consumers and interviews with consumers and existing e-commerce companies. To complement the primary data, we have collected secondary data.

From our study, we can conclude that the level of attractiveness of the market depends on if the macro, meso or micro perspective is evaluated. The overall conclusion is though that the current macro conditions decrease the attractiveness, as do the characteristics of the target customer segments. The intensity of rivalry on the market is low, and the established companies do not have a lead start compared to new entrants. Given the current conditions on the market, we would not advice an entrepreneur to enter the market. The attractiveness of entering the market will, however, change as the mind-sets of the consumers and the technical infrastructure develop.

Course 629, Bachelor Thesis in Marketing

Advisor: Anna Nyberg

Date of presentation: 14 June 2011

Examiner: Anna Nyberg

Keywords: E-commerce, market attractiveness, Tanzania, developing markets, focus groups.

NOTIFICATIONS

Asante Sana...

Marie for giving us this opportunity.

Tonny for driving us around the peninsula.

Lina for sheltering us.

Loveness for giving us wonderful samosas.

We would also like to thank our advisor Anna Nyberg for her insights, comments and support during the process of this thesis.

Finally we would like to thank Hans Lann, Godfrey Kamukala, Niyi Owolabi, Mr. Amiri, Mr. Petkit, and all participants in the focus groups and interviews.

“If the industry of e-commerce is going to have a chance to succeed in Tanzania, all social actors; namely individuals, businesses, and governments must take a joint responsibility”

- Godfrey Kamukala, UN Tanzania

....Pole Pole...

Table of contents

1. Introduction	6
1.1 Problem area	6
1.2 Background.....	6
1.3 Purpose.....	6
1.4 Research question	7
1.5 Expected contribution	7
1.6 Delimitations	7
1.7 Disposition	8
2. The study context	9
2.1 Political background	9
2.2 Demographics.....	9
2.3 Trade and industries.....	9
3. Research design.....	10
3.1 Why focus groups?	10
4. Theory.....	11
4.1 Theory selection	12
4.1.1 Cognitive factors.....	12
4.1.2 Disintermediation.....	12
4.1.3 Price transparency.....	12
4.2 First mover advantage.....	13
5. Method	13
5.1 Primary data	13
5.1.1 Interviews with existing companies	13
5.1.2 Focus groups with consumers	13
5.1.3 Interviews with consumers	15
5.2 Secondary data	15
6. Quality of research	16
7. Macro factors	17
7.1 Political, legal and financial factors	17
7.1.1 Bureaucracy and business climate	17
7.1.2 Government e-participation.....	18
7.1.3 Level of taxation	18

7.1.4 Corruption & access to venture capital	19
7.1.5 Governmental investments in infrastructure	19
7.2 Economic factors	20
7.2.1 Basic economic data	20
7.2.2 GINI Index	20
7.3 Social and cognitive factors	20
7.3.1 Level of literacy and English	20
7.3.2 Buyer sophistication	21
7.4 Technical factors.....	21
7.4.1 Access to Information and Communications Technology (ICT).....	21
7.4.2 The development of safe digital infrastructure.....	21
7.4.3 Lack of electronic supply and cost level of Internet subscriptions.....	22
7.4.4 Payment methods	22
8. Existing e-commerce businesses in Dar es Salaam.....	23
8.1 Atsoko.....	23
8.2 Kivuko	24
8.3 Leteonline.....	25
8.4 Clarification of the used business model	27
9. Consumers' buying patterns and attitude towards e-commerce.....	27
9.1 How do you use Internet today? In what extent are you familiar with Internet shopping?	27
9.2 What keywords would you use when searching for a specific product to buy online?	28
9.3 What are the pros and cons with Internet shopping?	28
9.4 Demanded products and price levels.....	29
9.4.1 Shoes and clothes.....	29
9.4.2 Sport and kids articles	29
9.4.3 Electronics and books.....	30
9.4.4 Do-it-yourself-products, furniture and kitchen supplies.....	30
9.5 Do you miss any other products on the local market in Dar es Salaam today?.....	31
9.6 How do you want to pay for the product that you order online?.....	31
9.7 What about delivery time? Lead time? Delivery process?.....	31
9.8 Summary of focus group and interview findings.....	31
10. Analysis	32
10.1 Intensity of rivalry.....	32
10.1.1 Structure of competition and costs.....	32

10.1.2 Degree of differentiation among the existing companies.....	32
10.1.3 Costs for potential customers when switching from one e-commerce distributor to another.....	32
10.2 Barriers to entry	33
10.2.1 Economies of scale for existing companies.....	33
10.2.2 Capital requirements and access to financing.....	33
10.2.3 Government policy, bureaucracy and corruption	34
10.2.4 Brand identity.....	34
10.2.5 First mover advantage.....	35
10.3 The bargaining power of suppliers.....	35
10.3.1 The middle-man business model changes the classical seller buyer relationship	35
10.3.2 Undifferentiated assortment decreases the suppliers' bargaining power	35
10.3.3 Threat of suppliers' forward integration in the supply chain.....	36
10.4 Consumers' substitution of current shopping behaviour.....	36
10.4.1 Consumers' willingness to substitute their current shopping habits to e-commerce	36
10.4.2 The consumers' cost of switching to online shopping	37
10.5 The risk of consumer disintermediation	37
10.6 Market readiness.....	38
10.6.1 Estimated market size	38
10.6.2 Consumer readiness	38
10.6.2.1 Trust issues	38
10.6.2.2 Computer and language knowledge	38
10.6.2.3 Consumers' willingness to pay	39
10.6.2.4 The price transparency's effect on willingness to pay	40
10.6.3 Governmental readiness	40
10.6.3.1 Government e-participation.....	40
10.6.3.2 Level of taxation	40
10.6.4 Infrastructure readiness	41
10.6.4.1 Access to Information and Communications Technology	41
10.6.4.2 Lack of access to advanced payment methods.....	41
10.6.4.3 Transportation infrastructure	42
11. Concluding discussion	42
11.1 How do the macro conditions affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam.....	42
11.2 How do the industry setting affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam	43

11.3 How do the characteristics of the potential customer segments affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam	43
11.4 Overall conclusion	44
12. Advise to entrepreneurs	44
13. Limitation and suggestions for further research.....	45
References	46
Appendix 1 - Glossary	49
Appendix 2 – Figures and charts.....	50
Appendix 3 – Example on the focus group exercise.....	54
Appendix 4 –Interview manuscript, existing companies.....	56

1. Introduction

1.1 Problem area

Over the past ten years the worldwide distribution of Internet has increased dramatically. Among other things, this has led to a fast growth of e-business and e-commerce¹ (Mansah et al). In a historical perspective, the Internet has diffused at a far faster rate than earlier generations of communications technology. From 1990 to early 2000, the estimated number of users worldwide grew from around one million to around 300 million (A.Goldstein et al). This makes the development of e-commerce a research area that is in constant need to be updated with new findings.

Africa is one of the fastest growing developing areas in the world today², according to annual GDP growth (Indexmundi, a 2011). The e-commerce industry has reached the continent, but compared to the rest of the world the development has been slow. The slow growth can be explained by various factors; among which low levels of Internet penetration and limited communication structure are two of the most important (Mansah et al). The lack of trust in e-commerce and advanced payment methods also constitute an obstacle for the industry.

Today the entrepreneurs who start up e-commerce in developing countries often lack an insight in the market conditions. This contributes to that they fall into pitfalls and spend their resources in a suboptimal way.

1.2 Background

The current attention in Swedish media³ in late 2010 and early 2011 about the development and strong economic growth in East Africa made us interested in it as a research area. To study the attractiveness of the e-commerce industry was tempting, since dot.com businesses often are associated with developing markets and “new eras”.

1.3 Purpose

Our purpose with this study is to create a sort of manual that will simplify for future establishments of e-commerce in Tanzania. We have taken an entrepreneurial perspective; that is we have evaluated the market attractiveness for small companies rather than for big corporations.

¹ Electronic commerce is the buying and selling of information, products and services via Internet

² <http://www.indexmundi.com/map/?t=0&v=66&r=xx&l=en>

³ E.g. DN and SVT

1.4 Research question

In accordance to the stated purpose, our research question is:

- How attractive is it for entrepreneurs to enter the B2C e-commerce market in Dar es Salaam?

In the scope of this thesis, we have chosen to interpret attraction as a generic term for the potential overall industry profitability. The governmental regulations, the industry settings and the consumer characteristics have a joint impact on the potential profitability in an industry, and therefore we will evaluate the market attractiveness from three perspectives; the macro, the meso and the micro perspective.

We will use three sub questions to evaluate in which aspects each of the three perspectives are attractive, and in which they are not.

-How do the macro conditions affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam?

-How do the industry settings, or the meso conditions, affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam?

-How do the characteristics of the potential customer segments, or the micro conditions, affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam?

1.5 Expected contribution

We believe that this study will help to fill a gap in the research about e-commerce markets in East Africa. Its qualitative approach with focus on consumer demand and attitudes towards e-commerce will work as a complement to earlier quantitative studies.

Further, this thesis constitutes a form of guidance for entrepreneurs planning on establishing an e-commerce business in Tanzania. It can be considered as a first scan of the potential market, and the findings will hopefully help entrepreneurs to avoid pitfalls.

1.6 Delimitations

Due to the time and resource constraints of this thesis we felt it was necessary to limit the scope. First of all we have focused our research on Dar es Salaam. A lot of the findings can probably be

applied on other parts of Tanzania and East Africa, but that lies outside the purpose of this study. Second of all, we have limited the study to the B2C market.

In this study we define e-commerce to be Internet based business-to-consumer (B2C) distribution of consumer goods. We only study the commerce of imported products, and services are entirely excluded from the scope. We have chosen to take a supply-side perspective, meaning that we will analyze the market from a business' point of view. We have focused on the perspective of three small e-commerce companies in Dar es Salaam⁴, and as a result we have excluded the perspective of large international enterprises backed up with big investments.

We have also delimited the scope to the expat community and to local Tanzanians with computer and Internet access. To interview poor and illiterate people without any previous IT experience or knowledge would be pointless since these groups lie outside the current e-commerce target groups. This group, which is often referred to as the "Base of Pyramid", constitutes a big part of the Tanzanian society and their total purchasing power should of course not be ignored. As technology develops and cheaper solutions become available on the market, they will too take part of the e-commerce customer base. This though lies ahead of us, and it is therefore not in the scope when estimating the attractiveness of today's market conditions.

Finally, to limit the scope we have only examined the *direct* competition on the market for B2C e-commerce in Dar es Salaam.

1.7 Disposition

To simplify for the reader, we will here introduce the disposition of this thesis.

Chapter 2, "The study context", is a short introduction to Tanzania and its society. This text will give the reader a better understanding of our findings. Chapter 3 describes how we have structured our research and why we chose to conduct focus groups. Chapter 4 explains the theoretical framework for the thesis and in chapter 5 we describe the method for how we carried through each part of the data collection process. Chapter 6 is a statement of the efforts we have made to assure the quality of the research and chapter 7 describes the secondary data. The secondary data findings are presented according to the PEST-framework. To use this framework as a tool makes the presentation clear and easy to grasp. Chapter 8 is a summary of the most relevant findings from the interviews with the existing companies and chapter 9 describes the focus group and interview findings. The order in which we present the data is structured according to the three sub research questions. The data

⁴ Atsoko, Kivuko and Leteonline

presentation is followed by the analysis, in chapter 10. The analysis is structured according to the classic Porter model of competitive industry structure, where some adjustments have been made to adapt it to our scope. Chapter 11 presents the concluding discussion, and here we answer the three sub questions in order to be able to give an answer to our main research question. The conclusion is followed by advice to entrepreneurs who are planning on establishing a business on the Tanzanian B2C e-commerce market, in chapter 12. Chapter 13 consists of a limitation and suggestion for further research.

2. The study context

2.1 Political background

Tanzania was under British control until 1964 when the socialistic Tanganyika African National Union formed the first independent government. Since 1992, Tanzania has a multiparty system. The increased level of democracy and the introduction of market economy have evidently contributed to a more open and favorably business climate. Compared to many of its Sub-Saharan neighbors, Tanzania is a politically stable country without any major national conflicts (Landsguiden, a).

2.2 Demographics

With around 42.7 million inhabitants and an area of 947,300 square kilometers, Tanzania remains one of Africa's least urbanized countries. In 2010, 26 % of Tanzania's population was labeled as "urbanized", the rest of the population lived on the countryside. The annual growth of urbanized population is 4.7 % (CIA,a). Dar es Salaam with a population of 3.2 million inhabitants is Tanzania's largest city and its economic and cultural center.

Tanzania has a young population, 42 % are younger than 14 years old, and the median age is 18.5 years old. The current life expectancy at birth is 52.8 years old (CIA, b). The official language is Kiswahili, but English is used at higher education. The adult literacy rate is 66.9 % among women and 79 % among men⁵ (UNESCO Institute for Statistics).

2.3 Trade and industries

Tanzania reported a trade deficit on 200 million USD in January of 2011. The Tanzanian economy depends heavily on agriculture, which accounts for more than 40 % of GDP, provides 85 % of exports and employs 80 % of the work force. The nation has many natural resources, for example natural gas,

⁵ Among adults 15 years and older, numbers from 2009.

gold, diamonds and coal (Trading Economics, 2010). The primary exported goods in Tanzania include agricultural commodities, manufactured products, gold, cashew nuts, coffee and cotton. The largest part of the export goes to neighbouring countries. The informal economy in Tanzania is significant; many peddlers sell products at the market or at the street. Goods such as second hand clothing, household goods, cloth, food, drinks and snacks dominate the informal trade.

3. Research design

To get a deep understanding of the consumer market in Dar es Salaam, we chose to conduct a qualitative study. The qualitative research consisted of focus groups, interviews with potential customers and with existing companies. The research part of the thesis was conducted during five weeks in Dar es Salaam. The main reason to the qualitative approach was that we wanted to understand the underlying needs among the consumers in Dar es Salaam, and not only observe quantitative trends.

To complement our qualitative findings on the customer market, we also collected secondary data. We have used these data as a tool to interpret the results from the qualitative study.

The e-commerce industry in Dar es Salaam is in a very early stage, and few scholarly articles have been written about it. Since the published literature on the subject was scarce, we instead did a review on what was written on closely related subjects, such as e-commerce in developing countries in general or first mover advantages in the e-commerce business.

3.1 Why focus groups?

A focus group is a form of group interviews that encourage communication in a special subject with some research participants in order to generate data (Kitzinger, J. 1995). The technique is especially effective when the aim is to generate new ideas and to discuss both pros and cons for a particular product or service (Stewart, D.W and Shamadasani, P.N. 1990). A focus group session is an effective way to get different point of views on a subject. It gives an opportunity to start a discussion about different sub subjects instead of asking each person to respond a question, as in interviews. This makes the participants exchange experiences and comment on each other's experiences which will give the researchers a deeper understanding in the discussed area (Kitzinger, J. 1995).

This thesis has a supply-side perspective, but to be able to understand the demand side it is important to include it in the scope of the study. Our ambition with the focus groups was to get

many different points of views on the demand of customer goods and the attitudes towards e-commerce as possible.

4. Theory

4.1 Theory selection

During the focus group sessions and the interviews, the respondents sometimes came up with opinions that took us by surprise. These were opinions that we did not anticipate when constructing the original manuscript, and they perplexed us. To explain these phenomena, we employed accepted theories on consumer behavior.

4.1.1 Cognitive factors

Cognitive factors are related to mental maps of individuals and organizational decision makers that can create cognitive barriers to enter a market (Huff, A.S. 1990 in Kshetri, N. 2007). Examples of cognitive factors are limited awareness and knowledge skills and lack of trust in new market systems. According to Kshetri (2007), cognitive patterns can create higher barriers in developing countries, compared to other categories of barriers. In developing countries the big trust in face-to-face communication, technical knowledge and a lack of awareness of potential opportunities often lead to cognitive barriers to new inventions and digital development, discussion e-commerce (Kshetri, N. 2007).

4.1.2 Disintermediation

Disintermediation is the removal of intermediation in a supply chain, a way of skip one step in the traditional supply chain⁶. This is a phenomenon that has become more common with the development of e-commerce. In the e-commerce market, companies can deal with customers directly, without using middle-man services. When buyers get increased information on the supplier prices in the market, the market becomes more transparent (Smith, M.D, et al 2009).

4.1.3 Price Transparency

Price transparency occurs when information about the price setting of a product is fully available to the consumer. Practically, this means that the consumer is aware of what factors or which processes that constitute certain parts of the end price. A high level of price transparency helps the consumer to evaluate the price, and therefore affects the consumer's willingness to pay. Most often, the

⁶ Such as distributor, wholesaler, agent.

consumer's willingness to pay for a product is decreased as price transparency increases (Granados, N. et al 2004). The customers' increased access to information through Internet has increased their ability to easily compare different sellers. This in turn often leads to disintermediation.

4.2 First mover advantage

Charpentier and Natamoto (1989) argue that the process by which consumers learn about brands and form preferences for them has an important role in creating an advantage for pioneers in a new market. They explain this with two components. First, to be the pioneer in a market gives the company an opportunity to affect how the customer attributes are valued and what the ideal attribute combination looks like for the customer. This influence can shift individuals' preferences to favor the pioneer over the later entrants, leading to an advantage that can increase the market share. Secondly, they argue that the learning process that a first mover has to carry to learn the customers about a new product or service, can lead to that the pioneer can become strongly associated with the product category as a whole and, as a result, become the "standard" against which all later entrants are judged (Charpentier, G S. et al 1989).

5. Method

5.1 Primary data

5.1.1 Interviews with existing companies

To get an insight in what it is like to start up and run a B2C e-commerce business in Dar es Salaam, we decided to contact representatives from established companies. Interviews were conducted with the founders of three e-commerce businesses. Since the industry for this type of e-commerce is still in an early stage in Dar es Salaam, this represents a majority of the existing companies.

5.1.2 Focus groups with consumers

During the time in Dar es Salaam, we conducted six focus groups. Each group contained four to eight participants, a number recommended by researchers (Kitzinger, J. 1995). To get the best possible insight in the customer demand we strived to arrange as homogenous focus groups as possible. This is an approach recommended by most researchers. The homogeneity makes it easier to capitalize on

people's shared experience and will encourage a deeper discussion (Kitzinger, J. 1995).

Since the respondents were men and women of different nationalities, ages, occupations and education level, the ambition of homogeneity had to be somewhat compromised. We decided that the most important factor was that the respondents in each focus group would have a *comparable experience of e-commerce* and *similar consuming habits*, since these are basic conditions for a rich discussion. This resulted in that we tried to divide the respondents according to the variables nationalities (expats or locals), age (over and under 35 years old), and gender.

Due to that e-commerce is an unfamiliar subject for many people in Dar es Salaam, the first questions discussed in the focus group were about the participants' Internet usage and earlier experience of e-commerce. This gave us an insight in how to lead that specific group through the session. Next module contained more specific questions about price sensitivity, security, delivery and payment methods. To get an insight in which product categories the participants were willing to buy online and how price sensitive they were we conducted an exercise. We chose various product categories and set price intervals according to prices charged by the existing e-commerce businesses for similar products⁷. It was stressed in the instructions that the expatriate participants were supposed to answer from the perspective that they have living in Dar es Salaam, not in their home countries. The participants were informed that the pictures of the products represented a generic product, not necessarily the exact one on the picture. Regarding to Kitzinger (1995) it is favorable to use exercises for a break in the discussion as well as to give the participants a chance to express their opinion in a clearer way. Every session lasted for one to two hours, a duration recommended in the literature (Kitzinger, J. 1995).

"However, it is important to keep in mind that the main strength of this method is as well its greatest weakness, namely that respondents are influenced by each other and in settings with particularly dominant individuals, this could result in unexpressed opinions" (Flick 2009, p. 201)

⁷ Including shipment, shipment insurance delivery, VAT and duties

5.1.3 Interviews with consumers

As a complement to the focus groups, we conducted deep interviews with some consumers. This increased our understanding of the reasoning of some customer groups. The cognitive patterns of the people in the western expat community lie close to our own. When it came to the Tanzanians and other expat groups though, we sometimes felt that they had more to contribute with than we could obtain from the focus group sessions. We conducted five deep interviews, both face to face and in smaller groups of three.

	Men	Women	Locals	Expats	Age
Focus Group 1	x	x		X	35-
Focus Group 2		x		X	35+
Focus Group 3	x			X	35+
Focus Group 4	x	x	x		35-
Focus Group 5	x	x		X	35-
Focus Group 6		x	x		35+
Interview 1		x		X	35-
Interview 2		x	x		35+
Interview 3	x			X	35+
Interview 4	x		x		35-
Interview 5	x		x		35+

Figure 1, Summary of the conducted focus groups and interviews

The expatriates were men and women of different nationalities, working for embassies, NGOs and international businesses as well as accompanying spouses. The locals were men and women, either self-employed, business men or students.

5.2 Secondary data

As a complement to our qualitative study, we have collected secondary data from various sources. A lot of the data comes from "The Global Information Technology Report". This report is published by the World Economic Forum (WEF) in cooperation with INSEAD⁸, and consists of qualitative as well as quantitative measurements. The qualitative data comes from the WEF's Executive Opinion Survey. The survey is conducted annually in the 138 economies that are evaluated in the Global Information

⁸ A graduate business school

Report. The respondents are 15,000 executives from the World Economic Forum's partner institutes, mainly research institutes and business organizations (Dutta, S and Mia, I, p.10 2011). The purely quantitative data reported in the Global Information Report comes from international organizations, such as the World Bank and various United Nations agencies.

For statistics regarding economics we have used two main sources: the CIA World Factbook and Gapminder. The Central Intelligence Agency (CIA) is an independent US Government agency which is responsible for providing national security intelligence to senior US policymakers. Gapminder⁹ is a non-profit venture promoting sustainable global development.

As a compliment to the main resources we have collected statistics from UNESCO, landguiden.se, indexmundi.com, allafrica.com, the official webpage of the Tanzanian government, the Transparency International and Tanzania Investment Center.

6. Quality of research

To ensure the quality of this study, we have taken a series of actions. Before going to Tanzania, we read material on the Tanzanian development and society, as well as read fiction written by Tanzanian authors. This was done to gather a deeper understanding of the "Tanzanian mind", and to eliminate prejudices that could affect the research.

To control the quality of the research method we conducted a focus group session in Stockholm, before going to Tanzania. This was to get a chance to practice to lead a session and to take notes, and most importantly to get feedback from the participants on the focus group structure and disposition. We also used feedback from the respondents in Tanzania to constantly refine the manuscript. To ensure that we did not misinterpret any results from the focus group sessions, we conducted complementary deep interviews with customers from customer groups whose cognitive pattern and reasoning were distant from our own. During the first focus group exercise in Tanzania we paid attention if the participants asked for any product category that we had not included in to the exercise from the beginning.

When it comes to the collection of secondary data, we have used statistics from credible sources. To reduce the risk of misinterpretations from using statistics measured with different methods, we have

⁹ Gapminder.org

as far as possible tried to limit the number of sources. We have cross read all articles of related areas, this to ensure the understanding of the content.

7. Macro factors

The most relevant macro factors are presented below, structured according to the PEST-framework.

7.1 Political, legal and financial factors

7.1.1 Bureaucracy and business climate

During the last years, the Tanzanian government has put some effort into attracting foreign investments. But, there is still a long way to go before Tanzania becomes fully entrepreneur and business friendly. In 2011, the World Bank project “Doing Business” ranked Tanzania as number 128 out of 183 economies in an “Ease of Doing Business” report (WBG, a 2011).

According to the same report it takes 29 days to set up a business in Tanzania¹⁰. The procedure is rather efficient compared to other Sub-Saharan countries where the average process takes 45.2 days, but still a lot slower than in OECD-countries where the average procedure takes 13.8 days (WBG, b 2011).

The “Ease of Doing Business” report also evaluates the number of procedures required to register a firm¹¹. In Tanzania, an entrepreneur has to go through twelve different procedures, whereas the Sub-Saharan Africa average is 8.9 and the OECD average is 5.6 (WBG, b 2011).

In the Global Information Technology Report (Dutta, S and Mia, I 2011), the level of administrative requirements is measured by asking the following question in the Executive Opinion Survey “How burdensome is it for businesses in your country to comply with governmental requirements¹²?” On a scale from 1 (extremely burdensome) to 7 (not burdensome at all), Tanzania gets a score of 3.34¹³, slightly less burdensome than the world mean of 3.29.

¹⁰ The total number of days required to register a firm. The measure captures the median duration that incorporation lawyers indicate is necessary to complete a procedure with minimum follow-up with government agencies and no extra payments.

¹¹ A procedure is defined as any interaction of the company founders with external parties (for example, government agencies, lawyers, auditors or notaries).

¹² E.g. permits, regulations, reportings

¹³ Sweden: 4,04 and South Africa: 3

7.1.2 Government e-participation

The United Nations has compiled a so called “e-participation index”. This index assesses the quality of government websites, namely in what extent they are relevant and useful for the user. It also assesses the willingness of the government websites for providing online information, participatory tools and services to the people. The examined nations are ranked between 0 and 1, where 1 is the highest. Tanzania gets a score of 0.04 in this assessment, far behind its neighbor Kenya (0.17) (Dutta, S and Mia, I 2011).

The issue about the government’s attitude towards ICTs is also examined in the Global Information Technology Report (Dutta, S and Mia, I 2011). In the Executive Opinion Survey, the following question is asked: “How much priority does the government in your country place on information and communication technologies?”. Tanzania gets a score of 4.17 on a scale from 1 (weak priority) to 7 (high priority). The world mean is 4.66 whereas Sweden gets 6.07 and South Africa 4.22.

7.1.3 Level of taxation

In the Global Information Technology Report (Dutta, S and Mia, I 2011), the total tax rate in a country is measured. The measurement used is the sum of profit tax, labor tax and social contributions, property taxes, turnover taxes, and other taxes, as a share (%) of commercial profits. Tanzania has an estimated total tax rate of 45.2 %; Sweden 54.6 % and South Africa 30.5 %¹⁴.

The import duty on finished consumer goods is 25 %. Some items, such as computers, books and mobile phones are exempted (TIC 2010). On some products, such as alcohol, cigarettes, soft drinks and cosmetics there is an additional excise duty (OOGURT, b).

The VAT rate in Tanzania on goods and services is 18 %. Although, there are some imported supplies that are exempted from VAT, such as health supplies, educational supplies, books, newspapers, computers and computer accessories. The Tanzanian corporate tax is 30 % (OOGURT, b).

When the World Economic Forum examined the impact of the tax level on peoples’ and companies’ behavior in the “Executive Opinion Survey”, they asked: “What impact does the level of taxes in your country have on incentives to work or invest?”. On a scale from 1 to 7, where 1 is equivalent to “significantly limits incentives to work or invest” and 7 is equivalent to “has no impact on incentives to work or invest”, Tanzania gets a score of 3.59. This is almost the same score as the world mean

¹⁴ 2010

(3.6) and signifies a lower effect on incentives than in for example Sweden (3.04) (Dutta,S and Mia, I 2011).

7.1.4 Corruption and access to venture capital

Transparency International collects data over how a country's inhabitants perceive the national corruption. They have created a corruption perception index from 0 (highly corrupt) to 10 (highly clean). For Tanzania, the 2010 corruption perception index value is 2.7¹⁵. That makes Tanzania the 25th most corrupted country in Sub-Saharan Africa¹⁶ (out of 47 nations totally) (Transparency International 2010).

In the Global Information Technology Report (Dutta, S and Mia, I 2011), the ability for entrepreneurs to get venture capital is measured. This is done through the Executive Opinion Survey, where the following question has been asked "In your country, how easy is it for entrepreneurs with innovative but risky projects to find venture capital)". Tanzania gets a score of 2.57 on a scale from 1 (very difficult) to 7 (very easy). To put this in some perspective, it can be said that the world mean is 2.67 and that Sweden gets 4 and South Africa 3.01.

7.1.5 Governmental investments in infrastructure

The development of the transportation infrastructure in a country affects the attractiveness to enter the country for a new business. Poorly developed infrastructure decreases the possibility to have well developed logistical solutions in the country. Tanzania would need to invest USD 2.9 billion annually for a decade to catch up with the rest of the developing world in terms of infrastructure (African Development Bank Group 2010).

¹⁵ The Corruption Perceptions Index (CPI) ranks countries according to perception of corruption in the public sector. The CPI is an aggregate indicator that combines different sources of information about corruption, making it possible to compare countries.

¹⁶ Together with Ethiopia, Mali and Mozambique

7.2 Economic factors

7.2.1 Basic economic data

Tanzania is one of the world's poorest economies in terms of per capita income (IndexMundi, b). Despite this, Tanzania has been one of the fastest growing economies in Africa in the last decade. In the end of 2010 the annual Gross Domestic Product (GDP) Growth in Tanzania was 6.1 %, which is higher than the average world GDP Growth (4.2 %) as well as the Sub-Saharan Africa (4.6 %) for the same time. The inflation level has been stable compared to the level in other African countries. The average inflation rate¹⁷ in the Sub-Saharan African countries for 2010 was 23.21 %, and the average level in Tanzania was 12 % (IndexMundi, a).

7.2.2 GINI Index

The GINI Index measures the distribution of income among individuals or households within an economy. The GINI Index is measured on a scale from 0 to 100, where 0 indicates perfectly equal income distribution in the country and 100 indicates that the incomes are distributed with perfect inequality. The Central Intelligence Agency (CIA) has ranked 136 countries regarding to the GINI Index. Tanzania is ranked as number 88 with a score of 34.6, compared to Sweden which is the country with most equal distributed income, with a score of 23. South Africa has the world's second most unequal family income distribution, with a score of 65 (CIA, c).

7.3 Social and cognitive factors

7.3.1 Level of literacy and English

The Tanzanian level of literacy is 66.9 % for women and 79 % for men, which is around the median level for Sub-Saharan African countries¹⁸ (UNESCO Institute for Statistics 2010). Among the one third of adult Tanzanians that are illiterate, the proportion is significantly higher among rural women (Landguiden, c).

Even though Tanzania used to be a British colony, today only approximately 9.89 % of the Tanzanian people speak English (Crystal, D. 2003). In Dar es Salaam and Tanzania, English is taught in some primary schools. It is also used as the medium of instruction in all secondary schools and higher

¹⁷ Customer prices

¹⁸ Among adults 15 years and older, numbers from 2009

learning institutions in the country. Still there is a big lack of English knowledge among ordinary people, in the cities as well as in the countryside (AllAfrica 2011).

7.3.2 Buyer sophistication

When the World Economic Forum used the Executive Opinion Survey to examine the buyer sophistication in different nations, they asked the question “In your country, how do buyers make purchasing decisions?” The answers were given in range from 1 (based solely on the lowest price) to 7 (based on a sophisticated analysis of performance attributes). The score for Tanzania was 2.88 (Dutta, S and Mia, I 2011).

7.4 Technical factors

7.4.1 Access to Information and Communications Technology (ICT)

In 2008, only 2.5 % of the Tanzanian households were equipped with a personal computer (Dutta, S and Mia, I 2011). In 2009, 1.6 % of the population used the Internet, but there were only 2841 subscribers of fixed broadband in the whole country (ITU 2011). This makes the share of the population who subscribed to broadband Internet so low that it can be rounded down to 0,0 %¹⁹ (Dutta, S and Mia, I. 2011). In addition to these consumers, 398,000 consumers had fixed Internet subscriptions, which is equivalent to 0.91 % of the population. Compared to the fixed alternatives, mobile broadband has become a success in Tanzania. In 2009, there were 601,324 sold subscriptions, or 1.37 per 100 inhabitants. The percentage of Tanzanian people using the Internet grew from 0.1 % in 2000 to 1.6 % in 2009, but there is still a long way to go before the country reaches the level of the one in European countries (ITU 2011).

7.4.2 The development of safe digital infrastructure

In Tanzania, there is an estimated 0.2 secure Internet servers per million inhabitants. This can be compared to Sweden where there are 956.7 secure servers, and South Africa where there are 40.4 servers. Secure servers in Tanzania are not only thing lacking, the international Internet bandwidth is also extremely low. In 2007, the international Internet bandwidth (Mb/s) per 10,000 inhabitants in

¹⁹ 0,01 % if two decimals are used

Tanzania was estimated to 0.0. The same variable gave a value of 498.3 in Sweden and 0.7 in South Africa (Dutta, S and Mia, I 2011).

7.4.3 Lack of electric supply and cost level of Internet subscriptions

There are several factors behind the relatively slow spread of Internet in Tanzania. One is the lack of electrical supply, especially in the rural areas. In Tanzania, the electrical production per capita and year is 101.1 kWh, substantially lower than in Sweden (16267.9 kWh) and South Africa (5398 kWh). Another factor that affects the spread of Internet services is the cost level. In 2009, the average monthly subscription charge for fixed (wired) broadband service in Tanzania was 60.62 PPP \$²⁰. This is significantly higher than in Sweden (28.25 PPP \$) and in South Africa (41.68 PPP \$) (Dutta, S and Mia, I 2011).

7.4.4 Payment methods

In Tanzania, the access to advanced payment methods is still very limited. Payment cards are very rare among locals. The most widely used type of card in Tanzania is the debit card²¹. In 2008, about 1.76 million debit cards were in circulation in the country. In addition to this, 929,000 cash cards²² and 15,000 credit cards were in circulation. The low number of payment cards on the market results in a low number of automatic teller machines (ATMs). In 2008, there was as little as 591 ATMs in the whole of Tanzania. In addition to this, the Tanzanians could withdraw money from 3401 EFTPOS terminals²³. The normal way of payment in Tanzania is by cash, no matter if the consumer is shopping for groceries or a new car. A lot of people also receive their salaries in cash (SADC 2010).

In 2007, Safaricom²⁴ in Kenya introduced a new way of handling bank and money transfer. The system is called M-PESA, where M stands for Mobile and PESA is money in Swahili. The system has become a success and now other mobile operators such as Tigo and Zantel have introduced their own systems for mobile payments. This method is by far more popular than credit cards, and it is convenient to use in rural areas where it sometimes can be a long distance to the nearest bank office or ATM (Wikipedia 2011).

²⁰ The amount is adjusted for purchasing power parity (PPP) and expressed in international dollars.

²¹ Such as VISA

²² A cash card is a card which you only can use to withdraw money from your bank account

²³ The general term used for debit card based systems used for processing transactions through terminals at points of sale

²⁴ An affiliate of Vodafone

“When consumers are given an opportunity to consume and participate, they will!” Arun Sarin, CEO
Vodafone

8. Existing e-commerce businesses in Dar es Salaam

As said earlier, the e-commerce industry in Dar es Salaam is very young. There are a few established companies on the market, and we have conducted interviews with three of them. The company representatives that we met were all very open and the conversations gave a transparent and honest picture about their ideas of the market and the future. All interviews were conducted in March 2011, and the later analysis is based on what was said then, not on later conditions.

8.1 Atsoko

Atsoko is a Swedish owned company, set up in 2010. The company is registered in Sweden, Tanzania and Rwanda. The Tanzanian web page has been running since mid-February 2011, about three weeks at the time for the interview. The company consists of the CEO, one representative in Tanzania and one representative in Rwanda. Atsoko also has a local investor and advisor in Tanzania, which was necessary to get a business license²⁵. During the time for the interview, Atsoko is in the process of setting up a local network of sales agents. The idea behind having agents is to make it easier to reach local Tanzanians, and to enhance their trust for e-commerce in general and for Atsoko in particular. The sales agents will also fill an educating function, since most Tanzanian consumers still feel insecure when it comes to online shopping. Currently, Atsoko’s webpage only exists in English.

Atsoko’s business idea is to offer consumers the possibility to buy basically any product that is available to buy from western e-retailers²⁶. The consumer uses Atsoko’s webpage to order goods from various trusted e-commerce web pages. When a product is ordered, it is first delivered to Sweden, then re-packed and sent to the Atsoko office in Dar es Salaam. Atsoko stands for the risk during shipment and through customs, and the ambition is to offer the customer a hassle free way of ordering products from Europe. Atsoko only sells imported items, and they do not have any physical stores. The prices are about 100 % higher than original retailer prices, consisting of margins, shipment fare, insurance, VAT and import duties.

Atsoko’s target customers are well off, English speaking Tanzanians and the expatriate community. So far Atsoko only targets customers in Dar es Salaam. Consumers have so far demanded a wide range of products, but electronics and clothes are most popular. Atsoko has not made any big

²⁵ Since the CEO is not a Tanzanian citizen

²⁶ Exceptions are make-up, food and a few other products that demand special product licenses.

advertising campaigns; the marketing so far has consisted of face to face marketing at a shopping mall, a print ad in a classifieds magazine and banner advertising at local blogs.

In the time of writing, Atsoko sends one shipment every month with DHL from Sweden to Tanzania. This means that the waiting time for the consumer from order to delivery is from two to six weeks. If business continues as planned, the delivery time will be reduced as the number of customers increase. Products ordered through Atsoko are normally picked up by the customer at the company's local Dar es Salaam office.

Customers can pay for Atsoko's services either in cash or by bank transfer. There have been internal discussions about launching VISA payments and mobile payments, but the demand for these services do not seem high enough to motivate the extra cost. Customers have to pay the total cost for the product before Atsoko makes the final order.

Atsoko's CEO has faced several difficulties in starting up the business in Dar es Salaam. She has had problems with both getting a business license and with setting up a company bank account. According to her experiences, both complicated bureaucracy and corruption are big problems for start-ups in Tanzania.

8.2 Kivuko

The founder of this company has the ambition to give consumers the possibility to buy products of high quality that are hard to find on the local market. He started to develop the venture about two years ago, and the web page has now been up and running for about one year.

The company currently has five employees, and they manage everything in-house, including the coding of the page. The founder of Kivuko has invested his own, personal capital in the business. He has not really tried to get any external investors, but he thinks this would be really difficult. He says that it is hard for small companies even to get bank loans.

Kivuko's business model differs somewhat from Atsoko's. The company sells imported items from the US, the UK and China as well as locally produced items. The founder of Kivuko early identified that there were many skilled artisans and artists throughout the country who did not reach out with their products. He then created a so called "vendors programme" that enables a buyer in for example Dar es Salaam to buy items from a small producer in the countryside. Kivuko functions as a middle-man in forwarding the order, but the local producer is responsible for managing the delivery

and the payment. The delivery time for the products bought through the vendors programme is usually quite short, usually from a day to a week.

When it comes to imported items, Kivuko offers the customer to shop from a wide range of categories, but with rather few products in each category. The most demanded products are electronics and beauty products for women. They have a deal with some of the suppliers that all products sold at the page should be in stock at the supplier's. This minimizes customer waiting time and the administration cost for Kivuko. The delivery time for imported items is usually five working days to Dar es Salaam and then another few days if the customer lives somewhere else in the country. Products ordered from Kivuko are delivered all the way to the customer's door. Price levels on imported items are about 100 % higher than original retailer prices, consisting of margins, shipment fare, insurance, VAT and import duties. The founder of Kivuko says that their current margins are very low, but that their focus right now is on building a solid foundation of satisfied customers rather than making a profit.

Kivuko has three main target customer groups. First of all it is the expatriates, this group has money but they do not know where to find products to buy. This is also the group that Kivuko has the hardest time to reach. The second group is local business people. They have money and work a lot, so they appreciate the convenience of ordering products online. The third target group is students. This group is rather price sensitive, but they are more skilled in using the Internet than older generations. Their price sensitivity also works as an incentive for them to spend time browsing different products on the web and compare prices. Today, Kivuko only has an English version of the webpage. The most frequently used payment method is bank transfer followed by M-PESA.

"There are five million internet users in TZ, all of them are potential customers" Mr Amiri, founder of Kivuko.

Kivuko has basically not made any marketing efforts; they do not want to grow too fast but rather have a fairly small but really satisfied group of customers. They have invested a lot in having an extensive customer support; there is a customer support online chat, support over the phone and via e-mail. Since a lot of Kivuko's customers are unused Internet users, this kind of extensive customer support is fundamental to lower their perceived risk and strengthen their feeling of trust towards the service.

The founder of Kivuko does not really identify any serious competitors on the current market for e-commerce. He does not think that there are any other local e-retailers who manage to have the same customer focus and make the buying process as pleasant as they do.

8.3 Leteonline

Leteonline's webpage was launched during the spring of 2010, but the founder started working on the idea about one year earlier. The concept of Leteonline is to simplify the everyday life of customers all over Tanzania. The traffic and the infrastructure are really bad, and the consumer never knows if he or she is going to find the demanded product when going to a store. In the time for the interview, six people were working for Leteonline and they were looking to employ one more.

Leteonline's assortment is wide and consists of everything from restaurant take-away to groceries, fresh flowers, books, travel tickets and electronics. Among Leteonline's most demanded products are restaurant meals and electronics. The imported items mainly come from Kenya and Dubai. Price levels on imported items are about 100 % higher than original retailer prices, consisting of margins, shipment fare, insurance, VAT and import duties. The owner of Leteonline also owns physical stores and he plans to open up more branches, and he claims that the physical stores give better margins since he buys in bulk. In the future, he has the ambition to offer all kinds of products to the consumers, from auto spare parts, to cashew nuts to computers.

Leteonline does not have an expressed target group. They want to reach all kind of people from all over Tanzania. Most of the firm's current customers are expatriates, probably because it is harder for them than for the local Tanzanians to shop on the local market. Students use the site for research and to browse for products, but they rarely buy things. The webpage is only available in an English version.

One of the main challenges in the business identified by Leteonline is to build trust. There is a customer group in Tanzania that has financial means and an interest to shop, but they are so used to having face-to-face contact with the sales person that they sometimes hesitate to buy things over the Internet. To counteract this, Leteonline has put a lot of effort in creating a professional customer support.

Cash upon delivery is the most popular payment method among customers. Visa cards and credit cards are very rare in Tanzania, and Leteonline has hesitated to introduce them as payment methods due to the low interest among consumers and the high fees charged by the card companies. Mobile

payments like M-PESA get increasingly popular in Tanzania, but just as the card companies the mobile phone operators charge a fee for every transaction. Currently, Leteonline does not think it is worth to provide this payment method since it cuts the company's margins.

The founder of Leteonline used his own capital to start up his business. He says that no matter how good your idea is, it is hard to start up your own business in Tanzania if you do not have personal savings to use as start capital. It is hard to get bank loans, and practically impossible to get investor money. Another difficulty that the founder of Leteonline has experienced in being an entrepreneur in Tanzania is the extensive bureaucracy and corruption. It is not unusual that you have to bribe someone to get the right papers or to get imported products out of customs.

8.4 Clarification of the used business model

The business model used by the three interviewed companies is a form of middle-man service, and all businesses import directly and do not have products in stock. In the eyes of the suppliers, all three e-commerce businesses are as any consumer. The exception is Kivuko, which with some suppliers have a stock guarantee agreement. Otherwise, the businesses do not have any official agreements with the suppliers, and since they buy single items rather than in stock, the relationship is not a classic supplier-buyer relationship.

9. Consumers' buying patterns and attitude towards e-commerce

To make it easy and logic for the reader to understand the focus group and interview findings we have chosen to follow the structure of the manuscript that we used when conducting the focus groups and interviews²⁷. The manuscript starts out with questions concerning the participants Internet usage and habits. These are followed by questions product categories the consumers are missing at the existing market in Dar es Salaam today, their price sensitiveness and their preferences for payment method and delivery.

9.1 How do you use Internet today? In what extent are you familiar with Internet shopping?

In general, expatriates had a greater Internet experience compared to the local Tanzanians. The expatriates use Internet both at home and at their workplace. E-mailing, using social networks, reading newspaper and watching TV were among the most popular areas of usage. Local Tanzanians

²⁷ Can be found in its whole in the appendix

mostly use Internet for communication means (e-mail, Facebook etc). The local business men and women use Internet for work.

There are big differences regarding online shopping behavior among the participants. The expatriates are familiar with online shopping in their home countries. The most popular products to buy on the Internet were contact lenses, tickets²⁸, music and clothes. None of the expatriates participating in the focus groups had been shopping online after moving to Tanzania. The main reasons were technical limitations such as power cuts and slow Internet speed. The expatriates working for the embassy can get product from their home country every week with the “embassy post”.

The local focus group participants’ earlier experience of online shopping is limited. The main reasons were technical limitation as mentioned above and lack of trust in companies, especially when it comes to the delivery and the payment processes. There were though a small group of early adapters among the participants who had bought a few things from Amazon.com and similar web pages. The majority of the early adapters were business men or women who had good Internet access at their work place. For the local students, the cost of Internet is so high that browsing around the web to look at products does not really appeal to them.

9.2 What keywords would you use when searching for a specific product to buy online?

During the focus group discussions, participants expressed that if they were searching for an item to buy online they would use products as keywords, eg. “TV Tanzania”. Very few clicked first in to for example Leteonline and searched for the TV there.

9.3 What are the pros and cons with Internet shopping?

When we asked this question to locals without previous experience from online shopping, we asked them to imagine possible pros and cons. Not surprisingly, expats could think of more pros and cons, since they have more experience from e-shopping. Most expatriates had not tried to buy anything on the Internet in Tanzania, and the pros and cons discussed by them are applicable to the conditions in their home countries.

The majority of the respondents considered the *price level* online as lower than in physical stores. Internet gives *access to a larger assortment* and it is to *compare prices*. Online shopping is perceived as *convenient* when you know exactly what product, model and size you want. *Payment is fast* and it

²⁸ Transport and for entertainment

is no need *to queue*. It is seen as a *quality proof* to buy products straight from abroad, since product sold on the local market often are fake or have been used before.

Perceived cons with online shopping include: *late delivery* (e-shops do not hold their promised delivery time), *risk of getting the wrong size* (clothes and shoes), and that it is *hard to know what size you are*. To *return products* bought online is considered a big hassle. At some web pages the payment process is *complicated* and *insecure*. When browsing products from Tanzania, some web pages are too technically advanced for the low speed Internet connection, which results in *long waiting* when buffering the page. Many participants considered it a con that online shopping did not give a *real shopping experience*, since it is not possible to feel, smell and try on a product.

9.4 Demanded products and price levels

9.4.1 Shoes and clothes

Expatriates think that the suggested price levels are decent on low and medium end brands, but that the high end brands are too expensive. The respondents do not want to spend a lot of money on clothes since they wear them out fast in Dar es Salaam (because of sweat, sun bleaching etc). They would rather buy clothes and shoes from cheaper brands that they are familiar with e.g. H&M, Zara and Converse.

Locals are satisfied with the range of products they can purchase at the local market. They are not interested in buying high end brands online, these kinds of products are possible to find at the second hand market.

Neither expats nor locals are interested in buying underwear online. The main reason behind this is that they want to be able to try them on first.

9.4.2 Sport and kids articles

Basic sportswear and sport articles (football or running shoes, tennis racket etc.) can easily be found on the local market, but they are either fake, bad quality or overpriced. Expats are willing to purchase sports bras, running pants, swimwear and “real-brand” sports equipment such as tennis rackets and golf equipment online. We could also see a high demand in more specialized products that are hard to find in Dar es Salaam, such as sailing gear, scuba diving gear, kite surfing and trekking gear.

Children clothes and toys are highly demanded. The reason behind this is the limited local assortment, overprices and bad quality. Participants think that children items are suitable for e-

shopping since there is a low risk involved when it comes to sizes and fitting. They are also interested in buying items that they can't find here, like DVDs and books in their children's mother tongue.

9.4.3 Electronics and books

The majority of the respondents considered digital cameras and printers suitable items to buy online. The demand is high since there are a lot of fake versions on the local market. TVs are not interesting since they are possible to buy on the local market.

E-books, mobile phones and laptops are possible to buy at the local market. The assortment is really limited though, and it is hard to get the latest models. This product category is one of the few where respondents actually considered the suggested price level as reasonable. The high quality demands increases the respondents willingness to pay for these product category

Respondents are not very interested in buying paperback books. There are a few local English book stores, and their assortment seems to satisfy most people. Expats also describe how they borrow books from each other, and how friends who are visiting are leaving books when they go home.

Local respondents consider electronic products easy to find on the second hand market, though they see a problem with the difficulty to get warranties and the uncertainty of the quality.

9.4.4 Do-it-yourself-products, furniture and kitchen supplies

Neither expats nor locals think that do-it-yourself products and tools are interesting to buy online. Kitchen supplies such as knives and sauce pans are more interesting to expats than to locals. The respondent who were not interested motivated this by that they had a maid who cooked for them, that they ate out most of the time or that they were simply not interested in cooking and had therefore not paid much attention to the quality of their current applies.

The respondents are not interested in buying big, bulky furniture such as beds, sofas and big tables. Expats usually bring this furniture in containers when they move to Tanzania and the locals are satisfied with the local assortment. Expats have expressed a demand for smaller furniture, such as sideboards, lamps and wine racks. Lamps that suits western style are apparently difficult to find on the local market.

9.5 Do you miss any other products on the local market in Dar es Salaam today?

We asked this question since we did not want to miss out on any demanded product category. Both the expat and the local participants missed diapers and beauty products²⁹. Diapers are supplied in the local market, but to a very high price. The local supply of beauty products is very limited and not updated.

9.6 How do you want to pay for the product you order online?

Expats prefer to pay with credit card, even though they know there is a limited amount of companies in Tanzania that accept this. Their second choice is bank transfer and last cash payment. Most locals prefer paying in cash, many of them have not access to a credit card. M-PESA and bank transfer are their second choice. All participants think that advance payment is okay, as long as they get a receipt/guarantee. All respondents have access to cash cards, very few locals had access to debit or credit card.

9.7 What about delivery time? Lead time? Delivery process?

The respondents want to have their ordered products delivered as fast as possible. They think that a delivery time of two to four weeks is acceptable. Some of the participants are willing to pay more for an express delivery.

9.8 Summary of focus group and interview findings

The most demanded product categories for both expats and locals to buy online are: technical goods, children items, beauty products, sport equipment and sport clothes. There are some differences in the demand. Locals have a higher demand than expats on imported furniture, while expats are more willing to buy kitchen equipment from abroad. The price sensitivity is relatively high among the expats and the locals. The expats express that even though they have the ability to pay, they are not willing to pay more than the price level in their home countries. Locals expressed that their price sensitivity is not unique for online shopping, it is applicable for consuming habits in large. This is since they experience that the high increase of inflation has not been followed by an increase in their wages.

²⁹ Cosmetics, fragrance and skin care.

10. Analysis

To analyze the attractiveness of the market for B2C e-commerce in Dar es Salaam we have created a framework that originates from M.E. Porter's "model of competitive industry structure". The Porter model consists of five forces that determine the intensity of competitiveness on a market, and therefore the attractiveness. To adapt the model to suit the immature industry of e-commerce in Dar es Salaam we have slightly changed the content in some of the forces and added a sixth force; market readiness.



10.1 Intensity of rivalry

10.1.1 Structure of competition and costs

The market for e-commerce in Tanzania is fragmented today in the aspect that there are few sellers and many potential buyers. The fragmentation reduces the intensity of rivalry and makes it easier for new competitors to enter the market.

Industries with high fixed costs encourage price-cutting and raise the intensity of rivalry. The fixed costs to start up e-commerce business in Dar es Salaam today are relatively low. The highest costs are variable costs, such as costs of wages. Low fixed costs and no need of stock reduces the intensity of rivalry on the market, and hence increases the attractiveness for new companies to enter the B2C e-commerce market in Dar es Salaam.

10.1.2 Degree of differentiation among the existing companies

Commodity products encourage rivalry, while highly differentiated products that are hard to copy are associated with less intense rivalry. The three interviewed companies sell products of low differentiation. This increases the level of rivalry and decreases the attractiveness for new companies to enter the market.

10.1.3 Costs for potential customers when switching from one e-commerce distributor to another

The e-commerce market in Dar es Salaam is young and the awareness among the customers about the existing local e-commerce businesses is low. Customers do not care from which e-retailer they purchase a product; the important is the product's features. The switching costs to change from one e-commerce distributor to another are very low today, which increases rivalry and hence decreases

the attractiveness of being on the market. On the other hand it raises the level of attractiveness for new companies to enter the market, since low consumer switching costs also lower the brand loyalty.

10.2 Barriers to entry

New entrants can raise the level of competition in an industry, and thereby reduce its attractiveness.

10.2.1 Economies of scale for existing companies

The market for B2C e-commerce in Tanzania is still in an early growing phase. This and the fact that the interviewed companies have a middle-man business model makes the market conditions somewhat different than on more established e-commerce markets.

Economies of scale certainly exist in the e-commerce business as a whole, where the retailer can reduce everything from procurement costs to inventory expenses when volumes increase. The importance thus decreases dramatically for the e-commerce businesses in Dar es Salaam, since they with their current business models strive after serving each customer's individual need rather than buying in bulk.

You can almost say that the interviewed e-commerce companies do a conscious choice not to take advantage of economies of scale, and therefore they do not make up a barrier to entry. In a long term perspective, when the companies will niche their assortments and sell larger volumes, the importance of economies of scale will evidently increase.

The current low economies of scale decrease the barriers to entry and hence increase the attractiveness for new entrants to establish their businesses on the market. It though lowers the attractiveness of the middle-man business model, and the attractiveness for the e-commerce as it looks today in Dar es Salaam.

10.2.2 Capital requirements and access to financing

The capital requirement for starting up middle-man e-commerce business is fairly low. Basically, the only thing that needs financing is setting up a web page and getting business a license.

The low capital requirements do not constitute a barrier to entry and hence increase the attractiveness of entering the market. The difficulties to get financing, on the other hand, do create barriers to entry. The founders of the interviewed companies had all invested their own private

savings, and the thought of getting external investors seemed very distant to them³⁰. In addition to the difficulties of getting venture capital, it is also very hard to get bank loans, and in some cases even to set up a bank account.

The difficulties in finding venture capital and getting bank loans drastically limits the number of entrepreneurs who have the possibility to set up their own business. For industry actors with access to capital though, this decreases the number of competitors and hence increases the attractiveness of being an entrepreneur.

10.2.3 Government policy, bureaucracy and corruption

A factor that constitutes a barrier to entry is the hassle to start up a business and to get all necessary documents in order. As said earlier, it takes substantially longer time to set up a company in Tanzania than in most OECD-countries. When the company finally is registered, there is a steady stream of documents and applications to fill in. The governmental functions are not just inefficient, there is also widespread corruption. This certainly contributes to the hardships of being an entrepreneur in Tanzania, and the founders of all the interviewed businesses witnessed that they had had to deal with corruption at some stage.

The bureaucratic hassle together with the level of corruption means that you as an entrepreneur need to be persistent to get your company established and up running. The level of bureaucracy and corruption constitute a barrier to entry the market, and decreases the attractiveness of the market in large.

10.2.4 Brand identity

The three interviewed companies all have quite a low level of awareness regarding the direct competition, and they more or less all considered themselves as the only serious business on the market. The same applied to the potential customers that we met with in the focus groups. Even though they constituted these companies' target customers, most of them had not even heard of the companies. A few of them recognized the name of the companies, but they had not bought anything from them before. This shows how low the established companies' brand identities are. Since the target customers are unaware of the established companies' existence, they have no lead start compared to new companies. The low brand identities do not constitute a barrier to entry, and increase the attractiveness of the market for new entrants.

³⁰ The exception was the founder of Atsoko, who on the other hand had tried to get European investors, not Tanzanian.

10.2.5 First mover advantage

If there is an advantage of being first at the market, this will make it harder for new entrants to perform in the market and the attractiveness to enter will be decreased.

Leteonline, Kivuko and Atsoko all started up their business during 2010 and the beginning of 2011 and do not identify each other as threats. Due to that the market still is in such an early phase, it is hard to determine if the existing companies have any advantage of being first. The low brand identity shows that none of the existing companies so far have succeeded to become part of the potential consumers' top-of-mind awareness.

The interviewed companies face a big challenge in educating the potential customers in the advantages of e-commerce and in making them include online shopping in their current cognitive mindset. The customers' ignorance and their lack of trust in making business without face-to-face contact give the existing companies more of a first mover disadvantage than an advantage. The lack of first mover advantages increases attractiveness for new companies to enter the market.

10.3 The bargaining power of suppliers

High bargaining power of suppliers will decrease the market attractiveness for new entrepreneurs to enter the market.

10.3.1 The middle-man business model changes the classical seller buyer relationship

Since the three interviewed companies use the earlier described middle-man business model, and do not have products in stock they are as any consumer in the eyes of the suppliers. This makes it a bit complicated to analyze the bargaining power of suppliers. Is it even fair to treat suppliers as suppliers if they themselves are not aware of that they are suppliers? In addition, the Tanzanian e-commerce businesses currently places very small orders, so for most suppliers losing them would probably not have any bigger effect on their business than losing a couple of ordinary consumers.

10.3.2 Undifferentiated assortment decreases the suppliers' bargaining power

The e-retailers sell unspecialized customer goods, and hence they can choose from a large number of suppliers. Since the range of western brands represented in physical stores in Dar es Salaam is rather limited, so is the brand awareness among customers. This decreases the suppliers' bargaining power. The low bargaining power of suppliers increases the attractiveness of the market for new entrants. Something else that increases the attractiveness for new entrants is the fact that the existing

companies do not have established relations with suppliers. This means that the existing companies have no lead start in this area.

10.3.3 Threat of suppliers' forward integration in the supply chain

The threat of forward integration depends on who you see as the industries' suppliers. Since the e-commerce companies use a middle-man business model, the suppliers are retailers themselves. A majority of them have already integrated forward into the industry of e-commerce. As long as the studied companies' business models look the way they do, and the companies act as end customers and buy from retailers rather than producers, this is inevitable. Hence, the current suppliers have not yet entered the Tanzanian market, and it is not very likely that they will in the near future.

If the e-commerce businesses in Dar es Salaam grow, they are probably going to start purchasing in bulk from wholesalers or straight from the producers. Then the threat of forward integration will decrease significantly, since producers of consumer goods very rarely start selling their products straight to consumers over the Internet. The low threat of forward integration increases the market attractiveness for new entrants.

10.4 Consumers' substitution of current shopping behavior

The presence of substitutes can lower industry attractiveness and the profitability in the market.

10.4.1 Consumers' willingness to substitute their current shopping habits to e-commerce

Today most people in Dar es Salaam go to the local market to buy the products they need. The expats are either not aware of the existing possibilities to shop online or they do not find the solutions attractive enough to be willing to substitute their current shopping habits to online shopping. Among the local Tanzanians, their willingness to substitute their current buying habits is a bit different from the expats'. The rich and well-educated locals who are used to travel abroad are in general more aware of the limitations of the supply of products in Dar es Salaam. They are also more used to use the Internet as a tool in their everyday life. Their lifestyle increases their willingness to substitute the local market shopping with online shopping.

A majority of the interviewed consumers agreed on that they are willing to substitute the local marketplace for e-commerce when it comes to buying technical products. This is motivated by that

the local market is crowded with copies and the willingness to buy real-branded technical items is high.

The overall low willingness to substitute physical shopping with online shopping for the potential customers in Dar es Salaam today lowers the attractiveness of the market place.

10.4.2 The consumers' cost of switching to online shopping

Shopping in physical stores gives the customer a possibility to feel, smell and try the products they are planning to buy. This is something that is hard to recreate at the online market, and has been mentioned as a switching cost by the customers in the focus groups. Another cost of switching from physical to online shopping in Dar es Salaam is the social or cognitive barriers. The lack of trust in buying from someone you cannot have a personal relationship with is a big issue for many of the locals in the focus groups.

As mentioned before, the limited usage of credit cards and big reliability to pay in cash to a person you can meet face-to-face decreases the consumers' willingness to substitute shopping in physical stores with shopping online. A summary of the discussion in the focus groups is that the psychological distance to online shopping is large for most locals in Dar es Salaam and they do not have online shopping in their cognitive shopping behaviour today and see therefore the risk of shopping online as a huge switching cost.

What raise the risk of customers not to substitute physical shopping with online shopping are the social and cognitive barriers together with the technical limitations and ignorance when it comes to Internet and online shopping. Therefore it is logical to estimate that as time goes by, with larger internationalisation and development to an "online society world" the adoption of online shopping in Tanzania will raise and the treat of substitutes will decrease.

10.5 The risk of consumer disintermediation

The ability for disintermediation is large in the e-commerce industry. For the consumers in Dar es Salaam it is relatively easy to order directly from the retailer³¹ to a relative or friend living abroad and then get the goods sent down to Tanzania, instead of going through the middle-man agent.

This increases the pressure on the middle-men e-commerce companies to give the customers so many added values that they are willing to pay a superior price for the service. High risk for

³¹ E.g. H&M and IKEA

disintermediation decreases the power of firms in the market, and hence decreases the market attractiveness.

10.6 Market readiness

10.6.1 Estimated market size

There is no exact number of the size of the market for B2C e-commerce in Dar es Salaam. For a consumer to at all be able to shop from the existing online stores, a decent level of English is required. In 2003, 9.89 % of the Tanzanians were labelled as English speaking (Chrystal). This reduces the nationwide customer base from about 42,750,000 people to 4,228,000 people. This limitation of the market can easily be overcome by offering the e-commerce service in Kiswahili. What is harder for the e-commerce companies to affect though is the lack of computers and Internet access. In 2009, only 1.6 % of the population used the Internet. This number has of course increased during 2010, but used as an estimate it reduces the population of about 42,750,000 people to an elite customer base of about 680,000 people.

10.6.2 Consumer readiness

10.6.2.1 Trust issues

In Tanzania, consumers prefer face-to-face communication and many find it hard to trust online shopping, which is perceived as anonymous and insecure. The trust issue is a big obstacle that needs to be handled by the e-commerce businesses in Dar es Salaam. With the current volumes, the e-retailers can handle physical payments by cash, but if volumes grow as expected this will create big logistic challenges and costs. In addition to costs of handling payments, the e-commerce businesses currently put a lot of resources on extensive customer support. The lack of customer readiness in this area decreases the attractiveness of entering the market.

10.6.2.2 Computer and language knowledge

Even though there is a community of middle and upper class households in Tanzania with access to computers and Internet, this does not ensure that they are able to take advantage of the benefits of e-commerce. Lack of English and computer knowledge can widely limit what type of Internet based services a consumer can take part of. English is still the lingua franca of the ICT community (Dutta, S and Mia, I. 2011), and this is valid also for the e-commerce businesses in Tanzania. There is a relationship between Internet usage and the capability in English language, for example in Slovenia

75 % of the population who are fluent English speakers use the Internet, compared to 1 % of non-English speakers (Kshetri, N. 2007).

The companies that we met with had all chosen to have web pages in English, even though Kiswahili is the official language in Tanzania. Since the level of English is rather limited in Tanzania, even in the middle class, the companies' language policy hence excludes some potential customers. Since the Tanzanian customers already find it hard to trust e-commerce, it is even more important that they are able to fully understand the information given in the webpage. The fact that such a big part of the population has low computer and language skills decreases the potential customer base and hence decreases the attractiveness of the market.

10.6.2.3 Consumers' willingness to pay

The e-commerce companies that we met with in Dar es Salaam all sold consumer goods to a significantly higher price than equivalent products in the local market. The explanation to this was that all items sold are original products, and that the quality is superior to locally produced products. When discussing the price quality ratio with the local Tanzanians in the focus groups, it was far from all consumers who agreed on that it was worth paying extra for a product of superior quality. The Tanzanian consumers nationwide also get a low score when the level of buyer sophistication in the country is measured³² (UNESCO Institute for Statistics 2010). The focus on cost rather than quality can partly be explained by that the growth level of wages has not kept up with the inflation. This was a theme that respondent returned to several times during the focus group session. In addition to salaries not keeping pace with inflation, the uneven distribution of income in the country decreases the size of the customer base.

The bigger and more varied the supply of products get in Tanzania, the more consumers will start to notice and appreciate different aspects of quality. This, in combination with a higher standard of living and ability to pay, will probably lead to that Tanzanian customers in some years ahead will base their buying decisions on other aspects than just price. Currently, it is though a challenge for the e-commerce businesses to convince the customers that there is a value in paying a superior price for a product of a specific brand or a certain origin.

³² 2.88 on a scale from 1 to 7.

10.6.2.4 The price transparency's effect on the willingness to pay

Most of the expats in the focus groups demanded foreign products and had the ability to pay for them. They were still reluctant to order them though, with the motivation that they knew that the price level for the same product in their home country was much lower than at the e-commerce businesses' webpages. This reasoning can be explained by the theory about price transparency. If the consumer knows exactly how big the seller's margin is, and perceive it as too high, this will reduce his or her willingness to pay (Granados, N. et al 2004). In the example of one of the e-commerce businesses, Atsoko, the consumer is linked to the original retailer's web page to choose what products to order, and hence gets immediate information on what the original price is. When ordering from Atsoko's web page, the consumer gets additional information on import duties and VAT rates. This results in that the consumer easily can see how big Atsoko's margin is. The price transparency's effect on the consumer's willingness to pay is something that the e-commerce companies must take into consideration when deciding whether to continue with the middle man business model.

10.6.3 Governmental readiness

10.6.3.1 Government e-participation

The Tanzanian government lies far behind many European governments when it comes to using ICTs to simplify the daily life of the businesses and citizens. These numbers show that the Tanzanian government has a long way to go before it fully grasps and take advantage of the possibilities of ICTs. The government's lack of taking advantage of the digital technology complicates the daily business procedures for entrepreneurs; hence it decreases the market attractiveness.

10.6.3.2 Level of taxation

The e-commerce companies that we interviewed in Dar es Salaam all agreed on that bureaucracy and corruption constituted significantly higher barriers to their businesses than the level of taxation. The total tax rate³³ measured in Tanzania is lower than the one in for example Sweden, and the level of taxes' measured impact on incentives to work or invest is equivalent to the world mean (Dutta, S and Mia, I. 2011).

³³ The sum of profit tax, labor tax and social contributions, property taxes, turnover taxes, and other taxes, as a share (%) of commercial profits

The duty and tax rates do not constitute a severe hinder for the e-commerce businesses, and hence do not decrease the attractiveness of entering the market.

“Tanzania has to reduce further the cost of doing business to stimulate supply response at micro-level” Tanzania Investment Center

10.6.4 Infrastructure readiness

10.6.4.1 Access to Information and Communications Technology

The access to computers and Internet is limited in Tanzania, and those who have access are bothered by slow connections or constant power cuts. The customer groups that we interviewed in the focus groups all had access to Internets, but it is still long before the majority of the Tanzanians are connected to the World Wide Web.

The lack of Internet access drastically limits the absolute number of potential customers, from the around 42.7 million inhabitants to a small elite of 684,000 Internet users. The potential consumers' lacking access to Internet limits the customer group, and hence obviously decreases the attractiveness of the market for e-commerce.

10.6.4.2 Lack of access to advanced payment methods

A factor that limits the attraction of e-commerce in the perspective of the potential customers is the limited access to advanced payment methods. Today, most customers must visit a physical office twice when ordering through the e-commerce businesses in Dar es Salaam. The first time is when they want to confirm the order by paying for it in cash, and the second time is when they collect the products that they have order. These procedures, especially in combination with bad infrastructure and heavy traffic, constitute a big transaction cost for the consumers. It also removes one of the biggest advantages with e-commerce, namely the convenience of getting your ordered products straight to your door. The consumers' lack of access to advanced payment methods decreases the level of convenience they experience with e-commerce. This will in turn probably decrease their interest, and hence the customer base. The consumer's lack of access to advanced payment methods therefore decreases the market attractiveness for new businesses.

10.6.4.3 Transportation infrastructure

As said before, Tanzania lies crucially behind when it comes to transportation infrastructure. Even compared to other developing countries, their infrastructure is in a remarkably bad condition. This is both a pro and a con for the e-commerce businesses in Dar es Salaam. It makes it harder for them to expand their businesses and deliver their goods to customers in remote part of the country, but on the other hand it limits the consumer's possibility to travel and hence increases the attraction of e-commerce.

11. Concluding discussion

When evaluating our research question "How attractive is it for entrepreneurs to enter the B2C e-commerce market in Dar es Salaam?", it is equally important to consider macro as mesa and micro factors. Governments, businesses and individuals have a joint impact on the future of this industry.

11.1 How do the macro conditions affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam?

A macro condition that decreases the attractiveness of the e-commerce market for new entrants is the difficulties of getting venture capital and bank loans. Further, the burden of bureaucracy and the high level of corruption decrease the market attractiveness for as well existing companies as for new entrants. The government's low ability to use digital resources to simplify the daily chores of businesses creates extra work and hence decreases the attractiveness of entering the market.

The poorly developed infrastructure in Tanzania contributes to peoples' limited access to information and communication technologies. This in turn decreases the size of the potential customer base for e-commerce, and hence has a negative effect on being an entrepreneur in the e-commerce sector. The same thing applies when it comes to the Tanzanians' limited access to advanced payment methods, such as bank cards. This decreases the convenience that they potentially could experience with shopping online, and hence decreases the number of interested customers. It also limits the geographical catchment area, since most consumers today have to physically visit the companies' offices to pay in cash. The customers' limited access to advanced payment methods hence decreases the attractiveness of entering the e-commerce industry.

Something else that decreases the customer base is the poorly developed transportation infrastructure. The bad conditions of the roads make it hard for the e-commerce businesses in Dar es

Salaam to deliver goods to customers outside the city area. This decreases the customer base and hence lowers the attractiveness of entering the B2C e-commerce industry.

11.2 How do the industry settings affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam?

The middle-man business model used today eliminates the need for the e-commerce companies to hold any products in stock or to invest in physical premises. This makes it easier for entrepreneurs to enter the market, and increases the attractiveness of doing so. The consumers' low awareness of the existing e-commerce companies indicates an absence of first mover advantage, as does the fact that the existing industry actors do not have any agreements or established relations with suppliers. These factors further increase the attractiveness of entering the market.

Today, the studied companies all offer their customers a large range of products. In between them, their assortments are though rather similar, and they are hence not differentiated from each other on any higher level. In years ahead, the current industry actors will probably find their own separate niches and hence become more differentiated. The current lack of differentiation in between the companies suggests market immaturity, and that there is room for new entrants.

Economies of scale exist in the e-commerce industry, like in any other type of retail industry. The established companies on the e-commerce market in Dar es Salaam have though so far not taken advantage of economies of scale. This phenomenon does therefore not decrease the attractiveness of entering the e-commerce market.

11.3 How do the characteristics of the potential customer segments affect the attractiveness of entering the B2C e-commerce market in Dar es Salaam?

The consumers' relatively low willingness to pay a premium price for the imported goods and their low willingness to substitute shopping in physical stores with online shopping decreases the attractiveness of entering the market. The consumers though have a slightly higher willingness to pay for technical goods, and this creates a possible differentiation opportunity.

The consumers' lack of trust in e-commerce and advanced payment methods force the e-commerce businesses to put effort in building trust and educating the potential consumers. This takes a lot of resources from the companies' core business, and hence decreases the attractiveness of entering the market. In a long term perspective, customers' tendency to disintermediation reduces the

attractiveness of the middle man business and hence the attractiveness on entering the e-commerce market on the same conditions as the existing companies.

The limited size of the potential market due to lacking computer and Internet access also decreases the attractiveness of entering the market. As the access increases, so will the customer base and hence the market attractiveness.

11.4 Overall conclusion

When assessing the attractiveness of entering the B2C e-commerce market in Dar es Salaam, the conclusions differ depending on which of the three perspectives that is evaluated. In general, the conditions on the macro level decrease the attractiveness of the market. Some of these conditions will probably approve in just a few years, while others will take longer to change. On the meso level, a lot of the described conditions are depending on the current middle-man business model. Currently, this business model is used by all the companies in this study, but it is not obligatory. The existing companies do not seem to have had any advantage of being pioneers in the market, and hence do not have a lead start compared to new entrants. When it comes to the characteristics of the potential customer segments, there are a lot of conditions that speak against entering the e-commerce market. It is though important to keep in mind that these conditions are valid today and with the speed of globalisation they will not look the same tomorrow.

After having evaluated the attractiveness of the e-commerce market in Dar es Salaam, the overall conclusion is that the current macro conditions decrease the attractiveness, as do the characteristics of the target customer segments. The intensity of rivalry on the market is low, and the established companies do not have a lead start compared to new entrants. Given the current conditions on the market, we would not advice an entrepreneur to enter the market. The attractiveness of entering the market will, however, change as the mind-sets of the consumers and the technical infrastructure develop.

12. Advice to entrepreneurs

Our conclusion from this study is that it is not attractive to enter the B2C e-commerce market in Dar es Salaam during the current conditions.

If an entrepreneur still decides to enter the market, we would recommend niching the assortment to imported technological products and paperback books. This is since the favorable tax conditions on these items will allow the entrepreneur to obtain margins while offering the consumer a decent price. These kinds of products are also highly demanded among the target customers.

If entering the market under the current conditions, an entrepreneur must also be prepared to put a lot of effort and resources in educating potential consumers in how to use online shopping. Further on, they must create an extensive customer support to decrease the consumers' level of perceived risk and anonymity when shopping online. The web page should not only be constructed in English. A version in Kiswahili is important to enhance the feeling of trust to the companies.

An important long term mission for the existing companies will be to develop a business model that gives them the opportunity to decrease their purchasing price, and hence to lower customer prices. One way to manage this can be to cooperate directly with the retailers and to get the permission to sell their products, another to sell products imported directly from the producer under an own brand.

13. Limitations and suggestions for further research

We decided to use focus group as a research method since this is a good tool to get extensive insight in the respondents' opinions. A weakness with this method is though that the respondents can get influenced by each other, and that this affects the quality of the findings.

Something else that can have affected the quality of the research is our own psychological distance to some of the focus groups participants. We only spent five weeks in Dar es Salaam, and this duration is too short to fully understand cultural patterns of a society.

Another factor that has constituted a difficulty has been to thoroughly assess the industry settings. There is no available statistics on how many active e-commerce businesses there are on the market, and the company representatives that we interviewed had a very limited knowledge about the competition. The fact that the interviewed companies were founded relatively shortly before the time for the study also contributed to that it was hard for them to describe what risks and opportunities that existed in the market.

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Focus Group 3 2011-03-14: Roberto, Paulo, David, Sebastian

Focus Group 4 2011-03-17: Micke, Christian, Tommy, Niklas, Lars

Focus Group 5 2011-03-22: Maria, Mari, Mariette, Agneta, Camilla

Focus Group 6 2011-03-23: Abimbola, Chinwe, Ime, Jengo, Kato, Kojo

INTERVIEWS

Interview Atsoko, 2011-03-14 : Marie Engellsson

Interview Leteonline, 2011- 03-27: Mr. Kit

Interview Kivuko, 2011- 03-29: Mr. Amiri

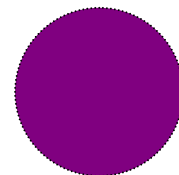
Interview, 2011-03-30: Niyi Owolabi

Interview, 2011-04-02: Mr. Seifden

Interview, 2011-04-04: Godfrey Kamukala

Interview 2011-04-06: Mrs. Pussy

Interview 2011-04-06: Mrs. Rachel



Appendix 1- Glossary

Asante Sana means thank you very much in Swahili

Atsoko means at the market (soko = market in Swahili)

B2B = Business-to-Business

B2C = Business-to-Consumer

E-commerce = Electronic commerce is the buying and selling of information, products and services via Internet

Entrepreneur = A person that has possession of a new enterprise, venture or idea and is accountable for the inherent risks and the outcome

Expatriate = A person who temporarily or permanently is living and working in a country and culture other than his or her native country

Leteonline = Bring it online (lete = bring in Swahili)

Market = a variety of systems, institutions, procedures, social relations and infrastructures whereby parties engage in exchange.

OECD-countries = The Organisation for Economic Co-operation and Development (OECD) is an international economic organisation of 34 countries. It was founded in 1961 to stimulate economic progress and world trade.

Pole Pole = General term used in Tanzania to encourage people to chill out

Sub- Saharan Africa African countries below the Saharan desert

Appendix 2- Figures and Charts

Inflation Rate (Customer Prices) 2003-2011, Source:IndexMundi

Chart 1: Inflation Rate (Customer Prices) 2003-2011Tanzania

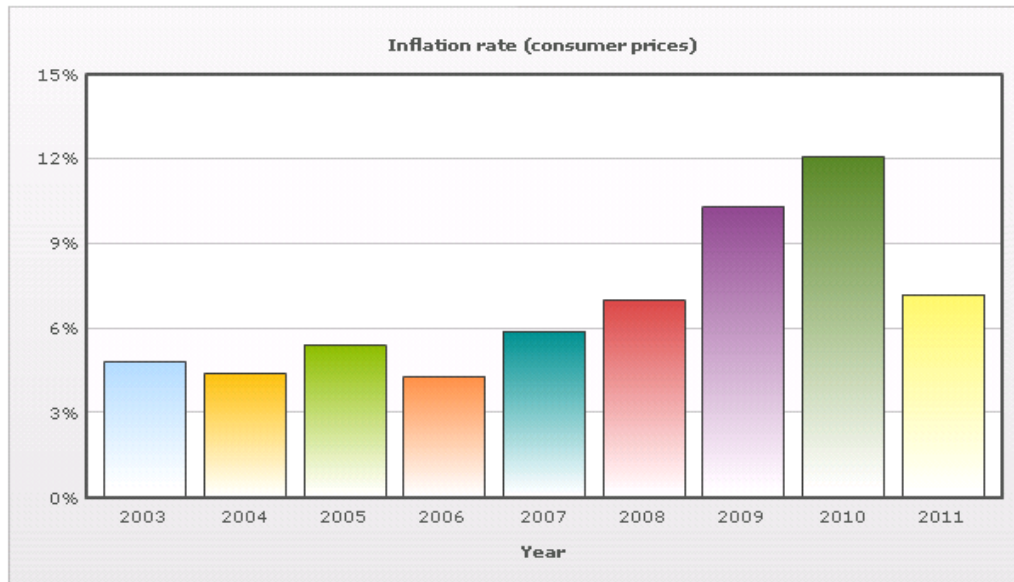


Chart 2: Inflation Rate (Customer Prices) 2003-2011 Sweden

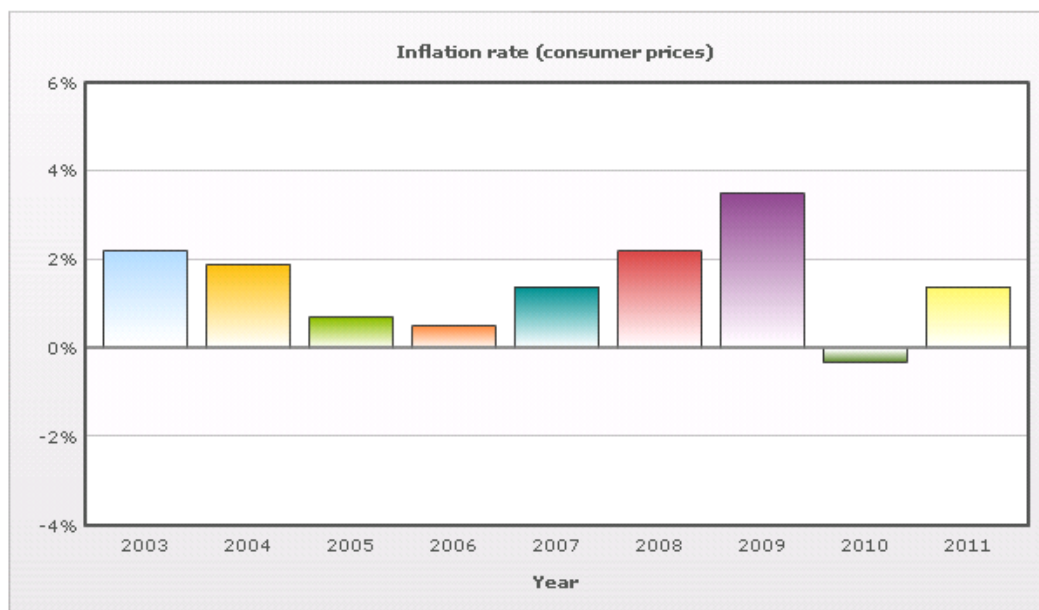
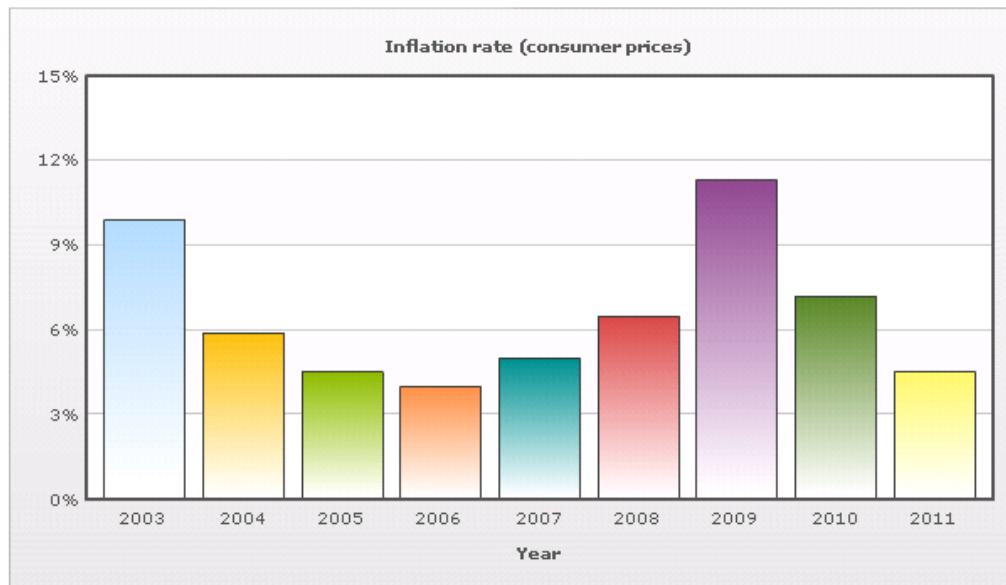


Chart 3: Inflation Rate (Customer Prices) 2003-2011 South Africa



Annual GDP Growth, 2003-2011 Source: IndexMundi

Chart 4: Annual GDP Growth, 2003-2011 Tanzania

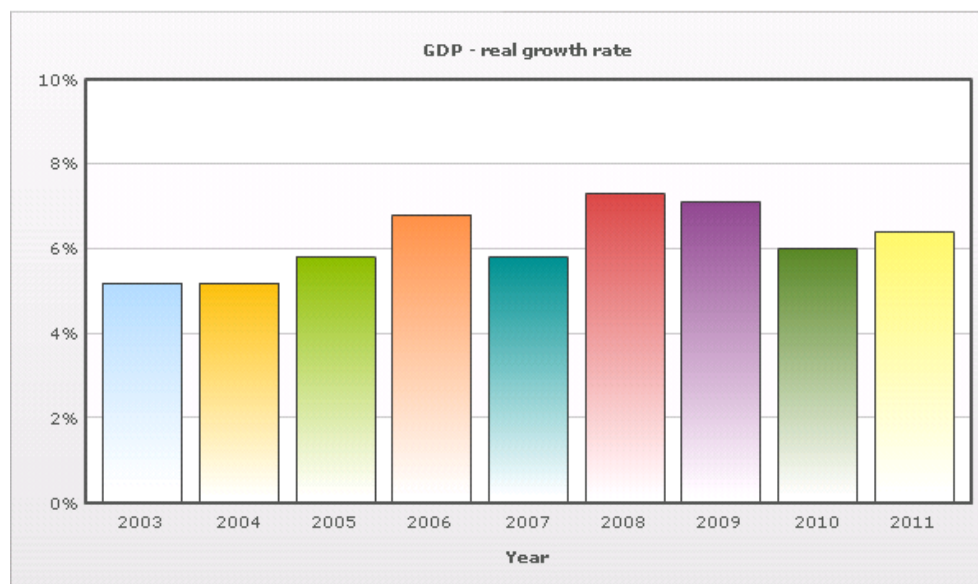


Chart 5: Annual GDP Growth, 2003-2011 Sweden

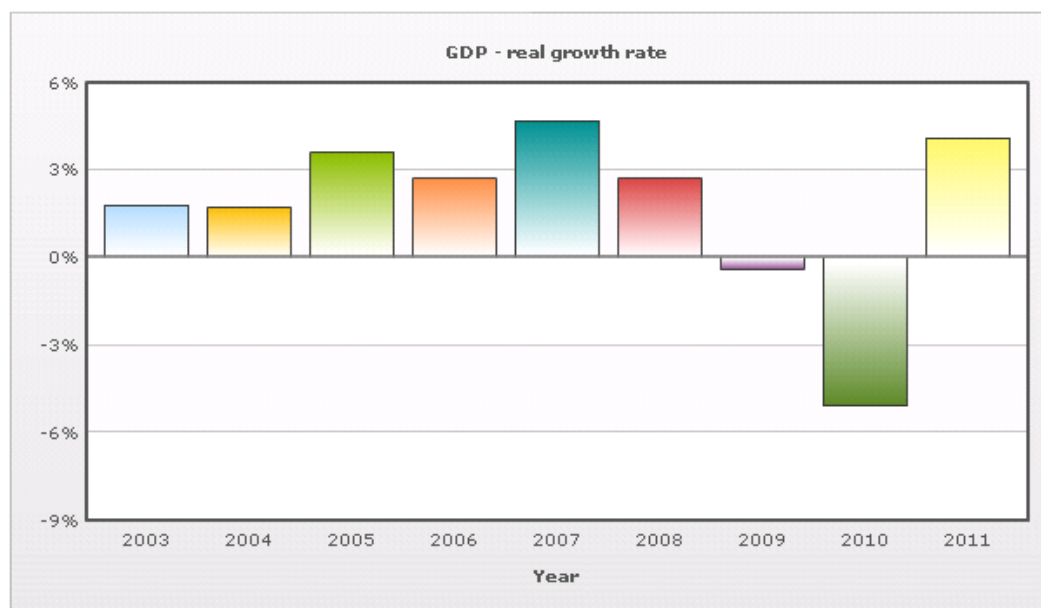


Chart 6: Annual GDP Growth, 2003-2011 South Africa

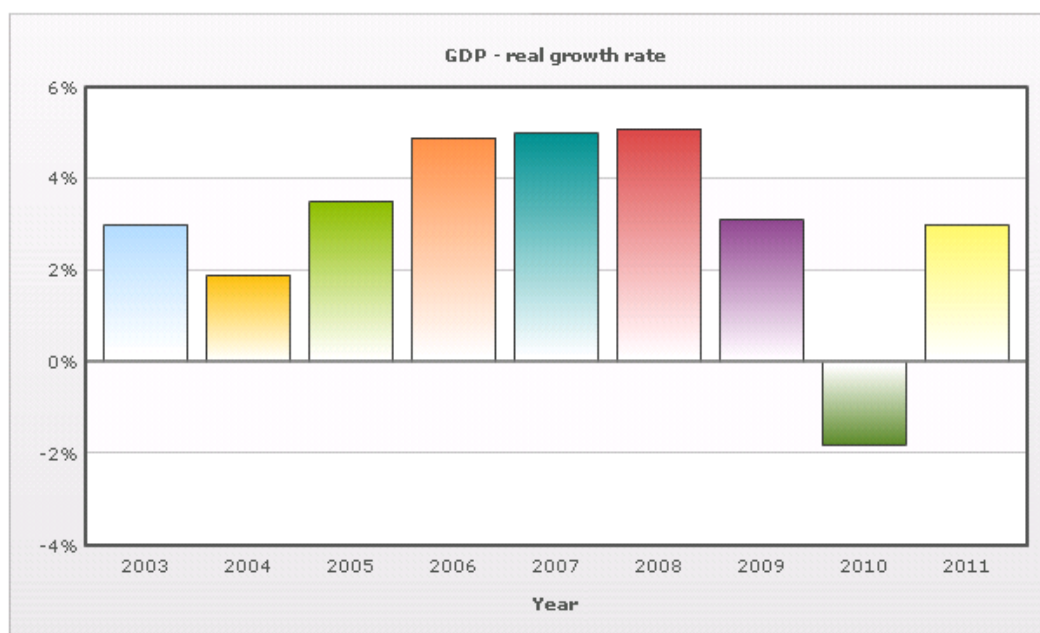


Table 1 : Annual GDP Growth 2010

Annual GDP Growth 2010	
Tanzania	6,10%
South Africa	-1,80%
Sweden	-5,40%
World (average)	4,22%
Africa (average)	4,86%
Sub Saharan Africa (average)	4,67%

Table 2 : Annual Inflation Rate (customer prices) 2010

Annual Inflation rate (customer prices) 2010	
Tanzania	12,00%
South Africa	7,20%
Sweden	-0,10%
World (average)	12,25%
Africa (average)	21,60%
Sub Saharan Africa (average)	23,21%

Appendix 3- Example on the Focus Group Exercise



1, Children shoes
70 000 – 120 000 TZS
46 – 80 USD



3, Children clothes
30 000 – 60 000 TZS
20 – 40 USD



5, Masquerade suit
70 000 – 120 000 TZS
46 – 80 USD



2, Computer Games
35 000 – 255 000 TZS
23 – 169 USD



4, Children DVD
25 000 – 55 000 TZS
17 – 36 USD



6, Toys
60 000 – 120 000 TZS
40 – 80 USD

	1	2	3	4	5	6
I think the price is ok:						
I think this product is too expensive:						
I am not interested in buying this kind of product:						

Appendix 4 - Interview manuscript existing companies

How did you get the idea to start up an e-commerce business in Dar?

1. Explain your business model!

- Do you buy your goods from local agents or do you import?

2. Demand from consumers

- Did you do any research before starting up the business?
- Who are your target customers?
- Which items are the most demanded?
- Are the customers willing to pay for the products, or have people complained over the prices?
- How long are your lead times? Is the customers willingness to wait different depending on which product they have ordered?
- Which is the most popular payment method among customers? Have you had any technical problems with card payments and M-Pesa payments?
- How many visitors do you have per month/day?
- How is the ratio between visitors/purchases?
- How much is the average purchase per client?
- How is the customer loyalty? Returning clients?

3. Starting up a business in Dar

- Did you meet any difficulties in getting a business license and bank account?
- What other difficulties have you met? Corruption, bureaucracy etc?
- Is it easy to get investors in Dar?

4. Logistics and delivery

- Which company do you use for deliveries?
- How has it been to work with them, have you been able to negotiate prices etc?
- Where do you ship goods from?

5. Customs, VAT, rules and regulations

- Have you had any problems getting your products out of customs?
- How does it work with product licenses for eg cosmetics and electronics?
- Is there any product category that you want to sell but that you are restricted to import because of regulations or other reasons?