



Declaration

This Research Project is my original work and has not been submitted for a degree in any other university.

Signed:  Date: 07/01/05

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This Research Project has been submitted for examination with my approval as the University Supervisor

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Dedication

This paper is dedicated to my parents, George and Jael Odiko for tireless support and encouragement and my siblings Tito, Ada and Benjamin and his wife Terry.

And

To all the hardworking Kenyans especially those in the small business sector who toil each day to keep our economy moving.

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Abstract

International Business involves doing business with geographically separated businesses. It has been in existence for a long time and the ways to go about it is of interest to countries as well as individuals. Previously, potential entrepreneurs have engaged in it through exporting, franchising, direct selling and so on. With these modes of engagement, those involved in business have experienced various challenges. With the advent of new concepts such as E-business, the focus has had to change. E-business encompasses the use of the Internet. The Internet may be considered to be border-less hence it is very applicable in international business as it bridges the gap i.e., the geographical separation. Anyone with access to a computer, which is connected to the Internet, can communicate with a potential business partner or a resource person as long as they are on the 'net'. This study therefore sought to determine the extent to which E-business is adopted by firms in the handicraft sector to engage in international business by focusing on The Kenya National Handloom, Weavers Association.

Two objectives were pursued. These were:

- a) To examine the extent to which e-business is being applied in promoting Kenyan products in the international market
- b) To identify how E-business has enabled handicraft business sector to do business internationally and make their mark in global sphere

Primary data was collected through a semi-structured questionnaire, which was administered to a census population of twenty-six firms. The data was analyzed using descriptive statistics including proportions, percentages and tabulations.

The niche sector of handloom weavers represents just a small portion of the handicraft sector and forms part of the larger small-business sector in general. The findings in this study reveal an overwhelming interest in using the Internet. Electronic mail or e-mail is the more common component of the concept. It was used for identifying markets as depicted by 57.1% of the respondents who were using it for communication purposes while identifying potential markets. All the respondents felt that the Internet could be successfully used with the other modes of market entry and eventually it should be fully incorporated as the single mode of entry. Thus there is need for further research to be done in further enhancing the use of this mode.

The literacy level in terms of Internet and ICT in general, needs to be addressed. Thus the Internet should not only be limited to gaining entry into markets and for communication purposes but for other business support processes in the international business sphere such as distribution. A number of businesses would likely spring up in the rural areas in Kenya partly due to the fact that some of the raw materials used in this industry are readily available in rural Kenya. The Internet should thus be extended to rural Kenya, which will have the dual advantage of marketing raw materials and handicraft wares in addition to opening up this part of Kenya to the rest of the world.

CHAPTER 1

INTRODUCTION

1.0 Background

Trade of the international type is a very topical issue worldwide. It is a major concern for many countries and firms and the way or methods to go about it, has been the concern of countries of the world and firms for a long time and continue to be so. Hitherto, the means and methods of engaging in international business have been on the basis of exporting, direct selling, franchising and so on.

New methods have been invented and these include e-business, which encompasses the internet and other related services which are emerging such as mobile commerce (m-commerce) and mobile banking (m-banking). Significant improvements in information technology continue to occur at an ever increasing pace (Reynolds, 1995) hence are being used to solve business problems or enhance current ways of doing business. These latter hi-tech methods of international business engagement have been adopted by all category of firms, both big and small. Among such small firms that have adopted E-business, are firms within the handicraft industry on which I base this study.

The developments in the technological front have necessitated the advancement of research in the electronic mode of doing business, as this is a new area of research. The developments in the internet has made the world into a shrinking market as with the click of a button, a Kenyan vehicle-dealer can finalize business deals with a Chinese vehicle exporter.

The development of information technology (Foster-Melliard, 2002) has also effected other modes of business that were hitherto not available. For instance IT skills are much sort after world over. Such skilled labour may be seen to be available in certain parts of the world such as India, Japan thus these countries can take advantage in providing their expertise in this area. Internet research is also another new area of research in international business. Because of globalization, it has made its contribution towards e-business and e-commerce in general.

Other related issues to telecommunication in addition to Internet use are, tele-conferencing whereby business managers can communicate with other business partners via telephone links connected across geographically dispersed areas. This has been made easier due to the introduction and development of sophisticated satellite technology in the telephone connection systems. All that needs to be taken into consideration, for instance, are factors such as the different time zones in which different regions fall, thus a potential businessman needs to determine what time to make a call.

Mobile telephone is another growth area that is set to make major contributions to business. The mobile service providers provide services such as roaming facilities thus those doing business are able to involve in international business as they can contact each other regardless of location. Through mobile telephony, there are other developments or auxiliary services such as Internet access and short message services (SMS). These services enable the business people to check on information such as market prices and exchange rates, by simply sending a short message (an SMS) to a given service number.

In theory, Information Technology is business driven which means that it drives the processes of a business to enable the business to sustain itself. Information communication and Technology (ICT) began earnestly in the mid-1990s. Over the years this has gradually developed to enable businesses attain the leading edge in their business activities. It has enabled organizations to keep pace with the changing technology to aid in achieving sustained competitive advantage. The role of ICT is further changing as businesses adapt to new business conditions and increasing expectations of its use in business (Foster-Melliard, 2002). However focus is now moving away from technology but the important aspect is to refocus on what technology can do for the business.

ICT encompasses technical processes that drive businesses through the use of innovative technology. It is a collection of industry and services technology including: information technology equipment; Internet service provision / providers (ISPs); telecommunications services and equipment. The further combination of information and communication has led to the emergence of business being conducted electronically. Hence the emergence and development of E-business. E-business is used in reference to electronic business. It is about business to business (B2B) or business to consumers (B2C). Under business to business it refers to the sale of goods or services through the Internet, by one firm to another while business to consumers refers to sale of goods and services to consumers through the Internet.

With the advent of Internet technology, several firms began using it as an engine to begin doing business across the borders. The Internet has therefore given rise to a revolution in the way we communicate and

exchange information. There is the ability to increase access to as many people as possible in an easy reliable fashion.

It is worth noting that no single organisation or person owns or controls the internet though there exists an Internet Society that coordinates and sets standards for its use.(John Onunga,1999). Networks have no political borders or boundaries on the exchange of information. A few countries such as Ghana, Tanzania, and Mexico, in addition to Kenya, are already enjoying the benefits of this new development and already using it as a strategic tool in business as is briefly illustrated in the following business experiences.

(a)The Ghanaian Experience in Electronic Marketing

Internet access is considered as a challenge to many small firms. However in countries such as Ghana, there is a national strategy to promote export development aggressively. In the year 2000, The Ghana Export Promotion Council (GEPC) had outlined one of its strategic objectives and that was to have all Ghanaian exporters to be e-competent by the year, 2003(Tawia Akyea, Executive Forum 2000).

For the strategy to be a success it needed support from the business leaders. Among these leaders was the head of a sizeable Accra based handicraft-marketing firm, who is also the president of the Handicraft Exporters Association of Ghana. He established an email address at a nearby Internet café. He was not convinced that the cost of acquiring further e-business systems and competencies within his firm and by extension, the handicraft sector in Ghana, was justified. From his perspective he envisaged that there is little evidence that e-competency would:

- Promise new operating efficiencies and access to a wider client base
- Create opportunities to reposition his firm in the international value chain

- Be essential to maintaining existing commercial relationships

Hence the application of this new technology was limited to use of electronic mail (email).

(b) Central America, The Caribbean , Mexico case

Mikkelsen (1999) explains that Internet based efforts are using new technology to bridge the gap to the markets of the industrialised world. New initiatives have organised systemized information in specific sectors- in the handicraft sector where several organizations are promoting and selling the products over the Internet using virtual technology. It focuses on sales through the internet of handicraft from Central America, the Caribbean and Mexico to international markets with the target market being USA and Europe. In these markets, it is perceived that buyers are willing to pay what they see as a fair price rather than a competitive price.

(c) Tanzania's Strategy

As part of the effort to develop export markets for Tanzanian products, the Board of External Trade undertakes market research and product development among other activities. The essence of the market research is to determine the potential for Tanzanian products, understand the market characteristics and the customer needs, find out the level of competition, terms of payment, marketing channels and most suitable means of transportation all of which determine the competitiveness in the market place.

The Trade Information Services (TIS) under the auspices of the Tanzanian Board of External Trade, provides electronic information services which are internet based.(Board of External Trade, Monday, June 16, 2003). This includes:

- Electronic Trade opportunities
- World Market Prices
- E-mail Services
- Statistics
- Tariffs information and other trade control measures
- Electronic Directories

They also organize general advertising through the internet in addition to taking part in Virtual exhibitions. All the above are geared towards assisting the potential of the Tanzanian business community to maximize the use of the internet, in accessing the export opportunities that are available and thereby engaging in international business

(d) Kenyan Case

Liberalization of Kenya's telecommunications has been slow but commendable. There is Telkom Kenya (fixed Line Operator), Safaricom and Kencell (mobile phone operators). The Internet service providers (ISPs) are several (72 in number as at December 2002) with Nairobi city having the bulk of all. Out of these, 32 are operational. There is also intense competition in the sub sector hence the internet charges have come down to as low as sh1 per minute. As at December 2002, it was estimated that the number of Internet users was in excess of 500,000 users, which was due largely to the mushrooming of the cyber cafes. (Sunday Nation, December 2002)

The government still holds a strong stake in the telephone, postal and electronic infrastructure. The telecommunications and postal service which formerly formed Kenya Postal telecommunications was split to form the three organisations namely -Postal Corporation of Kenya; Telkom Kenya and Communication Commission of Kenya (CCK). CCK is charged with the responsibility of licensing and regulating the communications sector in the country.

Internet came to Kenya in 1993 through an analogue link established by African Regional Centre for Computing (ARCC). At the time, it was to be used as a scientific tool to be used mainly by computer scientists and researchers for exchanging information (Tom Kwanya: Article on WWW.netwatch.co.ke)

The whole concept is relatively new in Kenya hence there are still many people who do not have access to the infrastructure in Kenya and Africa as a whole. Specific centres have thus been set up to provide internet services and e-mail facilities. These centres are aptly referred to as cyber-cafes, and they provide the ideal means of communication in conjunction with other Internet Service Providers (ISPs).

Africa-Online, the largest ISP in Kenya and Africa, had pioneered in this area, through the establishment of the E-Touch Centres. This was an innovative venture between Africa-Online and other entrepreneurs. The concept soon spread and now there are a number of cyber cafes, which provide computer facilities as well as free E-mail addresses. Hence customers are able to share resources by logging into the Internet via the

services provided by the various cyber-cafes and are charged when they need to download their mail.

Thus users or potential customers can 'collect' or read their electronic mail and send their mail through email addresses, which in most cases can be accessed from any computer regardless of location. It is the preferred mode of communication compared to the dependency on the postal address. Those without access to telephones and computers are now able to use the latest mode of communication. They can use the Internet and E-mail facilities through facilities such as E-Tool.

(www.africaonline.co.ke). This is a tool, which enables easier access of the Internet and e-mail facilities. Thus a wider segment of people, who would otherwise have been shut out, are able to use these facilities.

- I. Other communication services in addition to E-mail, are also available. Besides this, it is also the fastest way of communication that has been invented so far, aside from being the cheapest.
- II. Prospective students, researchers and other users are able to identify ready or other markets, information and other useful/relevant data, with the mere click of the mouse! They can thus make informed decisions from surfing of the Internet.

Other related services have emerged because of Internet technology. For instance, there was a joint venture between Africa-Online and Barclays bank whereby with time, customers would transact online as opposed to queuing in the bank. Plastic transactions may be the norm.

Customers are gearing towards the emergence of online transactions for example through online depositing of money or transferring money from one account to another. Some Kenyan banks have already began incorporating this e.g. Commercial Bank of Africa and Stanbic. The facility is referred to as Internet Banking.

The concept has also spread to other sectors e.g. the air travel industry where customers are now adopting to online booking of air travel tickets. Firms in the edible oils industry have also adopted E-strategies.

3mice.com, an interactive web solutions company was involved in developing an E-strategy, which integrated strategy, creativity and technical services applied across the internet for Bideo Oils company as well as Kiss FM radio company. (www.3mice.com,2003)

The educational sector is also making formidable strides through the use of the Internet. A number of Kenyans are involved in distance learning through the Internet. The African Virtual University is one such example. The Kenya College of Communications Technology (KCCT) began distance learning Bachelor of Commerce Degree program in 2003. The college is linked to a South African university, University of the Free State, and study is conducted electronically. The students are given identification passwords which they use to access online study material (KCCT article on e-degree programs, www.keect.ac.ke).

In the tourism sector, this is greatly being used to market the country and hence promote tourism. Tour and travel firms are engaged in marketing Kenya on the Internet as a holiday destination. Visiting some of the websites, gives testimony to this. There are a number of tour and travel firms that have been listed thus all that one is required to do, is to log

onto the various websites. (Xkenya.com). Initially, the corporate sector had a big stake in application of the internet, but now smaller firms are also beginning to incorporate this idea as it is one of the leading business strategies in the current business world.

Firms in the craft industry such as Akala Designs Limited, which also goes by the label name, ecosandals.com, is also making inroads in as far as business is concerned. The firm produces footwear as part of an income generating and recycling project that utilises the creative minds of the residents and the power of the Internet, to sell the footwear to people from different parts of the world. They went online in February 2001, and have sold over \$20,000 in footwear. (www.ecosandals.com)

We are moving at a really fast pace into a technological and advanced world, which is commonly referred to as the global village. The Kenyan citizen may soon look forward to the day when we can start doing grocery shopping online such as logging into Uchumi supermarkets.com and thereafter, the shopping is to be delivered to our door step. This would be a great step forward as it is already happening in the Western world. It is considered to be more applicable to the bigger firms.

1.1 Profile of Kenya National Handloom Weavers Association

This section of the study profiles on Kenya National Handloom Weavers Association. The Association was formed earlier in September, 2002 and registered as an association in the Attorney General's Chambers on 30th January, 2003. It consists of firms that form part of the larger handicraft sector. The firms registered under this umbrella body are specialists in weaving and also train people who would be interested in weaving.

Among the products that are made are hand-woven carpets, bedside rugs, table -cloths, bedspreads, carpets and wall hangings.

The African Growth and Opportunity ACT (AGOA) became law on May 18th, 2000 when the then United States President, Bill Clinton, signed the Trade and Development Act of 2000. AGOA is Title One (1) of this Act. AGOA extends the possibility of favoured trade status of 48 sub-Saharan African nations if the governments of these nations follow the guidelines spelled out in the Act. (WWW.agoafrica.com, posted 2003)

It was noted that there was an enormous market for Kenyan handmade goods especially in America in addition to other parts of the world such as Europe, Asia and areas as far as Australia. In order to meet the requirements of the vast American market, The Kenya National Handloom Weavers Association was formed, to enable its members to further take advantage of AGOA's initiatives and to enable the members capture this enormous market as one unified entity. It was virtually impossible for any of the firms to meet the demands of the market as single entities. There is a specific act within AGOA, that is Category 9 of AGOA Act, which deals with handloom and, handmade items and

apparels and hence it is appropriate. It would enable the firms to market their products to this vast nation

The Association is also in the process of developing a website address, which has tentatively been named as www.hawesa.com, but it is not yet active hence may not be accessed until 2004. It is still being developed. It is hoped that the use of this website, will further broaden the market outreach and enable them to market themselves globally through the world wide web. Most of the members of the association have email addresses while a minimal number of the member firms have their own websites addresses. An example of such a firm is “Woodley Weavers”, which has its own website www.Woodleyweavers.com in addition to the email addresses.

Through the Association, the members have managed to impress upon the government, through the Ministry of Trade and Industry, to be included in marketing of Kenyan handmade goods during trade missions organised by the Ministry. They have also managed to visit other regions such as Europe, India, Mauritius and participated in trade fairs in these countries.

1.2 Definition of Terms

1.2.1 Handicraft

There are, suggested definitions of the term, handicraft. Handicraft is that which is artistically crafted or designed using the authentic materials that are locally available. It can also be appropriately referred to as the handmade goods which require little or no production machinery.(Atieno, 1988). There are instances where some form of mechanical machinery e.g. handlooms or tools of trade, are required probably at the initial

design process but the bulk of the work is done by hand hence the term 'handicraft'.

1.3.2 E-Business

E-business is an acronym for electronic business. It is all encompassing. Technology ranging from satellites to fax machines and computer networks has made communication of information around the world instantaneous. Computers have made possible the capture, storage and manipulations of incredibly large amounts of information. Business firms have various needs for information and communications among widely separated business units within the firm, as well as with customers who may be geographically dispersed.(Heidi Vernon et.al 1997) .

There are different definitions picked from the Internet itself. By using the search tools within Yahoo, "Google.com" and MSN, there are various definitions given to define the term e-business.

“ A super-set of business cases which have been digitised and now work on the internet”(Internet I)

“ A secure flexible and integrated approach to delivering differentiated business value by combining the systems and processes that run core business operations with the simplicity and reach made possible by Internet Technology”

“ A system that combines the resources of traditional information systems with the vast reach of the Web and connects critical business systems directly to critical business constituencies- customers, employees and suppliers via intranets, extranets and via the web.”

However in the context of this study, it will be used to mean the use of Internet technologies to improve and transform key business processes through marketing and trading online. The Internet is specifically defined as a worldwide network of computers, holding vast quantities of data that can be accessed directly from a personal computer (PC). The focus should be on how E-business essentially plays a role in facilitating export through online trading in linking buyers and sellers.

E-Commerce is a term that is sometimes used to refer to E-business. They are used interchangeably. However to get a clearer understanding, E-commerce is the actual buying or selling of products and services digitally while on the other hand, E-business is all encompassing. E-commerce is thus a subset of E-business and it is therefore not E-business itself.

A world-wide information technology (IT) solutions firm, IBM, in their web resource, refer to e-business as an aspect that has garnered attention. It is described as using technology to streamline business model, create savings and increase efficiency. It is about lowering costs and establishing closer, more responsive relationships with customers, suppliers and partners (www-3.ibm.com).

1.3 Statement of the Problem

A number of companies have begun incorporating e-business strategies as part of driving their companies towards change. The whole world has been taken over by the information age. New and continued developments in ICT are enabling the emergence of new sectors in the economy and further development of the existing ones. ICT has become the driving force in all the major industries. New markets and trade policies are being outlined in order to meet the demands. It is enabling some Kenyan businesses achieve competitive edges over their closest rivals. It is also enabling businesses to venture into areas that were previously unachievable.

Some studies have been done on different areas related to this study. M Mbuvi (2000) in a study done on e-commerce in relation to Tour Operators in Nairobi, found that 87% of respondents from tourism industry were enthusiastic about the adoption of e-commerce and had intentions of adopting the technology. However there was no actual e-commerce being conducted among the firms.

M.M. Musembi(2001), findings on E-commerce in relation to the retailing industry, were that there is still a lot of ignorance with respect to e-commerce which affects the management attitude in implementing and for many establishments it was not yet integrated into the business plan. Further it was found that depressed economic climate did not favour new investment. Telecommunications industry thus needs to be fully liberalised for supermarkets to take advantage of lower connectivity costs

through introduction of better technology and hopefully more competitors.

M Ncube (2002) did a study on the E-business practices by small and medium enterprises in Nairobi, which were members of AMEGA Association. The findings in part revealed that 90% of craft exporters interviewed were using the Internet through email or website technology to communicate with clients.

Given the forgoing scenario about e-business as a mode of conducting trade worldwide and in Kenya in particular, there is need to establish the delibitating factors relating to the adoption of e-business by Kenyan firms especially within the handicraft industries. What accounts for the situation in which Kenyan firms find themselves in relation to E-Business? What factors have helped enhance the application of E-business among Kenyan firms or otherwise? How do Kenyan firms make use of this advancement in technology to promote their businesses? These are the research questions this study undertakes to address and hopefully provide answers to.

1.4 Objectives of the Study

The study has the following objectives:

- The study seeks to examine the extent to which E-business is being applied in promoting Kenyan products in the international market.

•To identify how E-business has enabled handicraft business sector to do business internationally and make their mark in the global business sphere

1.5 The Importance of the Study

The World is becoming a global village, this study will make a contribution to knowledge that the international business circuit needs strategic tools to attain competitive edge. Thus it will make a contribution to international business management.

The study will make a fundamental contribution to the study of strategies in international business. It will thus provide a foundation for further research to the academicians.

The stake holders have a major role to play in the business world thus it is envisioned that the Study will further contribute to the various policies that are set out by the government; business players; individuals to enhance the use of ICT strategically through E-business in order to contribute further to International Business.

CHAPTER 2

LITERATURE REVIEW

2.1 Dynamics of International Business

International business focuses on business activities across national boundaries. It in essence, may be referred to as business without borders. It is a phenomenon that has been around the scene for about 20 years. International business differs from domestic business in that a firm operating across borders, must deal with domestic, foreign and international forces.

International trade and international business are often used simultaneously in business terms. Ideally, international business is wholesome with international trade forming a component. International trade may refer to the exports and imports typically between firms, which count for a wider part of inter-country business. In its new context today, international trade goes further than simply sourcing for and satisfying trade orders. It embraces the modern dynamics of transactions. Foreign Direct Investment is one such example. International product cycle, marketing, finance and other business strategies are used across the globe in what indeed seems to be a transformation of business.

International Business dynamics reflects the changing international business environment and the organisational response of companies whose competitive strategies increasingly involve crossing national borders. The dynamic nature of such responses thus results in increased international exposure that requires the coordination of relationships with suppliers, distributors and customers across functions and geographical boundaries (John Ellis, et.al 1995).

Thus, the dynamics of International Business entails the business environment, methods used in conducting business internationally; participants; financial systems; infrastructure; inhibitions or barriers.

2.1.1 International Business Environment

The environment is the sum of all forces surrounding and influencing the life and development of the firm. The forces can be external or internal.

Ball, et al (1993), further outlines the uncontrollable or external forces as:-

- **Competitive**

Determined by the kinds and number of competitors in the playing field as well as their locations and their activities

- **Distributive**

National and international agencies should be available for distributing goods and services. This is important, as it is one way in which a firm's presence can be felt

- **Economic**

Variables such as gross national product (GNP), unit labour cost and personal consumption expenditure that influence a firm's ability to do business

- **Socio –economic**

This includes the characteristics and distribution of the human population as it plays a role in enabling a firm to make headway. The human population, may provide the labour as well as the market for the goods

- Financial

Includes variables such as interest rates, inflation rates and taxation which determine whether the investors would find a region or country attractive for business

- Legal

This governs the various kinds of foreign and domestic laws within which international firms must operate

- Physical

Elements of nature such as topography, climate and natural resources do determine

- Political

The elements of a nation's political climates such as nationalism, forms of government and international organisations

- Socio-cultural elements

Elements of culture such as attitude, beliefs and opinions, which are important to international business people

- Labour

This comprises the composition, skills and attitudes of labour

- Technological

The technical skills and equipment that affect how resources are converted to products is an important factor.

Controllable forces, are those, which management have command over and are also referred to as internal forces. They include:

- factors of production such as capital; raw materials and people
- activities of the organisation such as personal finance, production and marketing.

They are essentially all the factors that the management must administer in order to adapt to changes in uncontrollable forces.

Domestic environment is composed of all the uncontrollable forces originating in the home country that surround and influence the life and development of the firm. In the foreign environment, the forces are the same as those of domestic environment only that they occur in foreign nations.

International environment is therefore the interactions between the domestic and foreign environmental forces. It can also be considered as the interactions between two countries, when an affiliate in one country does business with customers in another. No domestic firm is free from foreign or international environmental forces however a firm whose business activities are carried out within borders of one country needs to be concerned with the domestic environment.

2.1.2 Methods of Engaging in International Business

The Traditional Methods

International Business involves doing business across geographically dispersed areas. Koontz et.al(1998) explains that these transactions include the transfer of goods, services, technology, managerial

knowledge and capital to other countries. International business has also gained greater visibility over the years because of the growth of large multinational corporations. Effective communication is important in international business due to the geographical and physical separation of the market (s) and the supplier. Thus those involved in international business need to deal with various issues in international business. In the current arena, international business is global in nature or regional in nature however advancement in technology, has enabled various companies and nations to do business regardless of the geographical separations.

Firms that share a common goal of finding markets or doing business internationally, have implemented strategies that best enable them to access the markets or effectively carry out their businesses. Michael Porter (1990) points out strategic alliances as a tool in carrying out global strategies. These are long term agreements between firms that go beyond normal market transactions but are not called mergers. Thus there were various entry methods that were traditionally used by firms to do businesses internationally. Porter uses the term alliances to encompass a whole variety of arrangements that include joint ventures, licenses, long term supply agreements and other kinds of inter firm relationships as outlined below.

(I) Exporting

This is a relatively low risk way of beginning international expansion or business or testing an international market. Small firms and larger firms alike would consider exporting as an entry strategy. Due to their comparative lack of capital resources and marketing strengths, exporting

is the primary entry strategy used by small businesses to compete in an international level.

Drawbacks to exporting

- (i) Finding suitable market for the goods
- (ii) Encourages infiltration of substandard goods to the importing country or goods being dumped
- (iii) Direct competition with the local market

(II) Direct Investment

This is the ultimate form of foreign involvement. The company can buy part or full interest in a local company or build its own facility. The firm secures cost economies in the form of cheaper labour or raw materials; foreign government investment incentives; freight savings. The firm also strengthens its image in the host country because it creates jobs.

The firm develops a deeper relationship with government, customers, local suppliers and distributors enabling it to adapt its products better to the local environment. The firm also retains full control over its investment and can therefore develop manufacturing and marketing policies that serve its long-term international objectives.

Drawback to direct investment

- (i) Firm exposes a large investment to risks such as blocked or devalued currencies, worsening markets or expropriation
- (ii) Firm will find it expensive to reduce or close down its operations because the host country might require substantial severance pay to the employees.

(III) Joint Ventures

One multi-national enterprise,(MNE) and a local partner usually undertake these. The MNE brings its firm specific advantage e.g. in knowledge, technology or capital, to the operation. The host country partner on the other hand traditionally brings knowledge of the local environment. Usually the MNE chooses a partner that is not MNE itself.

Foreign investors may thus join with local investors to create a joint company or product. For example, Coca -Cola and Nestle joined forces to develop the international market for “ready to drink” tea and coffee specifically for the Japanese market. This has since spread to the other markets. Joint ventures may be necessary or desirable for economic or political reasons. Foreign firm might lack the financial, physical or managerial resources to undertake the venture alone. The foreign government might also require joint ownership as a condition for entry.

Hellen Deresky(1997) further adds that though joint ventures are at a much higher level of investment and risk, they present considerable opportunities that are unattainable through the other strategies.

Drawbacks of Joint Venture

- (i) The partners might disagree over investment, marketing or other policies
- (ii) One partner may want to reinvest earnings for growth while the other might want to declare more dividends
- (iii) It can also prevent a multinational from carrying out specific manufacturing and marketing policies on worldwide basis

(IV) Turnkey Projects

Turnkey project is a package deal in which the MNE constructs a production facility and provides training for the personnel necessary to operate it such that the facility is ready to begin operations, on the completion of the project. For instance in Kenya we may have multinational companies setting up projects here in Kenya, then they hand over the project to the Kenyan government, when almost complete or fully completed. Thus the multinational “turns the key” to the respective government, to handle the project.

Thus a turnkey project is for production of a standardized project. It involves the sale of what will be a fully operational production facility. The turnkey project can be an alternative to exporting or to multinational activity especially when a host government has imposed restrictions as to who should operate and who should not.

In other instances, the host nation’s market may be too small to warrant fruitful operations. The risk of foreign direct investment may also be too great to warrant investment by an MNE.

Drawback to turnkey project

- (i) Sometimes the project may be a ‘white-elephant’ i.e. it will not be used despite all the effort put into it
- (ii) Can be used to blackmail i.e. the multinational may decide not to hand over or turn the key until certain conditions are met
- (iii) There may be exposure to contract revocations if not in good relations with the host government

(V) Licensing

As has been highlighted, most licensing arrangements provide for the use of an MNE's technology; patents; trademarks or other firm specific advantages (FSAs) by a foreign firm in exchange for a fee. The host government may prohibit foreign direct investment. The risk of nationalization or foreign control, once in, may be too great. The size of the host market may not be large.

It would be suitable for mature phase of a products life cycle when competition is intense, margins decline and production is relatively standardized. It is useful for firms with rapidly changing technologies; those with many diverse product lines and for small firms with few financial and managerial resources.

Franchising is closely related to licensing. It involves relatively little risk. Just like in licensing, the franchiser licenses its trademark, products and services as well as operating principles to the franchisee for an initial fee. This is very common in the fast food industry. Franchising however can be ideal for small businesses because the outlets require little investment in capital or human resources. Through franchising, an entrepreneur can use resources of franchisees to expand.

Drawback to licensing

- (i) Licensor has little control over the licensee than if it had set up its own production and sales facilities
- (ii) If the licensee is successful, then the firm has given up profits
- (iii) If the contract ends, the company might find that it has created a competitor

(VI) Management Contracts

This is closely related to licensing. However the difference is that it allows a foreign company the rights to manage the daily operations of a business but not to make decisions regarding the ownership; financing or strategic and policy changes. Usually management contracts are enacted in combination with other agreements such as joint ventures. A managerial contract on its own, is a relatively low risk venture.

Drawbacks of management Contracts

- (i) It is likely to be short term
- (ii) Provides limited income unless it leads to another more permanent position in the market

(VII) Contract Manufacturing

This is a common means of using cheaper labour overseas and involves contracting for the production of finished goods or component parts. These goods or components are then imported to the home country or other countries. It can be a desirable means of quick entry into a country with a low capital investment and non of local ownership problems.

Drawbacks of Contract manufacturing

- (i) Reliability and quality of local contractor need to be taken into consideration
- (ii) Adequate repatriation of capital needs to be worked out

2.1.3 Participants in International Business

International Business involves the participation of firms or individuals who are geographically separated. The multinationals have engaged in a larger share of the process. The transnational corporations also exist which traverse continental spheres. The main players in trans-nationals would be:

- Governments (inter-governmental agreements)
- Public sector companies
- Private enterprises

In Asian developing countries, more than half of the transnational players, belong to the private enterprises (Heidi, Vernon-wortzel, et.al, 1997).

A process of bi-polarisation is taking place in many industries worldwide with a small number of large firms and a much larger number of smaller players competing for business. In such circumstances, (John Ellis, et.al 1995) underscored the fact that medium sized firms that may still dominate a particular national market, must make choices to either grow to become large or aim to operate in segments or niches where being big is not essential to commercial success.

All players within an industry must decide on how to meet the competitive advantage of the internationalization process. The bi-polarisation argument suggests that smaller firms must either occupy market niches, which are too small to interest the largest firms or they must increase in size. The world may be viewed as the home –market. Competitors wishing to serve worldwide product markets have no choice but to internationalize their operations.

2.1.4 Financial Systems

Finance plays an increasingly strategic role. The international monetary system constitutes the rules and conventions that govern the international financial conduct of nations (Chacoliades, 1990) and the major aspect is the role of the exchange rate in business. From one point of view, international finance deals with the difficulties of turning one money to another thus exchange rates play a very crucial role in all international monetary systems.

Nations agree to participate in particular exchange rate regimes or system of adjusting exchange rates and flows of goods and capital among countries. At times, countries agree to fix exchange rates among their national currencies and the central banks act to maintain the exchange rates. Other times, exchange rates may fluctuate but central banks will still act to limit exchange rate fluctuations.

The world trading system is also increasingly dependent on international funding agencies (Brooke, 1996), without which large projects outside the industrialised nations could not go ahead. The dominant agencies are World Bank (which is officially known as International Bank for Reconstruction and Development-IBRD). It has disbursed close to \$300billion in loans, which are granted to both the public and the private sector.

2.1.4.1. Portfolio Investment

To further have an overview of the financial systems in international business, it would be worth looking at portfolio investment. Portfolio investment is when a firm buys stocks, bonds and other financial assets to

hold in its portfolio. For instance a company such as Dupont (Grosse,et.al, 1992), holds a large and diversified portfolio of financial assets, including shares of other companies. However, its holdings, of controlling interests in its own subsidiaries and now of Connoco, an oil company, are direct investments that involve management of the activities involved.

In balance sheet terms, portfolio investment relates mainly to the firm's holdings of marketable securities while direct investment relates to the purchase and management of the plant and equipment as well as other assets and liabilities of the direct investment project. The conceptual distinction between direct and portfolio investment is that the former requires control by the investor whereas the latter is passive and requires no management effort by the investor.

Investment in foreign equity (Brooke, 1996) accounts for a lot of the money that is exchanged internationally. Controls in this area include restrictions on investment in specific industry sectors, restraints (which are often severe) on the export of funds or payment of dividends and taxation. The taxation includes double taxation, which is caused by difficulties in claiming foreign tax credits.

International portfolio investment brings the advantage of counter-balancing the fluctuations in a national stock market, which do not necessarily reflect the changes in economic activity. A number of incentives can be instituted and these include:

- The possibility of investing in tax havens
- Or for personal investors to be given the chance to place their money in countries they may wish to visit or live in.

Foreign portfolio investment is particularly attractive to those who are seeking long-term growth rather than income.

2.1.5 Infrastructure in International Business

In trading, the business needs to be concerned with how to get the goods and services to the trading partners. For instance, marketers would need to be concerned about their companies transport decisions (Kotler,1997) as this affects the product pricing, on-time delivery performance, and the condition of the goods when they arrive. All these, in turn affect the customer satisfaction. In shipping goods to its warehouses, dealers and customers, the company can choose among five transportation modes which are:- rail, air, trucks, waterways and pipelines. Shippers consider criteria such as speed, frequency, dependability, capability, availability, traceability and cost.

The ability to coordinate globally has also risen (Heidi Wortzel,1997) the underlying reason being the falling communication costs (in voice and data) and reduced travel times for individuals. The ability to coordinate activities in different countries, has been facilitated by growing similarities among countries in infrastructure in addition to marketing systems and business practices. Countries have developed television advertising, mass distributors among the common strategies.

Greater international mobility of buyers and information, has raised the stakes in the coordination of how a firm does business around the world

2.1.6 Inhibitions / Barriers

There are barriers or inhibitions, which would prevent the smooth flow of business between nations or firms internationally. Trade barriers are

imposed to reduce the level of imports in order to improve the balance of payments and to raise revenue for a country. (Paliwoda, et al 1998)

classifies these barriers as Tariff barriers and Non-tariff barriers.

(a) Tariff Barriers

These include:

- Taxes and duties which comprise:-

- “Ad Valorem”, which is a percentage of the value of goods calculated on land at port of entry

- Specific duty, which is, the specific amount of currency per weight, volume, length or number of units of measurement. It is expressed in the currency of the importing country

- Alternative duty which is the applicable rate that yields the higher amount of duty

- Component or mixed duties

- Temporary import surcharges: under the World Trade Organisation (WTO) rules, these must only be temporary and it has been used in the past, by Britain and USA.

- Compensatory import taxes: Manufacturers in VAT(value added taxes) countries do not pay VAT on exports to non-VAT countries but all US manufacturers still pay and have no tax relief from the tax equivalent in the US

- Anti dumping duties

-Customs Union or common market such as European Community (EC) which maintains an external tariff

-‘Countervailing duty’ is designed to raise the price of the cheapest import to the price of the nearest domestic competitor by adding the necessary additional tax to the import

-‘Drawback duty’ repaid if imported goods are re-exported

-‘Tariff schedule’: single column (same tariff regardless of schedule)
multi column (discriminated with regards to origin)

-‘MFN’ or most favoured nation status which has traditionally been accorded between trading nations, is permissible under previous General Agreements on Trade and Tariffs (GATT) regulations and allows for bilateral trade or preferential rates of tariff duty

(b) Non – Tariff barriers (NTBs)

These may take many forms but the ultimate aim is to exclude or at least stem the flow of foreign imports of any given good or politically sensitive item. NTBs take the following forms:-

- Specific limitations including quotas and import restraints. Once the quota is filled, the price mechanism is not allowed to operate. With voluntary export restraints (VER), there is a voluntary agreement, which demands compliance

-Existence of discriminatory governmental and private procurement policies e.g. buying national. One of the major barriers to fall within European Community after 1992 was public procurement previously closed to all but national suppliers.

-Restriction customs procedures on validation, classification, documentation, health, safety and hygiene

-Selective monetary controls and discriminatory exchange rate, controls e.g. the requirement for an advance deposit equal to the value of the imported goods. On barriers to trade in services, (Bingham, 1990), further highlights that limitations may be exercised over the purchase of foreign exchange for buying foreign services for instance by restricting the amount of foreign currency allowed for overseas travel.

- Restrictive administrative and technical regulation

This includes standards for products, packaging, labelling and marketing

Other barriers that can be seen to affect trade are the wars e.g. the Gulf war of the early 1990's, the current terrorist threats and economic crises that are being experienced in many parts of the world. Their effects are felt where trade embargoes are instituted. It has a ripple effect as certain regions or countries cannot fully engage in business and reap the benefits of globalisation.

These factors can further be classified as natural factors and man-made factors. (Beamish, Paul, et.al, 1991). Thus the natural factors could include aspects such as transportation costs and the cost of doing business in a different country. Manmade factors include impediments such as national differences in language, culture, social values and political systems which all represent major barriers to trade. Lack of knowledge in doing business abroad in general and in specific, export markets, is a key barrier to trade and a key impediment for firms in their efforts to realise the competitive advantage of their products.

2.2 Need for Modern Methods of International Business

The business arena is quite dynamic with about 500 multinationals companies while others are trans-national. International business revolves around the multi-nationals, which effectively means if these companies spread out, then they become global companies. A Rugman (et.al 1985) thus describes the MNE as the most important organisation of international business enterprise. With this in place, there is therefore a need for alternative methods that enable the firms and individuals to enter the markets to enable them participate in the global nature of business.

Globalisation is simply defined as spreading out internationally. This usually involves Foreign Direct Investment strategies.

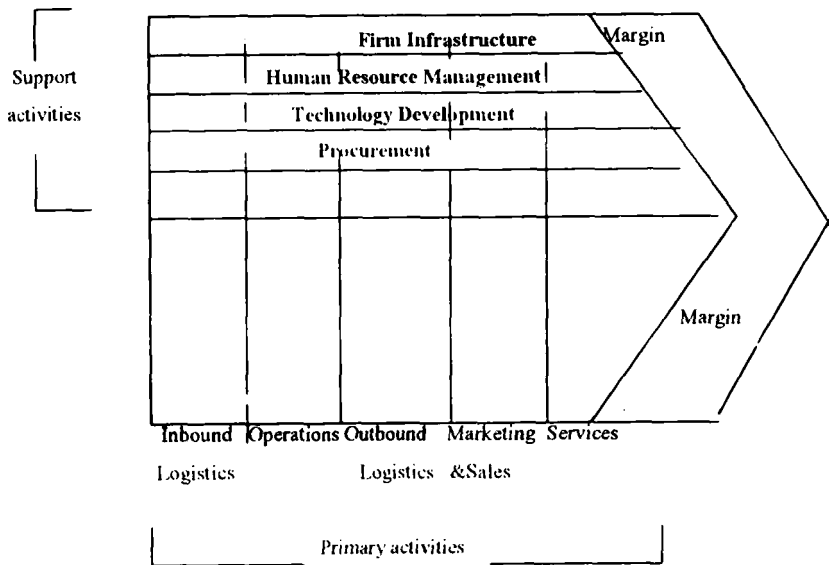
Internationalization is only the initial stage of globalisation. The world has become smaller with the advent of the internet. E-trade, E-commerce and E-business are some of the synonyms used to denote –doing business through the very dynamic electronic media. Most major businesses have or are striving to become global business centres.

The flow of the electronic media is what keeps industries, banking systems, governments, civil society and the media operating. E-trade is one of the most talked about aspects in business and it has played a major role in the global business. It is worth noting the areas in international business in the cases of globalization and regionalization. E-business bridges the gap such that countries may no longer have to trade as economic blocs but rather have a more global outlook, facilitated by E-business.

(I) Globalisation

Porter(1985) states that a firm is global when there is competitive advantage. Through adoption of E-business, a firm or country can also gain competitive advantage. Porter thus developed a frame -work, The Value Chain (Figure 1) to further illustrate this. The activities performed by a firm include aspects such as salespeople selling the product, service technicians performing repairs, while scientists design process techniques.

Figure 1: The Value Chain



Porter, Michael E. Working Paper, *Beyond Comparative Advantage* Harvard Graduate school of Business Administration(1985)

A firm may possess two types of competitive advantage: low relative cost or differentiation. Its ability thus is to perform the activities in the value chain either at a lower cost or in a unique way relative to its competition.

The ultimate value a firm creates is what buyers are willing to pay for what the firm provides which includes the physical product as well as any ancillary services or benefit.

The generic categories of activities can be grouped into two broad types:-

- Primary Activities

These are those activities that are involved in the physical creation of the product or service, its delivery and marketing to the buyer. After-sale support, is also included here. Thus in the case of handicraft, the internet would be used to actively market products and also based on customer feedback, more designs specific to the international buyers, would be created.

- Support Activities

These are activities that provide inputs or infrastructure that allow the primary activities to take place on an ongoing basis.

Porter (1985) further explains the various support activities. He states that procurement involves purchasing of inputs whether they are raw materials; purchased services or machinery. Thus it stretches across the entire value chain because it supports every activity. Technology development however encompasses the activities involved in designing the product as well as creating and improving the way in which various activities are performed in the value chain.

Human resource management is the recruitment, training and development of personnel. Every activity involves human resources and thus human resource activities cut across the entire chain. Firm infrastructure includes activities such as general management,

accounting, legal, finance, strategic planning and all other activities arising from specific primary or support activities that are essential to enable the entire chain's operation.

Activities of the firm's value chain are connected through linkages. He further explains that in that way, when one activity is performed frequently, it affects the cost of effectiveness of other activities. There are many linkages that connect activities not only within the firm but also with the activities of its suppliers, channels and ultimately the buyers.

Competitive scope is the breadth of activities that the firm employs together in competing in an industry. The dimensions of this are:

- Industry scope:-this is the range of industries the firm competes in with a coordinated strategy
- Vertical scope:-the activities that are performed by the firm versus suppliers and channels
- Geographic scope: these are the geographic regions the firm operates in with a coordinated strategy

Competitive scope is thus vital to competitive advantage because it shapes the configuration of the value chain, how activities are performed and whether activities are shared among units. International strategy is an issue of geographic scope. The use of electronic business through the internet technologies hence bridges the geographical aspect thus any two countries can engage in business.

(II) Regionalization

This is an aspect of international business where Gross(et.al,1992) defines as:

“regionalization as involving the establishment of transnational rules to economic activity that lead to greater trade and economic co-operation between countries.”

Economic integration efforts are deemed vital in international business. This is based on the premise that they act as points of entry to firms interested in international business. Kujawa (1992) terms regionalization as signaling groups of countries that create regional markets for interested firms. This carries with it several benefits especially with regards to economy of scale. It is considered prudent to operate in a larger market (regional) as compared to a smaller national one.

Regionalization pursues economic growth besides reducing other barriers to commerce. This has come to be known as the free trade area concept. The aspect of regionalization can also be referred to as transnational. Various studies undertaken reveal that regionalisation often leads to a spurn in international trade. It is chiefly responsible for trade creation and the growth of new and exciting opportunities. Elsewhere, regionalization can also cause trade diversions.

According to Bennett (1999), the chief consequence of regionalization is that it leads to a situation where several countries as a whole, relate to each other and not between individual countries. On the basis of this argument, regionalization is indeed more preferred to bilateral trade. If the old adage that ‘big is strong’ is to hold, then no doubt a trading bloc

holds stronger trading and bargaining power as compared to two countries with a bilateral trading agreement.

The contribution of regionalization and trading as a bloc is immense. Economic integration affects firms such as multinationals, which seek direct investments in these areas as opportunities arise. In particular, certain decisions that concern the extents and location of subsidiary activities of International Business will be affected by various factors. Bennett (1999) further outlines these factors. He states that International Business activities are affected by the desires to:

- Avoid high common external tariffs
- Obtain local investment grants and subsidy
- Satisfy the regulation of regional rather than national segments

Realistically speaking, larger regional economic blocs have more economic and perhaps even political power and strength to call the shots. They have been, in some cases, forced the liberalization of trade in countries that were formerly closed or protectionist. The decline of tariffs in regions and environs is a case that in itself appears to spur more into competition. This is a healthy and positive sign of competing among trading nations and firms.

Volumes of goods and services are in the long run, destined to be achieved in regional trade. This puts protectionist countries at the risk of been left behind by the times. These forces pull the countries at the risk of been left behind to seek membership in a bloc where they can flex muscles as well. It can be safely argued from this case that international

economic integration leads to mutual interdependence among participating nations.

Through technological developments-more specifically Internet technologies, countries have the option of either trading with each other or trading with the other countries outside of the economic bloc. The Internet, has no boundaries hence facilitates and bridges the division of countries into regions.

(III) E-Business

E business or electronic business is also often referred to as tele-services where the intended buyers are firms outside the country and most if not all of the value added supplier activity is supplied by the firms electronically. E-business may also take the form of development and sale of IT products and services such as software, hardware, and the associated after-market support.

Tele-services can further be divided into online or offline services. The online services comprise call centre operations such as customer support; marketing activities and product support. They are performed off site but there is remote interaction through the use of reliable, low cost high speed connections with the internet backbone.

Offline tele-services comprise data entry. These are done off-line but are transmitted electronically. There is also the other aspect of physical goods. At the end of the process, the goods have to be produced, packaged and marketed. E-business thus only applies where the goods have to be marketed online (Rostenne Draft, 2002).

E-business is thus an all encompassing concept. There are a few points that may determine why a firm may want to consider E-business as part of their business strategies. (Heidi et.al, 1997) explains that firms are increasingly operating internationally as the business environment is being re-defined by global shifts. He further adds that firms must also strive to provide the best value globally for goods and services that they offer. They must consider the value of customers in foreign markets which is based on exchange rate comparisons.

The rise of E-business has also enabled significant supply chain cost efficiencies, continued innovation of products and services and provided a source of information for companies large and small. It has also led to the proliferation of markets and businesses that provide the infrastructure and services for the new e-Business economy (Dean & Company, www.dean.com). Other companies have yet to fully align their e-Business strategy with their overall corporate strategy to maximise their returns on investments in this area.

Cateora (1996) explains that the use of the Internet, is rapidly becoming an important distribution method for multinational companies. It is also noted as a source of products for businesses and consumers. Technically, e-commerce, which is a sub-set of e-business, is a form of direct selling. It is used to market business to business services; consumer services; consumer and industrial products via World Wide Web on the Internet. It involves direct marketing from a manufacturer, retailer to a final user.

The seven main features of the internet (Cooper,et.al. 1995) are:

- Electronic mail
- File transfer

- Running programs on other computers
- Searching for files and databases
- Information exchange
- Games
- Personal communications

Cateora (1996) further outlines the issues that need to be addressed in an international cyber market place when trading through the Internet. The host country intermediary who would be involved in international marketing is eliminated hence leading to the rise of the following issues:

- **Translation**

A website should be translated into languages of target markets. This may not be financially feasible but the most important page sites should be translated. This is to enable the target market to be able to understand. Probably using the official language of that country such as English or French would be sufficient. Paliwoda et.al, (1998), noted that, initially the Internet was only available in English. However, most of the world's major languages, can now be taken into consideration, in the sense, that one can compose in one language and transmit it via the internet so that what arrives will be translated into the language of the recipient.

- **Local Contact**

Many companies are creating “virtual offices” whereby the company has a phone number in important cities that doubles as voicemail /fax and the general contact point.

- **Payment**

Modes of payment can be designed as appropriate. For instance it can be authorised that for all amounts over the equivalent worth of \$10 (ten dollars), the consumer or buyer can use a credit card number either by e-mail from a secure page on the website or by fax or over the phone.

- **Delivery**

Postal delivery takes longer. In the Kenyan situation it may take up to 4 weeks for a very urgent parcel. However the more expensive courier companies such as DHL would be more appropriate as it has offices worldwide and also, most deliveries through Kenya to say USA would take on average 3 days. It is expensive on the onset but could be cost effective since the intended recipient, gets the delivery within a shorter duration and at their doorstep.

- **Promotion**

The website should be seen as a retail store. The only difference between it and the physical store is that the customer 'arrives' there over the internet. The E- seller / e-vendor needs to attract those who are not shopping on the web to assure future growth. The Internet should therefore not be over looked as a foreign market entry method.

Companies post their catalogue on the Internet and will not only get orders from their countries but will also get orders from across the seas. Thus once this is established, then eventually the vendor country would have gained a market for its goods through the Internet within a short time.

Marketers, (Tapscott, 1999), must expand their horizons as electronic communities emerge. They must learn how to cross sell the products and

services of the many providers within their community. They should also learn new ways of taking advantage of technology that allows customers to move seamlessly from information gathering for example through finding out about a product through an advertisement or another user's recommendation, to completing the transaction.

There exists the strategic impact of electronic communities, which in many cases will threaten the existing distribution channels of dealers, brokers and retailers. Electronic communities offer marketers a wealth of new and quite detailed information about their customers even about individual customers. To deliver new services or by pass intermediaries, companies first need to build direct connections to customers. That means more than just designing a web-site to market company offerings. The behaviour of customers who are already buying goods online, clearly indicate that companies can build momentum in their digital channels by using Internet technology. Two concepts have thus emerged with the advent of E-business in that there is the e-business community and there is already a need to look at the future of this new trend.

(i) The E-business Community

New organisational models are emerging and are aptly referred to as e-Business communities or EBC (Tapscott, 1999). These are networks of suppliers, distributors, commerce providers, customers that execute substantial business communication and transactions via the internet. EBCs are transforming the rules of competition, inventing new value propositions and mobilising people and resources to unprecedented levels of performance. They are already beginning to displace traditional firms in sectors ranging from financial services to manufacturing.

Small businesses or micro businesses can tap into global networked resources that were once only available to larger companies as a result of e-business. As the Internet grows in function and robustness, a deep, rich information infrastructure is growing in the global economy that makes negotiations, knowledge sharing and transactions easier and faster. The rise of world wide web has provided one of the most challenging environments for product development in recent history.

(ii) The Future of E-business in the developing world

The rapid growth in both e-commerce and Internet use is expected to continue. This applies particularly to the developing world where penetration rates are lower. In a report by UNCTAD on the development of e-commerce, it was noted that Internet use soared 30% in 2001 with one third of all the users being in the developing world. (UNCTAD, www.apnic.net). The main impediment of the take off to business to business (B 2 B) is the inadequate information and communications technology infrastructure as well as shortcomings in physical infrastructure, logistics and trade facilitation.

In Africa, connectivity is slowly improving but e-commerce there remains limited. The UNCTAD report further advises that local Internet connection is now available in all African capitals and legal monopolies in Internet service provision have almost disappeared. Exporters of handicraft are doing thriving business targeting African nationals who are residing outside their home countries. (UNCTAD, www.apnic.net)

The report further estimates that the presence of international information technology firms is also boosting e-commerce in the countries and

generating internet traffic both of which could help bring down telecommunication costs. The emergence of an 'e-business culture' among local entrepreneurs, enhanced capacity of local productive sector and a more competitive local work force, are positive effects of adoption e-business practices.

(IV) M- Commerce and M-banking

This is another modern, new way that is closely related to E-business. It is the latest development in the current business set up. It will have an effect on International business as mobile phone technology is spreading out all over the world. It uses the basic concept of the Internet but only this time it is a form of business being conducted through mobile devices specifically the mobile phone. It is still in development and there is limited use in terms of the applicability but is definitely a growth area. It has been more applicable to the banks where users or customers can get their credit details via Short Messaging Services (SMS) to their phones. In an article in (Pcworld.shopping, posted in March,2002), David Legard predicts that electronic commerce conducted via mobile devices such as phones and personal digital assistants (PDAs) would take the next few years to become a \$25million market worldwide by 2006. He further notes that the different market sectors that would constitute m-commerce include:

- Automated point of sale payments (vending machines; parking meters and ticket machines)
- Attended point of sale payments (shop counters and taxis)
- Mobile-accessed Internet payments
- Mobile assisted Internet payments (fixed internet sites using phone instead of credit card)

Consumers, merchants and banks would all benefit from the increased security of mobile phone transactions compared to online credit card payments. Mobile banking or M-banking is already been seen here in Kenya with a few banks already launching mobile SMS based services. Since mobile phones seem more readily available than Internet connectivity, it may prove to be the alternative for conducting business. Thus mobile- based payment systems would be the norm as businessmen can get their payment details via SMS. Thus, m-banking and m-commerce is an area that will need further research to see its major applicability to the current world.

2.3 Success Attained by firms in using the Internet

The use of the worldwide web or the Internet as it is known by majority of the users has several benefits. It has served to link the whole wide world as denoted in the abbreviation www. In an article as forecasted by World Trade Organisation (WTO) (Paliwoda, 1998) outlined some of the benefits in using the Internet especially in the financial sector in relation to international business. The Internet for instance would open new areas for trade in goods and services particularly financial services with the value of goods and services being traded on the Internet reaching \$200 billion. This may have been already realised or surpassed.

Internet would also cut transaction costs, provide new channels for commercial transactions and lower barriers to entry for smaller, geographically remote competitors. This has been achieved as today, businesses have a direct link to customers or consumers world wide, who can order practically anything from the comfort of their homes.

Financial services sector would experience more growth as the internet's global reach would mean that banking, insurance and brokerage services can be bought from anywhere in the world. The Internet, is seen as boosting strongly international trade in financial services at the retail level, an area which has little been affected by globalisation. Today there are international businesses being carried out and payments are done online. Thus they are lower than the average costs of the traditional transactions carried in the bank. Brokerage firms are offering online securities trading as well as access to real-time market data and sophisticated investment management tools. Thus the Internet has enabled a wide range of businesses to emerge such as dealing in stocks. Despite the great potential and future of the Internet, (Paliwoda et.al, 1998), further examined some of the issues that need to be taken into consideration. Sophisticated encryption systems and the use of digital certificates that verify parties in a transaction would play an important role in establishing the security of online transactions.

There is the need for multilateral rules towards establishing a free trade zone on the Internet by drawing the framework on governing electronic payment methods, taxation issues, intellectual property protection, privacy and security. The whole aspect of ICT and E-business in particular, have been recognised as major tools to enable countries be able to make the most out of international business. Organisations such as International Trade Centre (ITC) have partner institutions in participating countries that play an important role such as assisting small and medium enterprises (SMEs), leverage information and communications technologies (ICT) and e-business practices to improve their international competitiveness.(ITC, UNCTAD /WTO, 2002)

The national partner institutions are incorporated into the program from the beginning of the preparatory phase and are involved in all consequent phases. As centers of excellence the partner institutions help their client SMEs to:

- Develop and implement their internationalization strategy;
- Identify and research target markets;
- Gain international visibility
- Promote themselves effectively to their client groups world-wide;
- Make use of ICT and e-business practices to improve their business processes;
- Improve the effectiveness and efficiency with which human and technology resources are managed in their company

Partner institutions have access to the existing network of trade and e-trade development professionals, which will provide them with a forum for continued experience exchange and access to new tools and materials developed by the International Trade Centre under the e-Trade Bridge Program.

The regional and interregional network of partner institutions facilitates the dissemination of experiences through locally hosted national e-bridge web sites. In Kenya, the E-Trade bridge Partner institution is the Export Promotion Council. The Export Promotion Council is responsible for the coordination and harmonization of export development and promotion activities in Kenya. It works closely with both private and public sectors to discharge this responsibility.

2.4 Handicraft Industry in Kenya

The handicraft industry is quite large here in Kenya. There are no available statistics on exactly how many firms or people are actively involved in this industry using authentic Kenyan materials. This is due to the fact that there is no single organisation that collectively groups all. However most have formed associations based on their work e.g. Carvers, weavers etc. Some of the firms that export their products and participate in international trade fairs are registered with parastatal bodies such as Export Promotion Council. (Export Directory, www.CBIK.co.ke). As at June, 2003, there were 180 firms that were listed. It forms a major part of the informal sector through the small business enterprises. They basically promote authentic Kenyan, handmade goods. In the Kenyan context, Jua Kali is at times synonymous with this industry. This is because it is a form of self –employment, which in essence is identified with the Jua Kali sector.

The development of handicraft sector in Kenya is one way of achieving the government's development goals because of high potentialities of self employment in the sector and the ability of handicrafts to penetrate the foreign market (Atieno, 1988). It is one way of creating employment for the citizens of this country and also serves as an income earner for the households and foreign exchange earner.

Atieno (1988) noted that most handicraft are produced within the households where artisans produce them mainly as a part time activity. She further noted that export in handicraft sector is generally urban oriented and with growth of more handicraft exports, more artisans would be attracted to move to the urban centres. The middlemen engaged in

handicrafts trade are the private traders; church organisations, non-governmental organisations (NGOs) and government agencies.

A number of the handicraft firms are multipurpose in nature in the sense that they do not deal in only one aspect of handicraft but they may deal in manufacturing aspect as well as distribution. In most cases they may be found to be middlemen who purchase from the actual manufacturers and then sell to the potential markets. Several Kenyan handcrafted products have found their way into the various markets through exporting or bought through the Internet. Others are bought through the trade fairs. One only needs to go through some of the Publications such as the “The East African” weekly newspaper which dedicates almost a full page for export inquiries. Most of these inquiries would be of interest to handicraft manufacturers and exporters as well as potential businessmen.

Atieno (1988) findings, in part, on the subject of handicraft exporters in Kenya, were that export sales are positively correlated with proxy variables that were used in the study for levels of marketing effort. The study further underscores the importance of enhancing exporter’s ability to undertake successful promotional ventures aimed at foreign markets.

Private traders consist of collecting agents; wholesalers; curio dealers and exporters, while church organisations are also involved in marketing e.g. Jisaidie Cottage Industries which operates under NCKK.(Atieno,1988).

Types of Handicrafts

There are distinct categories in which formal handicraft industry can be divided into in the Kenyan context. They are divided into categories that

are well defined according to the type of products that are produced or the techniques used. It is also worth noting that there are some products, which may fall in more than one category. For instance wall hangings can either be hand-woven from wool or made from sisal, which is categorised as basketry.

Textile:-

This is further sub-divided into

(a) hand-woven materials for example mats (rugs or carpets), “kikoys” (body wraps), bedcovers, table mats. These are woven from wool or cotton using specially designed handlooms. The weavers work on the handlooms applying techniques such as inter-twining or ‘weaving’ the woolen or cotton thread. They use different, dyed woollen thread or sometimes, plain wool. The weaver thus needs to concentrate on the task of weaving, as the end result should meet the market requirements or the varied customers’ tastes. Among the factors that should be considered include the quality of the raw material such as the wool or cotton. Cotton yarn is the main raw material and the shortage of this makes the products uncompetitive. The quality of the dyes that are used in colouring the wool to give the required effects should also be considered as the end products should not be discoloured, after processes such as cleaning. The structure of the handloom, that guides the weaver as he works on the design, should be well designed and of the appropriate size, to accommodate the customer’s requirements on the end product.

(b) Fabrics which comprises printing on cloth; batiks, tie and dye. This is another specialised area in the handicrafts sector. It requires skillful application of the dyes. The designs should meet the customers’ expectations or requirements. Here the designers need to take careful

consideration into the quality of the dyes as well as the fabric in order to produce a long lasting product.

Carvings:-

This comprises of works of art in wood; soap-stones (kisii); iron products. Quality of the raw materials is an important factor here. This determines the quality and durability of the end product. The wood is obtained from the various trees such as mahogany; Meru Oak. The wood carver needs to know which type of wood to use. This applies in the instances where wood is to be sculpted or on the type of wood that can be used in making furniture. Iron products are becoming popular due to the fact that designs can be easily manipulated by moulding the iron into the desired shapes and sizes.

Jewellery / Fashion accessories:

This comprises ornamentals like earrings, bangles, necklaces, anklets, beaded ornaments / cloths and general beadwork. The most common beads are the Maasai beads, which are tiny in size. The art of putting them together by “stringing” can sometimes be very tedious however the end products are sold both locally and overseas. Other materials that can be used include bone, which are carefully shaped into designs which can then be dyed.

Leather Products:

This includes sandals, handbags, belts, wallets, jackets, and to some extent, leather shoes. A quick survey in the market reveals that the sandals are further decorated using other materials such as beads for example as seen in the ‘Maasai’ beaded sandals.

Ceramics:

This includes pottery. Pottery can be done either mechanically using special machinery set up for this or through the traditional method of creating pots as was done by our fore fathers. In most cases, very little mechanical input is used as the potter needs to mould the end-product.

Basketry: This comprises products made out of sisal for example wall hangings. The sisal may be dyed to give an assortment of coloured strands. This may then be interwoven to give a very contrasting effect. The famous Kenyan sisal basket, which is popularly known as “Chondo” or kiondo is made using this material. The ‘kiondo’ was a major component of the handicraft products that were exported. They are mostly woven by women’s self help groups.

2.5 Role of Handicraft industry in international business

Handicraft is recognised all over the world and encompasses various handmade products. It best reflects a country or regions’ culture which is expressed through artistic creations. Thus there are certain creations which are immediately identified with certain regions. For instance the “sombrero” hat would be identified with Mexico. The chondo (kiondo) and the Maasai shuka, would be identified with Kenya. The handmade kimono outfit would be identified with the Japanese. The marketing of these handmade products contributes to a countries export.

In a study done on marketing services for microentrepreneurs in Latin America, Mikkelsen (1999) noted that for international markets, producers had to identify competitive advantages to succeed. Thus Proarte, which was a marketing provider for low income artisans, was involved in selling Nicaraguan pottery and hammocks in a competitive

international market. Its direct competitors were from Asian and African handicraft producers thus they had to over emphasise on the pre-Columbian design in order to meet the demand.

India is another major handicraft producer of handicraft in the world. According to a study done, the major singular export in the Indian handicraft sector between the year 1999 and 2000, was carpets.(Mcdonnell,2000) Woolen carpets formed the bulk of the type of carpets that were exported leading to the fact that authentic crafts that define the Indian culture were an important aspect. The other exports constituting Indian Handicraft exports were:

Art Metal ware; wood ware; embroidery and crotchet goods, imitation jewellery and zari. The zari or sari is a piece of clothing won by Indian women. It consists of a long piece of thin material wrapped around the body. The role of India as one of the major producers is further underscored in Figure 2 (Appendix 2).

Nepal is home to some of the world's most famous carpets and rugs. The rugs can also be found in Kenyan craft shops. Also based in Nepal is the Tibetan Handicraft industry using traditional Himalayan style handmade papers. The sheets are dyed, block printed and prepared to be sold as paper products such as journals, photo albums and photo frames. They have been sold to clients in United Kingdom; United States of America and Europe.

Bolivia is a potentially rich country. Its resources include tin, zinc, copper, gold, tungsten and bismut (Ball, et.al, 1993). It also has a strong craft production sector. As a major part of its craft sector, (Page-Reeves,www.sfaa.net,1998)the Andean hand-knit sweater industry

employs many rural women and has attracted funding from development agencies. In Bolivia,(Mikkelsen,1999) the major setbacks of the handicraft sector were found to be:

- Lack of quality and product innovation
- Weak linkages and dialogues with markets
- Lack of good production / sales oriented models

A project was set up through the Cultural Foundation Quipus (FCQ) which had considerable experience in the handicrafts sector. The project would implement a cycle of training which incorporated product development, design, production and sales techniques.

The repetition of this cycle would ultimately lead to a greater appreciation among producers for focusing on quality and innovation; and to a national and international recognition of the Bolivian handicrafts production. The Bolivian Ministry of Tourism as well as regional chambers of commerce and major travel agencies, would arrange for widespread dissemination of information regarding the handicrafts production and the possibilities of visiting fairs and stores.

CHAPTER 3

RESEARCH DESIGN

3.1 Introduction

This is an exploratory study aimed at eliciting information on the state of E-business in Kenya as a mode for engaging in international business by looking at members of the Kenya National Handloom Weavers Association who form part of the wider handicraft sector. The firms have between two to twenty years' experience in this industry.

3.2 Population

The population of interest consists of 26 firms, which are registered members of the Kenya Handloom Weavers Association as at June 2003. Given the size of this population, this study will be a census study covering all the firms

3.3 Data Collection

Primary data will be collected using a semi-structured questionnaire. The questionnaire will be administered personally to respondents. This is preferred since processing and analysis of the data collected is simpler and cheaper to administer than the other survey methods (Nachmias, 2000). In each firm, one respondent will be selected. Respondents will be the Owner or Manager of the firm.

The questions will be divided into the following sections:

Section A, which will attempt to cover the demographic data

Section B will capture the information related to the objectives

3.4 Data Analysis

Once the data is collected it will be analysed using descriptive statistics, tabulations, proportions and percentages

CHAPTER 4

DATA ANALYSIS AND FINDINGS

A total of twenty-six questionnaires were sent out and twenty one were received back thus representing a response rate of 80.8% of the respondents. The respondents were the owners and or managers of the firms. The responses were collected through a semi -structured questionnaire.

4.1 Characteristics of the Population

Table 1: Distribution

Position of Respondent	Frequency	Percentage
Owner	7	33.3%
Manager	14	66.7%

The managers or other employees, who managed the business at the time, represented 66.7% in the study. Seven respondents representing 33.3%, were owners of the firms. It was also noted that one respondent both owned and managed his firm. He took charge of all activities of the firm. (Table 1)

Table 2: No of years employed in the Firm

Years	Frequency	Percentage
1-5 years	5	23.8
6-10years	4	19.1
11-15years	8	38.1
16-20years	4	19.1
21-25years	0	0

Margin of Error +/- 0.1

All the respondents had been employed with the firms for a varied number of years with the longest having served between the sixteen and

twenty year period. A number of the owners, considered themselves fully employed by the firms as it was the main source of income for their livelihood. Four respondents had been employed for between sixteen and twenty years, with one respondent among these four, having been in employment for twenty years with the same firm. He is now a Co-partner with the firm owner.(Table 2)

Table 3: Number of Employees

No of Employees	2-10	11-20	21-30	Above 31
Firms	10	8	3	0

Ten of the firms had between 2-10 employees with the owner being one of the top employees. This represented 47.6% of the total number of employees. A common feature in all the firms is that the owner would also double up as the designer of the items except for situations where a customer had specific orders for the apparels. This could have been viewed as a cost cutting measure in the sense that they would not have to employ an extra person to design. It could also be a method of the owner being fully involved in the business.(Table 3)

Table 4: Number of years firm has been in existence

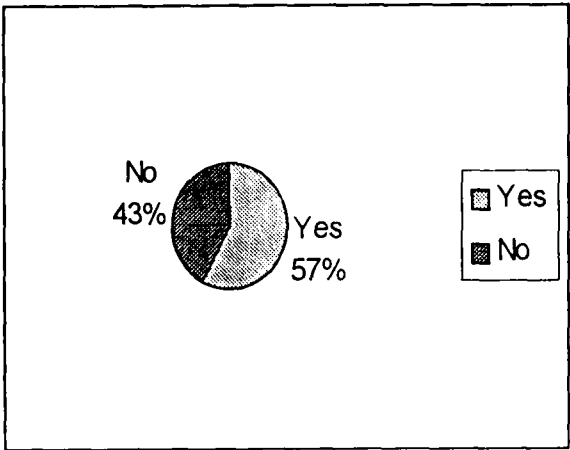
Years	1-5 years	6-10years	11-15years	16-20years	21-25years
Firms	6	8	5	2	0
Percentage	28.6%	38.1%	23.8%	9.5%	0.0%

A total of eight firms or 38.1% of the firms had been in existence for between 6-10 years while 9.5% of the firms had been in existence for 16-20 years. One of the firms has been in existence for exactly 20 years. The study found that no firm had existed for more than 20 years.(Table 4)

4.2 Firms' Involvement in Employee Development

Majority of the owners felt that they had to be directly or indirectly involved with their employees' personal development for the continued growth of their businesses. Thus 57.1% or twelve firms had trained some of their employees in the trade of making hand-woven products.

Figure 3: Employee Training



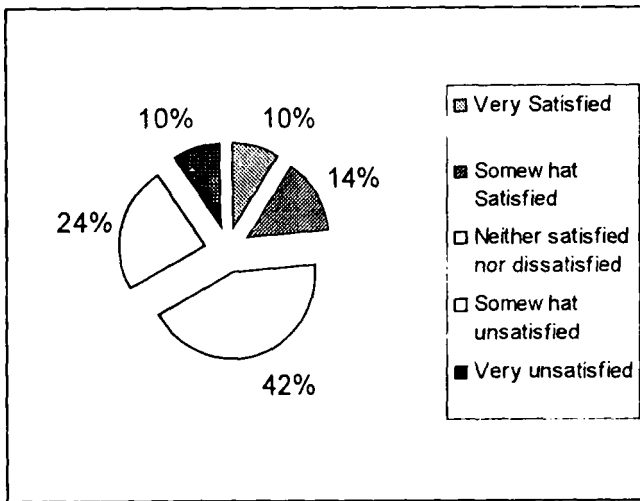
However, the owners raised concern that after training some of the employees, they were either “poached” by other firms or they went and began their own businesses. The other nine firms or 42.9% either employed more experienced employees who were either recruited or “poached” from the competitors thus they were not directly involved in the initial training of employees. The common method was to have the more experienced employee, mentor the other newly recruited employees. One firm boasts of having trained about 400 women some of whom had formed some of the organisations in the study. The women were mostly from the self -help groups while there was a small proportion of refugees mainly from Sudan and Rwanda, who wanted to earn a living.

4.3 Internet Skills

There was a need to identify the skills needed in the use of the internet, so as to enable the firms to successfully conduct their businesses either directly or indirectly via the internet. Thus the outcome was that a number of firms would like to embrace this concept as part of their business transactions. It was worth noting that of all the twenty six firms that are registered with the association, twelve of them or 46.2%, already have email addresses, which can further be categorised as either their personal email addresses or business email addresses.

Figure 4: Level of Satisfaction in using the Internet

	Percentage	No of Firms
Very Satisfied	9.5%	2
Somewhat Satisfied	14.3%	3
Neither satisfied nor dissatisfied	42.9%	9
Somewhat unsatisfied	23.8%	5
Very unsatisfied	9.5%	2



Note: Percentages rounded off to nearest number

The study established that, despite the awareness of the power of the internet as an enabling business tool, nine firms or 42.9 % of respondents,

felt that they were neither satisfied nor dissatisfied with their internet skills. This could be attributed to the fact that this is a relatively new concept, hence the users were still not very keen in embracing it. They would need to upgrade their skills if they were to fully embrace the new concept. Two firms or 9.5 % of respondents each represented the extremes- those who were very satisfied with their skills and those who were very unsatisfied. Not too many people would be internet savvy or computer literate hence contributing to its limited usage. Some of the unsatisfied Internet users would thus engage computer literate staff at the cyber cafes to assist them when using the internet.

Table 5: Frequency on web site browsing / visits

Period	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Every day	4	19.1	19.1	19.1
Once a week	8	38.1	38.1	57.2
Once in two weeks	3	14.3	14.3	71.5
Once a month	4	19.1	19.1	90.6
Rarely	2	9.5	9.5	100.1

Margin of Error +/- 0.1

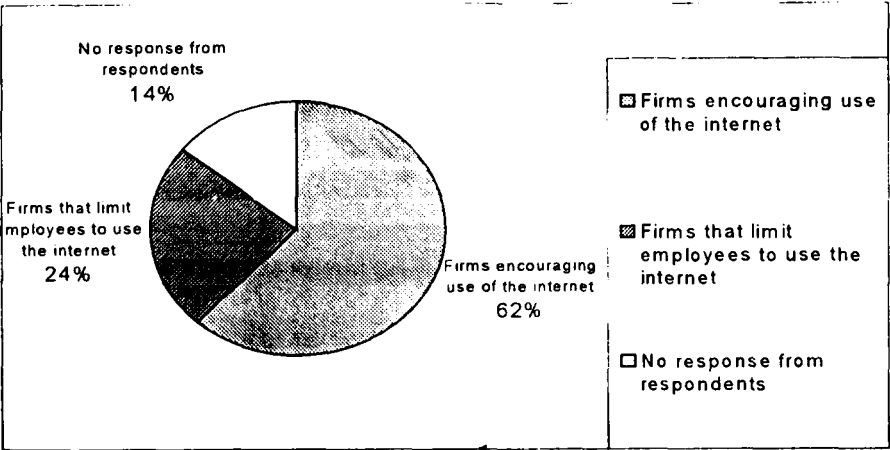
Majority of the firms (Table 5), visited web-sites once a week to check on potential markets for their products as represented by 38.1 % or eight of the firms, while 19.1 % or four firms, varied by either visiting the web everyday or once a month. It was noted that the firms that visited the web-sites everyday already had information on specific web-sites and thus knew their way around the sites. They browsed the sites at cyber cafes or by using their personal PCs as can be seen in Table 8.

The 19.1% of firms that visited once a month mostly did this in order to boost sales especially during festive seasons such as Christmas and Easter or during seasons such as the cold weather. They felt that they would

find a better market during the months of June and July in Kenya or during the winter period in destinations overseas. Thus the warm, tufted rugs and 'kikoys' body wraps, would sell better at that time. Likely customers also included Kenyan expatriates and students living abroad. 9.5% or two of the firms responded that they rarely visited web-sites as they already had made contacts with regular customers to market their products. However they, appreciated the power of the Internet in enabling firms to reach a wider market segment.

Those who visited the web-sites, reported increased sales of between 10-20% as they had a better market reach but they felt that they could still do better. All the firms also confirmed that they would wish to visit the web-sites daily if they had the means to do so. They cited examples such as owning personal computers and being able to be connected to Internet service providers, which had reasonably priced service or connection fees.

Figure 5: Firms involved in encouraging employees to use the Internet



Note: Percentage rounded off to nearest margin of error

It is worth noting that thirteen respondents or 61.9% encouraged their employees to use the internet. The owners however, needed to identify

which employee would use this since not all the employees were interested or were willing to learn how to interact with this new concept. They felt that by encouraging their employees to use this facility, they were able to interact with the customers or respond to inquiries in the absence of the owner or any other authorised official of the firm. This was seen to be very beneficial to the firms, especially in daily interactions particularly with the overseas-based customers.

Of the total respondents, five or 23.8%, felt that they would like their employees to first know the trade of face to face marketing before actually embarking on using the internet however they did not limit them in gaining knowledge on its use probably for employee personal benefit. On further probing, three firms or 14.3% responded that they did not rely on the internet facility, but would consider probably using it in the future. Presently they did not see the need to encourage the employees to use the internet as yet. There was thus no response from the three firms on whether they encouraged their employees to use the Internet at the time of the study.

However, the firms welcomed the idea of the use of the Internet especially when dealing with customers who were overseas based. This is evidenced by the fact that six or 28.6% of firms, encouraged the employees to use the internet when checking on messages from customers while five or 23.8%, encouraged the employees to browse for potential customers.

On the use of the internet, eighteen firms representing 85.7% of respondents, indicated that they had plans to train or create awareness for their employees on the use of the internet, as they felt that this would be

the main mode of doing business. . Two firms representing 9.5% responded that some of their employees already had basic knowledge in this area. Only one firm (4.8%) did not have plans to train or create awareness for employees but they would gradually introduce this as an important aspect of the business.

4.4 Modes of Engaging in International Business

With the exception of three firms,(represented in the ‘Others’ category in Table 6 on page 68), which entirely operate locally, the handicraft firms were to some extent heavily involved in exporting either directly or indirectly thus providing markets for their products. Their wares were exported indirectly through bulk buyers who then went on to sell in overseas markets. This has however tended to decline over the years due to the poor economic environment.

The three respondents could not however estimate whether their products somehow still found its way in other markets. They mainly sold to individuals in small quantities or at times went to the open-air markets such as “ Maasai weekly markets” in Village Market, Gigiri and University of Nairobi / Ngara roundabout (Globe Cinema) respectively. The latest addition to these markets is the Yaya Centre parking lot on Sundays. These are flea markets that dedicate a day each week, for traders or merchants to display their wares at designated locations in Nairobi on a specific day.

All the firms however intend to engage in exporting through the association in order to capture the vast market as one entity. As singular firms, none of the firms could meet the demands specific markets such as USA. Two firms had been exporting hand-woven products for between

16-20 years with the main markets being European and USA. Regional markets such as Uganda, Tanzania and Ethiopia were also some of the destinations for the goods though in smaller quantity. Generally, none of these firms was exporting in very large scale at the moment. They would only do this on order. A few took advantage of the various trade fairs which are held around the world to exhibit their products and there by finding export markets while a small proportion also made export inquiries through Chamber of Commerce or through the Export Promotion Council.

Table 6: Experience in Exporting

No of Years	1-5 yrs	6-10yrs	11-15 yrs	16-20yrs	Others
Firms	8	5	3	2	3

It is also worth noting that some firms had been in existence for a longer period but started exporting recently. Thus a firm that was in existence for between 11-15 years did not engage in exporting for as long while one which had existed for a shorter period of 1-5 years for example, had already made a mark as an export giant in handicraft goods. They gave reasons such as increased competition from other traders in the same field and in some cases, lack of sufficient capital to engage in export market. Also previously, the traders had to find the markets either by themselves or through middlemen as there was no clear -cut quota that had been set out. They hope that through the Association, they will now be able to more actively engage in this.

Table 7: Mode of International Market entry

Mode of Entry	No of Firms
Exporting	18
Franchising	0
Direct Market	3
Others	21

All the twenty-one respondents would consider the new concept of using the Internet as an alternative mode of entry in international markets.

Direct marketing, was being practised by three firms while eighteen firms were already involved in exporting, as can also be deduced from Table 6 and Table 7. None of the respondents had already considered involvement in franchising of the products by the time of the study. They did not have franchise holders or even appointed distributors for their products in the overseas markets.

4.5 The Internet as a mode of Entry

All the firms in the study were already using the internet to some extent for example: via visiting the web-sites (as evidenced in table 5 on page 64) or through using electronic mail (email). However it was not being fully utilised as some functions were still not electronic in nature such as online payments. One firm (4.8%) already had its own web-site while others were accessing the other web-sites to compare product prices or to obtain information on new styles and designs of hand-woven products.

The firms that positively reported selling through the internet estimated a sale rate below the range of 20%-50% though they were non-committal to giving the exact estimation for fear of competitor intelligence among individual firms. Majority felt that they would need a franchise holder or distributor in the international market, such that buyers would wholly buy

from the internet however, none of the firms had reported any franchise holder. For some of the respondents, the Internet was mainly used to identify markets after which non-electronic means of communication would be needed to complete the order, package and export once the order is confirmed.

Thus cumulatively, the internet is considered as an important mode of entry with the firms engaging in different variations of its use. The frequency on visiting the web-sites varied however the firms would preferably get markets through the internet. The other business processes such as packaging are to an extent still non- electronic in nature. Payment of orders is done on 50% basis for example, the buyer would deposit 50% on placing an order and then pay the balance on delivery of the apparels. The payment is done via electronic money transfer through the banks. An opportunity is thus presented here, as the firms no longer have to limit themselves to the local market.

4.5.1 Firm Registration with web -based trading sites or E-markets

The number of firms that registered with international trading sites (e-markets) was rather small. Only three firms representing 14.3% of respondents were registered with these sites. One was registered with a site named *ebay.com*. The other two firms, whose owners were once co-business employees, were registered with a site that is hosted in the United Kingdom. None of the respondents indicated that they had completed a sale on the sites. However they got a number of interested customers who did not place their orders immediately on the sites. They instead made further inquiries. Thus it was a main source of contacts for the firms which then pursued the trade inquiries.

Table 8: Frequency usage of Personal Computer or Cyber Café facilities

Method	Frequency	Percentage
Own and Use a PC	2	9.5
Use cyber café facilities	17	81
Use both PC and Cyber facilities	2	9.5
Total	21	100%

Two respondents own and use a PC while seventeen or 81% used the cyber café facilities. Out of all the twenty-one respondents, twelve already had email addresses thus it was appropriate for them to use the cyber café facilities. Two respondents used both their Personal computer and cyber café facilities however the personal PC was used for checking mail or sending mail. They felt that it was cheaper in the long run to use the cyber facilities as they did not have to take into consideration the costs of overheads such as the internet service provider (ISP) connection charges or the telephone dial up charges.

Despite twenty of the respondents having access to a mobile phone (17 respondents) and land line telephones (3 respondents), they still felt that it was somewhat cheaper to use cyber facilities to save on overhead costs. However, with the current mobile phone operators already providing internet connections (*Safaricom - online* for the Safaricom network and Kencell), there was an opportunity for 81% of the respondents who have mobile phones to have access to the internet by subscribing to the internet services. They would however additionally need to own specific handsets, which can be enabled for these services and / or own laptops or personal computers as well to connect their phones. The respondents

who have access to landlines which accounts for 14.3%, felt that it would be an extra cost to connect to the internet thus they would rather use the facilities provided at the cyber café. One respondent also added that she was presently experiencing difficulties dialling out from her landline thus it would even be more costly if she had a direct Internet connection from her landline.

4.6 Characteristics of Firms Market segmentation

Table 9: Market Segmentation by the Firms

Segmentation	Yes	No
Geographical Location	20	1
Income	12	9
Lifestyle	3	18

Twenty of the firms or 95.2 %, did their segmentation based on geographical location while one firm or 4.8%, did not consider geographical location as a basis for segmentation. Whereas twelve respondents representing 57.1%, segmented the market based on income, eighteen firms or 85.7% , did not segment based on lifestyle. Thus based on the above statistics, income did not quite correlate to the lifestyle of the customer. Middle income earners with high level lifestyles could be a channel for the market of trendy hand-woven rugs while lower income earners with lower life styles could still afford some of the products based on the prices. It is likely that high-income earners with higher lifestyles would probably buy the products that are synthetic or they would purchase the authentic (hand made) products at a higher price. Hence the firms were able to make their products affordable for all types of buyers / markets by for instance pricing their products dependent on the size. To illustrate this, the pricing would be done based on each square centimetre

thus a square centimetre of a rug costs Ksh 2. Thus the end product would be affordable based on size.

4.6.2 Promotion tools

Table 10: Level of Importance on Elements of marketing promotion tools

Elements of Marketing	Very Important	%	Important	%	Not Sure	%	Not Important
Advertising	10	47.6	9	42.9	2	9.5	0
Personal Selling	11	52.3	10	47.6	0	0	0
Trade Fairs	19	90.5	2	9.5	0	0	0
Internet /Website	14	66.7	6	28.6	1	4.8	0

The respondents felt that the following promotion tools: advertising; personal selling; trade fairs and use of internet or web-site were of importance though at varying degrees. Majority of the respondents represented by nineteen firms or 90.5%, ranked participation in trade fairs as very important in as far as marketing of products was concerned while 66.7% responded that the use of the internet or web-based selling would be equally important tools of marketing products. However 42.9% rated advertising as being more important than trade fairs but less important than personal selling which was rated at 47.6%.

Participation in trade fairs could be highly ranked in the perception of the respondents, as previously, this was the main means of potential exporters marketing their products to a wider market. Thus they would either participate as groups for instance through the international trade fairs organised by groups such as Maendeleo ya Wanawake or Export Promotion Council (predecessor to Kenya External Trade Authority). Other potential traders or exporters got a chance to participate in such fairs through responding to adverts on export inquiries or through personal contacts made over the years. With the advent of the internet, traders felt that they would effectively market their products to a wider

market through this medium by posting graphic representations of their products on the frequently browsed internet pages or as adverts. They would also be able to list their contact details on some of the links on the internet for instance in the classified columns of online trade magazines and even newspapers such as Nation-online.

Thus fourteen firms or 66.7% responded that the internet is a very important tool for promotional purposes. Through the use of the internet, one tends to eliminate a number of barriers that were previously experienced by potential exporters for example delay in correspondences with potential customers. Within a specified period, communication is on real time basis such that the potential exporter and supplier can exchange information and finalise deals at the 'click of a button'. Thus they did not have to wait for correspondence or letters sent by post (snail mail) which usually delayed for several weeks before there was any form of communication.

All the respondents felt that they would use the internet to get in touch with new buyers as well as repeat buyers from all over the world. They would also like to connect to the Kenyan market, as it is easier to sell at 'home' first before expanding outwards.

Table 11: Firms using the Internet by Activity

Internet Activities	No of Firms	%
To connect to new buyers from all over the world	21	100
To connect to repeat buyers from all over the world	21	100
To connect to customers from local (Kenyan) market	21	100
To connect to people in similar life situations	5	23.8

The world has become smaller due to the internet connecting people from all over the world. Businessmen can exchange ideas over the Internet.

With this in mind, five or 23.8% of the respondents, felt that they would also use the Internet to connect to people in similar life situations such as the self-help groups. One of these respondents expressed the interest to link up with South African partners so as to get to know a little bit more about how they handle product in this sector in addition to gaining entry to this lucrative market. They would also alternatively be interested in selling raw or semi-raw materials such as gallstones to potential buyers. They however noted that the restrictions on exports of materials such as ivory or animal hides, which would constitute part of some of the handicraft products, would control the destruction of wildlife thus protecting the fauna, which is a tourist attraction.

4.7 Communication with Customers

Communication with customers is an important factor of any business whether small firms or multinationals. This is because customers are the very core of which any business exists. With this in mind, the study showed that, thirteen firms representing 61.9%, communicate to customers regularly while five or 23.8% communicated with customers as the need arose. All the firms communicated to customers as they felt that it was an important aspect aspect in retaining customers and getting new ones. Whereas four firms or 19% communicated when selling directly, only one firm representing 4.8%, had the employees communicate to the customers directly.

The owner felt that at times, the employees were the ones in contact with the customers since he was usually away from the premises thus it only made business sense that they communicate with customers directly.

Generally, four firms or 19.04 % reiterated that it was worthwhile to keep communication channels open with the customers since this would keep

the business going and it would also be a mode of having information that pertains to helping the business make pertinent decisions that affect it. The aim is to stay at the top since there is a lot of competition and especially in the handicraft sector.

4.7.1 Modes of Communication to Customers

All the twenty-one respondents used the telephone. They had either mobile phones or landlines but this was restricted to contacting local customers (Kenyan Market). They argued that phone charges were fairly expensive if they were to contact those in the international markets.

Table 12: Modes of communication

Mode	No of Firms	Percentage %
Telephone	21	100
Fax	10	47.6
Personal Email address	3	14.3
Firm Email address	8	38.1
Internet / Website	2	9.5

Thus in total, twelve or 57.1% respondents used electronic mail as follows:

- Four used their personal email addresses
- Eight firms were already using the firms email addresses.

Out of these twelve firms, two firms were already using web-sites with one firm already having its own web-site.

Table 13: Outcomes attributed to Internet use in Customer Service

Outcome	No of Firms	Percentage
Increase in Customers	15	71.4
New Customers from other Markets	5	23.8
Internet to be used with other modes	21	100
Possibility of fully implementing use of the internet	21	100

All the twenty -one respondents, (100%) of the respondents, though not fully using the internet, would attribute successful outcome in use of the Internet and additionally indicated that the Internet could be used with the other modes of market entry. They would also consider the possibility of fully implementing the use of the internet in their business dealings. Five firms (23.8%) had gained new customers from other markets while fifteen (71.4%) had increase in customers as they could now communicate more easily and frequently as well as browse the web for more information as pertains to the business. However, they still did not fully rely on this as yet.

Table 14: Elements of Effective adoption of the internet

Elements	No of Firms	Percentage
A strong communication component	21	100%
Strategic marketing tool	21	100%
An interactive website	13	61.90%
Any other	5	23.80%

All respondents affirmed that the Internet could be used as a strong communication component. It served as a better alternative to using snail mail (predecessor to email) and the general slow pace of using postal services. They felt that they would be able to communicate to customers on real time basis e.g., they could send an electronic letter to a customer and within a few minutes would receive replies. This would contrast the

speed at which letters are delivered via the postal services as at times it took months depending on when the letter was dispatched.

All respondents also indicated that the Internet could be used as a strategic marketing tool, since it transcends all borders. One only needed to know which website to log into or to browse via the search engines. It would also eliminate the delays encountered when looking for markets through publications or export agents, or commercial attaches. It would serve as a direct link between the supplier and the potential market. Only thirteen or 61.9% of the respondents felt that having an interactive website was an indicator that it would go a long way in not only marketing their wares but also marketing their firms and Kenya as a whole. The site should thus have as much information to enable the web users to get as much information as possible at the click of the 'mouse' without leaving the country. On further clarification to the respondents, five or 23.8%, agreed that they would use 'chat' facility, as it was real time. They felt the Internet would be good alternative in the current international business circuit.

4.8 Benefits of using the Internet

The respondents indicated that they had gained from the introduction of the internet. Three respondents or 14.3% responded that the use of the internet increased the market reach. This is due to the fact that the internet is border-less hence anyone could log on and access information.

Table 15: Benefits of using the Internet

Benefit	No of Firms	Percentage
Increased market reach	3	14.3
Increased growth of customer base	7	33.3
Cost cutting measure to firm as a marketing tool	5	23.8
Speed up product development by importers feedback	6	28.6

While five respondents or 23.8% indicated that the internet was a cost cutting concept to be used by firms as a marketing tool, a lot still needed to be done. Aggressive marketing would be implemented so that it supplemented the use of the Internet.

Only six or 28.6% of the firms, used the feedback from importers, to remodel or redesign their products development to meet the requirements thus the use of the internet to speed up this aspect, played a major role. The use of the Internet and its other components such as instant messaging facilities (CHAT), is viewed by seven or 33.3% of the firms, as an integral factor leading to increased growth of customer base.

Table 16: Other gains from using the internet

Ways of using the internet	Firms	Percentage
Online chat with customers	5	23.8
Online trading of apparels with other traders	18	85.7
To contact overseas customers through making online calls	18	85.7
To use nationwide directories to find addresses	15	71.4

A total of five firms or 23.8% of firms responded that they would use the internet to participate on online chat or discussion with potential customers but though it was a component of the internet, it all depended on when the potential customer or client was online. The use of 'chat' facility is one of the components within the internet circuit whereby those communicating literally chat and it is real time via the chat engines such as Yahoo messenger and MSN Chat.

The use of the internet enables traders, business-men and all others who would like to get information in many areas of business. With this in mind, eighteen firms or 85.7% responded that they would participate on online trading of apparels with other traders. This enabled them to have ideas on variety of products that they engage in selling and also to gain more ideas on how to improve on products that they sell e.g in terms of designs or raw materials to be used. The eighteen firms also conceded that they would use the internet to contact overseas customers by making telephone calls online while fifteen firms representing 71.4%, would use the nationwide online directories to find addresses or telephone numbers for potential customers.

The respondents however concurred that online telephone directories did not presently largely exist in Kenya as the hard copy directory was available. The closest that there was to online directory was the web page

www.yellowpageskenya.com, which is the electronic copy of the Yellow Pages in the telephone directory. Thus they would use this to find contacts of fellow businessmen who would be interested in their products or where they can source for some of the raw materials for their wares. They however hoped that this would in future be the norm and alternatively they could also post their contact details in an online directory. Three respondents regretted that the internet was currently not being utilised for transactions such as invoicing, quotations. They felt that this would be other ways of utilising the uses of the internet, as all transactions would be electronic.

4.9 Challenges faced in using the Internet

Table 17: Challenges of using the Internet

		Agree	Disagree	
I am new to the Internet	21	100%	0	0
Information not available	1	5%	20	95%
There is too much information	11	52%	10	48%
Takes too long to load a page	3	14%	18	86%

Percentages rounded to nearest whole number

The Internet is a relatively new concept in Kenya, thus there have been challenges that have been experienced by businesses in its full adoption. Thus with this in mind, all the respondents agreed that they were new to the Internet. Majority only knew about the use of the internet as a communication tool via the electronic mail component and yet there were other tools that could be used such as online payments (e-invoicing), supply chain management, in addition to e-learning. It could be fully utilised as an advertisement medium or e-magazine when promoting products to the wider international market.

While 5% of the firms responded that information they were looking for was not available, majority of the firms 95% disagreed. They confirmed that one could get a lot of information off the internet as one only needed to search the web via the search engines and where possible, they could get information from specific addresses. Eleven firms or 52% agreed that there was too much information while ten firms or 48% disagreed that there was too much information. They reckoned that what was lacking in some instances was pertinent or relevant information that would be useful to their business transactions but the information was there, one only needed to take more time to get the useful information.(Table 17).

In some instances it took quite a while to load a page that is for the web page to be accessible. Three firms or 14% agreed that this was the case while eighteen or 86%, disagreed on this. Such instances, occurred where there was a lot of graphics on the particular page that was being downloaded or where it was a popular site meaning that there was a lot of ‘traffic’ on the particular page.

4.9.2 Hinderances in Effectively adopting use of the Internet

The respondents agreed that there was a general lack of awareness on the usage of the internet to reach a wider market. They felt that it was centralised to the urban centres and needed to be spread out to the semi-rural areas as these were also some of the sources of the raw materials. This seemed to be a factor, that was preventing some of the firms from fully implementing this, believing that installing and maintaining a website was expensive when essentially it had a wider market reach including across the borders.

Slower Internet accessibility speeds was another factor that was considered a hindrance in effectively adopting the use of the internet. Five respondents (23.8%) highlighted this as a fact. Some of the cyber café facilities were to blame for this as they had not quite upgraded their connections to the fibre-optic links or sometimes it was the computers that were too slow when they tried to access the internet. The internet backbone, Jambonet, is a monopoly thus when customers inquire from the cyber cafes why Internet would be too slow, some of the reasons given was that the backbone link was down.

Majority of the respondents, indicated the lack of computers, as a factor hindering them from fully adopting this concept. They felt that if they would purchase computers, they would be able to maximise the usage of the Internet. However some also needed to upgrade their Information technology skills to be able to optimise uses of the internet. Figure 4 showed that 42.9% were neither satisfied nor dissatisfied with their internet skills however if this category skilled up, then they would definitely be able to maximise the use of this new concept.

In the Kenyan business circuit especially in the bigger establishments, online payments seem to be the norm. This has to some extent been seen in the banking sector. In the other business establishments, the best example where this may be seen to be practised, is in the vehicle importation industry where payments are done electronically. However in the smaller business establishments, this seems to be a hindrance. The traders feel that the internet may not be still a very secure medium to make online payments especially where international customers are concerned. The fear of computer hackers gaining information such as credit card information and passwords may make it an insecure medium.

Thus the better alternative to this is to encourage the customers to deposit down payments in specified bank accounts or using bankers documents before any deliveries are done. Thus there needs to be trust in this aspect.

Digital representation of the products was sometimes not very accurate in terms of the actual colour. There were instances when a customer made an order based on the photographs that they see posted on the internet, and the orders at times turned out not to be the same as the actual product that had been ordered for. This in some cases has been a problem for some of the traders however the solution here was to use the digital camera and download the pictures with the right pixels. The mistake that was made usually was when photographs were taken, scanned but the attachments or pictures saved in wrong pixel details, thus the picture ended up being darker or lighter than the actual colour.

Some respondents expressed the view that since in most instances they served the local market, there was really no need to adopt e-business practises since transactions could be completed using telephone, fax and or person to person selling. This can be evidenced by, Table 12, where majority of the respondents, to an extent, used the telephone to communicate. Thus this served as a hindrance to the firms to use the internet. However they agreed that whereas sending a sample of the products to a customer would take days, they could do the same in just a matter of minutes by sending attachments of the digital photographs to the potential buyer. The firms would thus like to see the government play a bigger role in enhancing the adoption of the internet as a medium of trade. There was the feeling that awareness level was still not within acceptable standards thus there needed to be a method in which small and medium scale business men would be encouraged to use this medium.

They felt that the businessmen would probably need to be given computer lessons at very subsidised costs as long as they were registered through trade organisations.

Another view that was raised was for the government to legalise another backbone to the internet, as this seems to be the problem when the links were down. Also in the era of competition, there needed to be more internet link operators to encourage more efficient service. In addition to this, the government needed to have a clear policy guideline set out which would then encourage Kenyan business men and the Kenyans at large, to use this medium to enable them be at par with their business counterparts in other parts of the world.

CHAPTER 5

5.0 SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY

The Internet first came to Kenya in 1994. By then it was limited to few bigger organisations. Electronic format of doing business was mainly focussed on specific sectors such as the banking industry and the airline industry. Close to 10 years now, the use of the Internet has been entrenched in the Kenyan business circles and it is fast becoming a growing industry in itself. One only needs to see the number of cyber cafes that have been established which however is still heavily limited to the urban towns of Kenya.

As much as this is a new area of study, Kenyans and more so the smaller business owners are interested in adopting this new concept fully as it is currently the most recent development and deemed as the fastest mode of doing business. It is the surest way of enabling Kenya to have its place in the growing global nature of international business. There is need to fully enhance computer or information technology literacy in Kenya such that Kenyans can fully take advantage of these developments.

The internet or E-business as a whole, needs to be explored as a new alternative to gaining entry to new markets which was previously only done through the traditional modes of exporting and direct marketing. It is the surest way of gaining entry into previously closed markets as it is opening up the world end ensuring that we now live in a border less world. The study has shown that there is potential for its expansion here in Kenya in as far as using it as an entry mode for small firms is concerned. The study reveals that the internet, is used by all firms

interviewed. This is either through accessing websites or through the use of electronic mail (email). The firms that reported selling through the Internet, estimated a sale rate below the range of 20%-50%. Clearly indicated is the fact that E-business is being applied in promoting business for Kenyan markets within the international market at a relatively adequate speed. It shows indication that it can be enhanced with an improved business climate and communications, governance and change in business culture.

The respondents were aware about the internet and its usage however the findings indicated that it was still not being fully utilised. It is still largely limited to marketing and for communication purposes. However, for a relatively new concept, it is worth noting that it ranks well as a marketing promotion tool as the respondents indicated that it was the second most important marketing tool, after trade fairs. As time goes by, it may eventually overtake trade fairs as a tool.

All the respondents (100%) viewed the adoption of the internet both as a strategic marketing tool and as a strong communication component. However 42.9% were neither satisfied nor dissatisfied with using the internet compared to only 9.5% who were very satisfied. These statistics could be attributed to the skills and partly the awareness level, which needs to be addressed. This will thus enable the users to fully maximise the use of this concept. It is however encouraging noting that all the respondents additionally indicated that the internet could be used with other modes of market entry. This is a positive aspect considering that this is a new concept.

The research did not clearly and fully distinguish some of the factors that challenge the effective adoption of E-business concept as a whole e.g Computer / Information technology literacy. There is still more to be done as E-business is all encompassing and is not the use of the e-mail or internet browsing alone but other critical business processes such as, supplier management. Further study needs to be done on these aspects.

5.2 RECOMMENDATIONS

The concept needs to be further encouraged and spread out to the rural areas of Kenya. By the very nature of the business, the handicraft sector gets some of the raw materials that are used, either directly or indirectly from the rural areas. Thus there should be establishment of channels of communication with the suppliers of raw materials. Lessons need to be learned from the other sectors such as the motor industry and adopted in this particular sector. The whole e-business aspects need to be incorporated if this concept is to become a fully fledged mode of entry.

5.3 Limitations in the study

The study was constrained by the following factors:-

- 1) There is no single association of traders in this sector thus the findings may not be generalised in the other sectors as it focused on one association. The association is also still new so there are bound to be new members or others may drop out from the association
- 2) There was initial reluctance in response to the questionnaire. Thus some were not willing to give information on aspects such as of the financial nature in relation to the E-business concept. With the assistance of a research assistant, inquiries were made at the physical location (stalls)

3) This is a new area of study and quite wide thus concepts such as ‘chat’ were new to the users though they may have heard of it but did not quite use it as much as it was part of the internet facility. There was thus a seemingly lack of awareness on some aspects..

5.4 Gaps in knowledge and need for Future research

More research is needed to address unanswered questions about E-business for example how internet and e-business practises can be adopted generally by targeting broader areas such as rural Kenya. The study only covered one sub-sector. There is need to study the other sectors such as the distribution of the products.

5.5 CONCLUSION

Countries in the West have made tremendous strides in ICT advancement and this has made life easy and enjoyable. In Kenya, this is yet to be fully realized. The sector is such that it is still relatively expensive with the cost of telephone connections still high compared to other countries and the telecommunications infrastructure facing various connectivity lapses. Although there is much gain in ICT development in Kenya across several sectors, a number of challenges still need to be addressed. We need to invest in ICT education for example, define capacities and set standards of various concepts such as programming of systems and web design. A blue print on ICT education is vital.

As the government plans for e-government having recently released its master plans, all ministries and government divisions will be affected and will need to develop the necessary e-government engines. It is hoped that this will have a ripple effect on other sectors, business included.

Appendix 1

QUESTIONNAIRE

Section A

1. Name of Organization _____

2. Position of Respondent _____

3. Name of Respondent (Optional) _____

4. No of years employed in the company

1-5yrs 6-10yrs 11-15years 16-20years over 20yrs

5. How long has the firm been in existence?

1-5 years

6-10years

11-15 years

16-20years

21-25 years

Others(specify) _____

6. How many direct employees does the firm employ?

2 -10

11-20

21-30

Above 31

7. Have you trained some of your employees on making handwoven products?

Yes

No

8. How satisfied are you with your current skills on using the internet?

Very Satisfied

Somewhat satisfied

Neither satisfied nor dissatisfied

Somewhat unsatisfied

very unsatisfied

9. How often do you visit the various web-sites to check for markets for your products?

everyday

Once a week

Once in two weeks

Once a month

Rarely

10 Are employees in your organisation encouraged to use the internet?

- Yes No

11. When do you encourage them to use the internet?

- when checking on email messages from Customers
- when browsing the web for potential customers
- they would use but they do not know how to use the facility
- Other please specify _____

Section B

12. How long has your organisation been exporting hand-woven products?

- 1-5 years
- 6-10 years
- 11-15years
- 16-20years
- Others (specify) _____

13. Which international business mode does your firm embrace (tick if more than one)

- exporting
- Franchising
- Direct Marketing
- Other specify.....

14. Does your firm use the Internet as a mode of entry in international markets?

Yes () No ()

If No, Skip to Question 22

15. What is your firm's website address? Please state _____

16. Approximately, what percentage of your international sales to business customers is supported through the use of the Web?

() 20 % () 30% () 50% () Other State _____

17. Has your company ever registered with any web-based international trading site or e-market? () Yes () No

If no, Please give the reasons _____

18. If Yes, What is the name of the trading site?_____

19. Has your firm managed to sell and completed a sale at the given site?

Yes we did sell products through the site

We got customers who were interested in the products but did not buy

No

20. Do you use a personal /office Computer or does your firm use the cyber cafes for its business transactions? Please tick as appropriate

Own and Use a personal / office computer

Use the cyber Café facilities

Use both my personal Computer and the Cyber café facilities

21. Would you find it cheaper to own a computer connected to the internet?

Cyber cafes are cheaper as I do not have to worry on overheads such as phone charges, ISP monthly access fees

having my own computer connected to the internet gives me more privacy in conducting business

having my own computer enables me to communicate with customers at any time that is convenient

Have not quite calculated the savings made in using either Cyber café or personal computer

Do not know

22. Do you carry out research into the tastes of the consumers before developing and marketing the handwoven products? Please tick as appropriate

- yes , by face to face discussions with potential customers
- yes ,through feedback given during participation in business trade fairs
- yes, through telephone discussions with potential customers
- No, my products are marketed based on previous designs made
- Other Please specify _____

23 Your market segmentation is done on the basis of

	Yes	No
Geographical Location	<input type="checkbox"/>	<input type="checkbox"/>
Income	<input type="checkbox"/>	<input type="checkbox"/>
Lifestyle	<input type="checkbox"/>	<input type="checkbox"/>

24 Rank the following elements in terms of prominence that your firm attaches to marketing your products

	Very Important	Important	Not sure	Not Important
Advertising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Personal Selling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Fairs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Internet / Website	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

25. Which of these groups would you become more connected to through the internet? (Please tick all that apply)

- New buyers from all over the world
 - Repeat buyers from all over the world
 - Customers from Local (Kenyan) market
 - people in similar life situations (e.g. self help groups, support groups)
 - Other groups. Please Specify _____
-

26. How does your firm provide for customer service for overseas market?

- Communicate to customers regularly
 - Communicate to customers as the need arises
 - do not communicate to customers
 - communicate only when selling directly e.g. at the trade fairs abroad
 - my employees communicate to the customers
 - Other (Specify) _____
-
-

27. Which medium do you use to communicate with your customers? Please tick if more than one

- telephone
- fax
- personal email address
- firm email address
- internet /website

28. Would you say that having access to the internet plays a leading role in increasing the number of international customers that your company now deals with on a regular basis?

Yes, there would be an increase in customers

Yes, I am now getting new customers from other markets

Internet would work hand in hand with other modes e.g. trade fairs

Yes, I am exploring the possibility of fully implementing use of the internet by my firm

29. Is there a plan to train or create awareness for your employees, on the use of the internet?

Yes

Employees already literate in this area

No

30. What are the benefits of adopting the use of the internet to your business?

increased market reach for the firm

increased further growth of customer base

Cost cutting measure to the firm as it is a cheap marketing tool

Speed up product development by importer's feedback

Other (please specify)

31. What are some of the key elements of effectively adopting use of the internet to your firm?

- a strong communication component
 - Strategic marketing tool
 - An interactive website
 - Any Other Please specify _____
-
-

32. In what other ways would you use the internet to improve your business? Please tick all that apply

- To participate in an online chat or discussion with potential customers
 - to Participate on online trading of apparels with other traders
 - to contact overseas customers through making telephone calls online
 - to use nationwide online directories to find addresses or telephone numbers for potential customers
 - Any other . (Please Specify) _____
-

33. From your experience, what do you find to be the biggest challenge when using the internet?

	Agree	Disagree
I am new to the internet	()	()
Information I am looking for is not available	()	()
There is just too much information	()	()
Takes too long to load a page	()	()

34. What major hinderances do you encounter in effective adoption and usage of the internet?

- lack of awareness on the usage of internet to reach a wider market
- slow internet accessibility speeds
- Poor phone connectivity
- Lack of a computer
- Financial security in Online Payments
- Digital photographs of products are not colour accurate
- Other (Please Specify) _____

35. In your view, as a small & medium size business entrepreneur and in relation to the internet, what measures would you like to see the government undertake, in order to further enhance its adoption in Kenyan Business?

Thank you for your assistance

Appendix 2

Figure 2 Export of Handicrafts from India 1993/94-1999/00

Export of Handicrafts (from 1993-94 to 1999-2000) Rupees in Crores							
Item	1993-4	1994-5	1995-6	1996-7	1997-8	1998-9	1999-00
Carpets (Woolen)	1036.85	951.00	993.22	1363.05	1526.88	1719.24	1888.45
Carpet (silk)	44.49	40.33	56.65	68.77	120.38	155.54	153.93
Carpet (synth)	6.26	7.55	12.62	10.73	144.13	139.16	93.65
Cotton Durrie	335.92	359.02	351.66	337.04			
Total Carpets	1433.52	1357.90	1414.15	1779.59	1761.39	2013.94	2136.03
Art Metalware	688.50	804.68	924.94	971.46	1214.60	1324.16	1497.18
Woodware	101.17	101.36	153.46	218.70	221.822	86.04	348.95
HP textiles	540.63	682.47	507.76	686.10	838.24	1033.98	1158.05
Embroidery &Crotchet goods	571.94	895.96	785.8	1030.89	990.75	1159.42	1584.36
Shawls &artwares	13.01	13.36	14.33	17.82	17.08	18.18	21.50
Zari and Zari goods	34.15	57.19	47.73	54.57	70.34	74.95	83.52
Imitation Jewelry	35.87	61.03	77.58	48.65	98.03	104.10	113.64
Misc.Handicraft s	378.27	523.57	695.94	787.02	902.32	1057.57	1116.40
Other than Carpets	2363.54	3159.62	3207.54	3815.21	4353.18	5058.4	5923.6
Total-exports	3797.06	4517.52	4621.69	5594.80	6114.57	7072.34	8059.63
Total Exports of h'crafts \$m	\$789.79	\$939.64	\$961.31	\$1163.7	\$1271.8	\$1471.05	\$1676.40

McConnell International, Risk E-Business: Seizing the Opportunity of Global E-Readiness, August, 2000

1 Crore=10m rupees=\$0.208m

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Appendix 3

Kenya National Handloom Weavers Association Members

1. Maasai Village Craft
2. LRCDP
3. Woodley Weavers
4. Mikwetu Weavers
5. Achievers Textiles
6. EDA
7. Makena Textiles
8. Gramwa Handicrafts
9. Texlab
10. Warex Weavers
11. Yarn Crafts
12. Ethina Crafts
13. Pendeza Weaving
14. Ayany Women's Group
15. Safari Craft Weavers
16. Kenfit Ltd
17. Becky Spinners
18. Limuru Weavers
19. Long Range Embu
20. Muchacha Weavers
21. Jenalla Handicrafts
22. Stephen M Njau (Sole Proprietorship)
23. Erick Nyanja (Sole Proprietorship)
24. Paul Kamau (Sole Proprietorship)
25. Joseph Maina (Sole Proprietorship)
26. Edward Kamau (Sole Proprietorship)

Appendix 4

Introductory Letter to Respondents

Dear Sir / Madam

Re: MBA STUDY ON E-BUSINESS AS A MODE OF INTERNATIONAL BUSINESS ENGAGEMENT

I am a Post-Graduate student at the University of Nairobi, Faculty of Commerce pursuing a Masters in Business Administration (MBA) Degree in International Business Management.

In partial fulfillment of the requirements of the course, I am carrying out a research project entitled “ **E-business as a Mode of International Business Engagement: The case of Kenya National Handloom Weavers Association**”. Your firm has been selected to participate in the study as it is part of the association. I would like to request you to provide the required information to the best of your knowledge by filling the questionnaire attached.

This exercise is strictly for academic purposes and any information obtained will be treated in strict confidence. A copy of the final research report will be availed to you upon request.

Yours faithfully

Sheila Odiko