Online Shopping Report

JULY 2014

A study of current trends in online shopping in Nigeria
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introduction and background
INTRODUCTION AND BACKGROUND

THE NIGERIAN RETAIL INDUSTRY

The Nigerian retail industry is one that has evolved significantly over the years, moving gradually from traditional to more modern systems. From buying and selling at open-air markets (in both cities and rural areas), Nigerians are increasingly patronising convenience stores, supermarkets and online shops. It has been reported that within the last two years, investments into the industry have grown to over ₦205.4 billion.

The Fast Moving Consumer Goods (FMCG) sector is a huge driver of the wholesale and retail market, and is characterized by low-cost items that usually have a short shelf-life. FMCG items are always in demand and therefore sell rapidly in the market. These goods can be divided into: food and beverages; household care; and personal care products; including items such as food seasonings, over-the-counter painkillers, soft drinks and laundry detergents. It has been estimated that Nigeria’s FMCG sector grew from about $884 million (₦143.6 billion) in 2008 to about $1 billion (₦162.5 billion) in 2011. According to the National Bureau of Statistics, the wholesale and retail trade sector grew by over 9% in the third quarter of 2013, up from the 7% growth recorded in the previous quarter. In addition, the sector was the second largest contributor to GDP in the third quarter of 2013 (after Agriculture).

Changes in population statistics have brought about related changes in the lifestyles of Nigerian consumers. The nation’s current estimated population of over 170 million people is currently growing at a rate of 2.7 percent annually, and has a median age of 18.6. With 84 million people (almost half the entire populace) under the age of 20, and with forecasts for this demographic to account for 52 percent of the population by 2015, the demand for mobile phones, personal care products, electronics and fashion items is on the rise. According to the World Bank, the urban population has also been increasing gradually, rising from 48 to 50 percent of the populace, between 2009 and 2012. Rising economic prosperity, highlighted by an average annual GDP growth rate of 6.8 percent between 2005 and 2013, and modernization of the structures in the major cities have also majorly contributed to the boom in the retail industry.

2 Nigeria BusinessDay article, “Nigeria rides retail revolution on purchasing power, demographics”, 2013
The middle class, which currently comprises of about 23 percent of the entire population (Fig. 1), is estimated to earn on average, between ₦ 75,000 and ₦ 100,000 per month\(^3\). These resurgent and increasingly wealthy citizens, who mostly live in urban areas, are responsible for the vast proportion of increased spending on consumer products and are also the major drivers of investments into the country. For example, Shoprite, the South African retail chain, opened its first store in Nigeria in 2005, and now has eight outlets nationwide (as of March, 2014), with plans to expand further into virtually every major city in Nigeria. This has been made possible by the growing sophistication of the middle class – as a result of which, Nigeria is now generally regarded as the largest consumer market in Africa and one of the largest globally.

The retail industry in Nigeria has become increasingly sophisticated, evolving from open-air markets to modern malls and online shops, mainly due to a growing population, urbanisation, and an emerging middle class.


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\(^3\) Renaissance Capital, “A survey of the Nigerian middle class”, 2011
ONLINE SHOPPING IN NIGERIA

Online shopping is becoming quite popular in Nigeria, due to its relative convenience and the reasonable prices of goods and services available online. In a city like Lagos with an estimated population of 21 million people, the conventional means of shopping, which involves physically visiting stores, can be tedious and time-consuming. The three major shopping malls currently in the city – the Palms Shopping Mall, Ikeja City Mall and Adeniran Ogunsanya Shopping Mall – are frequently filled to capacity during peak shopping hours. In addition, Lagos traffic, difficulties with parking and long queues can create further complications with the traditional shopping process. Online shopping and e-retail in general is further driven by the Central Bank of Nigeria’s “cashless policy”, which seeks to reduce the use of physical cash and increase the adoption of various electronic portals for financial transactions.

According to a recent survey¹, the local online shopping sector grew from ₦49.9 to ₦62.4 billion between 2010 and 2011, and from ₦62.4 to ₦78 billion between 2011 and 2012, representing a 25 percent increase in each period⁴(Fig. 3).

Figure 2 – Growth in the online shopping sector between 2010 and 2012

Data derived from Euromonitor International, 2014

¹ Survey by Euromonitor International, “Non-Store Retailing in Nigeria”, 2014
Online shopping involves the purchase of products and services from a seller, over the Internet. Therefore, the Internet is the channel through which online shopping takes place. As a result, the growth of the online shopping sector in Nigeria is directly linked to increased access to the Internet. Despite the economic challenges in the country, such as low income per capita and frequent power outages, Internet penetration within the country has shown remarkable growth in the last decade. Rising numbers of Internet-enabled devices and decreasing costs of Internet-enabled mobile phones, along with the desire to connect with loved ones are all drivers for increased Internet adoption in Nigeria. The consistent surge in the number of Internet users in the country, from 200,000 in the year 2000 (0.06 percent Internet penetration) to 57 million users in 2012 (32.88 percent Internet penetration), has positioned Nigeria as one of the fastest growing Internet consumer markets in sub-Saharan Africa (Fig. 2).

The growth of the online shopping sector is directly linked to Internet penetration; the number of Internet users has grown from 200,000 in the year 2000 to 57 million in 2012.

Figure 3 – Percentage of individuals using the Internet in Nigeria, between the years 2000 and 2012.

Data derived from International Communications Union, 2013.
SOME BENEFITS OF ONLINE SHOPPING

For the Customer

Convenience: Customers are afforded the luxury of shopping 24/7 and from the comfort of homes and offices. In addition, online shopping is time-saving and cost efficient. With many Nigerians relying on trips abroad, to cities such as London and Dubai to do their shopping, the convenience of having local online stores that cater to customers’ needs is a welcome change.

Variety: Previous studies into online shopping have indicated that many online shops offer more diverse product choices than those provided by physical stores.

Product Comparisons: Online shopping offers customers the convenience of comparing products easily, within and between online shops.

Competitive Pricing: Online stores are known to offer goods and services that are equal in price and sometimes even cheaper than those found in traditional shops.

For the Retailer

Expanded Geographical Reach: Anyone with an Internet-enabled device can access the products and services offered online. Therefore, the online shopping portal potentially provides retailers with a significantly larger customer database than a physical store. Establishing an online also provides the store with greater visibility, increasing access for customers that are in need of the products offered.

Complete Range of Products: By selling online, retailers are given the opportunity to offer products and services that may be difficult to present in a physical store, due to size and space constraints. In addition, an online platform presents retailers with the chance to provide detailed information on each product, which may otherwise be difficult with a traditional shop.

Lower Costs: Although running an online store can be costly and would require continuous investments, other costs associated with marketing and overheads would be significantly reduced. For example, marketing a product or promoting deals to thousands of customers would be much cheaper if delivered via email than by physical leaflets/posters. In addition, an e-store can be updated instantly and as frequently as desired, diminishing the need to print expensive display material.

Online shopping offers benefits to both customers (e.g. convenience) and retailers (e.g. geographical reach)
SOME CHALLENGES WITH ONLINE SHOPPING

Internet Penetration: Countries with highly successful online shopping sectors such as the United Kingdom, the United States of America and Norway, have correspondingly high Internet penetration rates of 87, 81 and 95 percent respectively. This figure currently stands at roughly 33 percent for Nigeria. Moreover, Nigeria’s iGDP (which measures the Internet’s contribution to overall GDP in the country) stands at only 0.8 percent, below the Africa and “emerging economies” averages at 1.1 and 1.9 respectively, and well below the “developed economies” average at 3.7 percent5.

Security Concerns: One of the main problems that could be associated with online shopping is that of the risk of financial fraud and misuse of personal information. Online retailers strongly rely on the use of credit and debit cards, and personal details (such as home addresses and phone numbers) to secure transactions. Consequently, phishing attacks, pharming, and other forms of Internet-related fraud that could potentially occur during an online order placement, are currently huge barriers for online shopping adoption in the country. As a result of these concerns, several online shopping retailers have introduced a “pay on delivery” option, whereby customers can forego entering their financial details online, and instead pay for the ordered items upon delivery. This option however increases the number of physical cash-based transactions (which hinders the aim of achieving a cashless economy) and also exposes online retailers to the risk of “no-shows”.

Preference for the Traditional Experience: Although online shopping offers customers the experience of shopping anytime and anywhere, many Nigerians still prefer the conventional shopping method of physically visiting stores, touching and sampling products.

Risk: Situations whereby the goods ordered do not arrive, inferior quality items are delivered, and problems associated with returned items and refunds occur could also serve as deterrents to the adoption of online shopping channels.

In order to determine the adoption rate of online shopping and the performance of online retailers in satisfying the needs of their growing customer base in the country, Phillips Consulting Limited conducted a survey of consumers and the biggest online retailers.

The results of the Online Shopping survey are presented in the following section.
survey methodology
SURVEY METHODOLOGY

Phillips Consulting Limited carried out a survey from May to June 2014 to measure the adoption level of online retail shopping in Nigeria, as well as to determine how well online retailers were performing in delivering quality service to their customers. The survey sought and incorporated the views of online retailers, as well as end users/customers in order to present a ‘balanced’ view of the industry:

A. The retailer survey was carried out by conducting interviews with senior staff members of leading online shopping companies in Nigeria.

B. The customer survey was carried out using questionnaires that were administered electronically to respondents over a period of 3 weeks. A total of 1,540 people from all 36 states, including Abuja participated in the survey (Figure 4). Their responses were analysed using a simple statistical analysis tool.

Figure 4: Customer Survey - Profile of Respondents

Our 1,540 respondents mainly reside in Lagos, Abuja, Rivers, Oyo, Kaduna and Delta states
findings
A. FINDINGS FROM RETAILER SURVEY

LEADING ONLINE STORES IN NIGERIA

Jumia (www.jumia.com.ng)
Jumia is one of Nigeria’s leading online shopping destinations, and was launched in June 2012. At the time of printing this report, it is currently the 19th most frequented site in Nigeria, and the second most visited online shopping website, according to Alexa Internet. In addition, between the months of May and June 2014, Jumia received an estimated 4 million visits to its website, according to Traffic Estimate. Owned by the German e-commerce company, Rocket Internet, and telecommunications companies Millicom and MTN, Jumia is reported to have secured $50 million (approx. N8 billion) in funding since its launch two years ago. With a 90,000 square foot warehouse in Lagos, and over 500 delivery vehicles, this online shopping giant is able to offer customers in virtually every state, a wide range and number of products.

Konga (www.konga.com)
Konga is another major name in the Nigerian online shopping sphere, and was launched shortly after Jumia in July 2012. According to Alexa Internet, it is currently the 17th most frequented website in Nigeria, and the number one most visited online shopping site in the country. Furthermore, Konga received an estimated 4.5 million website visits between the months of May and June 2014, according to Traffic Estimate.

Konga’s product list is similar to that of Jumia’s, and includes electronics, fashion items, beauty and healthcare products, books, music, movies, games, food & drink, household and office appliances, toys, and groceries.

DealDey (www.dealdey.com)
DealDey Limited was one of the first online shopping platforms to be launched in Nigeria, with operations beginning in March 2011. Unlike Jumia and Konga, it offers products and services to customers at wholesale (i.e. heavily discounted) prices, with services ranging from restaurant and hotel deals to spa sessions. With the main hubs located in Lagos, Abuja and Port Harcourt, DealDey is able to deliver products to most of the major cities in Nigeria. According to Traffic Estimate, DealDey received an estimated 1.5 million visits between May and June 2014.

Other popular online shopping destinations in Nigeria include Kaymu, Buyam, Taafoo, Adibba, OLX, Gidimall, Webmall, Fashpa, Gloo, Egole Shopping, Shoppi.ng, Shopaholicng.com, Mystore.com.ng, Naijastyles.com, Buyright.biz, Forever Living, and scores of other emerging online shops.

There is a growing number of online shops in Nigeria. The biggest names include Jumia, Konga, Dealdey, Kaymu, Buyam, Taafoo and Adibba.

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6 A subsidiary of Amazon.com that provides worldwide web traffic data.
7 An online tool that provides information on visitor quantities and web analytics.
The main findings from our interviews with the major online shopping retailers are presented below:

- Warehouses are located in Lagos, but also operate from other major cities. In addition, it is common to have thousands of merchants scattered across the nation to facilitate service delivery;

- On average, the leading online stores achieve about $2 million worth of transactions per week i.e. approximately ₦1.3 billion per month;

- Currently, no less than 500 orders are placed in a day with each retailer (nationwide);

- Currently, no fewer than 300 nationwide deliveries are made in a day with each retailer;

- Items being returned to the online store are an infrequent occurrence; presently, no more than 20 percent of delivered items are returned to the seller;

- Online merchants most often make use of their own delivery facilities and staff to convey items to customers; however, external couriers such as DHL, UPS and FedEx are sometimes used for out-of-state deliveries;

- The top selling items are fashion products, mobile phones and services (including restaurant and spa deals);

- The most frequently returned items are electronics and clothing;

- The critical success factors in this industry from the retailers’ perspective, include: a nationwide delivery system, value for money, a wide variety of products and services, and consistency;

- Some of the biggest challenges faced by online retailers include poor customer service culture, city navigation and logistical issues, and under-stocked items.
B. FINDINGS FROM CUSTOMER SURVEY

Part 1: Level of Adoption of Online Shopping

How many Nigerians are shopping online?

Many Nigerians are yet to embrace the culture of online shopping. The larger proportion of our respondents (62%) still prefers to shop through traditional retail channels such as open markets, supermarkets, street shops, malls etc. (Figure 5). Many of those who say they prefer to shop online still continue to shop using these traditional channels – nearly 60% admitted this (Figure 6).

Q. How do you prefer to shop?

62% In-Store
38% Online

Figure 5: Shopping preference

Q. Have your in-store purchases reduced since the introduction of online shopping in Nigeria?

Yes 43%
No 57%

Online shopping in Nigeria is still in its infancy

July 2014
Most of our respondents (44%) purchase goods online only a few times in a year (i.e. once every quarter) as opposed to monthly or weekly (Figure 7).

**Q. How often do you shop online?**

![Figure 7: Frequency of online shopping](image)

The low frequency and thus penetration rate of online shopping among respondents is largely due to the fact that many of them are worried about the security of their personal data (21%) and do not trust online payment methods (Figure 8).

**Q. Why don’t you patronise local online retailers?**

![Figure 8: Reasons for not shopping online with local retailers](image)

Data security is a major concern, preventing many from shopping online (more) frequently.
Also, the fear of receiving sub-standard (quality) products that do not fit the customers’ requirements, contributes to the continuing preference for in-store shopping (22% and 21%). See Figure 9.

Q. Why do you prefer to shop in-store?

![Figure 9: Reasons for shopping in-store](image)

These findings imply a need for more modern and innovative collaborative efforts by the Financial, Information Technology and Retail sectors in the country, to make online payment processes more secure in order to gain the trust of more consumers.
On the other hand, respondents who occasionally patronise local online retailers do so because they find it convenient. Their ability to buy goods online at any hour, and from the comfort of their homes appeals to them (Figure 10). These customers enjoy their experiences at Jumia, Konga, DealDey, OLX and Kaymu which comprise 91% of respondents’ favourite online retailers. However, Jumia appears to be the overall favourite (Figure 11). The remaining 9% consist of Adibba, Gidimall, Tafoo, SLOT etc.

Q. Why do you shop online instead of in-store?

- I can shop from home: 22
- I can shop 24/7 online: 18
- Easier to compare and research products/offers: 14
- Better product information than in-store: 8
- Lower prices/better deals than in-store: 8
- Customer reviews of products available online: 7
- Easier to find my favourite brands online: 7
- Wider variety of products than in-store: 5
- Looking for a particular brand/product: 4
- Receiving a promotion via email or text: 3
- I can only get some products online: 2
- Other: 1

Figure 10: Reasons for shopping online

Those who shop online are attracted to the service because of its convenience and flexibility.
Q. Which is your favourite online retailer?

Top five online retailers

1. Jumia 38%
2. Konga 25%
3. DealDey 15%
4. OLX 10%
5. Kaymu.com 3%
Other (9%)

Figure 11: Favourite local online retailers

The leading online retailers provide the following: a simple payment process (20%), wide variety of products (18%) and free shipping of products (12%). For now, less emphasis or value is placed on retailers’ returns and exchange policies. Product quality is also an issue (Figure 12).

Q. What do you like most about your favourite online retailer?

- Payment process is straightforward 20%
- They have a wide variety of products 18%
- They offer free shipping 12%
- Goods are delivered on time 12%
- They have the best deals 11%
- Good customer service 11%
- High quality products 7%
- Returns and exchanges are easy 4%
- They offer free returns 2%
- Other 2%

Figure 12: What consumers value most with online retailers

Enjoying a simple payment process while shopping online is more important to shoppers than free shipping, returns or exchanges
Top selling products include clothing and footwear, electronics and computers and household appliances (Figure 13). In order to determine how often these products were bought as well as the average amount spent on them, select variables were cross-analysed – see figures 14 and 15.

**Q. What products do you buy online?**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Clothing and footwear</td>
<td>25</td>
</tr>
<tr>
<td>Consumer electronics and computers</td>
<td>24</td>
</tr>
<tr>
<td>Household appliances</td>
<td>15</td>
</tr>
<tr>
<td>Books, music, movie, video games</td>
<td>11</td>
</tr>
<tr>
<td>Health and beauty</td>
<td>7</td>
</tr>
<tr>
<td>Home improvement</td>
<td>4</td>
</tr>
<tr>
<td>Jewelry</td>
<td>4</td>
</tr>
<tr>
<td>Toys</td>
<td>3</td>
</tr>
<tr>
<td>Sports equipment</td>
<td>2</td>
</tr>
<tr>
<td>Grocery</td>
<td>2</td>
</tr>
<tr>
<td>Furniture and home ware</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
</tr>
</tbody>
</table>

*Figure 13: Top selling products*

*Expectedly, most of the respondents mainly buy clothing and footwear items online*
The highest proportion of respondents who shop daily buy clothing and footwear (4%) while those who shop just once in a year spend their money mostly on electronics and computers (3%) – Figure 14. These customers who buy electronics and computers constitute the majority of those that spend more than N500,000 (5%) while most of the customers who spend less than N25,000 buy clothes (17%) – Figure 15.

**Top Selling Products: Frequency of purchase**

![Figure 14](image1)

**Top Selling Products: Average Spend**

![Figure 15](image2)

Because clothing items are such a necessity and are generally affordable, they are purchased more frequently. Items like electronics and computers are mostly purchased once a year and on the average, cost a lot more.
Part 2: Quality of Service and Customer Experience

Are customers enjoying their online shopping experience?

More than half of the respondents (51%) have experienced problems while shopping online (Figure 16).

Q. Have you experienced any problems while shopping online?

![Figure 16](image)

Many online shoppers have encountered challenges with the process especially with the inefficiency of the delivery of items purchased.

These problems ranged from a delay or non-arrival of packages (22%) to the delivery of incomplete and damaged goods (2%). Customers also had issues with out of stock items, inaccurate description of items on the website, and payment issues (Figure 17). With such problems, it comes as no surprise that the “pay on delivery” option is the most preferred delivery option (25%); Figure 18. Customers prefer to receive the product and ensure it is in good condition before paying for services.
Q. What was the nature of the problems you experienced?

- Delivery was delayed or did not arrive: 21
- Out of stock: 15
- Item on the website did not match the delivered item: 12
- Payment issues: 11
- Website was slow: 10
- Poor customer service: 7
- Poor quality of products (e.g., faulty goods): 6
- Shopping website was difficult to use/navigate: 6
- Received wrong goods: 3
- Had to pay to return items: 2
- Products were damaged upon arrival: 2
- Package was incomplete: 2
- Other: 2

Figure 17: Problems experienced with online shopping

Q. What is your preferred delivery option?

- Pay on delivery: 25
- Free delivery: 20
- I can choose to get all of my items in one delivery: 15
- Delivery by appointment: 13
- Express delivery: 7
- Same day delivery: 7
- Pick up a purchase from a convenient location: 6
- Pick up at post office or courier: 3
- Purchase online and collect in-store: 2
- Standard postal delivery for non-critical items: 1

Figure 18: Customers’ preferred delivery option

The ‘pay on delivery’ option gives customers a chance to confirm that their order is in satisfactory condition. This (and not even free delivery) is the preferred delivery option.
Local retailers appear to still have a lot to do in the area of resolving customer complaints. Almost 70% of our respondents had contacted online retailers to log a complaint (Figure 19) but not all of their complaints were resolved to their satisfaction. More than half of the respondents (55%) expressed their dissatisfaction with this trend (Figure 20).

**Q. Who did you contact about the problem?**

- **67%** Retailer i.e. site from which item was purchased
- **25%** I did not complain
- **8%** Payment system e.g. Bank, Interswitch etc

*Figure 19: Contact for problem resolution*

**Q. Was the problem resolved to your satisfaction?**

- **Yes** 45%
- **No** 55%

*Figure 20: Satisfaction with problem resolution*
Their discontentment with services provided caused the majority to rate the online shopping experience as needing improvement (50%). 3% rated it as below expectation (Figure 21). Customers also indicated that for a more pleasant shopping experience, they would like a platform through which they could track their purchased goods online (17%), as well as access to live customer service (13%). They would also like an improvement on the flexibility of delivery options and free shipping (Figure 22).

Q. How would you rate the online shopping experience?

![Figure 21: Customers’ rating of the online shopping experience in Nigeria](image)
Q. What would you like your online retailer to improve on?

17% Online tracking ability
13% Availability of live customer service
12% Flexibility of delivery options
12% Free/discounted shipping
10% Ease of returns/exchanges
  8% Option to pay on delivery
  8% Clear returns policy
  8% Variety of brands/products
  8% Number of shipping options
  8% Ability to create an account
  8% Ease of check-out

Figure 22: Areas of improvement for online retailers

Because many customers prefer to pay for their items on delivery, they would like an online tracking tool for that purpose and the availability of live customer service.
**Part 3: Profile of Online Shoppers**

Q. Have you shopped online with any Nigerian retailers over the last 12 months?

**By age**

There is no major age difference between our respondents who shop online and those who do not. Both categories fall into the working class age group. However, more people between the ages of 26 – 35 years shop online than not. In those from ages 36 – 55 years, the reverse is the case. This implies that older respondents are less interested in shopping online (Figure 23).

![Figure 23: Online shoppers by age](image-url)

*Respondents above the age of 36 are not very likely to shop online*
By gender
While 65% of female respondents shop online, only 53% of their male counterparts do (Figure 24).

![Figure 24: Online shoppers by gender]

By average monthly income

Expectedly, there is a direct positive relationship between an increase in monthly income and online shopping activities, no doubt due to the increase in disposable income. 64% of our respondents who earn more than ₦500,000 monthly shop online compared to 46% of those who do but earn less than ₦25,000 monthly (Figure 25).

![Figure 25: Online shoppers by average monthly income]
survey demographics
**Survey Demographics**

The distributions of our respondents are as follows:

- **Age**
  - Younger than 18 years: 30%
  - 18 - 25 years: 5%
  - 26 - 35 years: 7%
  - 36 - 45 years: 30%
  - 46 - 55 years: 23%
  - More than 55 years: 15%

- **Gender**
  - Female: 29%
  - Male: 71%

- **Monthly Income**
  - Less than ₦25,000: 16%
  - ₦25,001 – ₦50,000: 27%
  - ₦50,001 – ₦100,000: 5%
  - ₦100,001 – ₦200,000: 5%
  - ₦200,001 – ₦350,000: 6%
  - ₦350,001 – ₦500,000: 15%
  - More than ₦500,000: 8%
discussion and recommendations
Discussion of Survey Findings

Despite the increasing depth of internet penetration in Nigeria, users do not appear to use it exhaustively for online shopping. Although, the latter’s emergence in the country is fairly recent, steps need to be taken to provide Nigerians with an understanding, acceptance and utilization of the platform. Likewise, efforts by complementary sectors of the economy should be made in conjunction with online retailers to change the mindset of non-users and encourage online retail. For example, issues surrounding the security of customers’ personal information, inaccurate description of products on retailers’ sites, inefficient delivery processes and other non-consumer faults should be kept at a minimum. This ultimately means that online retailers have a role to play in ensuring that customers’ decision to shop in-store is entirely a matter of personal preference.

Perhaps expanding accessibility to retail sites and tailoring available services to more people would increase awareness and usage of the online shopping platform. This could be done by adopting innovative and user-friendly mobile apps that enable customers to shop-on-the-go. Constructing an app that can be used without internet subscription – much like mobile money apps – would attract even more customers, increase retailers’ revenue and subsequently, the contribution of this sector to Nigeria’s GDP.

As with many offerings, it is equally important to attract and retain customers on your platform. Retailers need to be aware of the demands of the average consumer and take measures to meet them in a timely manner. For example, the efficiency of the delivery process – which was a notable sore point for survey participants – could be improved by automating procedures such as address retrievals, returns management and shipping management.

Survey participants who experienced poor quality with regards to the delivery processes indicated that they would rather pay for their items on delivery opt for the cheaper alternative where items are delivered via free shipping. Also, when complaints were made, these problems were not satisfactorily resolved by the retailers. These service challenges were cited as major reasons why consumers prefer in-store shopping instead of adopting online shopping.

Whilst the adoption of innovative advertisement may get non-users to patronise online retailers, it is pertinent that emphasis be placed on the quality of service rendered to customers to ensure retention and support the sustainability of online shopping in Nigeria.
Other Recommendations

Based on the problems associated with the online shopping process, the following recommendations could potentially facilitate its rapid adoption in the country:

**Increase Internet Penetration:** Strategies must be put in place to further increase access to the Internet and draw investments into the telecommunications industry, to not only fuel the success of e-commerce, but also to boost the Nigerian economy. Initiatives such as the Nigeria National Broadband Plan 2013 – 2018, which aims for Nigeria to grow its mobile broadband access to 80 percent of the country’s population, and to grow fixed broadband penetration from 6 percent in 2013 to 30 percent in 2017, should be followed through to completion.

**Improve Marketing Campaigns:** Online retailers must be persistent in the efforts to create effective and relevant advertising campaigns that appeal to the Nigerian populace. These marketing initiatives must explicitly detail the benefits of shopping online, and highlight the experience as a positive alternative to brick and mortar shopping.

**Implement Cashless Policies:** The Central Bank of Nigeria introduced a cashless policy, which encourages electronic-based transactions while aiming to reduce the amount of physical cash circulating in the economy for financial transfers and payment of goods and services. The financial and retail sectors are therefore linked in this regard, as online retailers often rely on the use of payment cards and e-payment portals to secure order placements. Therefore, the Government must take further steps to implement cashless transactions, by encouraging citizens to open bank accounts and/or make use of alternative electronic payment facilities (such as mobile money).

Other measures that could increase the level of adoption of online shopping amongst Nigerians and reduce the costs associated with running an online shop include: the implementation of a robust regulatory framework to guide processes and protect both the retailers and consumers; the development of a comprehensive privacy policy by retailers, to assure customers of the security and confidentiality of their personal data; increased access to and decreased costs of broadband services and Internet-enabled devices such as laptops, tablets and mobile phones; and the improvement of power generation and distribution processes in the country.
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The use of surveys is an effective way of gaining valid and quantifiable information.

The Business Advisory Services Division conducts quarterly surveys into topical economic and business issues in the country.

For surveys, contact: golibee@phillipsconsulting.net or faridaha@phillipsconsulting.net
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