



Developing a Business Model to Advance the Patronage of Nigerian Indigenous Crafts on an e-Commerce Retail Platform

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Abstract

The study is aimed at developing a business model to advance the patronage of Nigerian indigenous crafts on an e-commerce retail platform. In its objectives, the study reviewed the business models of selected e-commerce stores and a telecommunication giant. Thereafter, a business model structure anchored four dimensions namely value propositions, value architecture, value network, and value financing. Findings shows that the unlikeliness of shopping for Nigerian indigenous crafts online can be addressed by creating an e-commerce platform exclusively deployed to promote Nigerian crafts whose business model framework is flexible, sustainable and delivers value to shoppers via innovative management strategies.

Keywords: *Business Model, Patronage, Nigerian indigenous crafts, E-commerce retail platform*

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Background to the Study

The spontaneity of online shopping has remarkably influenced an unprecedented embrace of online retailer-ship across the globe in recent times. The consumer is just a click away from product purchase and its delivery at his or her doorstep in a twinkle of an eye (Khan, 2016). Online retailership is broadly known as Electronic commerce. E-commerce is a business transaction that involves the buying and selling of products, services, and information via computer networks including the Internet (Turban, Lee, King and Chung, 1999; Timmers, 2000; Shrivastava, 2013). The benefits of e-commerce include its around-the-clock availability, the speed of access, the wide availability of goods and services for the consumer, easy accessibility, and international reach (Rouse, 2016). An individual can shop from the comfort of his room or during leisure on his computer or mobile phone. A career woman can order for food stuffs and condiments from an online grocery store while in the office working and get them delivered at her doorstep later in the day. Online stores represent an innovative approach that redefines buying and selling, it introduces the concept of retailer-ship without brick and walls.

John (2011), posited that the history of e-commerce dates back to the invention of the very old notion of "sell and buy". John (Ibid) noted further that ecommerce became possible in 1991 when the Internet was opened to commercial use, since then thousands of businesses have taken up residence at web sites. The internet has been synonymous with online buying and selling since its inception. Companies and individuals have adopted this global vehicle of interface as means of promoting sales of their goods and services within and beyond their areas of domain. The internet is enabled to host online retail stores which are meant to be replicas of the physical retail stores. E-commerce stores allow consumers to shop online for their needs which are delivered at the shopper's destination. American and European retail giants have effectively embraced and explored the versatility of online retailer-ship in bolstering sales of products. Ebay and Amazon are not just the pacesetters in the industry, but the most successful online stores of all times.

Online retailer-ship in Nigeria is still in its infancy, the phenomenon is emerging from southwestern Nigeria. Lagos being the commercial nerve center of the country provides a springboard for emerging businesses. Online retailers in Nigeria are mostly based in Lagos where they spread out to other parts of the country. Some of the indigenous online retailers are Konga.com, Jumia.com, taafoo.com, Dealdey, kara.com, Payporte, Yudala, Kaymu, OLX, JiJi.com, Efritin.com, Gidistores, Helofood, shopandmall.com, Lamudi, Property24, ToLet.com.ng, Checki.com, and Easy Taxi.

E-commerce stores remains a shopper's delight simply due to its dynamism and offering of lower prices as compared to a physical retail store. Online businesses attract fewer taxes, no expenses on physical outlets and reduced cost of advertising. The web which is the fulcrum of interface in online retailing is not expensive to build. It offers relatively cheap platform of connecting with customers across the globe through individualize tailor-made marketing strategies. Sophistication of website technologies and web visual design increasingly serenades consumers experience while shopping online.

Nigeria Indigenous Crafts

According to Encyclopedia Americana International (1995), art and craft is a means of formulating feelings and giving them tangible expression. Arts and crafts are the articulation of the tangible and intangible resources made available by nature for the development of the society and enhancement of lives (Irivwieri, 2009; Mounish 2012; Onyegbu 2011). Traditional craft embodies the knowledge acquired by a particular people or society in their struggle to adapt to the natural environment (Okonkwo & Oguamanam, 2016). Indeed man is naturally endowed with the potentials of influencing phenomenal development and transformation in his immediate environment. Crafts are fundamental in the socio-economic advancement of developing and developed societies. The creative activities functions as a visible source of identity and cultural coalescence.

Noticeably, indigenous craft products are not readily available for patronage by consumers in the Nigerian market, whereas their foreign contemporaries can easily be got at the snap of the fingers. For instance, when couples are about getting married in the southwestern part on Nigeria, both husband and wife travel several miles into the hinterlands to commission weavers of traditional *Aso-oke* which are typically worn by couples and their parents on the day of their wedding ceremony in southwestern Nigeria. Makers of local crafts are simply discouraged from producing these items in commercial quantities because they are unable to get the finished products to markets across the country due to hindrances like crisis, logistics, finance and others.

Hence, developing a business model for promoting Nigerian indigenous crafts on a hybrid e-commerce retail store to enhance the market visibility and accessibility of local crafts will improve the patronage of locally made products and deepening the embrace of e-retailership as an alternative to physical stores.

Aim and Objectives

The aim of this research is to develop a business model for promoting Nigerian indigenous crafts on a hybrid e-commerce retail platform.

The Specific Objectives of this Research are:

- i. to review the business models of selected e-commerce stores ;
- ii. to develop a prototype business model for an e-commerce retail platform;

Literature Review

Theoretical Framework

The theoretical framework for this study is anchored on the Business dictionary definition of models and the Al-Debei, El-Haddadeh, & Avison business model theory. Business dictionary defines model as physical or verbal representation or simplified version of a concept, phenomenon, relationship, structure, system, or an aspect of the real world. The dictionary stated the following as the specific objectives of a model:

- I. To facilitate understanding by eliminating unnecessary components.
- ii. To aid in decision making by simulating 'what if' scenarios.

iii. To explain, control, and predict events on the basis of past observations.

The theory of Al-Debei et. al. posited that business model is an "abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well as all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives". According to Al-Debei et. al the business model structure is hinged on four dimensions notably value proposition, value architecture, value network, and value finance. These dimensions are explained below:

Value Proposition: This dimension implies that a business model should include a description of the products/services a digital organization offers, or will offer, along with their related information. Furthermore, the model needs also to describe the value elements incorporated within the offering, as well as the nature of targeted market segment(s) along with their preferences (Al-Debei and Avison 2010).

Value Architecture: It portrays the concept as a holistic structural design of an organization, including its technological architecture, organizational infrastructure, and their configurations (Al-Debei and Avison *ibid*).

Value Network: It depicts the cross-company or inter-organization perspective towards the concept and has gained much attention in the model literature (Al-Debei and Avison, *op.cit*).

Value Finance: It depicts information related to costing, pricing methods, and revenue structure (*Ibid.*).

The business models adopted by some selected multi-national companies in their diverse method of operation are discussed in the following:

ebay

With more than 100 million active users globally (as of Q4 2011), eBay is the world's largest online marketplace, "where practically anyone can buy and sell practically anything" (eBay.com, *ibid*), eBay connects a diverse and passionate community of individual buyers and sellers, as well as small businesses. Their collective impact on ecommerce is enormous: In 2011, the total value of goods sold on eBay was \$68.6 billion – more than \$2,100 every second (eBay.com).

Models of Existing Businesses

The Business Model in of eBay in Fig 1 is an online person-to-person trading community on the Internet, using the World Wide Web. Buyers and sellers are connected in a manner where sellers are enabled to list items for sale and buyers to bid on items of interest, also both sellers and buyers are able to surf through all listed items. The items are arranged in

categories, and each type of auction has its own category. eBay has an efficient globalized traditional person-to-person trading, which are basically conducted through such forms as garage sales, collectibles shows, flea markets and more, with their web interface. This allows easy searching for buyers and enables the sellers to immediately list an item for sale within minutes of registering. Browsing and bidding on auctions does not incur any charges, but sellers are charged two kinds of fees. The eBay Australia has introduced 30 free auction-style listings per month and thereafter the seller is charged 'Insertion Fee' (conditions apply) (Teamcaffeine, 2012).



Fig. 1: eBay's Business Model (Teamcaffeine, 2012)

EBay also upsells its listing fees with enhanced auction features, including highlighted or bold listings, featured status, and other ways for sellers to increase the visibility of their items. On completion of the auction, eBay informs the buyer and seller through email. Completing the transaction is then up to the seller and the buyer, and eBay charged its final value fee independent of payment and shipment. The ebay model demonstrates a viable framework which the proposed online store will take a cue from, especially in charging value fees from purchased products.

Amazon

Often considered as the biggest online retailer in the world, Amazon adopts the business model shown in Fig 2. This model is multifaceted in approach; the company sells goods directly to the buyer. Investopedia (2015) posited that certain percentage of products is offered to buyers through Amazon's online storefront with a small markup, and inventory is kept in the company's large network of warehouses. Shoppers buying on the company's site presume the products are cheap, readily available for purchase and shipping.

The company also offer direct sales, Amazon enable other retailers who sell to buyers. Products sold through Amazon's partner retailers are often less common items or those with a higher purchase price, allowing Amazon to avoid holding slow-moving inventory that could dilute profit (Investopedia, 2015). Amazon does not charge its partner its retail partners when listing products for sale. However, the online store retains certain percentage of the sales price as commission.

Amazon creates a subscription-based business model through its Amazon Prime service and its electronics product line. The Prime account enable customers pay an annual fee to secure free two-day or same-day shipping on eligible items and gain access to streaming media, such as digital music or movies. Amazon generates income from selling its e-reader, the Kindle e-book mobile application which offers its users the accessibility to books on Amazon. Sales on the proposed site will be excited by adopting a strategy which allows buyers to buy at lower prices as compared to physical stores.

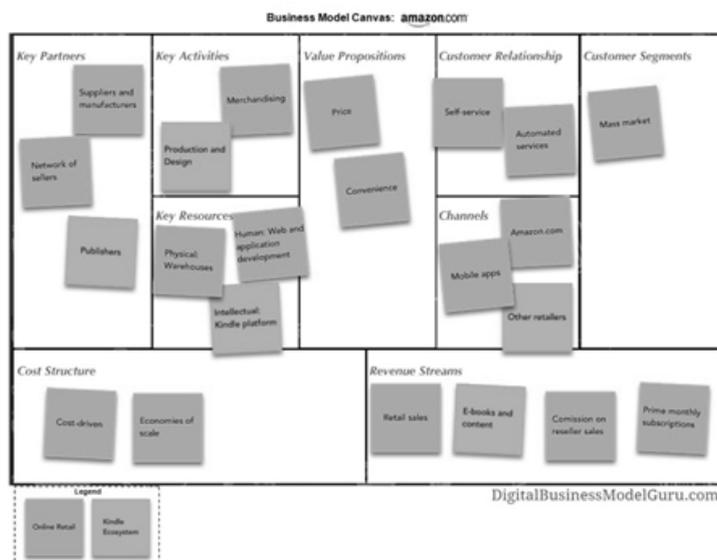


Fig 3: Amazon's Business Model (digitalbusinessmodelguru.com)

Alibaba

Alibaba set the pace in the Chinese e-commerce market, by all standards it considered to be the biggest in the world. The sales record speaks volume. Alibaba is as a mix of Amazon.com, eBay and PayPal with a dash of Google thrown in, all with some uniquely Chinese characteristics (Dhamija, 2014). Unlike Amazon, which buys goods from suppliers and sells them to customers, Alibaba act as a middleman, connecting buyers and sellers and enabling transactions between them? While it isn't an auction company, its middleman role is similar to the one played by eBay.

Osawa, (2014) noted that Taobao, Alibaba's biggest website, is like a gigantic Chinese bazaar with about 760 million product listings from 7 million sellers. Sellers don't pay to sell products on Taobao--and that fee-free model in Fig. 3 is a big part of its appeal in China. However, sellers pay Alibaba for advertising and other services that allow them stand out from the crowd. Much like on Google, the ads from merchants appear with Taobao's product-search results.

While the majority of sellers utilizing the Taobao website are smaller merchants, Alibaba also has a dedicated space for larger retailers (Osawa, ibid). Tmall is the e-commerce site owned and operated by Alibaba that caters for well-known brands, including Gap (GPS),

Nike (NKE) and Apple (AAPL) (Investopedia, 2015). Tmall has a fraction of the number of active sellers listed on Taobao, Alibaba and is able to generate revenue from deposits, annual user fees and sales commissions charged to retailers utilizing the site.



Fig4. Alibaba Business Model (Osawa, 2014)

Osawa, (ibid) further disclosed that Alibaba has already surpassed U.S. e-commerce firms. In 2012, the combined transaction volume of Taobao and Tmall topped one trillion yuan (\$162 billion), larger than the 2012 totals for Amazon and eBay combined. Alibaba's revenues are a fraction of Amazon's because it doesn't actually sell the products on its site. But the Chinese company is far more profitable, in the three months through September, the most recent numbers available, Alibaba's revenue rose 51% to \$1.776 billion from a year earlier. Net profit stood at \$792 million, giving the company a net profit margin of 44.6%, according to shareholder Yahoo Inc., which owns a 24% stake in Alibaba. In the same quarter, Amazon posted a loss of \$41 million on revenue of \$17.09 billion (ibid).

The company has also emerged as a huge player in China's creaky financial system. To solve the problem of buyers trusting the merchants on the site, Alibaba created Alipay, which is a payment system that protects buyers if sellers don't deliver. Alipay has become so ingrained in China, that when the company launched a money-market fund, it grew to be one of the world's largest in just eight months (ibid). Hybridity will be resonated in the proposed cynosure online store through the creation of an integration facility that allows sellers to own dedicated exclusive mall online or list their products individually on the site.

Bharti Airtel

Airtel outsource the telecom network infrastructure development and maintenance to a consortium around Ericsson and IBM. This idea challenged the established rationale that Telecom Company's core business is to build and maintain its telecom network. Bharti Airtel primarily focus on creating great value propositions for customers instead, and outsourced the other aspect of its operations. Bharti Airtel transformed fixed capital expenditure costs in equipment purchase, maintenance and infrastructure development into variable operating costs based on how much network capacity Bharti Airtel was

consuming. This revolutionary cost structure reduced Bharti Airtel's price per minute to an unbeatable \$0.02, and gave the Indian giant more flexibility to improve its offerings (Amarsy, 2015).

The proposed online store intends adopt some aspects of Airtel model in partnering courier agents in delivering purchased products to buyers destination. Also, the sites network infrastructure maintenance and marketing will be outsourced to information technology outfits.

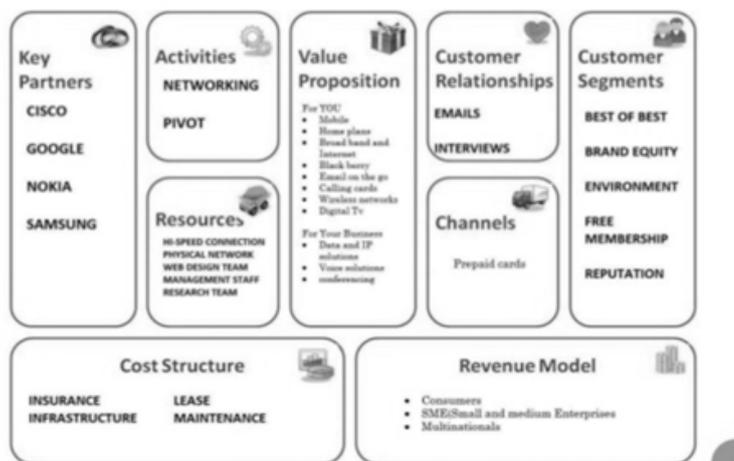


Fig. 5: Business Model of Airtel Source: Amarsy, 2015

Methodology

This research design adopted for this study is descriptive and qualitative. An in-depth review of business model structures of three e-commerce stores and a telecommunication giant were conducted descriptively. Thereafter, a multidimensional prototype business model structure was developed with inferences from the evaluated business existing models for promoting Nigerian indigenous craft on a retail platform

Discussions of Findings

The model structure of the proposed business model of online store named “CYNOSURE.COM” are discussed below in relation to value preposition, value architecture, value network

Value Preposition

The proposed “cynosure.com” is an online marketplace that connects buyers with sellers. The site is structured to be the middleman coordinating the shopping process and whose role is similar to that of eBay and Alibaba. Sellers will be expected to list in to the different categories through the site administrator Product listing on “cynosure.com” are exclusively Nigerian cultural crafts. Producers and sellers of craft items will have the access to list their products for free. But they will be charged transaction fees when any of the products is purchased online. The sellers can stand out from the crowd by promoting their products and this will be charged accordingly.

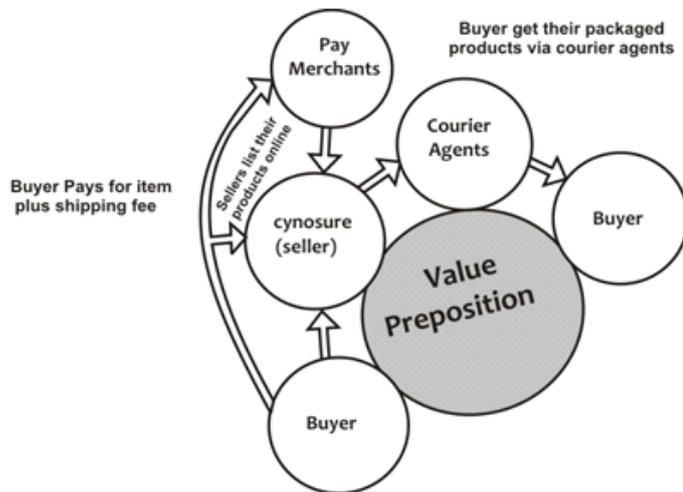


Fig. 8:Cynosure.com Value Preposition Model (Researchers work, 2016)

Value Architecture

The design architecture will embrace latest trends in online store development. The online store development will be in two phases. These are basically website development and website design. The web development will center on the interface design, interactivity and creation of a database which facilitate online response in real time. While the web design will focus on the user experience and overall visual components of the online store site. The sites architecture has to enable a user centered online platform. The site also features easy navigation and visually oriented cues which guide users throughout their stay on the site regardless of their prior exposure to online stores. Value in the site architecture will also be reflected in its facility which allows users to conveniently personalize their products.

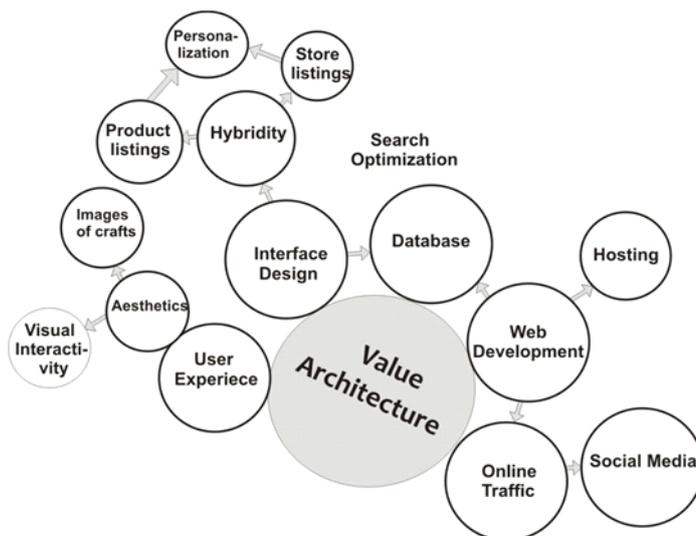


Fig. 9: Cynosure.com Value Architecture Model (Researchers work2016)

Value Network

Whenever a shopper purchase an item from the store, the shopper's product request is communicated to the seller who is bound to ship the product to the buyer through an appointed courier service. The buyer can either pay on delivery or through the network of dedicated pay merchants. For a start the store will partner the National Council for Art and Culture to help galvanize some of the producers of local crafts to key into the window of opportunity provided by the platform in boosting sales of their product.

Value Financing

The intended source of financing for this store includes a 10% transaction fee, advert charges and rental fee from sellers that might want to have individualized store on the platform. Also, it is envisaged that the National Council for Art will be interested in endorsing the store.

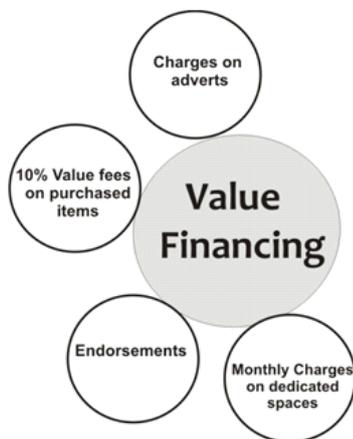


Fig. 10: Cynosure.com Value Financing Model (Researchers work (2016))

Key Partners

These strategic partners are essential in driven the e-commerce store value chain. The stakeholders are crafts sellers, buyers, pay merchants, courier agents and National Council for Art and culture. Similarly, some components of the store structure will be outsourced to some of the stakeholders who will eventually become shareholders in the business.



Fig. 10: Cynosure.com Key Partners Model (Researchers work, 2016)

Key Resources

The online store hopes to leverage on its key resources which are the design team, site administrators, management staff and high-speed connection to boost traffic and execute shopper's requests.



Fig. 11: Cynosure.com Key Resources Model (Researchers work, 2016)

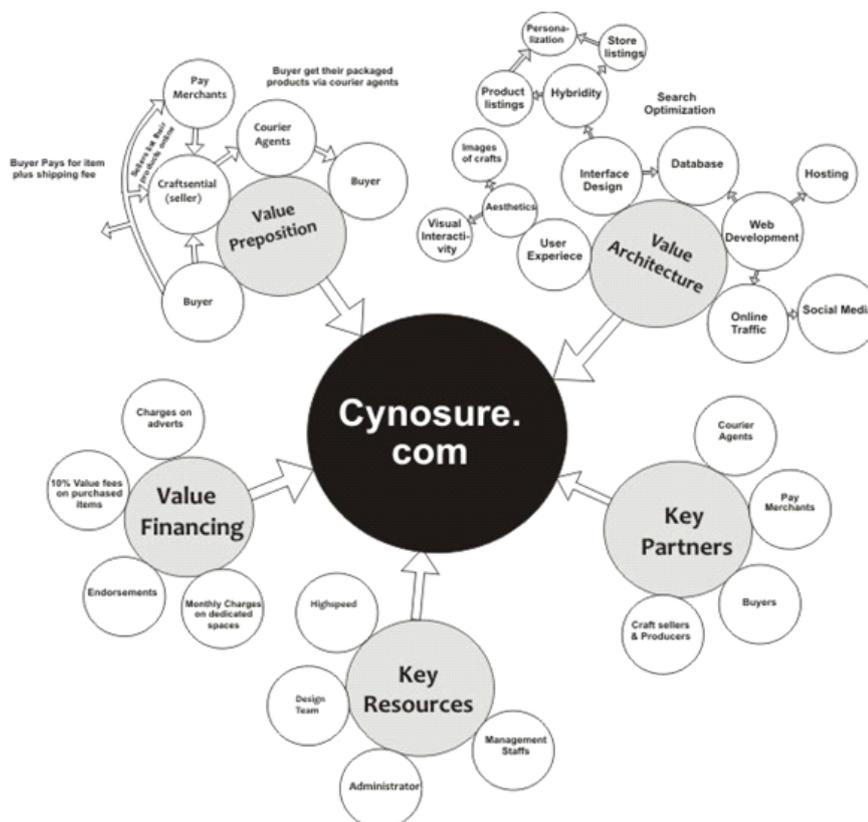


Fig. 11: Business Model for Cynosure.com e-commerce store (Researchers work, 2016)

Conclusion

This study has shown that a robust online business model can be conceived as a blueprint for developing an e-commerce store targeted at promoting indigenous crafts in advancing patronage. Features of this business model are coherently integrated with a dynamic approach to aesthetics, interactivity and user-experience which enables the e-commerce store to compete favourably with existing ones. The business model guarantees high return on investments for the online store managers and other partners in business.

An online retail store exclusively deployed to promote Nigerian local crafts will provide the market exposure for sellers both within and outside the shores of the country. Nigerian crafts can contribute enormously to the growth of the economy. Thus, a surge in patronage of locally made product will have its multiplier effect on the economy. Also, listing of these crafts for sale on an online platform will also encourage the adoption of best practices by the producers of crafts from production to packaging for sales to attract the global audience.

Recommendations

Producers of craft works must focus on churning out high value works that resonates elegance, functionality and desirability to attract patronage online.

- I. To elicit interest of shoppers, images of craft works displayed on e-commerce stores should be clear, sharp and appealing.
- ii. Nigerian indigenous e-commerce stores should lay much emphasis on promoting locally made products to encourage local producers.

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