E-commerce capabilities of a Ghanaian used car retailer

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Firm profile

The firm began in 2003 as a general merchant which sold used-cars to Ghanaians through the internet. The company was registered in 2004 as a sole proprietorship firm and became a limited liability company in 2005. The business objective of the firm is to provide Ghanaians with a convenient medium for buying their choice cars at a relatively affordable price. The cars are imported from Germany through a partnership with a German used-car retailer. The firm has no physical warehouse or showroom; the cars available for purchase are catalogued on the web site. Potential customers contact the firm through the web site, e-mail and telephone to place their orders; the cars are then requested on their behalf. The customer makes a payment of US$800 to cover shipping expenses, in addition to the cost of the car. He or she has the option of letting the firm process the car through customs, getting it registered and/or insured before the keys are officially handed over to them. These services usually attract an extra charge of between US$250 and US$800. The business process diagrams for pre-purchase, purchase and delivery activities are shown in Figures 1 and 2.

The firm has two business units; the automobile sales unit which focuses on selling cars to Ghanaians through the internet, and the web site development unit which focuses on providing web site development services to Ghanaian firms. The web site development unit was initiated in 2005 as a response to needs of clients who had directly or indirectly interacted with the firm through its automobile sales unit. Due to resource constraints and the strategic focus on the automobile business, the service is not advertised on the firm’s web site. It is only available upon request.

The firm operates a staff of five core members; two of whom are full-time employees – the managing director (also the owner) and an office assistant – and three part-time employees – an internet marketing strategist and two directors. The managing director has a bachelor degree in renewable natural resources and a postgraduate diploma in advanced information technology. The directors, a bank manager and a state-owned corporation director, have tertiary degrees and professional certifications in banking and real estate management, respectively. They advise on major partnership decisions. The office assistant has a higher national diploma in marketing. The internet marketing strategist has a postgraduate degree in information technology and assists in IT projects including the development and management of the firm’s web site and other web sites for clients seeking web site development services. The firm is also supported by seven business partners who were contracted by the firm to aid in the delivery of its services to its clients. The partners consist of a clearing agent, a vehicle registration officer, a lawyer, an accountant, a leasing company, a bank (subsidiary of an international bank) and an insurance company.

The firm’s IT resources consist of two Pentium IV computers used by the MD and the office assistant; one HP 1100 Laser Jet printer; one telephone line; and one mobile line. Until 2006,
**Figure 1** Pre-purchase process diagram

**Process A – Pre-Purchase**

- **Sourcing for Cars**
  - Firm sources for cars from the German Car Retailer

- **Marketing Cars and the Firm**
  - Pictures of available cars are uploaded to the firm’s website
  - Website and Firm are further marketed through local media, referrals, recommendations, online directories and websites

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**Figure 2** Purchase delivery process diagram

**Process B – Purchase and Delivery**

- **Customers make contact with the firm.**
  - This usually stems from:
    - Referral
    - Advert in local media or online directory or website

- **Website**
  - Contacts the firm by email or telephone call
  - Redirected to the website

- **Directly to the Manager**
  - Contacts the firm by email or telephone call

- **Manager contacts German Car Retailer for other choices or price negotiation for Customer**

- **Negotiation on car choice and price**

- **Pre-finance agreement with Leasing Firm or Bank**

- **Payment Terms**
  - Yes: to Pre-financing Service
  - No: to Pre-financing Service; Self-financing opted

- **Payment is made to German Car Retailer**

- **Car is shipped to Ghana; Export documents and spare key sent by courier**

- **Car is inspected by customer and the firm**
  - No: to Optional Services
  - Yes: to Optional Services

- **Car is processed from harbour by clearing agency and registered by the vehicle registration officer**

- **Official hand over of car and requisite documents**
the firm used a local cybercafé for its internet services. It currently subscribes to a broadband internet service from a local ISP – a speed of 256 kbps at a cost of US$60 a month. This subscription began after the ISP extended its broadband service to the location of the firm’s office. Table I shows the number of cars sold between 2004 and 2007 (July). As of July 2007, the firm had sold 65 cars, with a net profit of US$50,630. In response to changing customer demands and competition from established/official representatives of car manufacturers, the firm entered into partnerships in 2006 with a leasing and insurance company, and a subsidiary of an international bank operating in Ghana to provide finance and insurance packages. As of July 2007, eight customers had taken advantage of the finance package; five of them have also benefitted from the insurance package. The web site development unit has developed and is managing four web sites for Ghanaian companies – two in 2005 and two in 2006. There were two other web sites under development in 2007.

Business resource development

Business start-up

Lankah Consult was born out of the owner-manager’s keen interest in automobiles. In 2003, the owner-manager (hereafter referred to as John) spent six months studying the car retail market in Accra, while undertaking a postgraduate diploma in advanced IT at the Ghana-India Kofi Annan Centre of Excellence in ICT. The market study involved visiting and interviewing 15 used-car retailers and 12 new-car retailers. The new-car retailers were firms who acted as official representatives of established car brands like Mercedes Benz, Ford, Toyota and Nissan. They sold new-cars and/or cars which were at most a year old and had been refurbished to the original factory standards. The used-car retailers, usually operating through open space “wayside” showrooms, sold cars which were at least one year old. Used-car retailers sell a minimum of two brands of cars from a particular region or country such as Germany, The Netherlands and Japan. Eight of the 15 used-car retailers traded in cars from Europe particularly The Netherlands and Germany. Through this market study, John developed an understanding of the business operations of importing and selling imported used-cars in Ghana. He also identified four challenges consumers faced in purchasing cars:

1. Consumers had limited buying power and access to finance. Lending rates were relatively high, 38.5 per cent at the end of 2002 (ISSER, 2003, pp. 40-1). The financial institutions which could pre-finance the purchase also preferred salaried workers and new cars or slightly used ones from established representatives of car companies in Ghana. These were usually more expensive. For example, a used Opel Astra, 2000 model costs about US$10,000 while a new one costs at least twice the price. With a minimum daily wage of approximately US$1 as of 2002 (Mustapha, 2007), the price of new cars exceeded the budget of the average Ghanaian.

2. In terms of car models and value-added technical features, the choice of consumers was limited to the cars available in wayside showrooms. This often contributed to consumers bribing intermediaries (middlemen) for “tip-offs”.

3. The cars in the wayside showrooms were usually highly priced and in relatively poor condition or missing factory-made (original manufacturer) parts. They were susceptible to high-rental charges for the “display space”; underhand deals with intermediaries; and theft of factory-made parts due to inadequate security at showrooms.

<table>
<thead>
<tr>
<th>Table I</th>
<th>Financial profile of Lankah Consult</th>
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<tr>
<td></td>
<td>2004</td>
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<tr>
<td>Net profit after taxes (car sales) US dollars</td>
<td>6,850</td>
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<tr>
<td>Net profit after taxes (web site design) US dollars</td>
<td>–</td>
</tr>
<tr>
<td>Number of cars sold</td>
<td>9</td>
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<tr>
<td>Number of employees (core employees)</td>
<td>4</td>
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4. Consumers, who could not afford cars from new car dealers and were out of choice with wayside showrooms, usually resorted to buying illegally imported cars. These cars (both new and used) are relatively cheaper since they are imported through Togo and driven across the Ghana-Togo border (illegally) to avoid import duties and related charges. However, the Ghanaian police force has been impounding these cars and arresting the owners (Ghana Web News, 2002).

From these observations, John realised that there was a need to provide a more convenient means for Ghanaians to purchase used-cars. John assessed the potential of selling cars via the internet through a research paper on establishing an online shopping portal in Ghana. The research paper was part of his postgraduate diploma programme. This potential business opportunity was to be based on three core principles; quality, choice and price. In his perspective, quality referred to the provision of used-cars which had a good service history, less than ten years old and were in better condition as compared to the used-cars available on the Ghanaian market. Choice referred to offering the customer options of colour and additional features including air conditioning, power steering, air bags and anti-theft systems. Price referred to selling cars at prices comparable to those in Europe. The internet and e-mail were to be used to advertise the cars and inform potential customers. However, the concept was not welcomed by potential investors and the existing car retailers whom he sought as partners. He, therefore, decided to find the capital and a potential foreign used-car retailer (as a supplier), and start up the firm as a sole proprietorship.

Finding a car supplier online

To raise the start-up capital for this business opportunity, John travelled to UK in the last quarter of 2003 to take up a temporary job. John used this opportunity to find a trading partner in Europe from whom he could purchase used-cars and import to Ghana. Through the market study in Ghana, John had identified that the highly patronised cars in Ghana included:

- Opel (Vauxhall) Astra 1997, typically used for taxis.
- Mercedes Benz C180, a preference for graduate medical doctors.
- Golf 4, a preference for young professionals.
- Volkswagen Passat (2004-2006 models) and BMW 5 and 7 Series, a preference for business managers and executives.

He, therefore, carried out a study of the European used-car retail market to identify the favourable country where these highly patronised cars could be imported from, and to select a partner who could offer these cars – with a maximum age limit of ten years and a maximum mileage of 170,000 km – at relatively affordable prices. Importing vehicles that were more than ten years old attracted penalties and extra taxes (Customs, Excise and Preventive Service Amendment Act 634, 2002) and cars above the mileage of 170,000 km were also considered unsuitable for the poor road conditions in Ghana. Through the internet and auto-trade magazines, John researched three ‘left-hand drive’ countries – Belgium, The Netherlands and Germany. He contacted car retailers in these countries expressing his interest in buying and exporting used-cars to Ghana and requesting pictures of their used-cars, terms of payment and delivery details. He identified that:

- Used-cars from Germany had a high level of service and seemed to be in better condition as compared to cars of relatively the same age and mileage from The Netherlands and Belgium. Used-cars from Belgium were relatively cheaper but had high mileages.

- As compared to The Netherlands, Germany had more thorough roadworthiness inspection tests including a car inspection test (TÜV) and vehicle exhaust emission test (ASU) (TÜV, 2008; USDMG, 2008).

After three months of online communication, he established a business relationship with a German car retailer (hereafter known as Braun) who was relatively adept in oral and written English. Braun had previously worked as a technical director for Mercedes Benz in Togo for ten years and also had the experience of exporting cars to Africa. He owned car garages in Nürnberg and Hamburg which stored both used and new cars. Two business meetings in
the UK and Germany were arranged to ascertain the business opportunity and establish a memorandum of understanding. During the second meeting, John got the opportunity to familiarise himself with the used-car export process in Germany. It was agreed that interested consumers would have to make full payment for the car and pay the shipping charges before the car is exported to Ghana. After the car had been placed on the shipping vessel all the documentation consisting of the bill of lading, service history, logbook, manufacturer informational brochure, the spare car key and security codes for the electronic locking system in the car would be sent through a courier service to John in Ghana. Braun also emphasised honesty and transparency in business. Afterward, John made his first purchase before returning to Ghana in December 2003 to start the firm.

Both market study and supplier evaluation were greatly enabled by John’s access to and use of the internet and e-mail. The principles and systematic processes employed in selecting and establishing the business collaboration between Braun and John tend to reflect propositions made by extant literature on strategic alliances (Kuada, 2002).

**The first purchase and first customer order**

John began the business with a start-up capital of approximately £8,000, consisting of earnings from working in the UK, personal savings and support from his parents. He placed the first order for cars in November 2003. The payment was made from John’s UK online bank account. The order consisted of two cars – a 1994 Mercedes C190, for personal use, and a 1999 Opel Astra to be sold to any interested customer. Though the lack of an immediate interested buyer could be considered a risky initiative, John explains that he was prepared to take that risk considering the fact that 1999 Opel Astra was one of the cars in high demand and it was relatively affordably priced and in good condition as compared to similar models on the Ghanaian used-car market. Further, he knew he could afford to keep the 1999 Opel Astra at home until it was sold. John used the first purchase to gain an initial experience of importing and processing cars from the harbour. This also enabled him to understand and appraise the activities of the other business and regulatory agencies which were involved in processing, registering and insuring cars. The 1999 Opel Astra arrived in Ghana after four weeks of shipping. It was sold to a banker who worked with John’s mother.

The next purchase was a 1997 KIA Sephia and a 1997 Mitsubishi Lancer in March 2004. The 1997 Mitsubishi Lancer was the first order placed by a customer (a pharmacist). The order was a response to an advert on an online Ghanaian business directory, Accra City Guide. The KIA Sephia was not a pre-order purchase; it was purchased by John to be sold to any interested customer. In his perspective, creating a social network of satisfied customers could generate more orders through referrals. The role of the internet in building these networks was to create the avenue where details and pictures of the cars could be viewed through the firm’s web site, advertisements in Ghanaian online social web sites and directories. E-mail was also used to support communication between the firm and its customers.

**E-commerce capabilities development**

The development of e-commerce capabilities in Lankah Consult can be traced through two main stages, that of developing informational, as well as interactional e-commerce capabilities.

**Informational e-commerce capability (January 2004-December 2004)**

John considered that creating an online presence to support the firm’s business processes was critical to the ability to exploit this market opportunity. He explains that:

> The Internet research on the used-car retail market in Europe gave me a fair idea of how to practically use the Internet to effectively market the company and its activities. Though much had been studied through my diploma programme, knowledge on what to actually do, and which functionalities to provide, was gained through the Internet research.

The firm’s e-commerce activities entailed developing an informational e-commerce capability comprising of a static web site, the use of internet for online marketing,
and e-mail for facilitating product (used-cars) and transactional enquiries. He also kept his initial capital through an online bank account which enabled him to transfer money at ease. The first web site was designed by John in January 2004. John had basic skills of using the Microsoft web site development package, MS FrontPage, to develop web sites. It was hosted on a free 100 mb server space provided by an American web hosting company (www.affordablehosting.com). A domain name (www.ghanacarimports.com) was registered and assigned to the web site. It consisted of three web pages:

1. About us page (also home/welcome).
2. Contact us page with a feedback form.
3. View cars page with a slideshow of the cars the firm had for sale (Figure 3).

The slideshow pictures consisted of 15 pictures of cars which were available for export (and sale) to Ghana from Germany. The web site was advertised through a Ghanaian social news web site Ghanaweb.com, and Accra City Guide, an online business directory. The firm had no formal web site strategy. The web site was not updated during the entire period. Due to John’s limited technical knowledge, no traffic monitoring functionality was set on the web site. Within the first quarter of 2004, the firm claims to have received an average of about six e-mail enquiries per week and 15 telephone enquiries (including follow-up enquiries) per week. These enquiries sought to ascertain whether any of the cars was currently available in Ghana for viewing/inspection, price comparisons, import duties and the duration of the entire process from ordering to delivery of the car. A majority of potential customers who made enquiries lost interest after realising that the firm had no physical showroom. John had earlier anticipated this situation, and had shipped the first two cars he had for sale into Ghana before advertising them.

Due to the scepticism of customers, John focused on using social interaction to develop a personal business relationship with them. One of the customers, a resident medical doctor comments that:

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Figure 3 A pictorial representation of www.ghanacarimports.com

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With the exception of the weekends, I barely had time to visit the cybercafé to check my emails during the week. John used to frequently meet up with me in the hospital during weekdays to discuss the options available and my preferences. This information was then relayed to Braun. By the weekend, I received details and pictures of my cars of interest through email. I download them and sometimes forward them to my fiancée. By the time I met John during the following week, I would have my questions and/or decision on the purchase.

Though this was relatively time-consuming and unsustainable for a large number of customers, John explains that it was necessary as the firm was just building its clientele and the internet and telephone conversations were relatively not enough to do business within the Ghanaian culture. In his words, ‘‘there needed to be a face behind the firm whom they could interact with, especially when money was involved’’. Hence, social interaction and networks are more likely to influence online transactions in cultures with a low degree of individualism like Ghana (Bajaj and Leonard, 2004).

It usually took at least a period of ten weeks for John to close a sale, process payments and deliver the car. Customers had to decide between four and seven options, e-mailed over a period of four weeks. It took another three weeks to transfer payments to Germany; and at least three weeks to ship the car to Ghana, depending on the availability of a shipping vessel. Nine cars were sold by the end of 2004; four from customers who had responded to the company adverts on Ghanaweb.com and had visited the firm’s web site.

In summary, we identify three key actions used by the firm to acquire resources and use them to develop an informational e-commerce capability which further supported or partly enabled the achievement of largely informational and operational benefits. The actions are:

- Researching to inform management decision making.
- Building social capital to complement online functionality.
- Using online functionality to support core activities including buyer decision making.

The informational and operational benefits partly enabled by the e-commerce capability are creating an online medium which partly enables its business operations; and initiates and supports transactions and business relationships with customers. Further, these benefits partly generated strategic benefits in terms of supporting the relationship with Braun and the purchase of nine cars, with a net profit of US$6,850.

**Interactional e-commerce capability (January 2005-July 2007)**

Interactional e-commerce capability development occurred in two stages; an initial attempt which failed and a relatively successful second attempt.

**Failed redesign of web site (January 2005-December 2005).** The firm claims that, in 2005, the average number of e-mail enquiries per week increased from six to 12 and telephone enquiries including follow-up enquiries per week increased from 15 to 25. To respond to the increasing enquiries made by potential customers, it became necessary to redesign the web site with the functionality of cataloguing the used-cars in detail and with options of making enquiries. An interactive web site was considered as a more efficient way of extending the firm’s reach since e-mailing the pictures and information on the cars limited the firm to only the customers who made requests; this was also not resource efficient in terms of time. John contracted a web site consultancy to redevelop the web site. He met the firm through an ICT exhibition organised by his postgraduate *alma mater*.

This initial attempt to develop an interactive web site failed due to poor project management of the outsourced project. John acknowledges that this failure occurred because he failed to monitor or supervise the redesign process closely. He explains that:

- He frequently had to travel to UK to reimburse the UK online bank account used for payments. This stemmed from the fact that there was no online payment system in Ghana and he had not yet established an effective means of making payments through the firm’s bankers in Ghana. The travelling schedule affected the effective supervision of the outsourced project.
- The firm also failed to renew the domain name of the existing website. John did not own a credit card, and hence, he paid a colleague in the UK to renew the domain name. The colleague...
defaulted and by the time this came to the notice of John, the domain name had been put out for auction by the end of 2005. The web hosting company also moved from offering free server space subscriptions to offering paid subscriptions. The server space therefore became inaccessible as the firm failed to subscribe to the paid services.

A number of interrelated issues relating to the financial constraints at the firm and national level, the limitations of relying on social networks, the importance of trust and the limited managerial knowledge of e-commerce procedures contributed to the failure of the project. John resolved that if he had to develop a new web site then it had to be done in a manner in which he could have adequate control, knowledge and flexibility to manage its content and the web hosting service.

Though the firm lost its web site by the end of 2005, 16 cars were sold through the firm’s web site, e-mail, adverts and referrals in that year. The net profit was US$19,180. Ten of the 16 cars were purchased by Ghanaian peacekeeping officers in Sudan and Yugoslavia. The purchase began through an enquiry from a soldier (in Yugoslavia) who desired to buy a car for his wife. The soldier found the firm through adverts on Ghanaian social news web sites. He contacted the firm through e-mails and telephone. The soldier purchased a 1999 Mercedes Benz C180 for his wife. Through referrals there were 15 unique requests from Ghanaian peacekeeping officers in Sudan and Yugoslavia. In total, nine orders were made; two from Yugoslavia and seven from Sudan. The office assistant noted that trust between the firm and soldiers was built through social interaction with local representatives of the soldiers, either the soldier’s wife, brother, close relative or friend. The interrelationship between social networks, trust and online transactions, as previously discussed, is therefore further emphasised.

The failure of the other four enquiries to turn into orders was due to scepticism and the notion that the cars were quite expensive in their opinion. According to John, these soldiers complained that they could get the cars cheaper from friends and relatives in The Netherlands. Though he argued out on the issue of quality – the fact that most of these cars were bought from the street, had no service history and are probably in poor condition – these soldiers did not heed the advice. In analysing electronic or online transactions, extant literature has argued that perception could affect decision making which may lead to loss of contracts and contractual disputes (Cazier et al., 2006). To further sustain the trust of the interested soldiers, John offered them the opportunity to make payments directly from their foreign accounts to Braun. Though this could be considered as a case of disintermediation, John emphasised the transparency between Braun and him:

> From our memorandum of understanding, I knew he would not say anything contrary. The prices of the cars are the quoted prices from Braun. The firm’s commission is negotiated on each car before the details of the car, pictures and price is communicated to the customer.

This option was taken up by six of the soldiers after a direct communication relationship was initiated between Braun and them by John.

*Design of interactive web site (January 2006-July 2007).* After the failed web site project, John decided it was necessary to employ someone knowledgeable on web site development and internet marketing to help manage all IT-related issues. John employed a colleague, from his undergraduate alma mater, as a part-time internet marketing strategist and web site developer (hereafter referred to as Michael) for the firm. Over a period of four weeks, John and Michael discussed and researched on the best means of developing the web site. They decided on a new name for the web site. Michael reflects that:

> Our aim was to develop the website with a customer-oriented focus and therefore considered giving it a name that emphasised a sense of personalisation aimed at the customer. This was signified by the prefix “my”, hence the name www.myxxxxxxxxxx.com

The design was also influenced by the structure of presentation of German automobile retail web sites. They studied these web sites to inform the development process. The provision of the functionality for making recommendations was considered essential, as the firm had learnt from their previous experience with the Ghanaian peacekeeping soldiers. Additionally, John wanted the web site to be equipped with a user-friendly administrative interface which
he could use to effectively manage a catalogue of cars – adding, editing and deleting – without the services of a full-time web site developer. The domain name was registered and hosted on a 10 GB server space provided by an American web hosting company at the cost of US$100 per year.

The new web site, upon the advice of Michael, was built through an open source content management system known as Joomla. Joomla was chosen because of its low-skill requirement level and relative ease of use in developing interactive and professional web sites (www.joomla.org). Upon acquiring Joomla, the firm purchased a Joomla automobile component, EZ Autos, a fully functioning automobile store component which can be integrated into Joomla (Raptor Services, 2007). Through this plug-in, the firm was able to upload all pictures and details of cars obtained from Braun. This increased the amount of cars the firm was able to advertise to customers. There were at least 144 cars in the online database or product catalogue as of July 2007. The web site consists of seven main pages namely:

1. **Homepage.** Introducing the company with quick links to every section and articles to aid buying decisions.
2. **Buy a car.** Online car database with more than 144 cars in about seven categories (new cars, entry level, business level, family level, sports utility vehicles and commercial vehicles).
3. **Search a car.** Searching for cars using an advanced search filter.
4. **Request a car.** Making requests with exact specifications of cars desired by customers.
5. **Sell your car.** Customers to submit their cars for sale.
6. **Frequently asked questions (FAQs).** On the services provided by the firm.
7. **Contact us.** The firm’s contact location.

The web site offers the functionality of placing an order or making enquiries on an interested car; and recommending an interested car to a friend through the web site. These enable customers to initiate orders or make specific order enquiries on the car of interest. The web site also provides information on financing provisions for salaried workers and insurance facilities available for the cars purchased. These services are provided by firms which have partnership agreements with Lankah Consult. There is also a buying guide for cars, offering advice – Dos and Do nots – of buying cars from used-car retailers. Customers can now have timely access to all information on the cars sold by the firm and are, therefore, relatively drawn closer to making their purchase decision. Figure 4 shows the homepage of the firm’s web site.

In total, 18 cars were sold by end of 2006; four of which were initiated through the web site through referrals from online advertisements. The net profit was US$24,600. The web site supported the sale of the other 12 cars since customers making enquiries were redirected to the web site to evaluate options. The average monthly number of visits to the firm’s web site as of the end of 2006 was 115. In 2007, the average monthly visits to the firm’s web site increased by 872 per cent – from 298 visits in February to 2,989 in March. The increase in monthly web site visits was as a result of online advertisements on the homepages of two Ghanaian social news web sites. The firm received about 25 e-mail enquiries per week; with a monthly average of about 80. As of July 2007, the firm had sold 22; seven of which were entirely initiated through the web site.

In summary, we identify five key actions used by the firm in acquiring resources to use in developing an interactional capability which further enabled the achievement of largely strategic and informational benefits. The actions are:

- Learning from past experience.
- Integrating online functionality with core activities.
- Using social capital to inform web functionalities.
Integrating knowledge from business partnerships into web site content.

Use of new web technologies.

The information and operational benefits partly enabled by the capability are creating an online medium which largely enabled its business operations; and largely supported decision making of customers. Further, these benefits generated strategic benefits in terms of:

- Supporting the relationship with Braun, essential for business continuity and the purchase of 56 cars; 11 of which were entirely initiated through the web site, and total net profit of US$43,780 (2004-2006).
- Supporting the establishment of new business partnerships with local financial and insurance institutions, which led to the purchase of eight cars (as of July 2007).
- Indirectly generating another business opportunity of designing web sites for six Ghanaian firms. The revenue generated from web site design was US$1,400 (December 2006).
Managing resources to address constraints

This section identifies key constraints and evaluates how Lankah Consult managed resources to address them and achieve benefits.

Addressing payment constraints

In June 2004, John decided to find an efficient means of transferring the money from Ghana to Germany. With the help of one of the firm’s directors, the bank manager, a Ghanaian bank offered a threshold limit on how much the firm could transfer out of the country in a month. The duration of the transfer was three weeks. However, before the firm could access the transfer facility it needed to change from sole-proprietorship to limited liability. This was also essential to establish business credibility since the company was gaining more visibility and attracting customers of diverse profiles.

However, in 2005, the Ghanaian bank could not meet the demands of the firm as more orders were received. John resorted to using his UK online bank account, while initiating consultations with the subsidiaries of international banks in Ghana. After several consultations with the business managers in three different banks, one of the banks decided to arrange a transfer facility on the provision of two invoices – one, issued by the firm and the other issued by the German car retailer, and a confirmation of purchase made by the customer. In accordance to the bank’s regulations, this documentation was needed to assess the credibility of transactions and prevent money-laundering activities. Though this bank also had a threshold limit, it was much higher than that of the Ghanaian bank and the duration of the transfer was lesser by a week. The firm began to use the facility in December 2005. As of July 2007, it took the firm at least a period of seven weeks to close a sale, process payments and deliver the car to a customer. It takes customers about two weeks to make a decision after assessing different options on the web site and consulting with the firm. It takes two weeks to transfer payments to Germany and at least three weeks to ship the car to Ghana. The introduction of a relatively convenient transfer arrangement system contributed to reducing the ordering and delivery process from ten to seven weeks.

Despite the relative efficiency of the international bank, it has mistakenly transferred the payments to the wrong bank account in Germany on two occasions. These issues were only notified after Braun realised that his account had not been credited a considerable time after the transfer. The international bank identified its error after crosschecking all the records on the transfer. The only viable solution the bank offered was to recall the money and retransfer it to the correct bank account in Germany. This took another two weeks and, therefore, created delays in the purchase and delivery of the car in Ghana. John could not transfer money from the UK online account because of insufficient funds in the account. The customers were disappointed by the lack of a contingency financial provision. In compensation John offered to either provide extra technical features on the cars, or process (register and deliver) the cars at his own cost. The customers chose the latter and had only to pay the import duty and other standard charges involved. It cost the firm a total of US$1,200 in offering these free services. John states that the objective is not to just go out of the way to please a customer but to manage the relationship in a manner that ensures a high potential of return business opportunities.

Addressing business competition

The major threat to the firm’s business operations surfaced in 2006 after the banks and private-sector firms began to offer employees car loans to purchase new cars through partnerships with established car firms. This competition necessitated the firm to seek partnerships with financial institutions to provide finance schemes for its salaried consumers.

The firm approached four financial leasing companies and three banks to explore the possibility of providing a pre-finance facility for its salaried customers. One of the leasing companies and the firm’s bank, the international bank, accepted the firm’s proposal. These financial institutions required the firm to submit its financial statements, business plan and other legal documentation. The proposals of these institutions were as follows:
The leasing company proposed to pre-finance 70-100 per cent of total cost of the car which includes the selling price, shipping, processing and registration of the car. The salaried customer had to make monthly payments over three years for used-cars and five years for new cars, at a negotiable interest rate between 20 and 28 per cent.

The international bank proposed to pre-finance 100 per cent of total cost of the car at a negotiable interest rate between 27 and 35 per cent. The customer had to be receiving his/her salary through the bank and the cars had to be at most two years old. The monthly payments were spread over five years.

For a customer to qualify for any of the financial packages, the net salary after the monthly payment (for the car) is deducted should not be more than 40 per cent of the net salary after taxes and other existing regular deductions.

The first customer to benefit from the scheme was a young medical doctor who was keen on buying a 2000 Mercedes C-180. The doctor was prepared to pay 20 per cent of the total cost of the car and the leasing company provided 80 per cent of the total cost to finance the purchase. The medical doctor comments that:

Though I had been referred to the firm by two other doctors who had purchased similar vehicles from the firm, I was initially skeptical about the whole process. I even asked a friend who also engaged in the export-import business in Ghana to sit in the initial negotiations and ascertain the credibility of the firm. After the first three meetings, we were convinced. John offered a detailed explanation of the whole process and arranged a meeting with the leasing company. All the necessary documentation and contractual agreements were provided and we found them to be simple and explanatory. Additionally, we also received letters of credit of the firm from the leasing company and the firm’s bank.

After signing the contract, the medical doctor introduced her father and another medical doctor to purchase cars from the firm. The firm’s partnerships engender trust and good firm reputation, which generates further referrals and recommendations, and reinforces social relationships in addition to the growth of social networks.

Impact of e-commerce activities

The notable contribution of e-commerce at the firm-level has earlier been identified in the summary of e-commerce capabilities discussions.

John comments that apart from creating a few employment opportunities, the firm cannot currently boast of any major impact on socio-economic development. Though the firm has also become something of a resource pool for its web site development clients, it may also be premature to conclude on the impact on resource poverty in the country. It tends to be an important example of developing a new core competency around e-commerce and then making competitive use of that. On the other hand, it is also a characteristic example of an African small business diversifying into quite different areas as they identify a business opportunity.

Keywords:
Electronic commerce strategy,
Social networks,
Managerial capability,
Developing country,
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References


Further reading

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