analyses of how effective and efficient logistics activities impact online retailing: a case of online retailing in Accra

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abstract: this research is to analyze and assess how efficient logistics activities can impact online retailing in Ghana and their ability to meet the requirements and expectations of modern Ghanaian consumers. Consumers’ awareness and interest in online retailing were analyzed based on responses from the interviews. A SWOT analysis is conducted three online retailers (Tisu.com, Kaymu.com.gh and Zoobashop.com) to assess the strength of the industry and the opportunity it presents notwithstanding the threats that are likely to hinder its growth and development. A further Cost-Benefit analysis (CBA) is conducted on the use of online retail websites as an alternative to conventional shopping if not a replacement. The study found that majority of the respondents had adequate knowledge of the industry and that challenges such as online security and cybercrime has been a great hindrance to consumers’ patronage of online products. The market for online retailers is varied and has a very bright potential in the foreseeable future of online retailing in Ghana, targets such as career people in commerce, students, education and public servants among others is a great asset to the industry and if efficient and effective measures are taken to address issues hindering consumer patronage, online purchases could more than double in the next five to ten years.

keywords: Logistics activities, online retailing, Conventional retailing, SWOT, Efficiency, Effectiveness.

i. introduction

over the past decade and since the incision of online retailing in the early 1980s by Michael Aldrich, customers, consumers, agents, distributors, suppliers, and service companies are allowed to be connected on-line to the corporate systems that allows business transactions to be completed electronically in real time (Minicomputer news p.2,1980). This system over the years has facilitated the logistics flow of activities online, from the flow of information (order processing and tracking off goods) to the financial flow (modes or methods of payment) and then the physical flow (the forward and reverse flow of purchased goods and or products).

the flow of activities in online retailing is quiet distinct from that of conventional retail processes, unlike conventional retailing where the customer has access to the physical retail outlet, online retailing is just a virtual representation of the physical shop itself. Either the supplier owns a physical retail outlet that supports its online processes or simply warehouses the products just for distribution to its online buyers. The flow of activities begin when the consumer logs onto the website host platform and puts in an order for a product or good (information flow begins), the supplier on the other end of the retail platform acts on the information upon receipt and processes the order.

the flow of finances in online platform begins at the final stage of the order process, when the consumer after selecting the desired product(s), decides to check out and pay for that particular goods or products selected, many online payment platforms and options exist for the consumer just like in the physical retail outlet, from debit/credit cards usage to Visa and Master cards, bit coins now evolving, money wallets of various forms to the conventional cash on delivery system (COD).
Also in the logistics supply chain, and in online retailing to be particular, the flow of physical goods to the customer is a very critical element and fundamental to the success of the industry. Delivery lead times, modes and means of delivery as well as the cost of delivery affects the processes from start to finish. Convenience which is at the helm of consumer satisfaction borders much on delivery of physical goods in the online retail industry. Unlike conventional retailing where the consumer picks up the purchased goods right after making payment at the retail outlet, in online retailing the retailer is responsible for getting the purchased goods to the consumer through an agreed medium of delivery. The goods must not be delivered ahead of schedule or after the scheduled time, delivering “on-time” key to customer retention and satisfaction.

This paper is organized into six sections with each section comprising of specific and direct focus on the topic. Section I gives a general introduction to the study, section II gives the background of the research, Section III gives an account of the literature reviewed in this research. Section IV describes the methodology employed in this research to collect and analyze the relevant data. Section V analyses and presents the results of the study. Section VI concludes and gives recommendations on the findings of the study.

II. BACKGROUND TO THE STUDY

Until the last three years, entry barriers have restricted the growth and development of e-commerce in Ghana for both consumers and merchants. With the evolution of classified platforms such as Tonaton.com, Adepafie.com, olx.com among others in the past few years, online retailers such as zoobashop.com, tisu.com, as well as juima.com, a Nigerian online retail giant have raged the e-commerce market in Ghana over the past few years. Barriers that have long existed in the e-commerce or online retail arena for years now in Ghana were; Internet penetration, payment systems, logistics and delivery, and most commonly trust issues. Trust is a paramount issue in Ghana and Africa as a whole. Trust is a common denominator in e-commerce in Africa and Ghana to be precise, this has hindered the desired growth and development that the industry has as a potential as new phenomena. The assurance that goods purchased will be delivered as said, the said quality and description, the guarantee of return policies and refund as well as the security and safety of offering personal and confidential information is a great force to reckon with as fraud crowds the internet and various online sites in Ghana and the sub-region.

In Ghana, the issuance use of credit cards as a payment method is very seldom in our payment systems, although Banks and other financial institutions have long been issuing debit cards, its use for payment not until recently began at various malls and shopping centers in the capital with online purchases having the least share. The use of payment methods such as mobile money transfer is becoming very popular thanks to mobile communication companies in Ghana as the general public has accepted this method of remittance in good faith. Cash on delivery (COD), a method of payment where the consumer pays for the product upon delivery; is one that most online consumers in Ghana are certain to trust, is also promoted on most of these online retail sites such as zoobashop.com and tisu.com.

Another issue that has delayed the introduction of online retailing in Ghana is the poor address system that exists in the country. Poor address systems in most cities and suburbs have hindered the effective and efficient logistics and delivery mechanisms. Street naming not until the past two years have become a priority on the governments agenda to collect data and information on the country’s various streets and road and uploading them unto a single platform has not long ago commenced. Nonetheless, some e-commerce and or online retailers in Ghana have done a lot to combat some of these challenges faced by the industry to win consumers trust and allegiance (Fraud to be particular since reports of it are reported day in and day out).

This study contributes to the need to research more on the online retail industry in Ghana and focus on assessing the consumers’ perception, assessment and satisfaction of online retailing. The need for government to invest in improving infrastructure that aids the growth and development of the online retail industry; address system (street naming), investment in the development of road networks, expand existing networks and improvement and extending internet coverage to homes and offices in the country. Promoting and enhancing the participation and penetration of locally produced products in the online retailing industry as a means of improving local content and enhancing the availability of local products on these platforms as well as cutting down on the price of products. It goes further to analyze the strength, weakness, opportunities and strengths of the industry and conduct a cost-benefit analysis on conventional retailing and online retailing and the need for education and public sensitization on the use of online retail as an alternative to conventional retail if not a substitute.
III. LITERATURE REVIEW

Overview of online retailing:

Online shopping shortly evolved after Michael Aldrich modified domestic television to a real time transaction processing computer via a domestic telephone line which eventually became online shopping in 1979 (IEEE, October-December 2011 edition) This opened close corporate information to outside correspondents not only for transaction processing but also for electronic messages as well as information retrieval and dissemination, latter known as e-business (Micheal J. Aldrich, December 1982). In the 1980s, Aldrich launched his Redifon office revolution that allowed consumers, customers, agents, distributors, suppliers and service companies all to be connected on-line to the corporate systems that will allow business transactions to be completed electronically in real time (Minicomputer news p.2, 1980). According to Gilber and Alorie (2004), the first secure retail transactions over the web was either by NetMarket or Internet Shopping Network in 1994. Not long after that period that Amazon launched its online shopping site in 1995, the same year eBay launched its online retail site (Palmer and Kimberly, 2007). Later in 2003 and 2008, Mr.Ma founder of the Alibaba group launched its C2C and B2B websites, Taobao and Tmall, respectively. Higher levels of education, increase in personal income and increasing internet access has corresponded well to a more favorable perception of online shopping. (Bigne, Ruiz and Sanz, 2005) states that increased exposure to technology has also increased the probability of developing favorable attitudes towards new shopping channels. Online shopping provides customers with a wide variety of products more than the traditional bricks and mortar shops, making consumers find products of interest by visiting the various online retailing websites directly or searching among various vendors online using a shopping search engine.

The introduction of shopping cart software that allows consumers to accumulate multiple items, helps them to adjust quantities, giving the feeling of filling a physical shopping cart or basket in a conventional store. One factor that has boosted online retailing worldwide is the increasing introduction and improvement in secured methods of payment, from mobile phone and landline billing (Ioprest and Michael, 2007; Rao, 2010) to the conventional Cash on Delivery (COD) approach, debit card, direct debit in some countries, electronic money of various types, postal money order, Bitcoin among many others. B2C e-commerce product sales totaled $142.5 billion (Mashable, 2011), this represents only 8% of retail product sales in the US (Forrester Research, 2011). According to Forrester Research, online retail industry in the US will be worth $279 billion in 2015. As online shopping becomes more and more popular, sales of conventional retailing reduces, Best Buy, the largest retailer of electronics in the United States reported in August 2014 that its tenth consecutive quarterly dip in sales, attributing the declined to increasing shift by consumers to online shopping (Minneapolis New.net, 2014). In China, where the world’s leading giant in online retailing Alibaba (Taobao and Tmall) has the strongest hold, had over 242 million internet shoppers in 2012 (news.xinhuanet.com, 2013) In developing countries, and in areas where low-income households abound in developed countries, the use and adoption of e-commerce in place of or in conjunction to conventional methods is limited by the lack of affordable internet access.

Logistics activities in online retailing:

The flow of logistics activities in online retailing begins at the point when the customer opens his/her web browser storefront and submits an order to the online retail storefront. The order information is relayed through a secured web server to a payment gateway where the customer completes order with either a credit card or any other recognized payment option on the storefront. The online retail merchant on the other hand receives daily transaction information from the payment gateway website and processes the order for delivery either by retrieving it from the warehouse or manufacturing the product. In the case of Amazon.com, it picks up 90% of items from suppliers using Amazon freight network, saving shipping charges while only 35-40% of other multichannel retailers pick up items from suppliers with the rest delivered to Distribution Centers by suppliers (Chaturvedi, Martich, Ruwadi and Ulker, 2015). Some logistics activities that occurs in online retailing are discussed below

Information flow (order processing):

Order processing is strictly related to information flows in the logistics system and includes a number of operations. Customers may have to request the products by filling out an order form. These orders are transmitted and checked. The availability of the requested items and customer’s credit status are then verified. Later on, items are retrieved from the stock (or produced), packed and delivered along with their shipping documentation. Finally, customers have to be kept
informed about the status of their orders. Traditionally, order processing has been a very time-consuming activity (up to 70% of the total order-cycle time). However, in recent years it has benefited greatly from advances in electronics and information technology. Bar code scanning allows retailers to rapidly identify the required products and update inventory level records. Laptop computers and modems allow salespeople to check in real time whether a product is available in stock and to enter orders instantaneously. EDI allows companies to enter orders for industrial goods directly in the seller’s computer without any paperwork. In traditional shopping, the interaction between users and the physical shop determines the impression the users have of the shop (Chen and Macredie, 2005). In Electronic shops, however, the website may be thought of as a window through which users have their initial interaction with the shop (Zhang and Dran, 2002). Therefore, the design of the website presents users with a comprehensive image of the shop (Tung, 2001). The website becomes the working environment of electronic shops (virtual shops), so it is very important that the website or working environment is user-friendly in order to help users achieve the desired results. Online retailing in most cases and looking at the global online retail giants like Alibaba and Amazon, the platform does not own most of the products found on it, they operate either a Business-Consumer type of retailing or the Consumer-Consumer type of retailing. In this instances both the Business and Consumers are hooked unto a single platform sharing both information access to product along other third party service providers such as express services and payment service providers (Paypal, Alipay etc). When an order is put in by the buyer, the information is relayed to the respective Business (in B2C), courier service selected and the payment service provider used (in the case of Alibaba, Alipay holds the amount paid in an escrow account and releases the money to the respective party once the order has been delivered and accepted by the buyer or a significant amount of time after delivery is made if the buyer forgets to accept on the system. NB: this might differ among various online retailers), the respective supplier then processes the order if in stock or manufactures the product for onward delivery to the buyer. The supplier contracts the courier service provider with the destination details of the product for onward delivery in accordance with the delivery terms and agreement. The courier service provider if connected to the same platform or has its own website provides the buyer with the waybill number and the tracking information about the order placed. Unlike conventional retailing there isn’t much information about consumers personal data stored or kept or even when the transaction is by cash there is no personal data stored at all, in online retailing, the consumer provides a lot of data online, from payment information if not by cash on delivery methods (especially when the whole payment is carried online) to the provision of address detail and consumer shopping history over time. Significant investment and care is taken in ensuring that the online process is secured and very discrete. Customer service satisfaction after sales is also important in retaining the customer since there is no face-to-face interaction with the customer like in the conventional retail outlets; information flow isn’t as simple as in other industries where logistics activities play a major role in ensuring efficiency.

Security and privacy of personal information and data:

Trust in online transactions varies by consumer’s buying experience (Liu, Dixon and Murphy, 2002). For instance, inexperienced e-shoppers might consider security and order fulfillment aspects of electronic retailing more important than other attributes in building trust in online retailing (Jin and Park, 2006). It is very important that online retailers first gain trust, asserting to gain the loyalty of consumers; you must first gain their trust. On the wen, trust is more important than ever for consumers to feel safe and secured in giving personal information when making online purchases. Trust might be more important in establishing loyalty in online retailing than in offline purchasing as stated by Harris and Goode (2004). Most people claim to be very concerned about their privacy, but they do not consistently take action to protect it (Tsai, Egelman, Cranor and Acquisti, 2007). Online retailers detail their information practices in their privacy policy but most often; this information remains invisible to consumers (Tsai et al., 2007). Ben-Shabat et al. (2003), regards cultural reservation as part of Japanese consumers concerns in addressing privacy issues, with regard to credit card use (asserting to the fact that public knowledge about their debt will be sensitive information to be made public or known) CNS news (2005), states that most Americans believe that their right to privacy is under serious threat and expresses concerns about companies and organizations collecting their personal data, Harris Interactive (2001).

Customer service satisfaction (communication and tracking):

According to American Express (2012), with the exception of consumers in France and Japan, over half of consumers in their Global survey have spent more with a company or business because of its positive history of good customer service experience. About 87% of the respondents in India, 82 % in Mexico and 71% in Australia are willing to spend more with companies that they believe provide excellent service (American Express, 2012 p. 7). 33% of American respondents
change brands and or shops due to poor customer service, while 55% walked away from an intended purchase in the previous year because of poor customer service experience (American Express, 2012). Customer service is a very crucial differentiator across the retail industry. Regardless of the fact that the customer’s proposition is a higher value or basic or simple, the challenge becomes to develop a retail service model that treats each customer as an individual and maintains satisfaction and loyalty levels. Today, consumers are not only interested in the product they are being offered but all the extra elements of service that they get; from the treatment they receive at the entrance of the retail outlet to the refund policy, maintenance, installation offers, warranties and help that they receive when they complain about the faulty nature of the product they have purchased (businesscasestudies.co.uk, accessed on March 7, 2015). There is a lot more to customer service than simply having a sign on your wall that reads; the customer is always right (fair trading, 2012). A business may offer quality, well priced product but if a customer receives inferior service before, during and or after the sale, future sales may be lost (fair trading, 2012). Quality customer service could render a lot of benefit to the business such as, increased customer retention, received marketing cost, stronger position in the marketplace, offers a competitive advantage, increased job satisfaction and staff morale and in the long run increase profit.

Financial flow (modes and means of payment):

According to the Pago retail report by Deutsche Card Services (2009), there has been a significant difference in payment behavior between online retail and e-commerce as a whole. In overall e-commerce payment methods, credit cards are clearly ahead as the preferred method of payment in European retailing. Out of every 10 purchases made by consumers in European online retail shops, 8 out of the 10 consumers use credit cards to pay (Pago report, 2009).

Offline payment methods and direct debiting lose importance in favor of credit cards, and even though credit cards offline payment methods such as invoice payments dominate, Cash on delivery (COD) still plays a dominant role in online retailing than in overall e-commerce (Pago, 2009).

The use of online payment methods such as credit cards varies by country. Cultural reservations about debt makes Japanese consumers not to buy online using credit cards, even though it is regarded as the third highest credit card-per-household ratio in the world (6.9 credit cards per household), Ben-Shabat, Morairty and Nilforoushan (2013). Thereby, the invention of the “konbini”, a payment option which allows consumers to make online purchases, prints out receipts and pay cash at local convenience stores is widely accepted and used in Japan. In China and according to China Internet Network Information Center (2012), as of June 2012, 187 million online shoppers used online payment systems to make purchases. iResearch (2011) gives a breakdown of Chinese online payment market systems, yeepay accounted for 3.00%, IPS 2.70%, Huifutianxia 7.40%, 99bill 7.50%, China Union pay 8.40%, Teenpay 20.40%, Alipay 49.00% and others 1.70%. This data shows how competitive online payment market is in China, yet still Cash on Delivery is still a common payment system among contemporary Chinese.

Li and Fung research Center (2012), states that, among various online payment systems, Alipay is the preferred online payment system and is frequently the first option offered by leading online retailers. This shows that despite the wide use of credit cards as a means of online payment dominates in Western countries; the Eastern countries adopt a different approach to online payment structures. Financial flow in the online retail industry has far advanced with the evolution of various online payment systems, this in turn has assured many user of online payment systems of security of their personal data and information provided online. A continues increase in this trend worldwide will help foster the cashless system of retailing not only in the online industry but also in the conventional retail industry thereby increasing efficiency in financial management by retail outlets whose core competencies lie outside financial administration. This will also help increase online purchases in the future partly due to the fact that withdrawing physical cash to pay for goods and or products at conventional retail outlets is worrisome at times, especially when it involves huge sums of amount within a relatively significant distance.

Physical flow (freight transportation):

Delivery is the process of transferring a product from a source location to a predefined destination. Physical goods are primarily transported by roads and railroads whiles shipping lanes by sea and airlines by air, other products such as mp3 downloads and software packages when purchased are delivered through online and other networks.

Sreenivas and T. Srinivas (accessed on 3/5/2015), states that logistics helps to optimize existing production and distribution processes based on the same resources through management techniques for promoting the efficiency competitiveness of enterprises. Managing materials flow from the origin across different geographically distributed
locations to the consumer is the key task of supply chain management, of which transportation is one key process (Chen and Paulraj, 2004). Efficient transportation has become a major component enabling trade and commerce in which it has been accepted as a prerequisite for specialization. This allows production and consumption to occur in different location, creating value and adding place utility to the product or goods which is of need in an area where it is not available.

Ballou (2007), states that transport processes is a significant contributor to every supply chain and are held responsible for the majority of the supply chain cost in many industrial sectors. Transportation becomes a necessary evil in industrial sectors and commerce, particularly when it involves the delivery of physical goods. Blauwens et al. (2008) regards transportation as a service and is, in contrast to goods not to be stored. In e-commerce particularly, transportation is a service to both the seller and buyer in contrast to the sending and receiving of goods, parcels and or products. The service charge is either paid by the seller or the buyer.

Transportation to online retailers are mostly not a core competence thereby the heavy reliance on other third party transport or express courier services in the transportation and delivery of purchased online goods to their buyers and the return of declined or defective products from the buyers at a fee either charged to the seller or the buyer, whichever way the system works. Since transportation is critical in the online retailing industry, competition is heavily dependent on shorter lead times and lower shipping cost. The consolidation and sorting of online goods from various supplier to different destinations has increased hence the establishment of sortation centers by top online retailing giants like Amazon among others. Processed others are shipped by various suppliers to a sortation center set up by the retailer or direct shipping to the customer through independent courier services.

Not only is the forward movement of the products purchased online critical, another important factor to consider in online retailing is the reverse flow of defective or declined products purchased online from the downstream of the chain. Unlike conventional retail outlets where the return of goods is much simpler and convenient to handle, handling of online retail returns is quiet difficult since it always increases the delivery cost or transport cost in this regard. Suppliers need to take extra care with the processing of orders and their labeling, thus the need for the efficient utilization of bar codes and their scanners not only at the warehouses but throughout the whole transport logistics chain, the use of electronic labeling makes it easier to track and deliver goods to the right destinations.

The Jack Ma story (Alibaba, Taobao, Tmall and Alipay in china):

Alibaba, a global giant e-commerce website founded in1999 by English teacher Jack Ma. The advent of Alibaba by Jack Ma began in mainland China, with its headquarters in Hangzhou. The crocodile of the Yangzi River as Mr. Ma referred to, began as a business to business portal connecting small Chinese manufactures with buyers oversea (the economics, 2013). This portal was to help small Chinese manufactures reach out to the lager market outside of its horizon to greener pastures.

Taobao, a consumer to consumer portal from the camp of Mr. Ma, featured nearly a billion products and is one of the 20 most visited website globally (the economist, 2013). This Consumer to Consumers (C2C) web portal opened the gateway for the public to sell and buy from each other. By Chinese standards, Taobao has done a lot to fight fakes, so much so that the American government has given Taobao its official blessing.

Tmall, a newish business to consumer (B2C) web portal that is a sit like amazon help global brands such as Disney and Levi’s reach China’s middle class. This allow business to sell directly to customers going beyond its original remit of connecting business to each other. Tmall.com is a B2C platform owned by Alibaba Group. It was first introduced via Taobao in April 2008 as “Taobao Mall.” In June 2011, Tmall became an independent company after Alibaba Group reorganised Taobao into three companies: Taobao Marketplace (a C2C online shopping platform), eTao (an online price comparison search tool) and Tmall. Since its establishment, Tmall has played an important role in supporting leading local and global brands in their missions to reach out to the growing Chinese consumer base, as well as leading domestic online shoppers to purchase quality, brand name goods. Now, Tmall is the largest B2C marketplace site in China, accounting for 57% percent revenue market share.

Taobao and Tmall processed 1.1 trillion yuan ($170 billion) in transaction last year, more goods than passed through Amazon and eBay contributed (the world greatest bazaar, 2013) Tmall is Asia’s largest B2C shopping platform in terms of revenue. Tmall has more than 57% B2C revenue market share in China. Tmall has over 500 million registered users. Tmall is visited by over 40 million unique visitors every day. Tmall’s gross merchandise value reached 200 billion RMB in 2012, (iResearch Consulting Group, 2013). A wide variety of products, high quality brand products, solid reputation
and credibility and large traffic volume, many well-known global brands have opened up e-shops on Tmall, including as Best Buy, Marks and Spencer, The North Face and Ralph Lauren.

Alipay Company is an affiliate of Alibaba Group, and its product Alipay is a third-party online payment system that relies on escrow process to guarantee that payments and deliveries are fulfilled. During the transaction, the payment from the buyer doesn’t go to the seller’s account directly. It is held by Alipay and won’t be released to the seller until the buyer acknowledges the receipt of the goods. This payment method has played an important role in building trust among users after it was launched. Alipay now partners with more than 100 financial institutions including Union Pay, Visa and MasterCard to provide payment solutions for Tmall.com as well as more than 460,000 Chinese businesses.

Abundant customer data due to the large volume of transactions proceeded on all the Alibaba websites every day, there’s no doubt that this e-commerce giant understands Chinese consumers better than any other company. Tmall, as the biggest B2C online shopping platform in China, has an abundant amount of data about Chinese customers’ demographics, buying behavior and patterns, which shows its potential to support its sellers in selecting their target audience. Requirements for opening up your Tmall shop If you want to open up your shop on Tmall, you need to register your business (which entails submitting all legal and partnership information) in mainland China to set up online store. A trademark in Chinese characters is also required to apply; this can be obtained from the Trademark Office of The State Administration for Industry and Commerce of People’s Republic of China. Six (6) most effective ways to promote your product on Tmall id through coupon, pre-sale, time-limited discount, free delivery, giveaways and group buying.

In a major push into the logistics business, Alibaba Group made an investment of around $360 million in the Haier Group, one of China’s biggest manufacturers and distributors of household appliances (Gough, December 9, 2013, New York Times). The deal calls for the two companies to set up a joint-venture in the logistics business, bringing together Alibaba’s huge online retailing platform and client network with Haier’s logistics unit, Goodaymart, which has an especially strong presence in China’s smaller inland cities and provinces. “Alibaba Group is honored to join with Haier Group to create this platform that will equip China’s manufacturing industry with enhanced nationwide and global access,” Jack Ma, Alibaba’s founder and executive chairman, said in a statement.

Companies around the world are responding to the rapid growth of Internet retail by seeking ways to deliver goods more quickly to buyers. Jeff Bezos, the founder of Amazon.com, proposed using drones to deliver packages to customers in the United States. Other companies, including United Parcel Service and Google, are considering using drones for delivery, too, but are also working on ways to provide so called on-demand delivery. For Alibaba, which is considering an initial public offering in New York that analysts say could make it one of the world’s most valuable Internet companies, one of the strongest selling points to the deal with Haier is a stronger distribution network for the goods that are sold on Tmall.com, its popular business-to-consumer platform. Alibaba says more than 70,000 international and Chinese brands have already set up digital storefronts on Tmall.com, where transaction volumes in 2012 surpassed 200 billion renminbi, or about $33 billion, and hit a single-day global record of 35 billion renminbi on Nov. 11, 2013 (Gough, December 9, 2013, New York Times), a day celebrated in China as ‘‘Singles’’ Day,’’ which is now a nationwide shopping event. The deal gives Tmall.com access to Goodaymart’s extensive network in China, which includes nine shipping bases and more than 21 million square feet of warehouse space. Goodaymart runs logistics and distribution sites in more than 2,800 counties across China and operates more than 17,000 service points. Haier’s logistics and distribution business handles both its own products and those of competitors, that today accounts for most of its sales.

This business line, which Haier Electronics refers to as integrated channel services, reported revenue of 26.6 billion renminbi in the first six months of this year 2013 (Gough, December 9, 2013, New York Times), up 11 percent from the period a year earlier. The deal gives Tmall.com access to Goodaymart’s extensive network in China, which includes nine shipping bases and more than 21 million square feet of warehouse space. Alibaba’s total investment in Haier is worth 2.82 billion Hong Kong dollars, or $364 million, and consists of several transactions. The company will pay 965 million dollars for new shares, representing a 2 percent stake in Haier Electronics. Alibaba will also pay 541 million dollars for a 9.9 percent stake in Goodaymart, and 1.32 billion dollars for convertible bonds issued by Goodaymart that will lift its total stake in the logistics business to 24.1 percent once the notes are converted into shares.

Alibaba has the potential to become the world’s most valuable company and in the process help create better china Alibaba original B2B platform thrived because it help buyers and sellers overcome the lack of information and high search cost Alibaba’s sites account for over 60% of the parcel delivered in china (the economist, 2013) the firm is help by
Alipay its novel online –payments system that relies on escrow (releasing money to sellers only once their buyers are happy with the goods received. This builds trust in societies where the rules of law are weak. The company that started in Mr. Ma’s apartment employing about a dozen employees now employs over 24,000 workers at its headquarters in Hangzhou.

IV. DATA COLLECTION AND ANALYSIS

The primary and secondary source of information and data for this project were collected from the internet; shopping centers (Tema Central Mall and the Junction Mall, and Accra Mall) as well as an online survey of online retail outlets relevant to the study. To complete the secondary source, a study of a prominent online retail website in an advanced country such as China was evaluated. The data were obtained from the field through questionnaire and will be administered through interviews due to the fact that some respondents might not have enough time to read and answer. Data collected related to consumers’ general shopping habit and online retail websites, cost comparison of online retail products and shopping centers and their preference, consumers’ perception of online retail shops, product availability on online retail sites, interest in online purchasing among others. A purposive sampling technique and a nonprobability method of sampling were drawn from selected participants.

Population:

The population of this study used was the Greater Accra region and a sample taken out of this population to help understand some elements and answer some questions in relation to the study. This study also considered the demographic information of the sample and population such as the age, gender, level of education and training and occupation to ensure diversity and accurate representation of data in the study since these factors also play a significant role in online retailing.

Sampling:

The procedure for selecting the sample population was a purposive non-probability sampling. Nonprobability sampling is the selection of respondents because they are available, convenient, or represent some characteristic the investigator wants to study. The sample size involved fifty (50) respondents; 20 respondents from “the Junction shopping Mall”, 10 respondents from the Regional maritime University and 20 respondents from Tema central Mall, grouped according to age, gender and their level of education and their field of work (Occupation). The reason for selecting these participants was because they had the adequate knowledge and understanding of the research topic and that their knowledge facilitated and provided a better understanding of the research questions and objectives. The sample grouping helped understood and gave a diversified knowledge and opinion to the research topic as far as age, gender, and educational background were concerned.

Data analysis instruments:

A comprehensive SWOT analysis was conducted to evaluate the online retail market with respect to; Physical flow of products (forward and reverse flow of purchased products), financial flow (modes and means of payment), Information flow (order processing and tracking of products) online. This research was conducted in a sequential order. One activity in the investigation had to be completed before the start of the other, while some activities were concurrent. The data collection procedure started with an interview to understand consumer’s perception and knowledge of the study. This activity was concurrent with the collection of data for the SWOT analysis. Nonetheless, the data analysis followed a strict sequential order which was different from the collection method; the data from the interviews were analyzed and presented followed by the SWOT analysis.

Initial survey of the selected sample size was conducted through interviews (interviewing key people in the industry); this enabled the researcher get a general overview of the situation from the diverse sample size collected. Responses from the interview data were analyzed and interpreted using Microsoft excel, representing the response in percentiles, charts and diagrams. SWOT analysis was used to assess online retail websites used in Ghana (Zoobashop.com, Tisu.com, and Kaymu.com.gh). This helped to understand the effectiveness and efficiency of these online retail websites by assessing the logistics activity flows; Physical flow of products (forward and reverse flow of purchased products), Financial flow (modes and means of payment), Information flow (order processing and tracking of products) online and considered the strengths and weakness whiles capitalizing on the opportunities that were realized and the threats that exists.
V. DATA ANALYSIS AND PRESENTATION.

The data collected consist of answered questionnaires, responses from interviews, and an online survey conducted. Three hundred and fifty shoppers were randomly chosen from the study area and were assisted by the researcher to provide answers to the questionnaires. A further SWOT analysis was conducted in terms of Physical flow of products (forward and reverse flow of purchased products), financial flow (modes and means of payment), and Information flow (order processing and tracking of products) online.

Age and demography:

The dominant age group was between the ages of 18-25, representing 71.43%, followed by 26-40 years also representing 25.72% of the respondents. Only 2.86% of the respondents interviewed were aged between 41-60 years with none of the respondents aging above 60 years. The findings showed that, none of the respondents who were interviewed were aged below 18 years which is considered as the legal age for a person to be able to transact a legally binding contract in Ghana; also none of the respondents were aged above 60 years which is the constitutional age for retirees in Ghana. It is also worth noting that; majority of the respondents were youth fell within the active labour force of the country (71.43% within 18-25 years and 25.72% within 26-40 years).

As opposed to the notion that shopping for groceries, apparels, appliances and gadgets is dominated by females, 74.29% of the respondents who shop were males with 25.71% representing females. This can be partially attributed to females’ willingness to participate in the study and the location chosen for the study.

In online retailing, level of education is a very key in determining your target market. The use of ICT doesn’t come from ordinary knowledge but through learning how to process and transact electronically.

The majority of the respondents are tertiary educated 99% with only 1% with secondary education background. This indicates that most tertiary educated literates have interest in shopping from formally organized shopping centers and/or retail outlets. None of the respondents were non-formally educated nor primary or junior high educated. This clearly indicates the target market to be focused on by online retailers; the use of a personal computer, PDA’s, smartphones and other internet accessible gadgets requires at least a secondary level education in Ghana. Exposure to ICT and technology is very low at basic and junior high schools in Ghana.

Online retailing has a targeted market, mostly career people who don’t have much luxury of time to spend around shopping centers regularly and yet want a wide variety of product and be able to have it at their own convenient time. 66% were students, 12% worked in commerce (Banking and Finance and Marketing and Sales), and 11% worked in the public and educational sector (Teaching and public servants) with another 11% working in the manufacturing and other industries (project management, construction and maintenance).

From Figure 4.1 above, out of the 97.14% respondents who responded to the questionnaire, 50% of them indicated that they shop from Accra Mall, 17.65% shop from the Junction Mall, 5.88% from the Tema Central Mall and 41.18% from other retail outlets in Accra and Tema (such as supermarkets, thrift shops among others). 35.29% of the respondents shop from more than one shopping center in the city while 64.71% shop from one shopping center, this shows that 35.29% of the respondents are “floating” customers, they shop randomly based on factors such as price and availability coupled with the convenience of getting the product from where ever they may be located.
The data from the figure above shows that, respondents have different reasons for buying products from a particular retail outlet. 41.18% of respondents shop from a particular retail outlet for convenience sake (closeness to the consumer, ease of access and comfort if shopping), another 35.12% buy from certain retail outlets because of the price of products and affordability. 10.71% of the respondents also places a wide variety and availability of products a top priority in selecting a retail outlet. To the consumer, a product should be available upon demand and a wide variety provided (color, design etc.). Only 5.08% out of the total respondents showed interest in the quality of the products offered for sale in retail outlets, 3.82% values prestige as a reason for shopping at a particular retail outlet (for instance, Accra Mall, since it’s the country’s maiden modern shopping Mall, most celebrates and all walks of people hang out over there creating a social networking community for buyers/shoppers to commune with each other). 4.09% valued security of their shopping experience a key concern for selecting a retail outlet.

Note: All the respondents had more than a reason for choosing a particular retail outlet, mostly featured were price of products, convenience of shopping, wide variety and availability and the quality of the product they purchase.

The kind of products respondents mostly buy from retail outlets differ from consumer to consumer.

- Lack of adequate information about how the website works.
- Usability and security concerns due to online fraudulent activities in the sub-region.
- Lack of trust in the payment system
- Time consuming when you have to follow up in person during the purchasing procedure.
- The quality of products and prices attached to them. (making the deal too good to be true)

There were numerous reasons cited by the respondents for visiting online retail websites most of which are summarized below:

- To advertise their products (mostly in the C2C retail websites)
- To search for a product or good.
- To check and compare the prices of goods or products (or in other words “deals”)  
- To purchase products, goods and or services.
- To window shop (to just check out products, goods and or services)
- To find out how online retail websites operates/functions (buying and selling)
Figure 4.3 indicates online retail websites respondents usually purchase from tisu.com 29.40%, 17.66% from Zoobashop.com, 14.19% from Tonaton.com, 12.98% from olx.com, 14.75% from kaymu.com.gh, and 11.02% from jumia.com.gh as online retail websites in Ghana. Others also expressed visiting international online retail giants such as Amazon.com, Aliexpress.com which are not present in Ghana at the moment. The majority of respondents expressed keen interest in purchasing from local online retailers which is a positive sign for the growth and development of the industry.

**Payment system (method):**

Trust in using electronic payment methods is still yet to settle into most online shoppers due to the high levels of internet scam in the sub-region.

From the figure above, 23.08% of respondents used Visa cards to make online purchases on various online retail outlets in Ghana, 61.54% rely heavily on Cash on Delivery (COD) as a safe way of purchasing online, 7.69% used Master card and 7.69% also use various Mobile Money wallets in the country to make online purchases. Asserting to the fact that 61.54% rely heavily on COD as a safe means remittance in online retail demonstrate trust issues in payment information given to online retail websites for the purpose of completing online financial transactions. It is also worth noting that, even though Mobile Money has become a vibrant method of remittance or money transfer in Ghana, it is yet to make it impact felt in the growing online retail industry and to be a core factor featured and strategically incorporated into online retail payment methods even though it exist to enable more and more cashless approach to online retailing on Ghana in the foreseeable future.
Logistics and delivery:
Transportation and delivery of purchased products online is a critical factor in the success of an online retail website, especially if it doesn’t involve the use of experts (third parties) in delivering and handling of purchased goods.

![Delivery Method](image)

Source: field survey 2015.

Figure 4.5 Delivery method
From the figure above, 30.77% of respondents received their products on their door steps after making purchases online, 69.23% picked it up from a courier center, a shop or met the seller at an agreed upon location to receive the product. From the findings, the majority use of the pick-up option as a delivery method is partially due to the delivery charge (15 Ghana cedis and above for delivery within Accra and Tema and more than 20 Ghana cedis beyond Accra and Tema). This indicates that, there is an additional cost factor to the cost of the product purchased that gives conventional shopping an edge in competing over long distances when a consumer will have to pick up a purchased products from a far off courier center.

Security and privacy of information:
Security and privacy concerns of most online shoppers, bothers much on privacy of information and personal data provided when making payment online; Particularly in Ghana and West Africa as a matter of fact, where internet fraud and scam is eminent and at an alarming rate.

![Level of security concerns](image)

Source: field survey 2015.

Figure 4.6 Level of security concerns
Figure 4.6 illustrates that, 74.07% of the respondents are “very concerned” about their security and information details online, 22.22% are “slightly concerned”, thus online security and privacy is not that much of a concern but nonetheless a valuable point to look at, only 3.70% of the respondents are “not concerned at all” when shopping online. Most respondents general concern a centered around security and privacy of personal data alongside other.
Security of personal data and genuineness of products

Trustworthiness of sellers and fear of fraudsters clustering the site

Payment issues (fear of paying into the wrong account)

The risk of hackers and fraudsters getting access to personal data

Description and adequate information about products

Customer-seller confidentiality and cybercrime

Common SWOT Analysis Of Tisu.Com.gh Kaymu.Com.gh And Zoobashop.Com.gh

Strength:

- Good product and services categorization making it easy and quick to find a product contact and help information.

- Checking out and payment process is easy and clear to understand.

- Offers multiple payment options such as Cash on Delivery among others which are to the satisfaction and convenience of the customer

- A purchased product is returnable within 7 days and even up to a month after a purchase is made

Weakness:

- Product description and information is inadequate or insufficient for consumers to properly evaluate and make informed decisions

- No control over payment information and data security

- Order tracking information and cost are not available for consumers to track and monitor orders.

- Product variety and comparison are unavailable

Opportunity:

- Adequate product description and information should be provided to aid consumers in making better assessment of products.

- Consumer rating among others will help other consumers understand and make informed choices when buying specific products on the platform

- Products, goods and services can be displayed in motion (people wearing it on display like models etc.) to show how the product will fit on consumers or let them have a feel of how the product will look on them.

- Capitalize on the use of third party logistics service providers such as DHL, Ghana post, FedEx etc. who are already in the system and enjoy economies of scale which reduces its marginal cost while covering a larger market.

- Partner with online payment platforms such as iwallet and Mpower, which offers most of the popular payment methods on it platform such as mobile money, credit and debit card payment etc. to facilitate and promote a smooth, uniform and secured online payment system.

Threat:

- Likely loss of consumer interest due to convenience provided by conventional shops, the physical feeling of the item purchased and the prestige of shopping in those shops

- Consumer’s reluctance in using online retail websites as an alternative shopping center

- Longer delivery times could result in poor customer satisfaction and a decline in sales volume.
Larger order volumes may increase transport cost component and may affect product delivery efficiency and effectiveness.

Complex and different payment methods may affect operations and will require a specialized and uniform payment point such as Mpower and iwallet online payment systems or a financial management sector setup within the firm to oversee all financial transactions on the platform.

A comparative analysis between tmall.com and the online retailer in this study (tisu, zoobashop and kaymu):

Comparing Tmall as an ecommerce business to the various online retailers in this survey will be quiet difficult from the business perspective since they have different objectives and operate as different ecommerce types (Tmall is a B2C type while those in the study fall within the C2C). Nonetheless, the basic logistics process that forms the entire supply chain of both types of commerce is the same, the information flow; financial and physical flow of goods is treated differently among these platforms but follows the same trend in the flow.

Tmall has established strength in three major sectors the logistics chain; Business entities selling on the platform are mandated to be registered and certified in China, they should either be the manufacturers of the product or brand or the authorized distributors of the products. Online retail platforms surveyed are ordinary conventional retail storefronts but not necessarily the manufacturer or authorized distributor of the product. This is not all that helpful since most sellers on these platforms have lower entry requirements are not obliged to display their quality and compliance certificate thereby allowing both genuine and fake sellers indistinguishable on the platform.

They are also mandated to keep inventory in mainland China, thus reducing lead times and shipping cost as well as avoiding stock-out and avoidable delays in the supply chain. Here meeting delivery time is keen in global online retail competitiveness as almost every company is trying to beat down the delivery time. Tmall.com also has invested with Haier, a major domestic manufacturer and distributor of home appliances in China. They operate a logistics business that has many distribution points and coverage in mainland China. This is to help Tmall.com access a wider customer base that will facilitate its clientele (the Businesses who have storefronts on the platform) a much broader horizon to invest and build in new markets and potential customers. On the other hand and in Ghanaian retailing, the seller’s inventory level are invisible to the online retail platform and that shortages and stock-out situations become eminent and difficult to alleviate. This in turn has also increased delivery time significantly (between 2 to as long as five working days depending on the particular website and he product is to travel outside Accra and Tema, the delivery is longer than 5 days and in some cases cannot be confirmed to the buyer) with high delivery charges. This can partly be attributed to the fact that, these retail platforms handles the delivery of products by themselves and doesn’t optimize the use of consolidation and other strategic delivery tool to beat down cist and improve customer service. This inability to meet the customers’ expectations hinders increase in customer base to other parts or regions in the country, thereby reducing sales volume and slowing down expansion.

With the help of “Alipay” a subsidiary of the Alibaba group that facilitates electronic payments on all Alibaba’s commerce sites, Tmall.com is able to have access to and understand most consumers purchasing habits and demographics. This payment system partners with over 100 financial institutions both domestic and foreign to ensure secured transactions online by assuring Customers and Businesses of a safe business environment before, during and after the product has been purchased. With all these systems in place Tmall.com has total control over almost all the critical areas that might affect the efficiency of the platform. Online retailers in Ghana have quite a different approach to payment systems or methods; they rely on so many different payment methods which doesn’t unify the financial flow on these platforms. They offer at least four different payment methods provided by different financial institutions with the exception of Kaymu.com which has the Kaymu.com safe pay but also uses in addition several other payment options as the others. This sometimes makes it invisible to see and make use of the Kaymu.com safe pay. This phenomenon does not give the platforms enough information and date to better understand their consumer’s demographics and taste in the market.

Online retailing in advanced and growing economies:

A presentation by Jack Ma at the Asian Investment Conference 2013 by Credit Suisse on the topic “The power of online market place and the growing trend of e-commerce globally and in China”. The CEO of Alibaba, made comments on the
traditional retail stores and how e-commerce has revolutionized retail trade in China, and what the future holds for e-commerce.

He first made an interesting comment about the difference between China e-commerce and USA e-commerce. He made a point that USA has better infrastructure for traditional retail business to operate which makes e-commerce a “dessert” to the their already successful retail trading and hence makes e-commerce difficult to over taken the traditional retail. By distinguishing that from the Chinese story, the difference is that, China had a very bad traditional retail infrastructure and that the introduction of e-commerce solved the problems of traditional retail business and therefore overtook traditional way of doing retail business. It is however evident from this point that the success of online shopping is contingent on the availability of the necessary infrastructure to compliment it such that the availability of logistics providers. A 3rd party logistics provider plays an important role in the distribution of goods bought online.

*Interview with an MD of an online retail company in Ghana:*

The interview was conducted at the premises of Kaymu Ghana, an online retail market. The author had interactions with the Managing Director, Louis Mensah. According to the MD, Kaymu is running the C2C type of e-commerce. Based on the common challenges faced by e-commerce operators in Ghana general, he confirmed the following challenges are been faced;

- Poor house addressing system and road network
- Low Governmental support
- Unreliable Public Power Supply
- Education

Kaymu is runs a C2C business model but has its own logistics for goods distribution. This company either delivers the goods to the customer through their own logistics or gives the customer the option to pick-up the item directly from the seller. Studies have shown that business that run their own logistics which isn’t their core operation incur more cost to perform such functions and there outsourcing them to 3PLs proves to be a better option.

*Outline of successful strategies of china e-commerce and 3pl integration and lessons to learn from:*

1. Increased Investment in courier’s services logistics: Investments in courier service providers whose main services were directed to the online shopping industry played a vital role in the overall success of the industry since other providers like DHL, FedEx and Ups and more focused on international freight forwarding than local distribution.

2. According to Foley, J. (2014), China has over 9,000 express delivery firms that employ about 1 million people. It is also know that the state owned EMS is facing fierce challenge from other express delivery firms and it is established that 60% of parcel deliveries are generated by e-commerce activities.

In China, e-commerce businesses are even helping to improve the activities of 3PLs according to Foley, J. (2014). This is because online stores rely on the effectiveness of delivery firms to maximize their operations and also to build better reputation among its customers. Alibaba is investing into building warehouses to complement its Aliexpress.com

**VI. CONCLUSION**

The rise and upspring of organized shopping centers and department stores has contributed enormously to consumers interest in modern redefined shopping habits, hence inciting the educated interest in more convenient shopping experience. Online retailing in Ghana has come at no better time than now, when internet penetration has increased enormously and become very affordable, but inefficient logistics activities hinders it growth and onward development. The potential exist for various online retail platforms (websites) to expand and cover the major cities in Ghana especially Kumasi which has received a relatively smaller share in these developments (modern redefined shopping centers and department stores, hypermarkets and online retail websites).

Students are a very important targets for online retail websites since most of them are centered around a particular location (mostly in hostels on campus or just close by the campus) as they have a defined and easy to locate locations,
access to affordable and reliable internet connection, informed and educated about the convenience and price conscious when making informed decisions about purchases and the benefits of online retail together with the exposure and shared interest in time management and competitive market advantages. Workers in commerce and public sector are a great asset to online retail websites since most of them understand the importance and cost savings that can be realized out of its use along with their reliable and stable sources of income and keen interest in finding products, goods and services.

Conclusively, if adequate and sufficient measures and efforts into improving logistics activities in online retailing, third party service providers engagement in fields such as a single uniform online payment platform (like iWallet or Mpower), efficient management of inventory and delivery schedules as well as improving the efficient circulation of safe and secured information across the platform provided online, increasing the presence of certified brands both local and international and major distributors and manufacturers of consumer products on the platform, the growth of the online retail industry will more than double in the next 10 to 15 years to come. Issues such as product pricing, promotions and discounts, quality, availability and reliability among others if addressed well will increase consumer patronage of online retail products, goods and services.

Online retail websites in Ghana should improve on the following areas: (1) Invest more in promoting brands (both local and international) on their platforms or certified and reliable distributors of products. (2) Invest in logistics infrastructure development, the transport network, warehousing and or sortation or consolidation centers that will serve as a transit point for purchased products if not for temporary storage. (3) Invest in educating and equipping merchants with the know-how to self-fulfill received orders through the payment platform without the need for the platform host to perform such functions and interacts with customers. (4) A platform that is user friendly makes use of the slowest network connection and identifies the location of users by using satellite and map locators to aid users in choosing delivery points for their shipments. (5) A platform that integrates users mobile number, email address and social sites to keep users informed and abreast with new deals and products on the market. (6) Improve their comparability features that bring customers to the feeling of a physical shop and to ensure fast and safe delivery of customer orders in real time and assures customers of money back guarantee and quality products delivery. (7) A platform that makes room for the use of a uniform payment system (such as Mpower and iwallet) which allows credit and debit cards as well as bank to bank and mobile to mobile modes of payments.

Also consumers should endeavor to utilize their smartphones and gadgets that are internet accessible not only for social media and e-mail checks but also to surf online retail websites in the country to glance through products and interesting deals. Better coordinated and educative advertisement and programs should be organized for potential consumers and businesses to explain and get direct consumer feedback to improve and tailor services to meet consumer’s service requirement. Government should also help contribute to the online retail industry by improving on location and street naming addressing system as a means of improving logistics infrastructure. The presence of local retailers in the modern redefined retail outlets is very low (one out of the numerous storefronts) as well as on online retail websites due to low finance to migrate onto the platform. Government should offer some assistance and education to local firms to boost their production capacity and access to a wider market.

REFERENCES


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