FACTORS INFLUENCING PERFORMANCE OF ONLINE BUSINESSES IN KENYA: A CASE OF BUSINESSES IN NAIROBI COUNTY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: __________________________ **Date: __________________________**

Scholastica Wangui Kiboro (ID 653969)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: __________________________ **Date: __________________________**

Dr. Peter Kiriri

Signed: _________________________ **Date: __________________________**

Dean, Chandaria School of Business

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Lastly, my gratitude extends to my family for understanding when I was away from them as I attended classes and mostly burnt the midnight oil studying. Your understanding throughout my academic journey is well appreciated.

DEDICATION

I dedicate this dissertation to my family who gave everything to ensure that I had a solid educational foundation coveted by many as well as their encouragement and continuous support throughoutt my studies. Folks we made it!!

ABSTRACT

This study sought to determine factors that influence the performance of online businesses in Kenya and in particular those domiciled within Nairobi County. The study was informed by the following research questions; to determine factors supporting the growth of online businesses in Kenya,to assess challenges confronting online entrepreneurs in kenya and to establish effective growth strategies for online businesses in Kenya.

The study adopted a cross-sectional survey design with the target population for this study being online companies with official premises within Nairobi County. The target population for this study comprised 52 online companies (Appendix II) with official premises within Nairobi County (My Tech Informer, 2018). Since the population of the study was small (52 firms) this study included all of them in the study hence a census. A structured questionnaire was adopted in this study as a method of collecting primary data. The collected data was analyzed using Statistical Package for Social Sciences (SPSS) and Excel. Both descriptive and inferential statistics were used to analyze the findings The findings were presented using tables and figures.

The first objective of the study was to determine factors supporting the growth of online businesses in Kenya. The respondents were found to agree that the cost of accessing internet was favorable, internet experience of the buyers was good, customers' knowledge of the internet was sufficient and the pricing of goods online was good. They also agreed that internet speeds in the country, the level of education of customers was high on average and that the level of trust in institutions was high.

Key to note is that, the respondents neither agreed nor disagreed that the income level of the customers was high customer support programs by existence of the telecommunication infrastructure and also that internet culture of target customers is good. The average mean and standard deviation were 3.71 and 0.584 respectively. This showed that the respondent agreed on average and that most of the underlying factors resulted into significant influence on growth of online businesses.

The second objective of the study examined the challenges confronting online entrepreneurs in Kenya. The study revealed that that the cost of energy in the country was

high, there was inadequate reliability on online transactions, difficulties in accessing the internet and inexistence of some common ICT infrastructure, standards and applications. The respondents saw these as the major challenges hindering online business of enterprises. However, the respondents neither agreed nor disagreed that the level of initial set-up costs for online businesses is high and also that E-commerce software is incompatible with other applications. The average mean and standard deviation were 3.64 respectively, showing that the respondents agreed and that the identified were challenge that greatly affected performance of online businesses.

The third objective of the study examined the effective growth strategies for online businesses in Kenya.The results showed that the respondents agreed that capabilities in employees, offering price discounts, arranging for sales, expansion of the existing market for our goods, ensuring stable market for customers, external relations, efficient internal processes and market segmentation were efficient strategies in promoting growth of online businesses. The average mean and standard deviation were 3.86 and 0.981 respectively implying that the respondents agreed that these underlying strategies identified were effective in promoting growth of online businesses. Among other strategies adopted by online businesses in Kenya for growth include market research, competitor analysis through SWOT and hiring of skilled employees.

In conclusion, there was a positive relationship between factors supporting the growth of online businesses and performance of online businesses. with the most significant factors being security of the various payment methods, strictness in enforcement of legal provisions on cybercrimes and the level of trust in institutions. Also to note is that the most effective strategies for growth of online businesses include research and development, creation of new markets, running promotions and adoption of technology in operations.The level of IT skill base, privacy of customer information, social interaction in online businesses, cost of energy, reliability of online transactions and efficiencies were identified as significant challenges that affected growth of online business

Since internet experience of the buyers, security in payment systems, strictness in enforcement of legal provisions on cybercrimes and the level of trust in institutions had were significant factors supporting growth of online businesses, the study recommends that all online companies in Kenya should pay greater attention and emphasis on these factors to grow their organizations. Less emphasis should be paid on level of income of customers, e-commerce awareness, accessibility to internet and internet culture of target customers since they were least significant.

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LIST OF ABREVIATIONS

CCK	Communications Commission of Kenya
EDI	Electronic Data Interchange
GDP	Gross Domestic Product
ICT	Information and Communication Technology
OCED	Organisation for Economic Co-operation and Development
SME	Small and Medium-Sized Enterprise
SMS	Short Message Service
UN	United Nations

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The introduction and development of internet globally has provided quite a number of opportunities for small medium enterprises and or entrepreneurs in creating more value adding activities (Ekwueme & Akagwu, 2017). Developments in information technology coupled with increased internet access has revolutionized trade which involves buying and selling of goods and services (Rudansky-Kloppers, 2014). According to Yasmin, Tasneem and Fatema (2015), businesses today are being faced with an increasing need to adopt digital business platforms in their operations. Online businesses operations involve basic business activities such as selling, marketing, advertising, and customers' ability to go through a variety of products online. Macharia (2009) in his paper agrees with the works of Papazafeiropoulou, Pouloudi and Doukidis (2002) as he asserts that online businesses is a powerful new way of conducting business and one that presents many opportunities for companies and consumers. This line of thought agrees with Tiago and Veríssimo (2014) who argued that a well-developed digital marketing can be extremely advantageous for a business in creating stronger brands and having a competitive edge up and above the other companies.

Although small medium enterprises most time usually lack enough capital to employ use of sophisticated information and technology systems, the adoption of online businesses is a crucial aspect for their growth in this competitive environment (Hua, Rajesh & Theng, 2010). They further observed that online businesses has enabled small medium enterprises to have a same level playing field with large organizations by enabling cross boarder business practices and by minimizing their cost of operations such as low advertising cost, cost effective communication systems relatively cheap means of launching products and gathering information.

Smith (2011) examined the marketing strategies that appealed to millennia's thus influencing their purchase decisions. Barry and Miller (2002) identified several characteristics that indicate weakness of small medium enterprises in developing a strong online presence for their products and services and entire line of business. These attributes include factors such as lack of time, limited resources and poor planning perspective and strategy that can be a hindrance to technological innovation and best practice by small businesses. Salehi, Mirzaei, Aghaei and Abyari (2012), noted that some organizations preferred traditional marketing to e-marketing although the times are changing very fast. Some organizations hesitate in adopting information communication technology such as conducting business online due to organization factors that include resistance to change, illiteracy and security issues related to online business operations.

A lot of research in this area is limited in the sense that it only focuses in the applicability of information and technology in small business operations (Tiago & Veríssimo, 2014). None of the past studies recognize that online business operations is a process that ranges from entry level activities such as having web browsers, websites, and e-mail, to sophisticated activities such as online payments, making online procurement, customer care and services and amongst many others (Rehmani & Khan, 2011). According to Persaud and Azhar (2012) the implementation of a digital platform in businesses practices is an advancement, and therefore before complex technologies are adopted a business should consider careful implementation of entry level technologies and that they operate successfully. Entry level technologies form the basis and foundation upon which complex infrastructures are implemented or adopted (Ström et al., 2014). Additional factors that also provide a challenge towards digital migration for small and medium enterprises include organizational politics (Tiago & Veríssimo, 2014) and uncertainty conditions (Verhagen & van Dolen, 2011).

Yasmin et al., (2015) noted that the internet would revolutionize the way business is conducted by providing an opportunity where people can overcome the barriers of time and distance and also benefit from the global market. Billions of mobile and online internet users worldwide have created huge opportunities for the development of online businesses (Verhagen & van Dolen, 2011). E-commerce simply put is the ability to engage in commercial activities through electronic media and internet (Kinuthia & Akinnusi, 2014).

According to Shahzrad, Shahriari, and Gheiji (2015) E-commerce can be defined as the process oftrading goods and services through internet networks. There are various devices that possess network platforms, that are used to run such programs these devices include mobile networks, ETFs, and e-procurement, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems (Orji, 2013). Online businesses play an instrumental tool in the global marketplace and provides unique opportunities by linking marketers with consumers.

The advent of the internet saw entrepreneurs all over the world capture ideas and infuse technological innovations to create new products, services and business models (Hasan & Harris, 2011). The internet phenomenon also gave rise to purely internet-based businesses now commonly referred "internet based companies" or "online company" a name that is applied to a company that conducts 'most' of its business online, since such businesses also engage physical logistic systems (Schultz, 2009). The convenience of online shopping is a compelling allure to consumers who value the ease and efficiency of purchasing some services online such as travel packages and tickets. A global survey conducted by Nielson Global (2010) found that some products bought online are universal. The leading products are reading materials mostly on amazon, clothing/accessories/shoes, travelling tickets and reservations, electronics, hotel bookings and cosmetics/nutrition supplies. Interestingly, online-only shops (such as Amazon.com) have the greatest appeal with one-third of online consumers preferring them to online shops that also have physical traditional stores and those that allow customers to choose goods from different online stores.

The internet has become a very important aspect of the modern day society and economies across the globe. The internet has led to unprecedented changes in the business is run today, communication, social relations, research and education, governance, philanthropic pursuits and many other spheres of life (St. Amour, 2012). The Internet World Stats (2012) estimated the global internet users to be about 2.4 billion, with developed nations having significantly higher internet penetration rates. Internet use in Kenya started in the early 1990s and until 2009 internet connection was low and an expensive affair as the country relied on expensive satellite connections (Souter & Kerretts-Makau, 2012). However, since the landing of submarine cables internet access has dramatically improved, the Communications Commission of Kenya [CCK], 2012 estimated that they are 14 million internet users in the country. It is important to highlight that a higher percentage of internet user in Kenya are mobile subscribers which can be attributed to the increase and diversification of smart phones and advanced feature phones (Souter & Kerretts-Makau, 2012).

Online businesses are claiming an ever-larger share of commerce in more and more regions. According to a report by e-Marketer (2016) worldwide retail sales via the internet will continue to grow at a double digit rate all through to the year 2020. Kenyan consumers spending more than Sh10B on online shopping platforms in 2016, according to global marketing firm AC Nielsen (up from Sh2.4B in 2014 according to the Communications Authority of Kenya), online businesses has become an integral part of the economy. (Standard Digital, 2017). According to Kanja (2017), with the advanced usage of internet up to 82.6% and 35.5 million users, Kenya has become one of Africa's best placed country for a digital commerce explosion. Ina addition there has been a record high of Kshs. 3 billion mobile money transactions every day in Kenya according to the Communications Authority.

1.2 Problem Statement

Kenya has the seventh largest population in Africa ranging up to 43 million. The growth rate of Kenya's population in 2010 was at 2.6% per year. The young people aged 16 and below who are more tech savvy was 6.45% (Souter & Kerretts-Makau, 2012). While online businesses are expected to directly and indirectly create new jobs as well as lead to job losses, according to a United Nations report [UN] (2012) the net effect will be positive. Online businesses hold great potential in providing massive employment opportunity for the youth in Kenya especially those with higher skills. Internet companies particularly pose a great advantage in terms of low costs for set up as opposed to the traditional physical business models (Kuzic, Fisher & Scollary, 2002; Marshall & Mckay, 2001). This means youth entrepreneur can launch their business ventures from their bedrooms and grow them from there.

Some researchers argue that they are downsides of online businesses. Nazir, Tayyab, Sajid, Rashid and Javed (2012) noted that in the wake of the fiercely competitive online businesses environment, new customer acquisition is an expensive affair for online businesses companies, especially those that are joining later. Castronovo and Huang (2012) argued that online customer purchase costs can be as much as 4 times as high as physical purchase. The researchers noted that there might have been a correlation though between these results and the apparent lack of planning, evaluation and proactive management of benefits with respect to their online businesses activities. Online businesses are also ridden with complex hurdles that relate to taxation (Jebur et al., 2012) and lack of global harmonization of legal framework governing cross-border transactions (European Commission, 2012). Given the rate at which ecommerce models are evolving some remain skeptical as to which of the monetization strategies will finally succeed (Souter & Kerretts-Makau, 2012).

According to OCED (2006), report SMEs form the most dominant type of business, with a market dominance of over 95% and up to 99% of enterprises depending on the country. This research therefore focuses on SMES's participating in the online businesses segment in Kenya and will also be focusing on companies that are purely internet-based i.e. pure-play online businesses firms. There is extensive research on SME's in Kenya, however information that specifically pertains to there is online companies is limited. This research therefore focuses on online companies, seeking to understand which factors influence their performance (success or failure).

There is a significant number of research that have been conducted to analyze various aspects of online businesses in third world states including Kenya. There is an emerging research gap from the studies that have been conducted in the past. Most of them concentrate on factors influencing the adoption of online businesses among different organizations (Castronovo & Huang, 2012; Nazir et al., 2012; Verhagen & van Dolen 2011; Smith, 2011; Rehmani & Khan, 2011) and barriers/obstacles facing online businesses (Kinuthia & Akinnusi, 2014). Other researchers have focused on the impact of online businesses in commercial banks in Kenya (Mutua et al., 2013).

As earlier mentioned it is apparent that most researchers have concentrated mostly on adoption and barriers of online businesses, however, research on factors that influences the performance of online businesses in Kenya and in particular SME's is limited. This study contributes to new insights on the factors that influences the performance of online businesses in Kenya and businesses within Nairobi County.

1.3 Purpose of the Study

The purpose of this strudy is to determine factors that influences the performance of online businesses in Kenya and in particular businesses within Nairobi County.

1.4 Research Questions

1.4.1 What are the factors supporting the growth of online businesses in Kenya?

1.4.2 What are the challenges confronting online entrepreneurs in Kenya?

1.4.3 What are the effective growth strategies for online businesses in Kenya?

1.5 Significance of the Study

1.5.1 Government

This study will provide significant information on the current status of online businesses in Kenya through an analysis of digital businesses. To this researcher`s knowledge, there seems to be a gap in research conducted in the past in these field This study reveals new insights on the factors that influence the performance of online businesses in Kenya and in particular SME's. The finding also validates and disapproves some of the empirical evidence that is already present about the apparent benefits and challenges of online businesses in developing countries.

1.5.2 Entrepreneurs

The entrepreneurs can glean insights on the performance of various ecommerce models in addition to the challenges and benefits inherent to businesses in this sector. These insights can be used to better improve their business models and to avoid any forseeablke risks.

1.5.3 Academic Research

This study will contribute to the current literature on the theoretical framework and approaches of analyzing online businesses websites in developing countries like Kenya. The study can provide a reference for recommended future studies on similar topics.

1.5.3 Policy makers

Finally, the policy makers will have a better understanding of priority areas where new policies and laws or amendment thereof can have immediate impact on ecommerce businesses in the country.

1.6 Scope of the Study

The purpose of this study is to determine factors affecting the performance of online businesses in Kenya. The target population for this research comprised of virtual businesses with physical offices within Nairobi County. By definition, a virtual company is a business whose operations are completely done on an online platform that is purely internet-based, although deliveries are done physically. Gathering accurate information on internet activities especially online trading is exceptionally hard in most developing countries, and Kenya is no exception.

The researcher foresaw a challenge where the target respondents may fear taking part in the study because the information provided may be using for other purposes other than academics. In order to mitigate this risk this, the researcher obtained a data collection letter from the university which assured respondents that the information to be collected was purely for academic reasons. Additionaly, the researcher also assured the respondents that the information collected was to be held in strict confidentiality. The study was conducted within a time period of 3 months starting March 2018 during which data was collected through questionnaires which were delivered door to door.

1.7 Definition of Terms

1.7.1 E - Commerce

Capability to run business via electronic networks such as worldwide net (Grandon & Pearson, 2014)

1.7.2 Internet

It is a worldwide network interconnecting personal computers throughout the world; through ordinary telecommunication lines and modems that allow multiple users to access network services (Savolainen, 2016).

1.7.3 Virtual/Online business

An online business is any business whose operations entail buying and selling of goods and service on a virtual platform (Chaffey, 2014).

1.7.4 Growth strategy

Is a business strategy or plan course of action whose purpose is to help a business increase its competitive edge and build up its overall market share. The major growth strategies include diversification, product development, market penetration, and market development (Lechner and Dowling, 2013).

1.7.5 Technology

Is the application of scientific knowledge that simplifies how we engage in our daily operations for example in businesses, schools, hospitals etc. (Grandon, 2014).

1.8 Chapter Summary

This chapter introduces and presents the research topic under study by identifying the problem and answering the question of why it is a problem. The study further breaks down the research problem into research objectives and questions for purpose of operationalization.

Chapter two discusses the literature review along the research questions. Chapter three presents research methodology, research design, and data collection and analysis methods while the fourth chapter provides the results and findings of the research. Finally, the fifth chapter presents the discussion, conclusion and recommendations.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter covers the literature review of the existing research literature on the factors influencing performance of online businesses. In specific the chapter discusses the factors supporting the growth of online businesses in Kenya, the challenges confronting online entrepreneurs in Kenya and the effective growth strategies for online businesses in Kenya.

2.2 Factors Supporting the Growth of Online Businesses

The factors leading to the slow growth of online businesses is categorized into four main groups as follows: The economic, technical, social and legal (Grandon, 2014). He argues that those who perceive online businesses as being beneficial to a firm through addition of strategic value to the firm have a positive attitude toward its adoption.

2.2.1 Economic Factors

These are the considerations in online businesses that justify the cost of project, number of buyers and sellers and their access to the internet and issues of upgrading. Cost justification: cost of developing is high. Mistakes due to inadequate experience, increases the cost. Intangible factors like improved customer service are hard to quantify thus a challenge to give an analysis on its benefits (Wymer & Regan, 2015). These cost differences increases uncertainty and reduces consumer perception of control over their online transaction thus imposes an obstacle in adoption of online businesses (Wanjau et al., 2012). The low costs of goods online was attributed to the fact that online businesses makes the cost of doing business a lot cheaper by driving down direct and indirect costs, through increased computerization and reduced lead times. Additionally, labor costs of creating, processing, distributing, storing, and retrieval of paper based information, identification and negotiation with potential customers reduced significantly (Tasabehji, 2013).

Economic environment and its dynamics is also widely known as a major driver for online businesses adoption and operations. Since online businesses relies on major information, communication and technology infrastructures which are reasonably costly for many third world states, countries with poor economic status are less likely to engage in online businesses (Dedrick et al., 2014).

Telecommunication structure is also part of the economic dimension. Infrastructure to support potential electronic commerce is a very significant factor that would affect the adoption of ecommerce in businesses (Wymer & Regan, 2015). Kenya will need to revamp its infrastructure in order to support potential electronic commerce. Since online businesses depends on electronic mediated connection it is therefore a major impediment to its growth (Wanjau et al., 2012). Online businesses success relies heavily effective implementation and setting up of firm groundwork's that would support technology infrastructure (Molla, 2015). First, the capital required to acquire the infrastructures also influences the development of digital virtual and online businesses. Second, another factor with significant influences on online business development is proper logistics and transportation networks and infrastructure. Third, in order for online business operations to work efficiently there is a need for proper payment system that will be incorporated in the system to allow swift payment and also security (Mutua, Oteyo & Njeru, 2013). Lastly for a country to have proper ICT infrastructure there is need for good economic and geographical conditions and topography in a country.

2.2.2 Technical Factors

Technical factors consider security as a major concern in the adoption of online businesses. Customers need to feel that the information they provide to the web is secure. Hackers and crackers lower the confidence of customers (Jebur, Gheysari & Roghanian, 2012). Unfortunately, the security is rarely taken to consideration while implementing online businesses. Customers hesitate to disclose confidential data for example that are secure like credit cards number (Grandon & Pearson, 2014). The customers continue to question if ecommerce offers sufficient safe guard to protect their privacy or money from being stolen like having companies who use mechanisms to collect information about customers. In addition, less resources are dedicated to people working on cyber-crimes (Grandon, 2014). Reliability is another factor under technical dimension where by the network infrastructure of systems has to be continuously upgraded and fine-tuned. It helps in liability of sites to denial of service attacks. This will help in the gaining of confidence of online businesses Systems.

The Internet connection in third world states like Kenya has been challenged by poor telephone communications and power unsteadiness and interruptions. This has resulted to low connectivity and narrow bandwidths (Gong, Stump, & Maddox, 2013). Disparity in establishment of infrastructure that has seen certain areas developing more than other areas has led to concentration of technology in only few and specific areas. The cost of connecting from customer to customer is also very high (Hunaiti & Science, 2009). This costs affect users and decisions they make in regards to what business model to adopt to run on this platforms. In order to increase broadband connectivity, certain policies have to be put in place to promote ICT infrastructural development and facilitate further innovation in the field (Grandon & Pearson, 2014).

2.2.3 Social Factors

Social Factors is another dimension that needs to be considered (Grandon, 2014). Cultural diversity is customers' needs that are to be considered in designing electronic commerce sites (Schneider, 2011). Implementing this has not been an easy task whereby different customers' cultural preferences are met. The few that are met require additional costs involve, for example translation of language. In traditional environment trust is generated quickly from either previous experience, from referrals, through transparent infrastructures. National culture refers the similarity that exists in a group of people pertaining feelings, thinking and reaction to their immediate environment (Harris, 2011). Anxiety and involvement: considered culture to play a significant part in establishing not only whether organizations in a country adopt a certain technology advancement but the degree to which it is accepted and the ways in which it is utilized.

The taking on of online businesses is also dependent on the cultural and social environment. In some countries, people like to engage in physical shopping because they view this activity as a recreational one, and one that allows them to engage and meet other people, therefore online business becomes difficult to nature (Boerhanoeddin 2010). The educational level, IT skills among the population of a given state and the availability and ease of acquiring tech gadgets such as phones, computers affect the growth of online businesses. Lack of awareness is another factor under the social dimension. Inadequate information how ICT can be useful to a given economy becomes a hindrance to online business (Molla, 2015). Surprisingly, with the level of advancement in this field, you will find that people are only aware of limited aspects of online business such as chat, email and browsing of websites. This has led to most organizations implementing only limited aspects of e-commerce in their organization because they have not been sensitized on the application that fits to their business (Koh & Maguire, 2014). Knowledge would fasten the adoption of online businesses and hence economic development.

A high degree of acknowledgement of ICT and online businesses principles by the business men and women will directly influence considerations for further online businesses application in the business. Developed countries have a firm grasp of ICT than third world countries (Eriksson, Kerem & Nilsson, 2008). In most cases, especially the developing countries complain about the high costs of technology for online businesses set-up yet they lack proper research into cheaper ways of engaging in digital business (Scupola, 2010).

2.2.4 Legal Factors

Legal Dimension involves cybercrime and Intellectual property. Unlike the traditional media, it is easier to replicate, transmit or alter a document this is because no one controls or owns the World Wide Web and, given the global infrastructure, it is difficult to police the content (Tasabehji, 2013). Laws are necessary to protect an individual and the SMEs market. There are specific issues regarding the intellectual property and right to privacy and security. The legal frame work deals with the regulation of online businesses as it relates to how business is conducted in many different communities and practices that have long existed before the advent of online businesses. Taxation is of importance for most developing states because local taxes, import and export duties are major revenue sources for the government (Grandon & Pearson, 2014). However, this could be very contentious when all customer transaction have been done in a digital space or platform and there is no physical transit of goods that will pass through customs and local tax point.

The terrible circumstances surrounding third world country’s telecommunications infrastructure is a major barrier hindering the adoption of virtual commerce. Connectivity issues such as costly bandwidths and security of doing transactions online needs to be addressed before customers and organizations in developing countries can think of collaborating through internet platforms. These countries also do not have proper ICT protocols to guide the supply of Internet services (Lawrence & Tar, 2010). Without clear rules of engagement when it comes to e-commerce, there can be no progress in the adoption and implementation of new technologies that are transforming the way business is being done in today's economies. Government initiatives and interventions are necessary in establishment of an environment that can foster and nature the digital transformation phase (Lawrence & Tar, 2010). This interventions can be through education of ICT in schools, establishing competitive telecommunication markets for sate of the art technologies, reduced government monopoly over national telecommunications and offering favorable tax policies on tech imports (Blackburn & Athayde, 2010).

2.3 Challenges Confronting Online Entrepreneurs in Kenya

There has been consistent accelerated growth of online businesses activities as the number of organizations and consumers seeking to tap the benefits of this trade continue to rise. However, this has not been without a myriad of obstacles that still continue to impede the adoption of ecommerce and hamper potential benefits for organizations. Jebur, Gheysari and Roghanian (2012) grouped the limitations of online businesses into technical issues such as lack of benchmarks for quality, security, and reliability, and issues that aren't technical such as confidentiality and expensive services (Tiago & Veríssimo, 2014).

2.3.1 Infrastructure Influence in Online Businesses Adoption

Online business is still in an early stage and it is characterized with quite a number of limitations and inadequacies in matters such as security, costs of service provision and intellectual property (Nazir et al., 2012) The dynamism of operating environments where economic, political, legal, technological and social factors keep changing will affect the future of global online businesses. Digital business is new way of doing business with high potential of providing huge benefits to all stakeholders involved, and therefore developing states should be involved and allowed to play part as equal partners in governance of this new phase in business (Golicic et al., 2012). Van Akkeren and Cavaye (2012) asserted that, both industry and government bodies are very crucial stakeholders in ensuring that small and medium enterprises have all the support needed in embracing digital phase.

The poor state of most ICT structures has been a limiting factor in unification of information systems and full automation of business progresses (Castronovo & Huang, 2012). As the tech world keep evolving there are new ways of doing business that are more flexible, less costly and manageable that can be adopted across a given industry despite the capitalization of a company. (Puschmann and Alt, 2011). But lack of fully developed ICT infrastructure maybe a disadvantage to certain firms in a given economy but it is not a good reason enough as to why businesses should avoid transacting on online platforms (El-Nawayi and Ismail, 2006). Republic of Kenya Sessional Paper No. 2 (2005) asserts that, In Kenya most SMEs low performance and lack of proper investment in new areas and business technologies can be attributed to poor infrastructure. Poor infrastructure leads to high costs of doing business and therefore firms with little capital or low capitalization find it difficult to divest there funds into new areas such as ICT.

Molla (2005) states that, for there to be success in adoption of digital aspects in businesses today, first good telecommunication infrastructures need to be put in in place to allow connectivity in all regions of a country and also globally, secondly logistical infrastructure is also a major requirement since physical aspects of business cannot be fully eliminated, thirdly, e-payment systems need to be functioning effectively to prevent illegal activities and give customers some sense of security and lastly geographical conditions need to be favorable (Savolainen, 2016).

The non-integrated nature of most ICT infrastructure causes numerous problems to organisations, which need to unify their information systems and fully automate their business processes (Castronovo & Huang, 2012). There is, therefore, a need for a technology that results in a flexible, manageable and maintainable integrated ICT infrastructure. Such an infrastructure can lead to differentiation and therefore competitive advantage. The existing IT infrastructure of an organisation is a factor that affects the introduction of EAI, as the needs of the infrastructure often stimulate the process for adopting application integration (Puschmann and Alt, 2011)

According to El-Nawayi and Ismail (2006), the non-existence of an appropriate and secure online businesses-enabled environment is a disincentive to attempting online businesses projects but is not a well-grounded justification for avoiding such attempts. Republic of Kenya Sessional Paper No. 2 (2005) notes that the inadequacy of infrastructure is a principal cause of low levels of investment and unsatisfactory performance of MSEs. The term infrastructure relates to adequate electrical power, access to roads, water and sewerage, security of tenure of premises, and telecommunications (CBS, 1999). Good infrastructure has the effect of promoting competitive private sector growth by lowering the cost of doing business. The Economic Recovery Strategy Paper 2003, as cited in Republic of Kenya Sessional Paper No. 2 (2005), has identified poor infrastructure as a critical factor that constrains profitable business in Kenya. Infrastructural problems include inaccessibility to land, workspace, feeder roads, electricity and other utilities. Limited access to electricity by MSEs is compounded by the fact that the MSEs are expected to obtain an approval from Local Authorities before a connection can be made. In addition, energy costs in Kenya are extremely high and have a negative impact on all businesses, large and small scale alike. This constraint limits MSEs technological capacity thereby adversely affecting the competitiveness of their products and services (Republic of Kenya Sessional Paper No. 2, 2005).

2.3.2 Cost of Implementation of Online Businesses

According to Koh and Maguire (2014), a notable constraint for small firms in the area of e-business is their incapability to make the essential investment to take advantage of the new concepts and ICT. Small firms thus have to rely on outside consultants, which is not still difficult due to the cost of doing so. Such costs and other costs associated with implementation of e-business can be a serious barrier for SMEs. Although limited resources are a unique characteristic of SMEs and a key barricade for them to compete in the global e-business sector, there are also many balancing advantages (Dawn et al., 2012). One such benefit is that small and medium-sized companies are usually more agile in terms of business models and operations than larger organizations with established hierarchies (Chaffey, 2014).

Government initiatives aimed at increasing the e-business readiness of SMEs can result in a higher level of competitiveness in this sector. However, Dawn et al. (2012) and

MacGregor and Vrazalic (2015) found that despite government support it is mainly the larger businesses that have reaped the benefits of this technology. The slow pace of online businesses diffusion into small business has been ascribed to various barriers or impediments that are faced by these organisations. High costs associated with online businesses have been identified in several studies as one of the key barriers to the adoption of online businesses. Also noted is that high costs as a barrier to the adoption of online businesses by SMEs arises from the fact that small businesses face challenges in obtaining finance, unlike their larger organisations (MacGregor & Vrazalic, 2015).

Taylor and Murphy (2014) asserts that small and medium enterprises incur a lot of set up cost when starting some of their businesses. Innovations on how business is done becomes additional costs of doing business which in most cases require complete overhaul of systems and hence too expensive for most small firms. In other instances this businesses weigh the cost benefit analysis of automating there operations, and if its observed that it’s not cost effective, some firms find it better to outsource IT services.

2.3.3 Technical Skills and IT Knowledge Amongst Owners and Employees

Education in Africa is still a factor that is being struggled with because of lack of equity across all communities that render some people illiterate. In other cases getting basic education might be easy but technical skills such as computer skills for some people doesn’t come cheaply. It has been observed that businesses are moving from the normal way of doing business and are adopting a knowledge based type of a model. And therefore research done on how IT skills are demanded in organizations today is on the rise (Bowles & Wilson, 2012).

Technological innovations are changing at a very fast rate, given businesses a wide pool to choose from based on their requirements specification and capital muscle. SMEs therefore have a choice from the wide range of internet applications at their disposal. This skills stand to give any business a competitive advantage in the market. In Kenya most people are opposed to change, and adoption of new technologies is challenged for quite some time. Secondly other organizations find it difficult to justify financially the benefits of adopting technologies that they don’t fully understand and ones that their employs and workforce know nothing about (Koh & Maguire, 2014). This has become one of the major reason as to why most small organizations are left in the old ways of running businesses such as physical filing among many others. In other cases, organizations have adopted ICT in their operations but due to ignorance they face a lot security problems (Simpson & Docherty, 2014). Indeed, making full use of the new technologies will rely on the IT sills of staff within organizations.

Taylor and Murphy (2014) found that many small firms lack the necessary IT skill base to engage with the digital economy. They noted that the lack of staff to implement IT as it may well be difficult or too expensive to hire people with the necessary technical expertise to pursue an IT strategy. In addition, Blackburn and Athayde (2010) found that small firms find it increasingly difficult to find a training to suit their needs, and most owner managers undertake only limited external training with few expect gaining formal qualifications. Informal on-the-job training was also preferred over external training for employees. They further noted that a significant barrier to external training was the belief that it was both inconvenient and unnecessary.

2.4 Effective Growth Strategies for Online Businesses in Kenya

There are several factors that greatly influence the growth of an organization this include financial resources, nature of a firm and strategic decisions (Cummings & Worley, 2014). People starting new businesses should possess sharp tactical and strategic skill (Kuratko, Hornsby & Covin, 2014). A strategy is a means through which any business big or small develop the basic set of relationship with the environment they operate in and the uncertainties (Gelderen, Frese & Thurik, 2000). Therefore all small organizations or entrepreneurial ventures need a plan course of action to deal with uncertainties.

Hollenbeck, Gerhart and Wright (2003) identifies fluctuating industry patterns and trends as factor that also impacts growth and development of and organization. Industry patterns include new product developments, market segmentations, and development of new markets, cross border integrations among many others (Armstrong, Kotler, Harker and Brennan, 2015). Rugut (2012) in a research on small and medium enterprises identified the above mentioned patterns as major strategies adopted to improve their growth and development and to increase their market presence and share. Some of the growth strategies that were considered not to be significant in explaining the growth and development include outsourcing strategies, and operations strategies although this concepts have different meaning to different entrepreneurs. This difference among entrepreneurs characterized by differences in attitudes and decision making, has led to lack of uniformity in growth patterns despite operating in the same market (Magambo, 2015).

Several research papers have classified growth strategies as either internal or external variables. Shibia and Barako, (2017) identified strategic management and leadership perspective to be an internal factor, Lechner, Soppe and Dowling, (2016) identified external relations and networks with other organizations as one of the high growth strategies used by organizations. A study done by Chan and Foster (2001) grouped a list of 47 growth strategies and classified them as either external or internal. Some of the external growth factors included market penetration, product promotions and market stability while internal factors included corporate strategies and different skills possessed by staff/employees. A combination of this two classifications develops a strategic mix quite essential for the growth of an organization Kelmar & Wingham (2015).

2.4.1 Technological Strategies

Technology is defined as scientific approached developed over time with an aim of simplifying how things are done in all walks of life. Organizations make use of technology as strategy to boost their operations and hence increase their growth and development (Thatcher, Wright, Sun, Klein, & Zagenczyk, 2016). In order to adopt different technologies, organizations must first engage in intensive research and development processes to identify innovations that would be feasible and those that would increase value in the organization (Bowles & Wilson, 2012). Studies have observed that technological strategy that is the ability of an organization to adopt cutting edge technologies gives it a competitive edge over and above the other organizations and also improves greatly on its growth and development.

Organizations engage in feasibility studies for many reasons, one of the reason is to ensure that technological innovations adopted by an organization influences positively all organizational aspects ranging from the general to the very specific (Dodgson, 2018). Advantages of technology and its advancements in organizations, businesses and society at large include ease of communication and ease of operations in all activities (Rohm, Gao, Sultan, and Pagani, 2012).

Technological capabilities improves a company's ability and expertise in forming a strategic mix composed of people, processes and technology which distinguishes it and places itself right at the middle of customers' needs and wants (Salehi, Mirzaei, Aghaei & Abyari, 2012). For example high-tech companies like APPLE Inc or IBM develop state of the art technologies with different features day by day to outmatch the rate at which current existing technologies are quickly becoming obsolete due to the ever changing needs of customers (Eisner, 2015). In manufacturing organizations the need for technological strategies is to mainly reduce their cost of operations and create a competitive advantage for them (Persaud & Azhar, 2012). In conclusion growth strategies is composed of two major aspects, one is market focused elements and two capability focused aspects. Market focused are centered on the product and market that is product mix, market penetration, pricing and differentiation. On the other hand capabilities focus centers mostly on the technical knowhow of doing activities which greatly determines the competitiveness of an organization both presently and in the future (Ström et al., 2014).

2.4.2 Product Innovation Strategies

A product or good is anything that undergoes transformation processes to transform it to something that can attract market attention and consumption with the aim of satisfying customer needs and wants. Organizations differentiate their products based on customer needs and wants, this becomes part of its market entry strategy (Verhagen & van Dolen, 2011). Organizations have been known to engage in classification of markets based customer needs. This classification segments the market into different niches with different characteristics such as buying behaviors hence difference in products (Verhagen & van Dolen, 2011).

According to Marzi, Dabić, Daim, and Garces, (2017) Product and process innovation is the process of transforming a product or service to perform new activities which provides an additional revenue stream for an organization. This two innovations provide a means of protecting quality and standards and also saves cost of operations which is one the major goals of a business. Improvement of products and processes has been identified as one of the ways of improving an organizations growth status and also saving a business that is going down (Verhagen & van Dolen, 2011). Product innovation is a core objective of an organization required to retain a strong market presence and a high market share.

A portfolio is a combination of different assets that generate different returns and have different risk levels. The term portfolio is coined from the saying “don’t put all your eggs in one basket” (Ehrhardt, & Brigham, 2016). Product portfolio decisions involve coming up with a mix of innovated products with different functionalities and different ways of generating income but within one roof (Tiago &Veríssimo, 2014). A product portfolio decision making requires coming up with a firm strategy for short term purposes and long –term purposes (Pappas, 2016). Empirical strategies observe that highly capitalized firms structure their portfolios along strategic components of the organization and by balancing across product innovativeness (Orji, 2013).

2.4.3 Pricing Rationalization Strategies

Pricing of a product is the process of allocating monetary value to a product that a customer will pay for (Smith, 2011). Pricing strategies is an important factor since it determines the ability of a firm to break even, make a profit, develop customer loyalty, achieve a competitive edge and also establish its market share in a given industry (Yasmin et al., 2015). Organizations can adopt different pricing strategies, some choose to enter the market with high prices for example tech companies whose products are highly competitive and life span is very short, while others choose to enter the market with low prices for products with a long life span and where the company has a strategy of develop a large market presence (Yasmin et al., 2015).

Low pricing strategy, according to empirical evidence, has the ability to influence customer perceptions of a product being offered (Watson et al., 2013). Most products where a discount is a percentage reduction in price are mainly used for advertisement purposes or promotion (Verhagen & van Dolen, 2011). Therefore we can define a plausible percentage price reduction as one that is below the set price and consumers perceive it to be normally discounted for sale, while an implausible percentage reduction is one that falls much lower than the average price reduction level, but customers still perceive it to be normally discounted for sale (Ström et al., 2014).

Proper pricing will determine the amount of revenue a firm will generate at a given financial year (Smith, 2011). Price is one the for marketing Ps that is product price place and promotion. Among the four Ps apart from price the rest of the elements represent costs incurred by an organization or business. Pricing strategy has proven to be one of the hardest decisions and organization or firm faces (Rohm et al., 2012). A poor pricing strategy will definitely lead to the failure of an organization for example YU mobile Kenya.

2.4.4 Market Expansions Strategies

For a company to succeed it is wildly known that it has first to offer product and services that meet the demands and preferences of its immediate customers, and secondly its operations must be better and above that of its competitors. Given the dynamism of an organizations or business's environment which in many instances is characterized by shocks, uncertainties, poor infrastructures and limited resources, it should be able to cope with such factors in order to succeed (Shirazi, 2017).

Market analysis mostly relies on the evaluation of the macroeconomic and political surrounding in which a business operates in. most organizations concentrate on this two broad factors and fail to consider the emerging market dynamism and contingent factors that may affect market receptiveness (Iddris & Ibrahim, 2015).

To improve on the traditional market analysis framework that considers only macroeconomic and political factors, empirical research has identified other factors that can be integrated on the market assessment tool use by businesses. The first tool is coined by Hung, Yen and Ou (2012), this tool includes a long-term market potential assessment which is a market demand-driven model. This factors combined together provide a market expansion strategy that ensures a firm's product are available in proper quantities at the right time and place.

Proper infrastructure is key in ensuring that all markets are accessible by all participants in market that is both producers and consumers. Since there is a big difference in various market structures, the following means of movement and communications (media, channels of distributions such as roads, rail, air and water) are deemed necessary to all market players all over the world (Chaffey, 2014).

2.5 Chapter Summary

This chapter reviewed literature in relation to the factors that influences the performance of online businesses in Kenya. The first section of the literature review looked at the factors supporting the growth of online businesses in Kenya,the second section looked at challenges confronting online entrepreneurs in Kenya, the third section looked at effective growth strategies utilized by online businesses. The next chapter will discuss the research methodology that was used in this project.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This study sought to analyse factors that influences the performance of online businesses in Kenya. This chapter involves a framework for how data was be collected, measured and analyzed. In this chapter an outline of how the research was conducted has been presented. It further indicates the sources of the data and the type of data that was collected. The research design, the methodology for data collection, the approach and data analysis has also been presented in this section.

3.2 Research Design

The study adopted a cross-sectional survey design since it helps in achievement of measurable findings. This approach was efficient in gathering data from a population of interest at a given point in time (Kothari, 2008). A survey, according to Kothari, (2008), is a method of securing information concerning an existing phenomenon from all or selected number of respondents of the concerned universe.

The method is preferred because it allows for an in-depth study of the subject in a quantitative aspect of the overall research. The research design aims to gather data without any manipulation of the research context, focusing on individual subjects and going into depth and detail in describing them. Imenda (2014) indicated that a survey study was preferred because it enabled the researcher to have an in-depth understanding of the research problem across the online businesses.

3.3 Population and Sampling Design

3.3.1 Population

A population is a complete set of individuals with the same common observable characteristics Mugenda and Mugenda (2003). Target population is the portion of the total population from which the study draws its respondent components. The target population for this study comprised 52 online companies (Appendix II) with official premises within Nairobi County (My Tech Informer, 2018). Gathering accurate information on internet activities especially online trading is exceptionally hard in most developing countries, and Kenya is no exception (Souter & Kerretts-Makau, 2012).

3.3.2 Sampling Design

Sampling refers to the process through which a researcher identifies a sample of population participants for a study from the population of interest (McDaniel & Gates, 2013). The general goal of all sampling methods is to obtain a sample that is representative of the target population. The sample needs to be large enough so as to bear as much characteristic as possible if compared with the population.

3.3.2.1 Sampling Frame

Sampling frame refers to a list of population units/elements from which to select units/elements to be sampled (McDaniel & Gates, 2013).The sample frame that was selected constituted businesses that met the following four characteristics: pure-play (click-only) online firm, have an interactive website, employ either one of these online business models (B2C online, B2B online or C2C online and have official premises in Nairobi County. There were 52 in number sourced from the My Tech Informer Website.

3.3.2.2 Sampling Technique

Sampling techniques are procedures for selecting a sample that is used to make judgment about the entire population (Bailey, 2004). Mugenda and Mugenda (2013) argue that for small population which is less than one hundred, it is better that all members of the population be included in the study for a more representative data collection. Since the population of the study was small (52 firms) this study included all of them in the study hence a census.

3.3.2.3 Sample Size

A sample is a smaller group or sub-group obtained from the accessible population (Mugenda and Mugenda, 2009).This study included a total of 52 firms which is the entire population of online businesses within Nairobi County.

3.4 Data Collection Methods

According to Cooper and Schindler (2014), data collection method is the gathering of data for purposes of analyzing so as to make inferences from the data. Structured questionnaire was adopted in this study as a method of collecting primary data. According to Saunders et al., (2016), a questionnaire is generally a good tool for collecting structured data or information. The questionnaires were be based on both open and closed ended questions which were written in tandem with the research questions of this study. The closed ended questions incorporated a five-point Likert scale where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree. The questionnaire consisted of four sections.

The first section comprised of general questions seeking to establish respondents' demographic data such as gender, age, and level of education. Second section dealt with the first research question concerning factors supporting the growth of online businesses in Kenya. The third section dealt with the second research question regarding the challenges confronting online entrepreneurs in Kenya, while the fourth section dealt with the third research question regarding effective growth strategies for online businesses in Kenya

3.5 Research Procedures

The researcher first developed a draft questionnaire that was comprised of both open and closed ended questions in line with the research questions. The researcher sought permission from the university to carry out the research on the given research topic by obtaining an introductory letter from the university in this case, United States International University-Africa. The researcher also sought permission from the Nairobi County to carry out the research.

A pilot study was carried out using a sample of 5 respondents to test the reliability and validity of the questionnaire. The sample consisted of owner managers of 5 online businesses located within Nairobi CBD. This was to be done to determine the validity of the instrument and establish whether the instrument is reliable. The researcher then amended the questionnaire based on the pilot study results to ensure its effectiveness. This was done using Cronbach's alpha and construct validity where a Cronbach's alpha of above 0.7 is deemed to be acceptable. Cronbach Alpha coefficient was computed from the results of the pilot test. Consider Table 3.1.

Table 3.1: Pilot Results

	Number of Items	Cronbach Alpha Coefficient
X_1	29	0.769
X_2	18	0.873
X_3	25	0.779
Y_1	5	0.811

From the findings, X_1 (factors supporting the growth of online businesses in Kenya) had Cronbach Alpha coefficient of 0.769, X_2 (challenges confronting online entrepreneurs in Kenya) had 0.873, X_3 (effective growth strategies for online businesses in Kenya) had 0.779 and Y_1 (performance of online businesses in Kenya) had 0.811. Since Cronbach Alpha coefficients were over 0.7, this shows that the research instruments were reliable.

The researcher then administered the final instrument by visiting the business premises and hand deliver the questionnaire to each owner manager. Each respondent was briefed about the purpose of the study and the need for voluntary participation. The time required by each respondent to complete the questionnaire was about fifteen minutes. Follow ups was made through phone calls to each participant in order to increase the response rate.

3.6 Data Analysis Methods

The completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Quantitative data collected was analyzed by the use of descriptive and inferential statistics. The descriptive statistics included frequencies, percentages, means and standard deviations. Descriptive statistics were selected upon because they allowed a detailed description of data collected. Data analysis was also done with Microsoft Excel and SPSS to generate quantitative reports.The information was presented using tables and figures.

3.7 Chapter Summary

In this chapter, we have looked at how to gather data in relation to the research questions as stipulated in the chapter one and two. The chapter has presented the research methodology. The chapter has covered research design which represents an approach to examining a research problem. To add more to it the chapter has also discussed the population which is online businesses with physical addresses in Nairobi County. Further, the chapter has discussed the sampling design, data collection methods, research procedures and data analysis methods. The next chapter which is chapter 4 will presents the results and findings of the study.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the analysis of the research findings. The study assessed factors that influences the performance of online businesses in Kenya and in particular SME's. The study relied on primary data collected using questionnaires. The collected data was coded into SPSS software and the analysis was done using descriptive and inferential statistics.

4.2 General Information

The general information of the respondents of the study are summarized in this subsection.

4.2.1 Response Rate

The study sampled and issued out 52 questionnaires to respondents. Out of these, 39 of them were dully filled and returned to the researcher. This gave a response rate of 75%. According to Babbie (2010), a response rate of over 70% indicates that the overall research instruments are reliable. The findings are indicated in Table 4.1.

Table 4.1: Response Rate

	Frequency	**Percentage**
Response	39	75
Non-Response	13	25
Total	**52**	**100**

4.2.2 Position Held

From Figure 4.1, majority of respondents 51% were supervisors, 31% were senior managers and 18% held other positions. This shows that information was sought from all levels of the organization and therefore provides diversity. The findings on positions occupied by respondents of the study are shown in Figure 4.1.

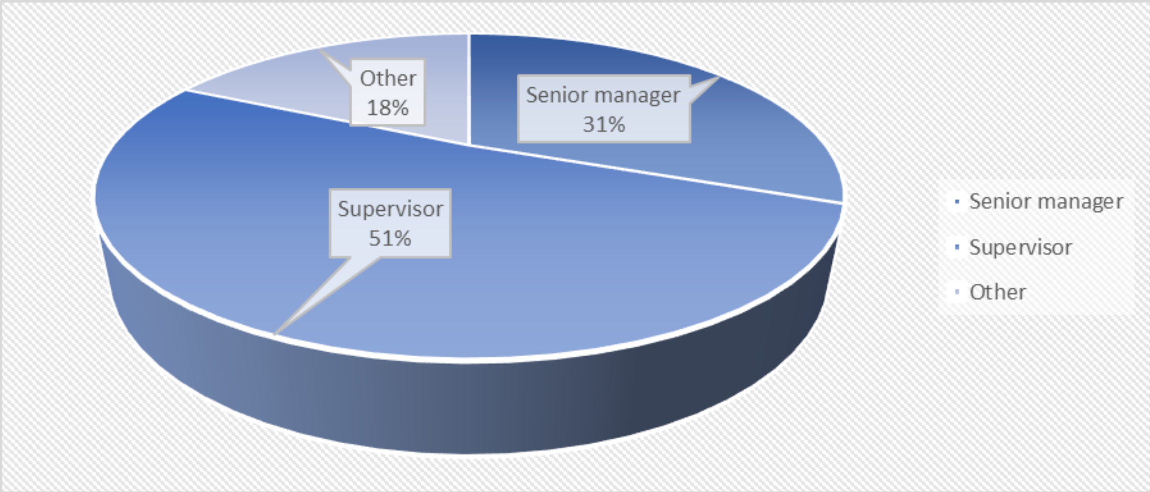

Figure 4.1:Position Held

4.2.3 Years of Experience

The study examined the number of years that respondents had worked in their respective organizations. The findings are shown in Table 4.2 below. As indicated in Table 4.2, a vast majority of respondents, 48.7% had worked for 2-4 years, 38.5% for 5 years and above while 12.8% for less than 2 years. This signifies that respondents of the study had worked for significant period of time and were therefore knowledgeable and informed. Therefore, reliable information was sought from them.

Table 4.2:Years of Experience

	Frequency	**Percentage**
Less than 2	5	12.8
2-4 years	19	48.7
5 and above	15	38.5
Total	**39**	**100.0**

4.2.4 Level of Education

Figure 4.2 displays the levels of education of respondents. From the findings, 74.4% of the respondents had degrees, 17.9% had diplomas, 5.1% had masters and 2.6% had high school education. The findings suggest that respondents were learned and therefore had knowledge to read and interpret research questions.

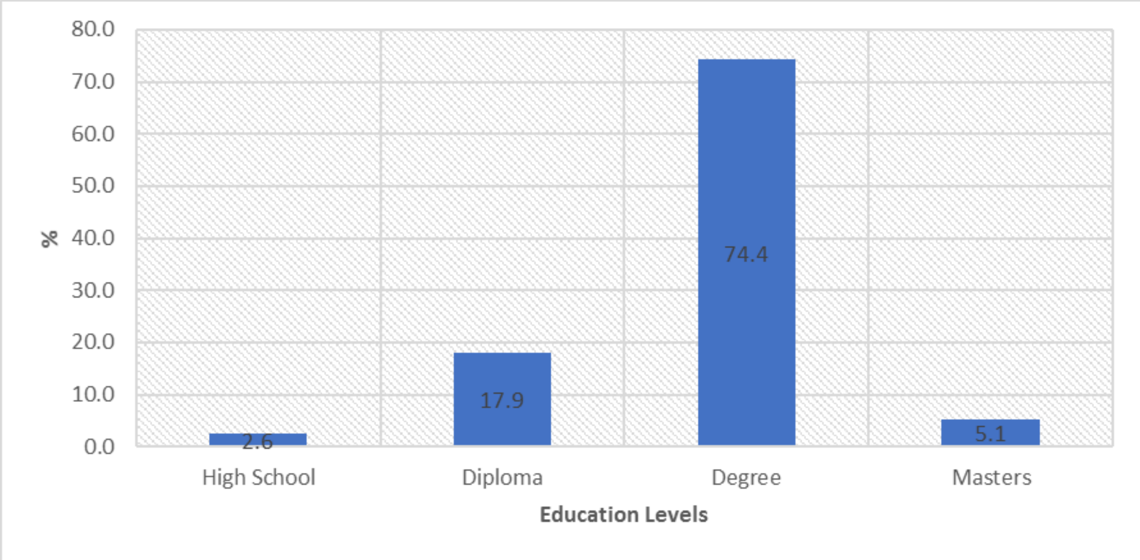

Figure 4.2: Level of Education

4.2.5 Length of Operation

The following is an assessment of number of years of operation of the organizations that were surveyed. Table 4.3 below, indicates that 43.5% of the organizations surveyed have been in operations for a more than 9 years and are therefore well placed to give feedback on the research questions.

Table 4.3: Length of Operation

	Frequency	Percentage
4-6 Years	9	23.1
7-9 Years	13	33.3
10-12 Years	10	25.6
Above 12 Years	7	17.9
Total	**39**	**100.0**

4.2.6 Number of Employees

The study examined the number of employees working in the studied organization. From the findings, 64.1% of the respondents had more than 10 staffs, 25.6% had 6-10 employees and 10.3% had less than 5 employees. One of the determinants of the size of an organization is the number of employees. Since most of the studied organization had over ten staffs, this indicates that they were of sizeable and suitable for basing the study on. Table 4.4 summarizes the findings.

Table 4.4:Number of Employees

	Frequency	Percentage
Less than 5 Staffs	4	10.3
6-10 Staffs	10	25.6
More than 10 Staffs	25	64.1
Total	**39**	**100.0**

4.2.7 Ownership Structure

The study investigated ownership structures of the firms under assessment. Figure 4.3 shows that majority of the organization 31% were locally owned, 28% were a combination of local and foreign ownership, 23% were foreign owned and 18% of the respondents did not know the ownership structure of their organizations.

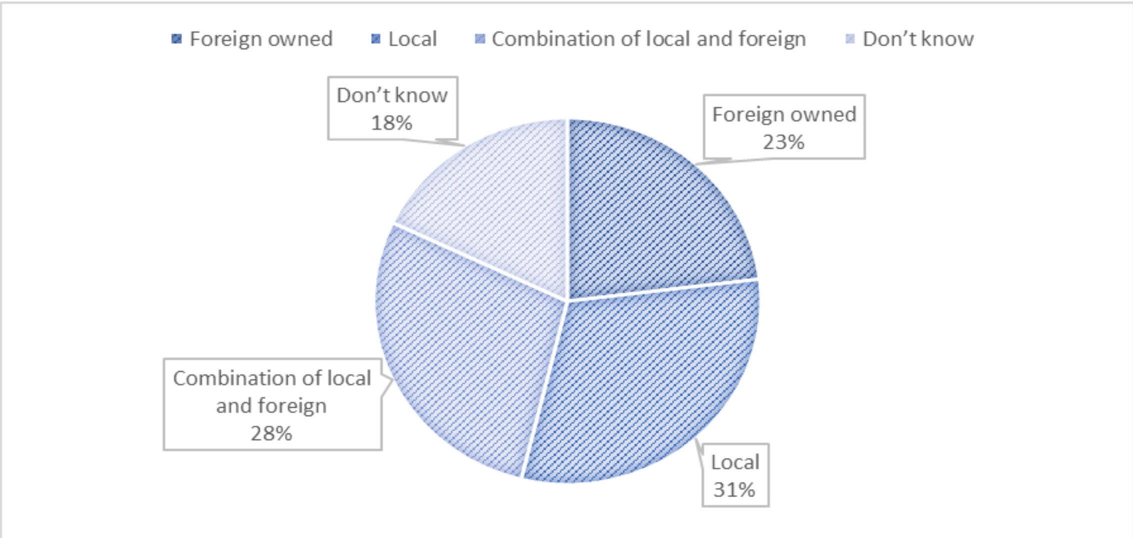

Figure 4.3:Ownership Structure

4.3 Factors Supporting the Growth of Online Businesses

Four factors that support growth of online businesses in Kenya were carefully identified by the researcher. Respondents were then requested to rate these factors on a scale of 1-5 where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree. These factors were examined on a case by case to determine their level of significance in supporting the growth of online business.

4.3.1 Economic Factors

From the findings in Table 4.5, internet experience of the buyers (M=4.48, SD=0.506), accessibility to the internet (M=3.92, SD=1.28) and the processing period (M=3.84, SD=1.24) were the most significant economic factors supporting the growth of online businesses. The cost of accessing internet(M=3.58, SD=0.965), pricing of goods online(M=3.58, SD=1.11) and the stability of the telecommunication infrastructure(M=3.53, SD=0.913) also emerged as critical factors. Customers' knowledge of the internet (M=3.1, SD=0.852) ,customer support programs by the site managers(M=3.43, SD=1.07) ,the income level of the customers(M=3.43, SD=1.18) and existence of the telecommunication infrastructure(M=3.35, SD=1.18) were not significant economic factors supporting growth of online businesses.The average mean was 3.62, which shows that most of the underlying economic factors resulted into significant influence on growth of online businesses. This is further supported by a lower value of standard deviation of 1.03.

Table 4.5: Economic Factors Supporting the Growth of Online Businesses

	N	Mean	Std. Dev
Accessibility to the internet	39	3.92	1.28
The cost of accessing internet	39	3.58	0.965
Internet experience of the buyers	39	4.48	0.506
Customer support programs by the site managers	39	3.43	1.07
Customers' knowledge of the internet	39	3.10	0.852
The pricing of goods online	39	3.58	1.11
The processing period (time)	39	3.84	1.24
The income level of the customers	39	3.43	1.18
Existence of the telecommunication infrastructure	39	3.35	1.18
The stability of the telecommunication infrastructure	39	3.53	0.913
Average Mean and Standard Deviation		**3.62**	**1.03**

4.3.2 Technical Factors

Several technical factors that support growth of online businesses in Kenya were carefully identified by the researcher. Respondents were then requested to rate these factors on a scale of 1-5 where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree. The results are outlined in Table 4.6.The greatest technical factors supporting growth of online business were; security of the various payment methods(M=4.35,SD=0.742), reliability of the internet connection(M=3.76, SD=1.01), security of customer information (M=3.94, SD=1.02) and availability of a wide range of internet connections(M=4, SD=0.858).The cost of accessing the infrastructures(M=3.87, SD=1.36), internet speeds in the country(M=3.84, SD=0.744) and internet access charges (M=3.87, SD=0.978) were also significant contribution factors.On the other hand online transaction safety for customers(M=3.61, SD=1.34) and reliability of the payment system in the country(M=3.61, SD=1.34) did not feature as key technical factors supporting the growth of online business.

The average mean was 3.92, which shows that most of the underlying economic factors resulted into significant influence on growth of online businesses. This is further supported by a lower value of standard deviation of 0.98.

Table 4.6: Technical Factors Supporting the Growth of Online Businesses

	N	Mean	Std. Dev
Online transaction safety for customers	39	3.61	1.34
The cost of accessing the infrastructures	39	3.87	1.36
Reliability of the payment system in the country	39	3.76	1.01
Security of the various payment methods	39	4.35	0.742
Internet access charges	39	3.87	0.978
Security of customer information	39	3.94	1.02
Reliability of the internet connection	39	4.05	0.793
Internet speeds in the Country	39	3.84	0.744
Availability of a wide range of Internet connections	39	4	0.858
Average Mean and Standard Deviation		**3.92**	**0.98**

4.3.3 Social Factors

Several technical factors that support growth of online businesses in Kenya were carefully identified by the researcher. Respondents were then requested to rate these factors on a scale of 1-5 where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

From the findings in table 4.7 the level of trust in institutions(M=4.07, SD=1.22), customers' competency (M=3.92, SD=1.28), the level of penetration of personal computers(M=3.94, SD=1.09), the level of confidence in technology among customers (M=3.94, SD=0.868) and the level of education of customers(M=3.76, SD=1.02) were key social factors contributiong to the growth of online business.The level of e-commerce awareness among customers(M=3.43, SD=0.852) and internet culture of target customers (M=3.05, SD=1.09) were not significant social factors contributiong to the growth of online business.The average mean was 3.74, which shows that most of the underlying economic factors resulted into significant influence on growth of online businesses. This is further supported by a lower value of standard deviation of 0.99.

Table 4.7: Social Factors Supporting the Growth of Online Businesses

	N	Mean	Std. Dev
The level of education of customers	39	3.76	1.02
Customers' competency in information technology	39	3.92	1.28
The level of penetration of personal computers	39	3.94	1.09
The level of e-commerce awareness among customers	39	3.43	0.852
The level of confidence in technology among customers	39	3.94	0.686
The level of trust in institutions	39	4.07	1.22
Cultural perceptions towards internet usage	39	3.82	0.643
Internet culture of target customers	39	3.05	1.09
Average Mean and Standard Deviation		**3.74**	**0.99**

4.3.4 Legal Factors

From the findings strictness in enforcement of legal provisions on cybercrimes (M=4.33, SD=0.737) and the level of regulations in the telecommunication sector in the country (M= 4.05, SD=0.971 were critical legal factors supporting the growth of online business as seen in Table 4.8.

The average mean was 4.19, which shows that most of the underlying economic factors resulted into significant influence on growth of online businesses. This is further supported by a lower value of standard deviation of 0.86.

Table 4.8: Legal Factors Supporting the Growth of Online Businesses

	N	Mean	Std. Dev
Strictness in enforcement of legal provisions on cybercrimes	39	4.33	0.737
The level of regulations in the telecommunication sector in the country	39	4.05	0.971
Average Mean and Standard Deviation		**4.19**	**0.86**

4.4 Challenges Confronting Online Entrepreneurs

A list of several challenges encountered by online businesses around the world were carefully identified by the researcher through review of literature. Respondents were then requested to indicate the extent of their agreement on each of these statements. A Likert scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree was used.

4.4.1 Infrastructure Influence on Online Business Adoption

From the research findings in Table 4.9, the respondents were found to agree that the cost of accessing, limited guarantee on privacy of customer information (M=3.74, SD=1.09), loss in the social interaction in online businesses(M=4.20, SD=0.95), lack of reliability in online transactions (M=4.05, SD=0.723) and constant evolution of policies(M=3.74, SD=1.09) were significant challenges confronting online businesses. Customers neither agreed or disagreed with difficulties in accessing the internet (M=3.53, SD=1.21) and lack of security for online transactions(M=3.64, SD=1.03) as significant challenges. Limited access to the internet among Kenyans (M=3.02, SD=0.668), Ecommerce software incompatibility with other applications(M=3.02, SD=1.15), and high cost of internet accessibility in the country(M=3.48, SD=1.37) were found to be the least significant challenges under infrastructure influence.The average mean was 3.67, showing that the identified challenges affected performance of online businesses.

Table 4.9: Infrastructure Influence on Online Business Adoption

	N	Mean	Std. Dev
Limited access to the internet among Kenyans	39	3.02	0.668
Lack of security for online transactions	39	3.64	1.03
Lack of reliability in online transactions	39	4.05	0.723
Ecommerce software incompatibility with other applications	39	3.02	1.15
High cost of internet accessibility in the country	39	3.48	1.37
Difficulties in accessing the internet	39	3.53	1.21
Loss in the social interaction in online businesses	39	4.20	0.95
Limited guarantee on privacy of customer information	39	4.33	0.529
Constant evolution of policies and rules governing the internet usage in the country	39	3.74	1.09
Average mean and standard deviation		3.67	0.97

4.4.2 Cost of Implentation of Online Businesses

From the findings the cost of energy in the country(M=4.07, SD=1.03), efficiency of the logistic infrastructures in Kenya (M=4.05, SD=0.971),and the existence of some common ICT infrastructure, standards and applications(M=3.76, SD=1.18) were key challenges confronting online businesses from a cost perspective.The cost of accessing the infrastructures(M=3.35, SD=0.81), the costs involved in implementing an online business are high (M=3.43, SD=1.11) and the level of high initial set-up costs for online businesses(M=3.30, SD=0.977) were not considered by respondednts to be significant challenges faced with regards to cost of implementation. The average mean was 3.66, showing that the identified challenges affected performance of online businesses. In view of other challenges that have influenced online business adoption in Kenya, majority of respondents indicated transportation and ferrying costs that hike the cost of the product especially for Jumia Store**.**

Table 4.10: Cost of Implentation of Online Businesses

	N	Mean	Std. Dev
The cost of energy in the Country	39	4.07	1.03
The cost of accessing the infrastructures	39	3.35	0.81
Efficiency of the logistic infrastructures in Kenya	39	4.05	0.971
The existence of some common ICT infrastructure, standards and applications	39	3.76	1.18
The costs involved in implementing an online business are high	39	3.43	1.11
The level of high initial set-up costs for online businesses	39	3.30	0.977
Average mean and standard deviation		**3.66**	**1.01**

4.4.3 Technical Skills and IT Knowledge Amongst Owners and Employees

Respondents agreed that lack of necessary IT skill base to engage with the digital economy among business owners(M=4.41, SD=0.498), and limited business skills among traders (M=3.84, SD=1.01) were significant challenges they face as online businesses. However they strongly disagreed that the inability to maintain IT experts among business ventures(M=2.89, SD=0.852) is a challenge. The average mean was 3.71, showing that the identified challenges affected performance of online businesses. This is further supported by a lower value of standard deviation of 0.79.

Table 4.11: Technical Skills and IT Knowledge Amongst Owners and Employees

	N	Mean	Std. Dev
Limited business skills among traders	39	3.84	1.01
Lack of necessary IT skill base to engage with the digital economy among business owners	39	4.41	0.498
Inability to maintain IT experts among business ventures	39	2.89	0.852
Average mean and standard deviation		**3.71**	**0.79**

4.5 Effective Growth Strategies for Online Businesses

Following this various effective strategies for online businesses were identified by the researcher from literature and the respondents were asked to rate according to the level of agreement. The constructs were measured on a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree. The results were then presented and analysed based on contributing factors.

4.5.1 Technical Strategies

Based on the results presented in Table 4.12 responds didn not agree or disagree with adoption of technology in operations(M=4.05, SD=0.887), research and development (M=4.23, SD=0.93) and capabilities in employees(M=3.97, SD=1.24) as key technological strategies. The average mean was 4.083, implying that most of these underlying strategies affected growth of online businesses. Among other strategies adopted by online businesses in Kenya for growth is hiring of skilled employees.

Table 4.12: Technical Strategies

	N	Mean	Std. Dev
Through adoption of technology in operations	39	4.05	0.887
Through research and development	39	4.23	0.93
Capabilities in employees	39	3.97	1.24
Average Mean and Standard deviation		**4.083**	**1.019**

4.5.2 Product Innovation Strategies

Respondents agreed that development of new products aligned to changing customer needs(M=3.71, SD=0.971) is a significant product innovation startetgy whereas diversifying the product offering to customers(M=3.94, SD=0.559) was not deemed to be an effective product innovation strategies as per results in Table 4.13.The average mean was 3.82, implying that most of these underlying strategies affected growth of online businesses.

Table 4.13: Product Innovation Strategies

	N	Mean	Std. Dev
Development of new products aligned to changing customer needs	39	3.71	0.971
Diversifying the product offering to customers	39	3.94	0.559
Average Mean and Standard deviation		**3.82**	**0.765**

4.5.3 Pricing Rationalization Strategies

Respondents agreed that offering price discounts(M=3.92, SD=0.889) is a more effective price rationalization strategy than that of arranging for sales promotions (M=3.79, SD=1.12) . The average mean was 3.82, implying that most of these underlying strategies affected growth of online businesses.

Table 4. 14: Pricing Rationalization Strategies

	N	Mean	Std. Dev
Offering price discounts	39	3.92	0.899
Arranging for sales promotions	39	3.79	1.12
Average Mean and Standard deviation		**3.855**	**1.009**

4.5.4 Market Expansion Strategies

The most effective market expansion startegies include expansion of the existing market for our goods(M=3.89, SD=0.911), engaging competent management teams(M=3.74, SD=0.938) and market segmentation (M=3.64, SD=1.22). However ,advertisements of products (M=3.43 SD=1.07) was not viewed as an effective market expansion strategy.

The average mean was 3.82, implying that most of these underlying strategies affected growth of online businesses. Among other strategies adopted by online businesses in Kenya for growth include market research and competitor analysis through SWOT.

Table 4.15: Market Expansion Strategies

	N	Mean	Std. Dev
Through advertisements of our products	39	3.43	1.07
Expansion of the existing market for our goods	39	3.89	0.911
Engaging competent management teams	39	3.74	0.938
Market segmentation	39	3.64	1.22
Average Mean and Standard deviation		**3.675**	**1.035**

4.6 Performance of Online Businesses

The researcher identified some indicators of performance in online businesses and the respondents were asked to rate them according to their agreement on each them. The statements were measured on a Likert scale of 1-5 where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree. The results were presented in Table 4.16.

The results showed that the respondents agreed that the number of supplier partners had increased (M=4.35, SD=0.742), the variety of product offerings had increased (M=4.17, SD=0.823), the number of employees had increased (M=4.00, SD=1.05) and the overall sales for the Company has increased (M=3.69, 1.05) among retail businesses. However, the respondents neither agreed nor disagreed as to whether the number of customers had increased (M=3.25, SD=1.10). On average, the respondents agreed that the performance of online business was doing well as indicated by a mean value of 4.02 and a standard deviation of 0.398.

Table 4.16: Performance of Online Businesses

	N	Mean	Std. Dev
The number of customers has increased	39	3.25	1.01
The overall sales for the Company has increased	39	3.69	1.05
The number of supplier partners has increased	39	4.35	.742
The number of employees has increased	39	4.00	1.05
The variety of product offerings has increased	39	4.17	.823
Performance of online Business	39	4.02	0.398

4.7 Correlation Analysis

Correlation analysis was conducted to establish a relationship between the dependent variable, performances of online businesses and independent variables namely: factors supporting the growth of online businesses, challenges confronting online businesses and effective growth strategies for online businesses. Pearson's correlation analysis was used to establish a significant linear relationship between the dependent and the independent variables. The test again established the direction and the strength of the relationship. The results were presented in Table 4.17.

The results in Table 4.17 showed that all the three independent variables, factors supporting the growth of online businesses ($r = 0.595$, $p= <0.001$), challenges confronting online businesses ($r=-0.364$, $p=0.023$) and effective growth strategies for online businesses ($r=0.437$, $p= 0.005$) had a significant linear relationship with performance of online businesses. However, the challenges were found to be negatively related indicating that the higher the challenges the lower the performance of online businesses.

Table 4.17: Correlation Analysis

		Performance	Effective Growth Strategies for Online Businesses	Factors Supporting growth of Online Business	Challenges Confronting Online Business
Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	39			
Effective Growth Strategies for Online Businesses	Pearson Correlation	.437**	1		
	Sig. (2-tailed)	.005			
	N	39	39		
Factors Supporting Growth of Online Business	Pearson Correlation	.595**	.192	1	
	Sig. (2-tailed)	.000	.243		
	N	39	39	39	
Challenges Confronting Online Business	Pearson Correlation	-.364*	.228	-.118	1
	Sig. (2-tailed)	.023	.162	.476	
	N	39	39	39	39

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

4.8 Regression Analysis

Linear Regression analysis was conducted with performance of online business as the dependent variable and factors supporting the growth of online businesses, challenges confronting online businesses and effective growth strategies for online businesses as the independent variables. This was performed in order to establish the effect of the identified factors on performance of online businesses. The results were presented in three tables;

model summary table, ANOVA table and the table of model coefficients. Each has been discussed below.

4.8.1 Model Summary

The Model Summary gives the correlation coefficient R and the coefficient of determination R square.

From the Model Summary, the coefficient of determination R square was 0.560. This shows that 56% change in performance of online businesses was explained by factors supporting the growth of online businesses, challenges confronting online businesses and effective growth strategies for online businesses. The identified factors did not explain the whole performance of online businesses because there are other underlying factors that explain 44% change in performance. These were factors not covered in the current study which future studies should examine

Table 4.18: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.771[a]	.595	.560	.16110

a. Predictors: (Constant), Effective Growth Strategies for Online Businesses, Factors Supporting growth of Online Business, Challenges Confronting Online Business

4.8.2 Analysis of Variance

An Analysis of Variance was conducted at 5% level of significance. The findings are shown in Table 4.19. The F calculated from the ANOVA Table was 17.147 as compared to F Critical (at d.f 3, 35) of 2.874. It can be inferred that the overall regression model was a significant predictor of the factors influencing performance of online businesses. The p-value was found to be < 0.0001, suggesting that the identified factors significantly affected performance of online businesses.

Table 4.19: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.335	3	.445	17.147	.000[b]
	Residual	.908	35	.026		
	Total	2.244	38			

a. Dependent Variable: Performance

b. Predictors: (Constant), Effective Growth Strategies for Online Businesses, Factors Supporting growth of Online Business, Challenges Confronting Online Business

4.8.3 Regression Coefficients

The beta and p values of respective independent variables of the study are indicated in Table 4.20 below.

Table 4.20: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.054	.450		2.343	.025
	Factors Supporting Growth of Online Business	.247	.046	.594	5.346	.000
	Challenges Confronting Online Business	-.360	-.106	-.380	-3.387	.002
	Effective Growth Strategies for Online Businesses	.144	.069	.237	2.087	.044

a. Dependent Variable: Performance

The established equation therefore became;

$Y=1.054+0.247X_1-0.360X_2+0.144X_3$

Where Y=Performance of online businesses, $X_{1=}$Factors Supporting Growth of Online Business; X_2 =Challenges Confronting Online Business and X_3 =Effective Growth Strategies for Online Businesses

The model indicates that, holding all variables constant would result into 1.054 units performance of online businesses. A unit change in X_1 all other factors held constant would lead to 0.254 increase in performance of online businesses. A unit increase in X_2, other factors held constant would lead to 0.360 units decrease in performance of online businesses while a unit increase in X_3 holding other factors constant would result into 0.144 units increase in performance of online businesses.

With regard to significance at 5%, $X_{1=}$factors supporting growth of online business ($p=0.001<0.05$), X_2 =challenges confronting online business ($p=0.349>0.05$) and X_3 =effective growth strategies for online businesses ($p=0.000<0.05$) all had significant influence on performance of online businesses.

4.9 Chapter Summary

The chapter has presented data as collected from the field in line with research objectives which included; factors supporting the growth of online businesses in Kenya, challenges confronting online entrepreneurs in Kenya and Effective growth strategies for online businesses in Kenya. The chapter has presented the findings on each of the objectives as per the opinions collected from the respondents. The next chapter will include discussion of findings, conclusions and recommendations.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to, the conclusions and recommendations drawn were focused on addressing the objective of the study. The researcher intended to determine the factors influencing performance of online business in Kenya. The findings are also used to formulate meaningful conclusions and recommendations. Suggestions for further studies are also established that shall play a significant role for future scholars and academicians.

5.2 Summary

The main purpose of the study was to determine factors that influences the performance of online businesses in Kenya and in particular businesses within Nairobi County The study was informed by the following research questions; to determine factors supporting the growth of online businesses in Kenya,to assess challenges confronting online entrepreneurs in Kenya and to establish effective growth strategies for online businesses in Kenya.

The study adopted a cross-sectional survey design with the target population for this study being online companies with official premises within Nairobi County. The target population for this study comprised 52 online companies (Appendix II) with official premises within Nairobi County (My Tech Informer, 2018). The final sample that was selected constituted of businesses that meet the following four characteristics: pure-play (click-only) online firm, had an interactive website, employed either one of this online business models (B2C online, B2B online or C2C online and had official premises in Nairobi County. Since the population of the study was small (52 firms) this study included all of them in the study hence a census. A structured questionnaire was adopted in this study as a method of collecting primary data. The collected data was analyzed using SPSS and Excel. Both descriptive and inferential statistics were used to analyze the findings The findings were presented using tables and figures.

The first objective of the study was to determine factors supporting the growth of online businesses in Kenya. The respondents were found to agree that the cost of accessing internet was favorable, internet experience of the buyers was good, customers' knowledge of the internet was sufficient) and the pricing of goods online was good. They also agreed that internet speeds in the country, the level of education of customers was high on average and that the level of trust in institutions was high.

Key to note is that, the respondents neither agreed nor disagreed that the income level of the customers was high customer support programs by existence of the telecommunication infrastructure and also that internet culture of target customers is good. The average mean and standard deviation were 3.71 and 0.584 respectively. This showed that the respondent agreed on average and that most of the underlying factors resulted into significant influence on growth of online businesses.

The second objective of the study examined the challenges confronting online entrepreneurs in Kenya. The study revealed that that the cost of energy in the country was high, there was inadequate reliability on online transactions, difficulties in accessing the internet and inexistence of some common ICT infrastructure, standards and applications. The respondents saw this as the major challenges hindering online business of enterprises. However, the respondents neither agreed nor disagreed that the level of initial set-up costs for online businesses is high and also that E-commerce software is incompatible with other applications. The average mean and standard deviation were 3.64 respectively, showing that the respondents agreed and that the identified were challenges that greatly affected performance of online businesses.

The third objective of the study examined the effective growth strategies for online businesses in Kenya.The results showed that the respondents agreed that capabilities in employees, offering price discounts, arranging for sales, expansion of the existing market for our goods, ensuring stable market for customers, external relations, efficient internal processes and market segmentation were efficient strategies in promoting growth of online businesses. The average mean and standard deviation were 3.86 and 0.981 respectively implying that the respondents agreed that these underlying strategies identified were effective in promoting growth of online businesses. Among other strategies adopted by online businesses in Kenya for growth include market research, competitor analysis through SWOT and hiring of skilled employees.

5.3 Discussion

5.3.1 Factors Supporting the Growth of Online Business

The study revealed that key economic factors supporting the growth of online businesses include internet experience of the buyers, accessibility to the internet and the processing period. This is in line with Rudansky-Kloppers (2014) who established that developments in information technology coupled with increased internet access has revolutionized the manner in which goods and services are sold and purchased.

The cost of accessing internet pricing of goods online and the stability of the telecommunication infrastructure also emerged as critical factors. Dawn et al. (2012) established that costs of implementation of e-business can be a serious barrier for SMEs. Online businesses success relies heavily on a number of technology infrastructures. Telecommunication infrastructures are required to connect various regions and parties within a country and across countries.

Economic factors such as customers' knowledge of the internet,customer support programs by the site managers,the income level of the customers and existence of the telecommunication infrastructure were not significant economic factors supporting growth of online businesses.The greatest technical factors supporting growth of online business were; security of the various payment methods, reliability of the internet connection security of customer information and availability of a wide range of internet connections. According to Simpson and Docherty (2014), ignorance surrounding technology is fueling concerns about security, costs and legislation.

The cost of accessing the infrastructures internet speeds in the country and internet access charges were also significant contribution factors.On the other hand online transaction safety for customers and reliability of the payment system in the country did not feature as key technical factors supporting the growth of online business.

According to Salehi, Mirzaei, Aghaei and Abyari (2012), some organizations preferred traditional marketing to e-marketing although the times are changing very fast. The author further indicated that some organizations hesitate in adopting information communication technology (ICT) elements such as online businesses for reasons that include resistance to change, lack of education about the potential of online businesses and lack of trust in the security of online businesses transactions.This is consistent with the findings which reveal that the level of trust in institutions customers' competency, the level of penetration of personal computers, the level of confidence in technology among customers and the level of education of customers were key social factors contributiong to the growth of online business.

The study revealed that the level of e-commerce awareness among customers and internet culture of target customers were not significant social factors contributing to the growth of online business. The findings agreed with t with Raffa et al. (2012) who established that likewise, the level of education, the availability of IT skills, the level of penetration of personal computers and telephone within the society affect the growth of online businesses.

From the findings strictness in enforcement of legal provisions on cybercrimes and the level of regulations in the telecommunication sector in the country were critical legal factors supporting the growth of online business.When asked to establish other factors that have supported the growth of online businesses in Kenya, most of the respondents indicated the graphical user interface of the websites of online stores, flexibility and effectiveness in the delivery besides convenience.

5.3.2 Challenges Confronting Online Entrepreneurs

A list of several challenges encountered by online businesses around the world were carefully identified by the researcher through review of literature. These include infrastructure influence, cost of implementation and technical skills.

From the research findings the respondents were found to agree that the cost of accessing, limited guarantee on privacy of customer information, loss in the social interaction in online businesses, lack of reliability in online transactions and constant evolution of policies were significant challenges confronting online businesses.

The study did not conclude on difficulties in accessing the internet and lack of security for online transactions as significant challenges since respondents were indifferent. This is in agreement with Nazir et al. (2012) who noted that online businesses are still in an early stage and a number of related issues are not yet solved security, privacy, data protection, encryption, copyright and intellectual property.

Limited access to the internet among Kenyans, Ecommerce software incompatibility with other applications, and high cost of internet accessibility in the country were found to be the least significant challenges under infrastructure influence.This can be attaributed to the use of mobile data as established by Souter and Kerretts-Makau (2012) who highlighted that 99% of internet subscriptions in Kenya are mobile subscriptions which can be attributed proliferation of smart phones and advanced feature phones.

From the findings the cost of energy in the country,efficiency of the logistic infrastructures in Kenya and the existence of some common ICT infrastructure, standards and applications were key challenges confronting online businesses from a cost perspective. Savolainen (2016) argued that online businesses also rely on efficient logistic infrastructures within a country. This therefore reveals that the growth of online businesses was affected by the cost of energy in the country and lack of reliability in online transactions.

The study found that lack of necessary IT skill base to engage with the digital economy among business owners and limited business skills among traders were significant challenges they face as online businesses. Lack of necessary IT skill base to engage with the digital economy among business owners greatly affected the growth on online businesses. According to Koh and Maguire (2014), there are a wide range of internet applications that SMEs have at their disposal. However, whether they are actually using them fully to gain competitive advantage is not clear. Lack of resources and skill in both the technical and the business areas makes the introduction of e-business unworkable in its current format. Koh and Maguire (2014) noted that changes in technology with their impact on the numbers and skills of the workforce pose a major challenge for most organizations.

However the study negated that the inability to maintain IT experts among business ventures is a challenge. Online businesses hold great potential in providing massive employment opportunity for the youth in Kenya especially those with higher skills. While online businesses are expected to directly and indirectly create new jobs as well as lead to job losses, according to a United Nations report [UN] (2012) the net effect will be positive.

On average, the identified challenges affected performance of online businesses. The other challenges that have influenced online business adoption in Kenya, include transportation and ferrying costs that hike the cost of the product especially for Jumia Store. However, high cost of internet accessibility in the country, the costs involved in implementing an online business are high, the cost of accessing the infrastructures, the level of high initial set-up costs for online businesses, limited access to the internet among Kenyans, E-commerce software incompatibility with other applications and inability to maintain IT experts among business ventures were not significant challenges that confronted online businesses.

5.3.3 Effective Growth Strategies for Online Business

The study investigated effective growth strategies for online business and how this strategies relate with the performance of online businesses in Kenya. These included technical strategies, product innovation strategies, pricing rationalization strategies and market expansion strategies.

The study showed that the most important strategies to be considered include employee technical capabilities and knowledge. Chan and Foster (2011) and Kelmar and Wingham (2015) studied small businesses in Hong Kong. The latter listed 47 growth strategies reported in various research works and classified them into 12 categories. They reported that 55.5% were related to external variables of growth (market penetration, pricing, product mix, product demand, promotion, market creation, market stability and intermediary use as the greatest contributors) and the rest were the internal variables (corporate strategy and staffing are the greatest contributors). They concluded that a combination of external and internal variables supports growth of organisations.

Another effective growth strategy from a product innovation perspective was research and development and creation of new markets. Bowles and Wilson (2012) indicated that technology strategy is a firm’s approach to the development and use of technology. The author further established that although it encompasses the role of formal Research and

Development (R&D) organizations, it must also be broader because of the pervasive impact of technology on the value chain.

Diversifying the product offering to customers and having seasonal sales promotions giving price discounts were found to be effective growth strategies. Verhagen and van Dolen, (2011) noted that running promotions and adoption of technology in operations are other strategies of growing online businesses. Verhagen and van Dolen, (2011) further established that online businesses is a powerful new way of conducting business and one that presents many opportunities for companies and consumers.

Expansion of the existing market for goods and market segmentation also play a significant role in growing online businesses. According to Yasmin, Tasneem and Fatema (2015), it is increasingly widely accepted that it is important for business to embrace online businesses and to adopt internet technologies. Online businesses technologies include searching for products, services and information, advertising, and the buying, selling and paying for products or services.

Provision of diverse product mix to customers online and development of new innovative products for customers are among strategies to grow online businesses. Ström, Vendel and Bredican (2014) found out that online businesses improve the ability of small businesses to compete with larger organizations, enables the small business to operate on an international scale and online businesses technologies provide a cost-effective way for small organizations to market their business, launch new products, improve communications, gather information and identify potential business partners.

5.4 Conclusion

5.4.1 Factors Supporting the Growth of Online Businesses

There was a positive relationship between factors supporting the growth of online businesses and performance of online businesses. Factors supporting the growth of online businesses significantly predicted performance of online businesses. The most significant factors affecting growth of online businesses involved internet experience of the buyers, security of the various payment methods, strictness in enforcement of legal provisions on cybercrimes and the level of trust in institutions.

Reliability of the internet connection, the level of regulations in the telecommunication sector in the country, availability of a wide range of internet connections, the level of confidence in technology among customers and the level of penetration of personal computers were other critical factors resulting into growth of online businesses. The least significant factors for growth of online business included income level of the customers, customer support programs by the site managers, the level of e-commerce awareness among customers, existence of the telecommunication infrastructure, accessibility to the internet and internet culture of target customers.

5.4.2 Challenges Confronting Online Entrepreneurs

The greatest challenges that confront online businesses include lack of necessary IT skill base to engage with the digital economy among business owners, limited guarantee on privacy of customer information and loss in the social interaction in online businesses. The other challenges affecting online businesses included cost of energy in the Country, lack of reliability in online transactions and efficiency of the logistic infrastructures in Kenya.
Other challenges significantly affecting online businesses include limited business skills among traders, existence of some common ICT infrastructure, standards and applications, constant evolution of policies and rules governing the internet usage in the country, lack of security for online transactions and difficulties in accessing the internet. Among the least significant challenges of online business include e-commerce software incompatibility with other applications and inability to maintain IT experts among business ventures.

5.4.3 Effective Growth Strategies for Online Businesses

The most effective strategies for growth of online businesses include research and development, creation of new markets, running promotions and adoption of technology in operations. Market penetration, capabilities in employees, diversifying the product offering to customers and having seasonal sales promotions were other effective strategies for growth of online businesses.

Well-structured communication with customers, employee training and development and offering price discounts were also effective strategies for growth of online businesses. Expansion of the existing market for our goods, advertising production, provision of diverse product mix to customers online, development of new innovative products for customers, ensuring stable market for customers and external relations also played a significant role in growth of online businesses.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Factors Supporting the Growth of Online Businesses

Since internet experience of the buyers, security in payment systems, strictness in enforcement of legal provisions on cybercrimes and the level of trust in institutions had were significant factors supporting growth of online businesses, the study recommends that all online companies in Kenya should pay greater attention and emphasis on these factors to grow their organizations. Less emphasis should be paid on level of income of customers, e-commerce awareness, accessibility to internet and internet culture of target customers since they were least significant.

5.5.1.2 Challenges Confronting Online Entrepreneurs

The top management of all online companies in Kenya should pay greater emphasis on necessary IT skill base, privacy of customer information, social interaction in online businesses, cost of energy, reliability of online transactions and efficiencies. These are significant challenges that affected growth of online business and therefore putting up measures to address them would result into performance.

Greater emphasis should also be paid on business skills among traders, common ICT infrastructure, standards and applications, policies and rules governing the internet usage and the difficulties in accessing the internet. Online businesses should not however pay a lot of emphasis on initial set-up costs, access to the internet and maintenance of maintain IT experts among business ventures.

5.5.1.3 Effective Growth Strategies For Online Businesses

All online businesses in Kenya should over-emphasize on research and development, new markets, technology, market penetration and capabilities of staffs since they had significant effect on performance. It is also important to offer diversified products among customers, established proper communication channels and offer training and development to staffs. Price discounts, market expansion, advertisement of products and diversities in product mix should be encouraged to enhance growth of online businesses.

5.5.2 Recommendations for Further Studies

The current study was done among online business, future studies should be done by combining both online and other retail store like Uchumi Supermarket, Naivas and Nakummat Supermarket to unleash their performance. Future studies should pay greater emphasis on secondary rather than primary data. Future scholars can carry out similar studies by adopting panel data methodology that specifically covers a relatively longer span of time**.**

The study sought to determine factors affecting the performance of online business operations in Kenya. The study variables accounted for 75 percent changes in performance, the study therefore recommends that other variables accounting for 25 % on online business performance should be established and their effects assessed as well.

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APPENDICES

Appendix I: Letter of Introduction

Dear Respondent

Letter of Introduction

I am a student at **UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA** and undertaking a course by the name, degree of MBA. I am undertaking a study on factors influencing performance of online businesses in Kenya. I therefore wish to kindly request that you complete the attached questionnaire to aid me in conducting the research. I wish to assure you that the information disclosed will be treated with utmost confidence and used only for the purpose of this study.

I will be most grateful for your assistance and cooperation

Yours sincerely,

Scholastica Kiboro

Appendix II: Questionnaire

SECTION A: GENERAL INFORMATION

1. Name of the Company (Optional) ___________________________________

2. Period that the company has been in operation? (Please tick one)

   Less than 3 years [ ] 3-6 [ ] 6-9 [ ]

   9-12 [ ] Above 12 years [ ]

3. What is your position in the organization?

   Senior manager [ ] Supervisor [ ] Other [ ]

4. How many years have you worked with this organization?

   Less than 2 [ ] 2-4 years [ ] 5 and above [ ]

5. What is your highest level of education?

   High School [ ] Diploma [ ] Degree [ ]

   Masters [ ] PHD [ ]

6. How many employees are in the company?

   Less than 5 [ ] 6-10 [ ] More than 10 [ ]

7. What is the ownership of your company? would you classify your organization regarding ownership? Locally owned

   Foreign owned [ ] Local [ ]

   Combination of local and foreign [ ] Don’t know [ ]

   Other please specify [ ]

   ____

SECTION B: FACTORS SUPPORTING THE GROWTH OF ONLINE BUSINESSES IN KENYA

8. Below are a number of factors that support the growth of online businesses. Kindly indicate your level of agreement with regarding the Growth of Online Businesses in Kenya? Use a scale of Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
Accessibility to the internet					
The cost of accessing internet					
Internet experience of the buyers					
Customer support programs by the site managers					
Customers’ knowledge of the internet					
The pricing of goods online					
The processing period (time)					
The income level of the customers					
Existence of the telecommunication infrastructure					
The stability of the telecommunication infrastructure					
Online transaction safety for customers					
The cost of accessing the infrastructures					
Reliability of the payment system in the country					

Security of the various payment methods					
Internet access charges					
Security of customer information					
Reliability of the internet connection					
Internet speeds in the Country					
Availability of a wide range of Internet connections					
The level of education of customers					
Customers’ competency in information technology					
The level of penetration of personal computers					
The level of e-commerce awareness among customers					
The level of confidence in technology among customers					
The level of trust in institutions					
Cultural perceptions towards internet usage					
Internet culture of target customers					
Strictness in enforcement of legal provisions on cybercrimes					
The level of regulations in the telecommunication sector in the country					

9. In your opinion, what other factors have supported the growth of online businesses in Kenya? Kindly outline them.

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SECTION C: CHALLENGES CONFRONTING ONLINE ENTREPRENEURS IN KENYA

10. Below is a list of several challenges encountered by online businesses around the world. Kindly indicate your level of agreement with the following statements regarding challenges influencing online business adoption in Kenya? Use a scale of Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

	1	**2**	**3**	**4**	**5**
Limited access to the internet among Kenyans					
Lack of security for online transactions					
Lack of reliability in online transactions					
Ecommerce software incompatibility with other applications					
High cost of internet accessibility in the country					
Difficulties in accessing the internet					
Loss in the social interaction in online businesses					
Limited guarantee on privacy of customer information					
Constant evolution of policies and rules governing the internet usage in the country					
The cost of energy in the Country					
The cost of accessing the infrastructures					
Efficiency of the logistic infrastructures in Kenya					
The existence of some common ICT infrastructure, standards and applications					

The costs involved in implementing an online business are high					
The level of high initial set-up costs for online businesses					
Limited business skills among traders					
lack of necessary IT skill base to engage with the digital economy among business owners					
Inability to maintain IT experts among business ventures					

11. In your opinion, what other challenges have influenced online business adoption in Kenya? Kindly outline them.

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SECTION D: EFFECTIVE GROWTH STRATEGIES FOR ONLINE BUSINESSES IN KENYA

12. Below are several strategies applied by businesses to grow. Kindly indicate your level of agreement with the following growth strategies for your online business. Use a scale of Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
Through adoption of technology in operations					
Through research and development					
Capabilities in employees					
Development of new products aligned to changing customer needs					
Diversifying the product offering to customers					
Offering price discounts					
Arranging for sales promotions					

Through advertisements of our products					
Expansion of the existing market for our goods					
Engaging competent management teams					
Market segmentation					

13. In your opinion, what other business growth strategies have been adopted by your online business in Kenya? Kindly outline them.

____
____
____

SECTION E: PERFORMANCE OF ONLINE BUSINESSES IN KENYA

14. Below are several measures on online businesses. Kindly indicate the level of your agreement with each of these measures in as far as your organization is concerned. Use a scale of Use a scale of 1-5, where 1- strongly disagree, 2- disagree, 3- neutral, 4- agree, 5- strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
The number of customers has increased					
The overall sales for the Company has increased					
The number of supplier partners has increased					
The number of employees has increased					
The variety of product offerings has increased					

Appendix III: List of Online Businesses in Kenya

1. Air Cargo global
2. Alladin Group Holding Limited
3. Binti Online
4. Bonfire Adventures
5. booking.com
6. BuyRent Kenya
7. Byhand products
8. Cheki
9. Chinabuy
10. Dakika Online
11. Devsons Industries Ltd
12. ekitabu
13. Electrohub
14. Epepea Online Supermarket.
15. Expedia
16. Foodplus
17. Frontmall
18. Himall
19. Hotels combined
20. Info hub
21. Jumia
22. Jumia Food
23. Jumia Market
24. Kaymu Market
25. Kenya yote
26. KenyaBuzz
27. Kilimall
28. Le Style Parfait Kenya
29. Mama
30. MASOKO
31. Mimi
32. Naivas.com
33. OLX
34. Patabay Kenya
35. Pesapal Kenya
36. Phones & Tablets Kenya
37. Phonesoko
38. Pigiame
39. Price in Kenya
40. Prideinn Hotels and Conferencing
41. Rupu
42. SANSART Kenya.
43. Shopit
44. Soys Kenya
45. Tandao Commerce
46. The Mugunga Bookstore
47. Travelstart Kenya
48. TripAdvisor
49. Trivago
50. UKDukas
51. Vitumob
52. Vivo Active Wear

Source: My Tech Informer (2018)