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# HOW BUSINESS MODELS EVOLVE IN WEAK INSTITUTIONAL ENVIRONMENTS: THE CASE OF JUMIA, THE AMAZON.COM OF AFRICA


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# HOW BUSINESS MODELS EVOLVE IN WEAK INSTITUTIONAL ENVIRONMENTS: THE CASE OF JUMIA, THE AMAZON.COM OF AFRICA


## Abstract

We advance research on the antecedents of business model design by integrating institutional and imitation theories to explore how the business model of new ventures evolves in a weak institutional environment. Based on a case study of Jumia—an online retailing company in Africa established with the aim to emulate the success of Amazon.com—we propose a process model entitled "imitate-but-modify" that explains how business models evolve through four distinct phases (i.e., clarification, legitimacy, localization, and consolidation). In essence, this model explains how new ventures surrounded by considerable uncertainty deliberately seek to learn vicariously by imitating the business model template of successful firms. However, due to significant institutional voids, the ventures' intentional imitation is progressively replaced by experiential learning that blends business model imitation with innovation.



**Keywords:** business models, institutional voids, imitation, innovation, Africa

# INTRODUCTION

*"What factors give rise to and shape business model designs? How do regulations, customer preferences, and competition influence the emergence and evolution of these designs? What are the dynamics of business model design change, and how stable are business model designs across time?"* (Zott and Amit, 2007: 195).

*"Well, Jumia's business model is designed after that of Amazon. In fact, we have Amazon as our target so we try to do things as Amazon. However, the business environment and the challenges here do not allow us to fully operate Amazon's business model and therefore we have to modify a whole lot of things in other to fit this environment"* (Deputy Head of customer service team at Jumia).

An important issue in organizational research is that of the antecedents of business model design; i.e., those factors that influence the way a firm designs the system of interdependent activities that it performs together with its partners to create value for stakeholders. Existing studies have examined different factors that lead to the design of specific configurations. For example, research has focused on the use of templates (McGrath 2010), environmental constraints (Chesbrough, 2010), stakeholders' activities (Sanchez and Ricart, 2010), and goals to create and capture value (e.g., Teece, 2010; Guo, Su, and Ahlstrom, 2016). Authors have also noted that these antecedents often interact in a joint fashion resulting in specific design outcomes (Amit and Zott, 2015), and have explored the factors that determine how business models evolve over time (cf. Zott and Amit, 2007). In fact, "a sustainable business model is rarely found immediately, but requires progressive refinements to create internal consistency and/or to adapt to its environment" (Demil and Lecocq, 2010: 228).

The majority of existing studies have examined business model design in contexts defined by relatively mature and stable institutional environments that reduce uncertainty and allow firm behavior to be more predictable. In contrast, little is known about business model design in contexts characterized by institutional voids where the absence of contract-enforcing mechanisms, specialized intermediaries, and efficient communication networks increases transaction costs and hampers the ease with which market players interact (e.g., Khanna and Palepu, 2010; Sanchez and Ricart, 2010; Mair et al., 2012; Manikandan and Ramachandran, 2015; Doh et al., 2017). In such unstable environments, typical of developing countries, product and profit formula that are successful in institutionally stable environments often do not work (Demil, Lecocq, Ricart, and Zott, 2015). As indicated in the opening quote, newly established firms in developing countries are often forced to modify business model templates of established multinationals in accordance with their respective environments. Thus, our research question is: *how do business models evolve in weak institutional environments?*

To explore this question, we conduct a case-based analysis of Jumia—an online retailing firm established in Nigeria in 2012—that aimed to emulate the success of the US-based Amazon.com (henceforth Amazon) across several African countries. Using inductive reasoning based on rich primary data (both participant observation within the company and a set of in-depth interviews with managers at various levels of the organization), we analyze the evolution of Jumia's business model in an environment characterized by significant institutional voids. We show how Jumia's lack of experience in an uncertain context prompted an intentional use of Amazon's business model as a template for designing its business model configuration. However, due to institutional voids, Jumia was also forced to progressively modify Amazon's business model to fit with the specific nature of the African markets. Based on our findings, we propose a process model entitled "imitate-but-modify" that explicates how business models evolve through four distinct phases, with each aimed at using templates of successful organizations as reference targets to imitate, but also innovatively filling specific voids in the environment.

With this model, we reconcile the literatures on business model design (Zott and Amit, 2007), institutions (Khanna and Palepu, 1997), and imitation (Lieberman and Asaba, 2006) by emphasizing that firms in contexts of high environmental uncertainty are often inclined to look for templates of successful organizations to imitate with the purpose of obtaining more information about the likely outcome of strategic actions (Levitt and March 1988; Bikhchandani et al., 1998). While such information-based imitative behavior has been identified in other contexts, we complement the extant literatures by explaining how business models evolve in the presence of institutional voids. Specifically, we argue that imitation in these contexts may be described as a double-edged sword, wherein the prevailing environmental uncertainty makes imitation more desirable, but that the business context makes mere imitation costly and risky, and hence also induces innovation. In the initial phases of the business model evolution process, new ventures are more likely to vicariously learn by imitating other successful business templates (e.g., from established incumbents operating in developed economies) to reduce uncertainty. However, because of institutional voids pure imitation is not possible, and business models of developed country-based incumbents need modifications to become a viable option. Accordingly, in the later phases of the business model evolution process, they are more likely to learn experientially and less prone to imitate, as they are more experienced and confident in developing their business model.

By studying how business models of new ventures evolve in weak institutional environments, this study provides three main contributions to the extant literature. First, we contribute to the research on the interplay of business model design with institutional voids. We conceptualize business model design of a new venture amidst severe institutional voids in distinct phases—clarification, legitimacy, localization, and consolidation—and build a theory on how firms respond to environmental uncertainty in local environments. Consequently, we respond to the call for the business model design literature on "*how* are business models created in different contexts [and] what *institutional factors* favor or impede the *emergence* and success of business models?" (Demil, Lecocq, Ricart, and Zott, 2015: 8-9). Second, we contribute to the information-based theories of imitation. The extant literature suggests that firms in contexts where institutions are generally underdeveloped and uncertainty prevails are driven to imitate business model templates of successful organizations (Lieberman and Asaba, 2006; Luo and Chung, 2013). In contrast, we argue that the need for a start-up to fill institutional voids leads to an increasing pressure for business model innovation, and thus nonconforming behaviors with respect to market leaders. Finally, our paper makes an important contribution to the literature on business model innovation and entrepreneurship by responding to recent calls to address how business model innovation interacts with entrepreneurial practices in unstable environments (Foss and Saebi, 2017). Specifically, we show how blending business model imitation and innovation may serve as a means for entrepreneurs to create vicarious and experiential learning necessary to navigate weak institutional environments.

The paper is organized as follows. First, we develop our theoretical background. Second, we describe the research design and methods. Third, we show the findings of Jumia's business model and how it evolved. Finally, we provide theoretical and practical implications, and outline limitations and suggestions for future research.

## THEORETICAL BACKGROUND

### Business Models

Over the last decade, the concept of a business model has gained considerable attention from both academics and practitioners. Reviews of business model literature indicate a lack of consensus on the definition and constructs of the term business model and frequent adoption of idiosyncratic definitions that fit the purposes of respective studies (Amit and Zott, 2001; Casadesus-Masanell and Ricart, 2010; Teece, 2010; Zott and Amit, 2010; Sanchez and Ricart 2010; Zott, Amit, and Massa, 2011; George and Bock, 2011; Ritter and Lettl, 2018). Some authors conceptualize business models to be made up of three components: *value proposition* (i.e., the bundle of products and services that create value for a specific customer segment), *value creation and delivery* (i.e., the architecture of a firm value chain, namely a firm's key resources and activities necessary to create value, and the channels used to deliver this value), and *value capture* (i.e., a firm's revenue streams and cost structure). For example, Casadesus-Masanell and Ricart (2010: 196) define a business model as "the logic of the firm, the way it operates and how it creates value for its stakeholders". According to Teece (2010), a business model expresses the logic, the data and other evidence that sustains a given value proposition for the customer and a possible structure of revenues and costs for the firm delivering that value. Thus, it characterizes how the firm renders value to customers, persuades them to pay for value, and translates those payments to profit.

Other authors examine and define business models by focusing more on the *activities* carried out by a firm to create and deliver value, and how these activities are linked to each other (Amit and Zott, 2001; Zott and Amit, 2010). Activities refer to value chain activities performed by a focal firm, as well as how the focal firm's activities are linked to activities performed by other actors in its business environment (Baden-Fuller and Mangematin, 2013). The business model thus captures how the firm is embedded in its multiple networks with suppliers, partners and customers, and how the governance of value chain activities creates value through the exploitation of business opportunities (Zott and Amit, 2010). In synthesis, the activity system perspective defines a firm's business model focusing on the *content*, the *structure,* and the *governance* of activities within its organization.

Recent studies also focus on the concept of *business model innovation* (Doz and Kosonen, 2010; Gambardella and McGahan, 2010; Aversa, Haefliger, Rossi and Baden-Fuller, 2015; Foss and Saebi, 2017), which has become increasingly important both in academic literature and in practice due to the rising number of opportunities for new configurations enabled by technological progress, new customer preferences, and deregulation (Casadesus-Masanell and Zhu, 2012). Business model innovation refers to "the search for new logics of the firm and new ways to create and capture value for its stakeholders" (Casadesus-Masanell and Zhu, 2012: 464). It centers mainly on devising innovative avenues for generating revenues and defining value propositions for customers, suppliers, and partners (e.g., Amit and Zott, 2001; Zott and Amit, 2008; Casadesus- Masanell and Ricart, 2010; Teece, 2010). Although business model innovation may represent a novel way of delivering value to stakeholders, the way a firm designs its business model may also be the result of an imitation process of what others have done (Casadesus-Masanell and Zhu 2012). Zott and Amit (2007: 183) argue that "imitation-based approaches toward business creation are often associated with an emphasis on lower costs, i.e., increased efficiency", but also emphasize that business model imitation and innovation "can be complementary, and that their interaction could have a positive effect on performance" (Zott and Amit, 2007: 186). In a related study, Amit and Zott (2015) identify how factors such as goals, templates of incumbents, stakeholder activities, and environmental constraints critically affect the way a firm designs its business model. Other studies emphasize business model innovation in response to technological disruption, volatility coming from competition in the dynamic environments, exploratory orientation or opportunity recognition (Johnson et al., 2008; Guo et al., 2016).

While existing studies emphasize the innovative capacity of new business models, the antecedents of new business model design (Teece, 2010) and their performance implications (Aspara, Hietanen, and Tikkanen, 2010; Kim and Min 2015; Foss and Saebi, 2017), far less attention has been devoted to understanding how the business model of a new venture evolves to fit with the structural characteristics of its institutional environment. This is evidenced by the pressing calls for authors to extend the analysis of business model innovation in different institutional environments (Demil et al., 2015; Foss and Saebi, 2017), and increase research on business model innovation in different geographic markets (Jonsson and Foss, 2011).

**Institutional Voids**

We explore how business models evolve in weak institutional environments. In this respect, institutional theory explains the ways that institutional infrastructures and rules enable market formation and associated economic development (North, 1990; Scott, 1995). In general, institutions have been defined as "the humanly devised constraints that structure political, economic and social interaction" (North, 1990: 97) and represent the formal set of rules (North, 1990), informally shared interaction sequences (Jepperson, 1991), and taken for granted assumptions (Meyer and Rowan, 1991) that guild the behavior of organizations and individuals. Accordingly, institutions reflect the "rules of the game" (North, 1990), and serve as the basic framework which affects how organizations behave and conduct their operations. They can be both formal and informal, and emanate from regulatory structures, laws, courts, governmental agencies, professions, cultural practices and societal norms and scripts (North 1991; Scott, 1995). Institutions establish expectations that regulate acceptable actions and practices for firms (Meyer and Rowan, 1991), and constitute the basic logic by which rules, laws, and the taken for granted behavioral expectations occur and are enacted (Zucker, 1977).

Developed economies are largely characterized by well-established institutions that effectively intermediate buyers and sellers of goods, services, and capital to reduce the transaction costs and limit potential conflicts of interest that arise from differential information between transacting parties (e.g., Khanna and Palepu, 1997; George et al., 2016a; Gao et al., 2017). For example, the courts and consumer groups ensure that contracts are generally enforced and that defaulters are penalized; producers of low-quality products suffer dearly as consumers have the right to return the product and recover their outlay; credit card issuers are available to facilitate transactions by providing credit verification, financing, and collection of cash; insurance agencies provide valuable services between sellers and buyers to facilitate safe, timely, and guaranteed movement of products; and the distribution system can count on a reliable network of physical infrastructures.

Developing countries, by contrast, are to a larger extent defined by absent or deficient institutions (Mair et al., 2012; Doh et al., 2017). Khanna and Palepu (1997; 2010) argue that whenever market supporting institutions are absent or underdeveloped, *institutional voids* are said to prevail. These institutional voids occur in various institutional arenas and inhibit the effective and efficient formation and functioning of economic markets. Accordingly, institutional voids hamper firms' ability to successfully operate by hindering transactions or increasing the cost of performing transactions. The extant strategy literature on institutional voids has extensively examined the relationship between the strength of market-supporting institutions in a country and firms' performance outcomes (e.g., Gao et al., 2017). Scholars have shown that strategies are strongly affected by the firm's institutional environments and that a firm's chance to achieve competitive advantage depends on its ability to understand the voids in its institutional environment and turn them into opportunities (e.g., Meyer, Estrin, Bhaumik, and Peng, 2009; Peng, Sun, Pinkham, and Chen, 2009; Ahuja and Yayavaram, 2011). This has also been documented in the e-commerce industry (Oxley and Yeung, 2001; Holm et al., 2017).

However, although various studies have examined how institutional voids may shape a firm's strategy and performance, there is a shortage of knowledge on business model design in weak institutional environments. Most studies focus on how institutional voids affect a firm's strategy, but not its entire business model. Thus, research is required to better understand the "systematic process for reconceiving the business model" (Eyring et al., 2011: 89-90) that firms operating in developing countries follow to overcome the challenges associated with the absence of effective market-supporting institutions.

## RESEARCH METHOD

To explore our research question, we adopted a qualitative approach in the form of a single case study during the period from 2012 to 2017 (Eisenhardt, 1989; Yin, 1994). This research design is suited for a context-specific understanding of organizational reality and particularly suited to the exploration of processual nature of organizational dynamics such as business model evolution (e.g., Dunford et al., 2010; Jonsson and Foss, 2011). In the following sub-sections, we discuss our research setting, the data collection, and the data analysis.

**Research Setting**

The empirical unit of analysis is Jumia, an e-commerce start-up headquartered in Lagos, Nigeria, with an aim to emulate Amazon's success by delivering a wide range of products across many African countries, from furniture, clothes, electronics and books to alcohol. Jumia is a start-up internal to Africa Internet Group (AIG), a leading e-commerce group in Africa with Rocket Internet, MTN Telecommunications, Millicom, Orange, Axa, and Goldman Sachs as investors during our observation period. It was incorporated in Nigeria in 2012 by two African Harvard Business School graduates (one from Nigeria and the other one from Ghana) with seed capital and technical support from Berlin-based incubator Rocket Internet. In 2013, Jumia had a gross merchandise volume (GMV) of nearly €35 million and this value increased to over €500 million in 2017.[1] At the beginning of 2017, Jumia had expanded its operations into 11 different countries across Africa, creating a sustainable ecosystem of digital services and infrastructure through online and mobile marketplace after combating the initial challenges of trust, acceptability, and infrastructural gap relating to e-commerce in Africa. This fast expansion was accommodated by an expanding middle class in Africa, as shared by a former CEO of Rocket Internet in an interview with Reuters in 2013 (Grant, 2013):

> There is very much a demand from the growing middle class to have quality products both in beauty and in fashion that is currently not met in the Nigerian market or in many other African countries. […] that means that either they buy things abroad or have other people ship the product in, which is obviously very time-consuming, expensive and tedious.

It is worth noting that at the time Jumia established its operations in Nigeria in 2012, African countries were experiencing different levels of development in terms of retailing (Moriarty, van Dijk, Warschun, Prinsloo, Savona, and Witjes, 2015),[2] and Jumia was not the first company to launch an online

[1] Information on Jumia's GMV was retrieved from Rocket's Internet's website.
[2] Moriarty et al. (2015) categorized retailing markets in Africa into three main developmental stages. *Basic stage*: characterized by little to no formal shopping culture and the formal market that does exist focuses almost solely on dry goods. *Developing stage*: the market shows a small but emerging formal shopping culture, not fully developed.

retailing business in Africa. In particular, Kalahari.com (merged with Takealot.com in 2015) in South Africa has been operating an e-commerce business model somewhat very similar to that of Amazon with essentially no significant changes for over ten years. This business initiative survived in South Africa with expected success but was circumscribed only to customers in South Africa because the South African business environment had well-advanced online shopping culture, relatively high wealth levels, and, to some extent, well-established infrastructure and effective laws and regulations (Moriarty et al., 2015). Importantly, these "advanced" African countries were not Jumia's target markets. In fact, Jumia aimed to enter African countries that, at the beginning of the 2010s, presented no or little online shopping culture, including Nigeria, Ghana, Kenya, and Morocco. For example, as noted by Jumia Kenya managing director in an interview with KBC News in 2014:

> In the online space, there is no competition. There is really no e-retailer currently in Kenya. Instead, when you look at the brick-and-mortar space, sure there is retail environment here, but what they don't provide to the customer is "convenience", so you have to fight through traffic.

Therefore, Jumia represents an ideal case for exploring our research question, mainly as it was the first firm attempting to establish an e-commerce business model in developing African countries with weak or no online shopping culture.

**Data Collection**

We collected data from three main sources: (1) participant observation, (2) semi-structured, one-on-one interviews, and (3) written documentation. We relied on the interviews as the prime source of information to understand how Jumia's business model evolved, with the participant observation and documentation data serving as vital triangulation and supplementary sources for discerning and understanding critical events and processes, and as a means of gaining additional perspectives on key issues.

Most of the fieldwork was carried out in two subsidiaries of the company: Jumia Nigeria based in Lagos, and Jumia Ghana based in Accra. While our analysis focused on understanding the business model evolution at the company level of Jumia, we chose these subsidiaries as the main sources of our primary

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*Matured stage*: countries in this stage show well-established online shopping culture, relatively high wealth levels and developed infrastructural support. Jumia operates in countries that fall into the first two categories.

data for the following reasons. First, by collecting data at the subsidiary level, we obtained information about Jumia's direct encounters and strategies to deal with the institutional voids. While important knowledge on the business model also resides at Jumia's headquarters, obtaining data closer to the theoretical constructs of our study increases the reliability and persuasion of our findings (Siggelkow, 2007). Second, the subsidiaries were established in the initial phases of Jumia's evolution with the Nigerian subsidiary established in 2012 and the Ghanaian subsidiary established in 2014. Thus, the two subsidiaries navigated more or less in the same periods the various phases of the business model design process. In addition, we checked for possible relevant differences in institutional voids across countries. Although the two countries presented some key differences, we observed that Jumia encountered similar institutional voids and adopted the same strategies to fill them. Accordingly, the selection of the subsidiaries followed 'the most similar method' that has the benefit of providing a stronger basis for generalization (Seawright and Gerring, 2008). Finally, it is worth noting that although all our informants were interviewed in Nigeria and Ghana, most of them were only based there temporarily for control purposes and also oversaw operations in other countries. Interviewing these people, therefore, allowed us to have a broader perspective of the evolution of Jumia's business model. Table 1 provides details of the data sources, data type, the respective timelines for collection, and how the data was used in the analysis.

The first author initially spent six months as an intern in the company's subsidiaries in Ghana and Nigeria. From January to March 2016, he was in Ghana and then moved to Nigeria from April to June 2016, where he was partially a participant and partially an observer. He was given full access to the company and participated in various meetings such as team meetings and town hall meetings where all employees meet the management of the subsidiary once a month to discuss the performance of the subsidiary for the past month and moving forward. A set of formal and informal interviews were conducted during the internship, as well as from November 2016 to February 2017, the first author spent an additional four months in Africa, between Ghana and Nigeria, where he met Jumia's employees and discussed the research further. The interviews were conducted with employees from different hierarchical levels who were selected to ensure exposure to different perspectives, to compensate for individual informants' personal bias and lack of knowledge, and to allow cross-checking of information provided by different informants (Miller, Cardinal, and Glick, 1997). In all, a total of 38 formal interviews were conducted in both Ghana and Nigeria with mainly managers, as well as leaders from the top management team who were responsible for key areas in Jumia. These interviews followed an open-ended, semi-structured protocol, which allowed for successive refinement and inclusion of additional questions prompted by previous interviews (see Online Appendix, Table A1, for the details of the semi-structured interview guide). The interviews lasted between 18 and 60 minutes, producing a total of about 25 hours of interview time. All the interviews were audio-recorded and later transcribed verbatim yielding about 260 pages of data. Table 2 offers more details about our informants and interviews.

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Please insert Table 1 and Table 2 around here

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**Data Analysis**

To understand how Jumia's business model evolved in weak institutional environments, we structured the data analysis in four distinct parts. In the first part, we collated the various accounts from the interviews, internal documents, and online publications on Jumia to understand Jumia's deliberate attempt to emulate Amazon from the onset of its operations in Africa. The output of this analysis is discussed in detail in the Findings section.

The second part of our analysis was aimed at identifying the institutional voids encountered by Jumia in Africa since its inception in 2012. This phase consisted of multiple rounds of coding of our data to search for macro-categories of institutional voids that our informants gave through accounts of the events they described (Stake, 1995). We initially extracted a list of institutional voids encountered by Jumia from the interviews. From this list, we then obtained three macro-categories: (1) infrastructural, (2) legal and regulatory, and (3) cognitive cultural voids. The first two authors proceeded with the data analysis in parallel. Individual check-coding of previously coded text and periodic comparison between the two researchers were used to assess the reliability of coding and ensure internal consistency of the emerging coding structure (Miles and Huberman, 1994; Locke, 2001). Additional interviews from later data collection helped us extend and revise preliminary interpretations. We also routinely checked emerging interpretations with our contacts at Jumia (Strauss and Corbin, 1998). Moreover, observation and informal conversations complemented the interviews, giving us additional insight into how people experienced institutional voids in their daily routines, and how Jumia attempted to fill the voids.

The third part of the data analysis was aimed at understanding the strategies pursued by Jumia to overcome the challenges of the institutional environment while developing its business model. Similar to the second part, we performed multiple rounds of coding of our data to search for how Jumia strategically responded to voids in the African environment. We combined archival and interview data to identify important strategies that helped Jumia to fill the voids in the African market. At this stage, data collection was still underway so we could go back to the informants as needed to sharpen our analysis. For example, to understand how the company responded to obstacles in the environment over time, we explicitly asked some of our informants the time when strategies pursued to fill institutional voids were implemented. This step allowed us to link the specific strategies pursued by Jumia to how the voids facing its operations were overcame.

The final part of our data analysis was aimed at more generally understanding the evolution of Jumia's business model. To do this, we first grouped business model design strategies in macro-categories, "aggregate dimensions", and subsequently analyzed when and why these strategies were implemented to make Jumia's business model work in the African market. We studied, organized, and analyzed all the data sources through the lens of the business model concept, to understand the match between its components (building blocks) and the voids in the institutional environment. We cycled between our data, emerging themes, and appropriate literature to develop a deeper understanding of the dynamics of the business model process as it transpired.

In terms of data coding, we carried out both a first-order and a second-order analysis (Gioia et al., 1994; Gioia, Corley and Hamilton, 2013). First, we carried out a first-order analysis, which involves a thorough coding of the interview transcripts and data from the secondary sources to develop first-order codes. For example, managers often referred to "the activities of sales agents (J-force)" to describe one of the major means of introducing Jumia's business model to consumers. We applied these codes, which were mainly based on the language of informants and their own vocabularies, to our entire database, and combined them into informant-centric or first-order concepts. Utilizing the frequent comparative method, we constantly compared data across informants to understand how these concepts related to similar ideas or relationships.

Second, the first-order concepts guided us with unveiling important elements of the informants' meaning of business model adaptation process, but not the deeper patterns or relationships in the data. To discern themes that might form the foundation for developing a deeper understanding of our theoretical argument, we used a more structured second-order analysis to examine the data at a higher level of theoretical abstraction (Gioia et al., 1994). Again, we relied on constant comparison to aid in discerning second order themes that subsumed the first-order concepts. For example, "Building trust" emerged from various first-order codes connoting the concept of trust building in the business model adaptation process.

Finally, we amassed our second-order themes into aggregate dimensions which involved a simple task of examining the relationships among first-order concepts and second-order themes that could be captured into a set of more simplified, complementary groupings. In the end, we consolidated the themes into broader dimensions of analysis that captured the overarching process of business model design in weak institutional contexts. We ensured the reliability of our analysis through individual check-coding of previously coded text and periodic comparison to guarantee consistency of the emerging results (Miles and Huberman, 1994). The final data structure is illustrated in Figure 1, which summarizes the second-order themes on which we built our theoretical arguments. Table 3 provides details of the Jumia's business model design process.

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## FINDINGS

### Part 1: Amazon's Business Model as a Template for Imitation

At the time of our case study analysis, Amazon was the largest internet-based retailer in the world by total sales and market capitalization. Its strategy was to serve the mass market in developed economies (apart from the emerging markets of China, India, and Mexico), where consumers have access to the internet and online payments are well diffused, with a wide selection of products at low prices (Louie and Rayport, 1998). It offered customers a high-quality shopping experience through a user-friendly online platform and efficient delivery services. Amazon reached customers through its website (and affiliates' websites) and related to customers through a self-service and automated service via its website. Products were stocked both in Amazon warehouses and in warehouses of affiliated independent sellers, but were not delivered to customers directly by Amazon. Instead, Amazon relied on third-party logistics firms and local postal delivery services. Amazon generated revenues through retail sales and commission on retail sales captured through well-regulated and developed online payment system infrastructure (Cot and Palepu, 2001). The main cost components stemmed from warehouses and delivery management, marketing activities, and the development and maintenance of its online platform. Amazon sold at low price points because of its ability to rely on economies of scale. Its key activities focused on order delivery and fulfillment through a network of partners and IT infrastructure development (Applegate and Collura, 2002).

Our data showed how Jumia used Amazon's business model as a template for imitation. As one informant articulated:

> […] our business model is not different from Amazon. It is our hope to become 'the Amazon' in Nigeria. As I said earlier the environment for Amazon in the US or Europe is totally different from ours here and because of this we do some things different from Amazon, but […] the business concept is the same. The means of implementing the concept is what changes due to varies factors such as culture, business climate, language and many other factors. But the idea is the same *(*Head of third-party logistics operation, J14B).

This view was generally shared across the company. Importantly, while Jumia used Amazon's business model as its template for imitation, it was clear that solely imitating Amazon business model across the African continent was not possible. Modifications were necessary to make the business model viable. In the ensuing parts, we explore how Jumia's institutional environment influenced the evolution of its business model.

**Part 2: Institutional Voids Encountered by Jumia in Africa**

In the early 2010s, Amazon operated an e-commerce business model and sold products and services to an established customer segment in developed countries with stable institutional contexts that allowed for efficient transactions and provided external transaction partners to support value creation and delivery. These institutions ensured that Amazon efficiently could connect with a network of sellers and manufacturers as well as third-party logistics and delivery companies to deliver products and services to consumers. Effective regulations in developed economies coupled with well-developed payment infrastructure, for instance, granted consumers the opportunity to conveniently make online payments for their purchased goods and services. The high literacy rate in information technology together with high internet penetration in developed markets created conducive business environments for e-commerce firms like Amazon and its partners to create and deliver value to consumers.

In contrast, our analysis indicated that the business environment of Jumia was flooded with various institutional voids, ranging from a significant deficit in infrastructure and regulatory inefficiencies to cultural challenges. We classified these institutional challenges as *infrastructural voids*, emanating from the lack or absence of effective infrastructural support to establish market transaction, *legal and regulatory voids*, emanating from the absence of an effective regulatory system in which firms depend on to establish market transactions, and *cognitive cultural voids*, emanating from the belief systems of the people and referring to a set of negative perceptions the people in a country have about online transactions. We then developed a detailed overview of how the macro-categories of institutional voids were grounded in evidence from the in-depth interviews. Below we discuss these three categories of voids and report additional interview quotes. Table 4 provides details of these institutional voids extracted from illustrative quotes taken from the interviews with our informants in Jumia.

The *infrastructural voids* that Jumia had to address to operate its business model in Africa included transportation problems in the form of bad roads and high traffic intensity, poor physical address systems, telecommunication problems, unstable electricity supply, and internet connectivity-related issues. As expressed by one of the managers in an interview quote below:

> There are still a lot of infrastructural challenges in Nigeria [...] that we have to tackle every day. So there are bad roads, there is intense traffic on the roads, we have buildings with no addresses so that you can't really pinpoint the address, telecommunication is really poor and even internet penetration is really poor so there are these challenges that we have to overcome to work as a business. [...], so these are kind of issues we grapple with and we've put in solutions to tackle them (Head of third-party logistics operation, J14A).

Accordingly, the e-commerce business environment in Africa lacked external business partners who provided intermediary services to facilitate transactions. These included manufacturers and/or suppliers of high-quality products and services, reliable postal delivery services, and logistics providers to guarantee just-in-time operations and delivery. Moreover, we found that since e-commerce was relatively new in developing African countries, Jumia's business environment suffered from ineffective and inefficient regulation to support market transactions, creating *legal and regulatory voids*. As indicated by a managing director of Jumia in an interview:

> E-commerce is very new in these countries so the loose regulations regarding e-commerce are often quite undefined (Managing Director of New Countries, J10).

Compounded by a high incidence of internet frauds and scams across many African countries, a conventional consumer view was that the location for shopping needed to be a physical brick-and-mortar shop. These negative perceptions about online shopping platforms created a complete lack of trust in e-commerce businesses among consumers (and also sellers) across the African continent such that they were reluctant to accept and participate in e-commerce transactions, creating what we termed as *cognitive cultural voids*—an obstacle that e-commerce companies in Africa need to overcome in order to survive, as pointed out by an informant in an interview:

> You have to get people who have never shopped online before, like most people in Africa, to trust you enough, to trust your process enough that they will actually buy things online. People have this fear of e-commerce. There have been so many scams in the past [...] the main challenge is to convince and educate a Jumia customer that this is not a scam (Founder and managing director, J28A).

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**Part 3: Strategies Pursued by Jumia to Fill the Institutional Voids in Africa**

As the business model of Amazon in developed economies thrived on well-developed infrastructure, Jumia sought to most effectively modify key components of its business model by employing various strategies to respond to a myriad of *infrastructural voids* in the business environment in Africa. For example, to respond to the infrastructural void of unstable electricity supply in its business environments, Jumia invested in generator plants to provide an uninterrupted power supply. Second, Jumia overcame the void of bad roads and transportation problems by setting up pick-up stations close to customers and by relying on third-party logistics firms to support its delivery activities. Third, to address the void of poor physical address systems across many countries in Africa, Jumia extensively made use of landmarks in addition to constant communication through a phone call to trace and locate houses with no address to deliver the orders. Also, the use of indigenes as delivery associates facilitated the tracing of houses with no addresses. Fourth, Jumia employed various approaches to tackle the voids of poor internet connectivity, low internet penetration, and poor telecommunication services challenging business growth across the African continent. For instance, Jumia relied on sales agents equipped with tablet computers to assist customers in rural areas with no access to the internet to place orders. Similarly, customers without internet access could call Jumia's customer service team for an order to be placed for them. Besides, Jumia partnered with one of its investors, MTN Telecommunication, to provide free internet access for customers (with an MTN mobile number) to browse on Jumia's website to place an order. To overcome the void of high traffic intensity across many cities in Africa, Jumia relied on the use of motorbikes and tricycles to deliver orders in a reasonable amount of time, and most logistical operations were carried out during off-traffic hours (such as early mornings and nights). Regarding the issue of an underdeveloped payment system inhibiting transactions in many African countries, Jumia introduced cash-on-delivery and mobile money payment systems to facilitate payments.[3] To address the challenge of lack of reliable data

[3] Cash-on-delivery payment system is where customers pay in cash at the point of delivery. Mobile money payment is a payment system provided by mobile phone service providers where subscribers can make a payment through their mobile telephone account.

about customers and suppliers, Jumia developed its own database of customers and suppliers to substitute the unreliable market research firms.

As for the *legal and regulatory voids* that Jumia encountered in the African market, various strategies were employed to adapt Amazon's business model and thus to make it viable in its local business environment. First, Jumia overcame the void of complicated bureaucratic procedures associated with license acquisition (necessary to deliver Internet-related services in Africa) by initially using some licenses of its mother company Africa Internet Group (AIG) to operate, while awaiting for its own licenses. In fact, before collaborating with Jumia, AIG obtained licenses related to the delivery of internet services from the respective national governments, which it later put at Jumia's disposal. Second, Jumia used an "open contract" or "agreement system"[4] to attract suppliers who preferred flexible short-term relationships to address ambiguous and inefficient legal systems regarding contracts. Third, the voids associated with fake and imitation products were addressed by having multiple suppliers and by removing sellers with fake products from the platform. Regarding the issue of high level of corruption in many African countries, sometimes the only way Jumia could carry out its operations was to make some informal payments to the authorities to get the work done.[5]

Finally, Jumia employed various strategies to reply to the *cognitive cultural voids* stemming from the lack of trust in e-commerce due to the high incidence of fraud and scams and customers' lack of experience in e-commerce across many African countries. First, the introduction of the cash-on-delivery payment system served as a guarantee to the customer since payments were only made after the products were received and examined. Second, Jumia offered the customer the opportunity to return products for their money back. Third, Jumia constantly communicated with the customers throughout the delivery process to keep them informed about their orders. Again, another strategy of Jumia in dealing with the lack of trust in e-commerce was to partner with well-known leading brands and firms to deliver quality

[4] "Open contract" or "agreement system" is a system where there is no legal binding agreement; each party can decide to opt out of the contract agreement at any anytime at no cost.
[5] As also noted by Webb, Tihanyi, Ireland and Sirmon (2009), it is not uncustomary for firms operating in institutionally incongruent environments to engage in illegal practices to socially legitimize their activities.

products and reliable service to customers. Also, Jumia relied on a massive advertisement, sales agents, and technical assistance on how to use delivered products to educate customers and increase brand loyalty.

Table 4 offers details of the various institutional voids in Jumia's business environment and the specific strategies designed to overcome these voids.

**Part 4: The Evolution of Jumia's Business Model**

After identifying Jumia's initial attempt to use Amazon's business model as a template (data analysis part 1), the institutional voids encountered by Jumia in Africa (data analysis part 2), and the strategies used to manage these voids (data analysis part 3), we examined whether and how the processes underlying the business model evolution unfolded in a logical and longitudinal sequence. Based on our analysis, we identified four distinct phases of how business models evolve in weak institutional environments: (1) *clarification phase*; (2) *legitimacy phase*; (3) *localization phase;* and (4) *consolidation phase.* Our understanding of the data showed that these phases occurred sequentially in the case of Jumia, with each phase responding to the specific type of void challenging the firm's operation at that moment in time. In what follows, we present a narrative description of the various phases, illustrated with interview quotes. Figure 1 shows the data structure for the strategies carried out in the evolution of Jumia's business model. Table 3 provides details of this process according to each business model component. We discuss the business model components, or "building blocks", using the established terminology proposed by the extant literature. Specifically, we used the three macro-components proposed by Casadesus-Masanell and Ricart (2010) and Teece (2010), split into eight micro-components, similar to what Osterwalder and Pigneur (2010) did. In our analysis of how Jumia dynamically designed its business model throughout the four phases, we explicitly refer to these business model components.

***Clarification phase.*** At this phase, Jumia was entirely new to its business environment. To mitigate the uncertainty derived from its local environment, it identified a template of an established incumbent to imitate (in this case Amazon). We called this phase the "clarification phase" and suggested that this was where the need for imitation was the greatest. It emerged from the case that from the onset of its operation in Nigeria, Jumia had a deliberate intention to imitate the success of Amazon's e-commerce model as a way to respond to the underdeveloped institutions and uncertainty in the African context. However, this mere imitation intention was not possible when Jumia commenced its full operation (due to the nature of the institutional environment) in Nigeria and resulted in various modifications to Amazon's business model. This point was made explicit by some managers of Jumia:

> The idea behind Jumia is like that of Amazon, namely to get the best prices, the best items, the biggest assortment of items, and receive the items on time. So you can see that whatever Amazon is doing, is also what we are trying do as well, but we focus on Africa so there are some things we have to change to meet the conditions in our part of the world […] to get customers over here to be satisfied as customers in America (Head of seller support team, J1B).

> I think the ideology behind what we do here is similar to Amazon but not the same. People know Amazon and what they do. So, in an attempt to explain what we do to the local populace over here, I think sometimes it's good to have a reference point, so if we say we replicate what Amazon does over here, it is not that we replicating Amazon exactly. That won't even work since the environments differ significantly. We only have Amazon as a reference point so people can understand what we do better (Country manager, J27).

Once the management recognized that a mere replication of the market leader's business model was not feasible, it started establishing the core business model elements that needed to be modified and ascertain their viability in the local context. The challenge in 2012 for the nascent Jumia Nigeria was to test the potential of an unexplored e-commerce business model in Nigeria. This "clarification" phase thus involved the production of a clearer sense of the fundamental elements that underpinned the business model and their preliminary testing in the local market by observing, learning and modifying Amazon's business model to fit with the African shopping culture. As two informants expressed in the quotes below:

> In the very beginning of our operation in Nigeria, we were not sure whether the e-commerce concept will work in Nigeria[...] so we decided to initially do what I'll call 'the test case' where all our initial basic operations were basically directed toward knowing the reactions of the market (Head of third-party logistics operation, J14B).

> As part of our development in our early days, we observed and learned how Amazon works and tried to do the same in Nigeria because we had never done this before and were not sure about our success. In fact, I can confidently say that we are where we are today because we learned from Amazon from the very beginning of our operation in Nigeria (Head of logistics operations, J23B).

Although the funding to test the concept was provided by Rocket Internet (which later became the parent company), Jumia began as a classic start-up: a handful of people in a fairly basic office facility in a part of Lagos in Nigeria. As explained by a manager in an interview, initially the company did not have a warehouse, and it stocked products bought up-front from independent sellers in a small apartment in Lagos:

> When Jumia started, it was called KASOA and we operated from a rented apartment of about five rooms in Lagos. All our activities were carried out from that apartment. But as the business grew, we expanded by owning many separate offices and warehouses all over the country to help us serve our customers better (Hub manager, J22).

The clarification phase in the case of Jumia meant modifying those components of Amazon's business model necessary to fill the initial institutional voids to make the business model work, at least on a small scale. At this point, the key institutional voids that needed to be filled were basic infrastructural voids in the African market that were required for testing the essential element of the business model. More specifically, while a company like Amazon could rely on a target market of PC and internet literate people, reliable physical distribution systems, and a wide population of sellers willing to sell on its platform, the situation was radically different for Jumia in Nigeria: (a) most consumers in Nigeria did not have or were not familiar with the technology to make online transactions (i.e., PC, internet, credit card); (b) local transportation systems were unreliable in many areas; and (c) its brand was completely unknown to sellers. Consequently, Jumia focused on three business model modifications (Figure 1): (1) it employed the use of cash-on-delivery payment to compensate for (a) the poorly diffused credit card usage, (b) the lack of developed banking systems offering alternative payment methods to cash, and (c) skepticism about online transactions; (2) it acquired its own fleet of vehicles to deliver items effectively in urban areas in order to respond to the unreliable postal delivery system; and (3) it employed a "consignment model" (as opposed to the "marketplace model" used by Amazon)[6] to address the challenge of unreliable sellers. As summarized by one of our informants:

[6] The consignment model was when the company personally took delivery of various products that it previously purchased from independent sellers. Independent sellers were not displayed on the company website; their products were stocked by the company in its warehouses, and were delivered to the customer when s/he places the order. In contrast, the "market place model" described a situation where the company invited individual sellers to display and sell on the online platform. In this case the products were either kept at the sellers' store (and are picked from the sellers anytime there is an order) or in the company's warehouse for prompt delivery.

> So initially, […] before we assumed full operation in Nigeria, […] we needed to set up our own basic infrastructure and systems in order to test whether the online shopping concept will work. For example, we invested in building our own delivery systems by acquiring motorbikes and minivans for delivery. So basically before we started mass operation, a whole lot of underground work took place which was directed towards assessing the viability of online shopping concept in Nigeria (Head of logistics operations, J23B).

At this stage of the business model evolution, the goal for Jumia was thus to identify and test the core elements of an established business model template. The starting point that was driving the changes in all the business model elements was the specific *customer segment* that Jumia initially wanted to reach: buyers in urban areas of African countries that have little online shopping culture, who have PC and internet connection, but who are skeptical about conducting online transactions. From here Jumia made strong modifications to the *value creation and delivery* component of Amazon's business model. For example, contrary to Amazon, which relied on third-party logistics partners, one of Jumia's main *resources* was its own fleet of vehicles and delivery associates. Moreover, since initially sellers were not willing to collaborate, and to ensure full control of high-quality service, most *activities* were carried in-house, like the "cash-on-delivery" and the purchasing of goods up-front from independent sellers. Therefore, contrary to Amazon, Jumia's *distribution channels* and *customer relationships* entailed direct relationships between the firm and its customers, without the aid of intermediaries. As a consequence, the *value capture* components were also modified: contrarily to Amazon, Jumia's *revenue streams* consisted only of retail sales, no fees existed for delivery services because no partnership with sellers was established; the *cost structure* presented a stronger focus on fixed costs because, the need to test core business model components in an unknown business environment forced Jumia to acquire its own fleet of vehicles and create inventory by purchasing goods up-front from sellers, making the expenses unrelated to volumes sold.

From the very beginning, Jumia's business model proved to be successful. From an initial round of funding in 2012, an amount of €40 million was secured from the German incubator Rocket Internet, the digital service provider Millicom System of Luxembourg, and the African institutional investor Blakeney Management, which allowed the start-up to kick start. In 2013, a second round of funding led to an injection of €130 million by the same investors (plus the South African digital service provider MTN Group) to support the start-up growth further.[7] However, to scale up, further modifications to Amazon's business model were needed.

Interestingly, the decision of Jumia's founders to take an unconventional path with respect to the established Amazon's business model was supported by an organizational structure which limited the investors' influence on the company's business model design process, and granted to the African start-up a great degree of autonomy:

> […] the investors had very little influence when it comes to the day-to-day operations of Jumia in Nigeria. As you may know, the Nigerian business environment is totally different from the advance world and e-commerce was entirely new to Nigerians, the day-to-day operations and some key strategic decisions on how things should be done in Nigeria were decided and controlled by us […] with very little influence from the investors. However, […] some of these investors provided us with some sort of technical assistance to keep our operations running in Nigeria (Head of seller operations, J15B).

Some of our informants also pointed out that a high degree of centralization would have had a negative impact on the variety of learning patterns, reduced Jumia's ability to understand its complicated business environment, and constrained its innovative ideas on how to fill the voids in the African context.

***Legitimacy phase.*** The legitimacy phase was the second phase in the evolution of Jumia's business model and was aimed at establishing the firm's presence among customers and sellers to gain recognition and legitimacy that the firm and its offerings were authentic. This phase was important for filling cognitive cultural voids that otherwise would not allow the start-up to scale up. Importantly, we found that a new venture can successfully tackle this second phase only if the basic elements of its business model work properly (phase 1).

For instance, Jumia in this phase was still operating only in urban areas, and this was the phase where it changed its *value proposition* to serve a more heterogeneous *target of consumers* in these areas: instead of serving only PC- and internet-literate buyers, it modified its offer so that it could reach also those buyers who had no PC and the internet at home. The company realized that to serve the latter type

[7] Data on Jumia's financing cycle was retrieved from https://www.crunchbase.com/

of customers, it had to educate them, and it had to think about alternative ways to reach them beyond the company's website. Again, the newness of the concept of e-commerce on the African continent created its own trust related issues, i.e., the lack of reliable e-commerce firms resulted in a strong skepticism toward online transactions. These diverse challenges in the African business environment placed a demand on Jumia to gain legitimacy before rolling out its full business operation, as established in an interview by two managers:

> When we got the green light from the initial test activities that shopping online was possible in Nigeria, we now had to demonstrate it to generate the interest of Nigerians in order to establish our presence. So we carried out [...] many marketing initiatives which help the people to accept the concept of online shopping we were introducing (Head of third-party logistics operation, J14B).

> Having the approval of the people of Nigeria was very important to our success. [...] Actually, what happened was that we had to focus all our energy and efforts on bringing the ordinary Nigerian to accept and endorse our e-commerce business and [...] this happened after we have established that the [e-commerce] concept will work in Nigeria (Head of logistics operations, J23B).

From our data, it emerged that the legitimacy phase responded to filling primarily cognitive cultural voids by (1) building trust of customers; (2) expanding market base; and (3) forming an alliance with actors upstream and downstream on the value chain (Figure 1). Jumia built the trust of people by combining various strategies. For instance, the strategy of using a "cash-on-delivery" system of payment relieved buyers (who knew little about e-commerce and had trust issues) from the fear of losing money since they only made a payment when the order was delivered. They would lose nothing if the order would not arrive or could return the order for a full refund because of Jumia's "free return refund policy". Jumia also trained its delivery associates to help customers to install or mount the ordered products, especially if it was technology-based, such as TVs, PCs or mobile phones. This strategy contributed to gaining the trust of customers to show the legitimacy of the firm's operation, as indicated in the quote below:

> The normal Ghanaian community doesn't know about online shopping; the trust is something that is not there. The normal Ghanaian will not agree to buy something online when they can easily or equally get it from a vendor or just going through the market [...] so the payment on delivery was what earned us the trust of the Ghanaian people. [...] We only take the money when we go to deliver the product to prove that we are real and in so doing, we win their trust to legitimize our

> operations. [...] So that is how we were able to gain the trust of ordinary Ghanaian to legalize and legitimate our presence in the country (Deputy Head of customer service, J5B).

Again, Jumia trained sales agents called the "Jumia force" (J-force) and equipped them with tablets and mobile computers connected to the internet. The J-force team was dispatched to streets, market centers, churches, and public places in the cities. Their main responsibilities were to educate consumers about Jumia's e-commerce platform, demonstrate how the platform works, and at the same time, place impromptu orders for people who wanted to try the system. Together with the J-force, Jumia also opened a consumer service number for customers who needed help by phone to place the order online. Understandably, these strategies of demonstrating to and educating customers about how the online shopping platform works brought the imaginary "e-shop" closer to the people, making them get the feel of how the whole process of online shopping works. This reduced any negative beliefs and trust issues. Interestingly, this also meant that the *relationship between Jumia and its customers* was not based on self-service and automation through the Jumia website but was assisted by the J-force agents. Overall, cash-on-delivery, free returns, the use of J-force, free technical assistance on delivery, and assistance via telephone were all important modifications of Amazon's business model *value proposition* and *value creation and delivery* components that were better suited to the African weak institutional environment.

Moreover, Jumia gained legitimacy by expanding its market base. A growing customer base implies an increasing level of acceptance and brand loyalty. Hence, at this phase, Jumia carried out large scale advertising *activities* to expand its market base to legitimize its operation. For example, there were intensive television and radio commercials to sell Jumia to the mass market, as was clearly pointed out by two of our informants:

> I think in the beginning when we started, we actually modified the market because we had a lot of adverts everywhere such that when you move every ten minutes in the city you see Jumia. Also on TV, we were there […] making people see the importance of Jumia or the e-commerce platform in Nigeria. […] But for now Nigerians have seen the importance of it, Nigerians know that it's here to stay and make their lives easier (Regional head for third-party logistics, J21).

> [...] we carried out great advertising activities using various forms of advertising media. This was necessary because we needed to grow our customer base, the more customers you get to trust you, the more they spread the news about you and the more you legitimize your operation (Deputy Head of customer service, J5B).

Another way by which Jumia gained legitimacy across the African continent was through the formation of strategic alliances with well-known, trusted brands and firms across the continent. These alliance formations catalyzed speeding up the validation processes needed to establish the necessary credentials for acceptance of Jumia's operations by the people. For Jumia's offerings to gain social justification, there needed to be a recognition of a distinctive competency or role played by the start-up or its partners in providing a good service. Hence, Jumia aligned itself with partners known for quality and reliability, with the aim of establishing the needed social recognition. This was vividly illustrated by the comments of the officer in charge of seller operations and the head of logistics operations:

> One thing that also made it easier for our business idea of online shopping to be accepted in Nigeria and other African countries was our alliance with companies of high reputation. For example, our alliance with MTN mobile served as an endorsement stamp for us. Whenever people got to know that we partner with MTN they ask no further question because MTN has the reputation and the market (Head of seller operations, J15B).

> So let's say in a category like mobile [phone] we have partnership with Samsung, we've had partnership with BlackBerry, […] we have been the first people to have it in the whole of the country. I think we were the first to have Samsung S3 and S4 back in the days, […] it was only on Jumia portal that you can buy [the phone when] it was [first] released, and we were the pioneers of BlackBerry (Head of logistics operations, J23A).

All these innovations aimed at making the start-up's value proposition, value creation and delivery components more adequate to navigate the voids in the African institutional environment, resulting in an increasing number of value chain activities performed in-house. This, in turn, determined an increasing weight of the fixed costs (e.g., advertising, J-force agents, and acquisition of warehouses) relative to variable costs, and thereby further modified the firm's *cost structure*.

In sum, the ability to demonstrate how the firm's business model meets the immediate needs of consumers is paramount in establishing trust and legitimacy. Indeed, the positive performance of Jumia's business model attracted other investors to support its growth. In 2014, Jumia attracted another $150 million from various investors, including the financial services firm Goldman Sachs and the insurance firm AXA Group, putting the company valuation at $405 million in the private market. It is important to note that, also in this second phase of the business model design process, these investors did not directly interfere in the strategic decisions of Jumia as expressed by one of our informants below:

> [These] investors did not control or constrain how we [Jumia] operated in Nigeria. […] the strategic decisions of how to run Jumia in Nigeria were made locally by us, the local managers here, because we are on the ground and know the business terrain and the difficulties here. […] The success of Jumia in Nigeria could be attributed to […] the domestication of key decisions of Jumia's operation in Nigeria (Head of seller operations, J15B).

***Localization phase.*** The localization phase mainly began after Jumia had gained some level of legitimacy (i.e., having been able to fill various cognitive cultural voids, the firm and its offerings were accepted, and had acquired some customers), and aimed at serving a growing number of heterogeneous customers in different territories. In this phase, we found that the Jumia focused more on innovating the business model through experiential learning. For example, it had learned and gathered enough experience and begun scaled up to expand its offer outside the urban areas, to also reach customers in rural areas. In fact, while Amazon serves geographic areas very well urbanized, Jumia served initially larger cities and later expanded into rural areas, with several voids in institutions. The need to modify Amazon's business model was then particularly high as the firm expanded its scope into these territories. As explained by three of our informants:

> One of the biggest challenges we had to deal with after dealing with the issue of trust to get the e-commerce business concept legitimized in Ghana, was how to design our operation to meet the local requirements in the country. [...] the business environment in Ghana and many African countries do not support online shopping or e-commerce and so we had to find our own way of making it work here (Head of seller support team, J1B).

> As I explained [...] earlier, building trust and gaining the approval of the people to legitimize our operation in Nigeria was key. [...] After this, we [Jumia] began to now tailor our activities and services to the local market in Nigeria which differs from the Market in America [...] You know e-commerce is non-Nigerian, so [...] how do we make it fit the Nigerian context? This was our focus at this particular point after we gained the acceptance of majority of the people. (Head of third-party logistics operation, J14B).

> So we actually take Jumia to the rural areas and show them okay this is Jumia, and you can get this and you can get that. The Jumia force agents [sales agents] show customers items they can buy from Jumia and help them to place an order. They make sure they deliver it. (Business developer for fashion category, J11).

Since the firm wanted to increase the scale of its operations and expand to other cities and outside urban centers, the localization phase of the business model design process was aimed at filling significant infrastructural and legal and regulatory voids in the African business environment. In fact, as the firm expanded, on the one hand, it encountered greater challenges in the delivery of its products to a wider population of customers, often distant from its warehouses; on the other hand, its presence was more visible to local regulators that require the firm to adhere to or comply with bureaucratic procedures within an ambiguous and corrupt regulatory system.

At this phase, Jumia had established its market base through various activities, and consumers were aware of the Jumia brand and the value proposition offered. The main task at the localization phase was to tailor localized activities and strategies to the local context that would allow Jumia to conveniently create, deliver and capture value. This was achieved by (1) conforming to local or indigenous formats; and (2) responding to local regulations and requirements (Figure 1).

Jumia employed various strategies to conform to local or indigenous formats. For example, as a delivery company, Jumia needed a delivery mechanism capable of overcoming the delivery challenges imposed by the nature of its environment outside urban centers. Most houses and buildings in Jumia's markets, especially outside urban centers, had no addresses, which imposed a great challenge to implement a business model aimed at tracing the physical location of consumers to deliver their orders. To respond to these voids, Jumia developed a system where it recruited local people and trained them as delivery associates (DA) who were responsible for delivering products and packages to customers. Moreover, during the ordering process, the consumer was asked to provide key landmarks (such as church buildings, schools, fields, bus stops, market centers) within her/his area which could easily be used to trace her/him in addition to the physical address. The consumer was then contacted via telephone, text message, or sometimes email to inform her/him of the delivery day and time, and notify her/him that the DA would keep contacting her/him for further directions on the day of delivery. The landmark gave the DA an idea of the physical location of the consumer and then the DA relied on constant communication with the customer (mainly through a telephone call or WhatsApp chat) to locate the customer and deliver the package. This was explained by a country manager in an interview as follows:

> When it comes to delivering products to the customers, we adopted the local way of locating houses by the use of landmarks because majority of houses here have no addresses and even the so-called houses with addresses cannot be located. So what works very well here is using landmarks. We ask customers to indicate the closest significant landmark to their house in their area. So we get to these landmarks and call them to meet us for their product (Country manager, J27).

Similarly, to deal with the void of high traffic conditions on roads in cities across many African countries, Jumia relied not only on motorcycles, which can maneuver through intense traffic but also established hubs and pickup stations in the cities.[8] To beat the traffic, the logistical operations of conveying the packages to the various hubs and pickup stations from the warehouse were carried out at night. At the hub or pick-up station, the packages were processed during the night shift and DAs resume work very early in the morning to start delivery. An informant discussed his experience as follows:

> Initially, when [we] ship a package on our platform […] we could not track what was going on. So [we] created a hub such that everything leaving first comes to that hub before it leaves the warehouse. […] it's the best thing that has happened in last two years because now it's easier for us to track better what we are doing. (Head of seller operations, J15A).

Most deliveries were done with a motorbike or a tricycle, types of vehicle that are relatively easy to maneuver through the chaotic traffic in many cities in Africa to ensure prompt delivery. In the case of large packages, a delivery van was used, with deliveries scheduled during off-peak traffic hours. Jumia also offered a pickup service where customers could also opt to pick up the packages themselves at the pickup station at their own convenience.

Moreover, significant to the localization phase was how Jumia responded to the local regulations and requirements. Our data showed that well-established rules and regulations, such as contract-enforcing mechanisms, were missing or ineffective in Jumia's business environment, and hence Jumia adopted various strategies to respond to these voids. For example, Jumia used "open contract agreements" to compensate for the lack of or ineffective contract-enforcing mechanisms where there was no direct legal binding agreement between parties: each party could breach the contract at no significant cost. This type of open agreement enabled Jumia to localize and sign on a lot of sellers. Also, the only way Jumia could

[8] A hub is a distribution center from which packages are dispatched to various pick-up stations; a pick-up station is a center where consumers walk in to take their orders themselves.

work around the high level of corruption in these African countries was to use informal payments. One manager lamented this in an interview:

> Sometimes, the only acceptable means to get things done is to pay a bribe. This has nothing to do with whether it's right or wrong, that is the language so sometimes you have to speak it. [...] So I think, in implementing a concept like online shopping here you have to dance to the tunes of the local requirements and arrangements (Head of seller operations, J15B).

In its attempt to respond to local regulations and requirements, Jumia brought forward a set of activities quite uncommon for e-commerce firms, especially in developed economies. The open contract agreements and sometimes the use of informal payments represented approaches quite different from Amazon, because Amazon's operations were anchored by strong market-supporting institutions.

It was clear that, for the previous business model design phase, in an attempt to localize activities and processes to expand its operations, Jumia further adjusted its business model to institutional voids. The use of indigenous people as delivery associates, the use of landmarks to meet buyers, and the setting up of hubs and pick-up stations, were all strategies that Amazon did not pursue, and denoted a strong emphasis on modification of the *value creation and delivery* component. New key *resources* were then employed to strengthen the *channels* used to reach customers and deliver products to them. Also, the *relationship with customers* had changed, since the company, on the one hand, expanded its direct channels with the creation of pick-up stations, but also began relying on intermediaries, such as delivery associates. As such, these modifications of Amazon's business model components to make it more practical in the African context resulted in further changes also to the *cost structure*: e.g., Jumia bore higher fixed costs to build hubs and pick-up stations, as well as variable costs to hire indigenous people as delivery associates when necessary.

Based on this analysis, we concluded that the business model evolved in a manner where the key emphasis was to fill institutional voids by localizing activities for the creation and delivering of value to a growing number of consumers.

***Consolidation phase.*** Once the localization phase was completed, Jumia began to operate on a large scale, both in urban and rural areas. At this stage, it had educated buyers to make online orders and sellers to operate on Jumia's e-commerce Website. By modifying Amazon's business model to meet demand in African countries with little online shopping culture, Jumia gradually convinced customers to change their patterns of consumption. The case of Jumia is thus a case of a developing country-based firm that tackled institutional voids by modifying components of an established business model to overcome voids in its local institutional context. This modification, in turn, helped the firm to "change" its local context (Battilana et al., 2009; Khanna and Palepu, 2010): the start-up significantly contributed to creating an online shopping culture in African countries where it was weak or absent. At this stage, Jumia had gained confidence and experience to improve localized activities to serve customers better. As explained by two of our informants:

> When we [Jumia] gained some experience and understood how the e-commerce business works in Nigeria, we began to change and modify a lot of things in order to meet what our customers wanted. At this time, all our activities were based on what has worked for us, for example 'pay on delivery' works perfectly here even though we have introduced other payment methods like bank transfer. At least by experience, we know that majority of our customers prefer 'pay on delivery' to other payment modes (Head of logistics operations, J23B).

> In fact, after going through various stages of challenging times to establish the online shopping concept in Ghana, we began various improvements and refinement process of some key activities and processes to help serve customers better. There was a massive improvement in our processes, infrastructure and even in human resources (Officer in charge of inbound logistics, J6B).

Jumia went through this consolidation phase by (1) rearranging and adjusting business processes and activities; (2) obtaining feedback from buyers and sellers; and (3) introducing new business processes and activities. For instance, as for the rearrangement of business processes and activities, Jumia broadened its product assortment and customer base by adding a marketplace model to the consignment model. The introduction of the marketplace model allowed vendors (now trusting the Jumia brand) to sell their products directly on Jumia's platform. These vendors dropped off the products displayed on Jumia's website at the warehouse to be stocked for prompt delivery, or the vendors could keep the products at their stores. However, once an order came in, the products were picked from their stores and processed for prompt delivery. Whereas Amazon's marketplace model allowed independent sellers to manage the product delivery directly to consumers, Jumia was most of the time (i.e., when the delivery was not fulfilled by third-party logistic partners) picking up the orders at the sellers' warehouse, and delivering them using its own vehicles. This was done to secure timely delivery, as sellers' delivery system was considered unreliable. This innovative hybrid consignment-marketplace model called for adjustments in various activities of *value creation and delivery*. As an informant recalled:

> Right now, Jumia Nigeria keeps [moving] from a consignment, and thereby inventory led business model to one of the marketplaces, where we hold no inventory and we rely on more vendors dropping off packages (Head of third-party logistics operation, J14A).

The marketplace model provided a wider product portfolio and a larger consumer base to Jumia. Because Jumia began receiving orders from cities far away from its warehouses, hubs and pick-up stations, and was unable to deliver directly to the consumers in these areas due to logistical challenges and other transportation problems, the start-up decided to partner with reliable third-party logistics companies in the country such as FedEx, DHL, and UPS to guarantee consumers safe and prompt delivery throughout the country, as explained by one of our informants:

> If we don't cover with our own in-house fleet, we cover with the third-party logistics partners so these are things we've done. We've more than tripled our capacity […], we've entered into so many partnerships with logistics providers, we've really grown and we are still growing (Head of third-party logistics operation, J14A).

As for the company increasing attention by obtaining feedback from both buyers and sellers, one of our informants was particularly explicit about this point:

> We do a lot of feedback sessions, and we do a lot of random sampling of our customers to get their feedback. So we are in a constant communication with our customers to understand where we can improve and what […] the complaints [of] customers [are] and we work on that feedback. […]. I'm in communication with every 3PL partner at least once a week. I talk to the CEO if necessary, I have conversation with the Hub managers, I get a lot of feedback from them […], I get a lot of ideas that I can improve, so […], I do a hub of the month award where I celebrate even my 3PL partners that have done wonderfully well, we bring them into the office to make sure they are celebrated and from there I get a lot of feedback as well (Head of third-party logistics operation, J14A).

It is worth noting that, while Amazon's buyers gave feedback through a simple response to an email few weeks after the product was purchased, Jumia (a) personally asked consumers what they thought about the delivery service and purchased product the moment they received it and opened the parcel, (b) contacted consumers by phone few weeks after have delivered the parcel, and (c) left to consumers a phone number to call in case of complaints.

Similarly, to meet the demands of its growing customer base and to improve the payment system, Jumia further introduced other payment systems such as mobile money payment where the customer made payment via her/his mobile money account provided by their mobile phone network provider. Just as with the cash-on-delivery payment, the mobile money payment also allowed the consumer to make payment for her/his order conveniently and safely. These continuous refinements and adjustments enabled Jumia to further localize the structure of its activities and continued to change *governance* toward the integration of more external partners to satisfy the growing demand for its products. As noted by one of our informants:

> But now other stations have been set up in other areas in Lagos and the number of customers they are reaching now has grown really high. We even see people from rural communities placing orders. Warehousing has also changed; we have obtained a very modern warehouse equipped with standard technology and systems to improve performance. So warehousing has changed, the number of customers we reach has changed and quality checks have improved (Manager of a pickup station, J13).

Overall, it is evident that Jumia's business model at this phase appeared to be maturing with various changes and adjustments to the established localized activities and processes to suit the institutional context of the African business environment. The refinement and adjustment of key activities and processes depicted significant modifications to various components of the business model that was imitated from Amazon. For example, the introduction of the marketplace model, the use of third-party logistics firms to deliver products to customers, the introduction of mobile money payment as an alternative to cash-on-delivery payment and the emphasis on customer feedback connoted a strong emphasis on modification of *value creation* and *delivery* (i.e., *channels* and *customer relationship*), and *value capture* (i.e., *revenue stream*) components of the business model. These modifications further resulted in changes in key *activity structure*, as well as the *governance structure* of the business model components as, for example, some important activities were carried in-house and at the same time by third-party firms. This, in turn, affected also the *cost structure*: while fixed costs increased as the company expanded its operations, variables costs escalated too since an increasing number of services were outsourced to third parties (e.g., the use of third-party logistic companies) and then whose costs were determined depending on the market demand. Escalating costs was something Jumia had to accept throughout its whole business evolution process, but its rapid expansion and rapidly growing revenue continuously attracted investors trusting and supporting the business idea. For instance, the last round of funding (before the end of our observation period) arrived in 2016, with a funding of €360 million secured by most of the investors which financed the previous round, putting the start-up valuation at €712.5 million in the private market.

Although in the consolidation phase the company continued introducing innovations to refine the efficiency and effectiveness of the business model designed in the previous phases, it is worth noting that some of these innovations were thought for an ecosystem of buyers and sellers more educated about online shopping in the African institutionally weak environment. For example, the Jumia's hybrid consignment-marketplace model shared similarities with the marketplace model of Amazon. Similarly, although Jumia's mode of obtaining feedback from its customers on the products delivered by independent merchants differed from the seller feedback used by Amazon, this process had the same purpose of detecting badly performing sellers (e.g., sellers of counterfeit products) and eventually stop them from operating on Jumia's platform. This means that, after educating consumers and partners in Africa in collaborating with an e-commerce company, Jumia realized that central elements of Amazon's business model could actually work in its weak institutional environment. And in turn, this resulted in some signs of strategic conformity towards Amazon's template.

## DISCUSSION

### Business Model Imitate-But-Modify Process to Fill Institutional Voids

In this paper, we asked how business models evolve in weak institutional environments. What emerges from our case analysis of Jumia is a grounded process model that explains how a business model evolves in context characterized by market-hampering institutional voids. We suggest that this evolution of the business model of a firm can be seen as an *imitate-but-modify process*, in which the uncertainties stemming from infrastructural, legal/regulatory and cognitive cultural institutional voids both prompt imitation of successful templates, but also force modification and innovation to adapt to local contingencies (see Figure 2).[9]

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Our model suggests that as a firm is new to its business environment, it needs to *clarify* whether the core elements that underpin the imitated business model will work. Given the uncertainty of operating in a weak institutional context, the firm is likely to use an established company as a template to design its business model. Yet, as several components of the established business model may be incompatible with local markets, the firm needs to clarify which elements need to be modified to suit the local context. Therefore, it needs to modify business model components to obtain *legitimacy* among buyers and suppliers. Legitimacy is a fundamental prerequisite to scale up, but we found that it can be achieved only if the basic elements of the business model work. This is consistent with arguments in previous studies that achieving a balance between business model innovation and imitation is crucial for helping entrepreneurs to build legitimacy (Zott and Amit, 2007). Once the firm is starting full operation, it needs a business model capable to sustain demand growth for its products in a wider geographic area. At this stage, the firm needs to selectively modify the business model components to meet different local requirements. This describes the *localization* phase and is where the firm attempts to operate on a large scale, serving customers in several cities, both urban and rural areas. Our findings also suggest this phase will be successful only if the previous legitimacy phase was properly completed. As also noted by previous studies, legitimacy is an important antecedent for a new venture to successfully expand its operating zone, especially in institutionally unstable environments (Mair et al., 2012; Assenova and Sorenson, 2017). Once the firm has achieved clarification, legitimacy and localization, it eventually needs

[9] Although the figure illustrates four distinct phases, we emphasize these as analytical blocks instead of discrete stage-gates. Specifically, using qualitative pattern matching, the process model conceptualizes the evolution of the business model. As such, we do not disregard an element of simultaneity and interaction between the different phases. However, for analytical clarity, we distinguish between the different phases and argue why it is logical to expect, for instance, that firms clarify what the key components of the business model are before they initiate a process of gaining legitimacy.

to *consolidate* the business model to serve existing customers better and attract new customers. As the firm has more knowledge on how to navigate the institutional environment at this stage, and it might have educated the local market in dealing with its business model, it can eventually approximate and exploit central elements of the original template to create further value.

Our model builds on a growing body of research that emphasizes the importance of business model innovation to create fit and consistency with different business environments (Zott and Amit, 2007; Casadesus-Masanell and Zhu 2012; Amit and Zott, 2015). Yet, we note that imitation of successful templates (such as Amazon) is an essential driver of this business model innovation. In this respect, research that examines the motives for imitative behaviors has noted that a firm's decision to imitate others can be driven mainly by two purposes: to maintain competitive parity with rivals or to reduce information asymmetries in uncertain business environments (Lieberman and Asaba, 2006). Rivalry-based theories of imitation arise from the field of competitive dynamics and focus on how firms imitate industry peers to remain competitive (e.g., Smith, Grimm, Gannon, and Chen, 1991). Studies in this stream suggest that imitation for competitive purposes occurs usually when uncertainty is low, and thus when a firm's main concern is to not lose its competitive position vis-à-vis direct competitors (e.g., Casadesus, Masanell and Zhu, 2012; Giachetti, Lampel, and Li Pira, 2017). By contrast, the basic premise of the information-based theories of imitation, whose intellectual roots are found in economics and sociology (DiMaggio and Powell 1983; Levitt and March 1988), is that firms imitate others to cope with the uncertainty they face in their business environment (e.g., Haveman, 1993; Haunschild and Miner, 1997). A firm's main concern is thus not to maintain competitive parity with industry peers, but rather to find a reliable reference target to mimic to reduce the number of risks when taking strategic decisions within the uncertain environment.

Our process model is closely aligned with the information-based theories of imitation. According to these theories, firms follow those they believe to possess superior information (and especially market leaders with greater visibility and prestige) when environmental uncertainty is high (Lieberman and Asaba, 2006). For example, Haunschild and Miner's (1997) study of acquisitions in the US market shows firms imitated successful organizations when selecting the investment bank that advised them on the deal with the aim to legitimate their status in the eyes of stakeholders. Haveman's (1993) analysis of US savings and loan associations in the 1970s and 1980s shows how they attempted to legitimate their actions by imitating successful others amidst massive technological, economic, and regulatory changes experienced in the industry. Giachetti and Lanzolla (2016) show that demand and technological uncertainty in the U.K. mobile phone industry resulted in a situation where vendors imitated more quickly product technologies introduced by the market leader, because the latter was perceived as possessing more information about consumers and technologies. Similar to the information-based theories of imitation, our model depicts how initial environmental challenges (e.g., infrastructural, legal, regulatory and cognitive cultural voids) are likely to trigger uncertainty in the business environment, and how this uncertainty, in turn, prompts a firm to imitate the business model of other firms they believe to possess superior information. However, due to the very same institutional voids, the firm will recognize that pure imitation is impossible, and therefore initiate a process of modifying key components of the imitated business model. Departing from this recognition, business model evolution in institutionally unstable environments may be regarded as a double-edged sword wherein the prevailing environmental uncertainty prompts imitation but also makes it particularly costly, and hence also induces innovation. In fact, seeing business model imitation and innovation as mutually exclusive is erroneous, where higher performing firms may be those that successfully do both (Zott and Amit, 2007). We emphasize that the pressures for business model imitation and innovation differ throughout the four different phases. Initially, the pressure for imitation is high. Due to severe environmental constraints, firms search for established and proven templates as a means to reduce uncertainty. However, as the firm succeeds in the various phases, the need to and value of following the templates of successful firms decrease, and it increasingly employs business model innovation to reach consolidation.

One way to understand the altering pressures for imitation and innovation in the evolution of the business model is to distinguish between vicarious and experiential learning (Cyert and March, 1963; DiMaggio and Powell, 1983). Specifically, research has established that firms learn vicariously by observing the behavior of other organizations they believe to be possessing more information about how to strategize (Baum et al., 2000; Terlaak and Gong, 2008). In fact, smaller firms or new ventures are more likely to be subject to vicarious learning, because they are less self-confident in strategic decision making (Pitsakis and Giachetti, 2020). Although firms often combine vicarious learning with experiential learning, the less their experience in a given practice, the greater they learn by focusing on successful firms (Lieberman and Asaba, 2006). In contrast, firms with more experience are less likely to pay attention to the strategic decisions of others because they are confident to have enough information about how to strategize—i.e., they learn experientially. The use of experiential learning is amplified when the firm proves to be successful by not focusing on established leaders, and thus increasing its self-confidence in strategic decision making. Therefore, as firms gain experience from clarifying the essential components of the business model and begin to gain legitimacy in their weak institutional environment, the need to learn experientially (as to how to most effectively localize and consolidate the business model) increases. We found this to foster business model innovation while attenuating the use of business model imitation.

**Theoretical Implications**

With this study, we contribute to future research in three main ways. First, we explain how institutional voids drive, but also impede successful imitation of business models designed for other contexts. Although various studies have examined cases of multinationals replicating or adapting their domestic models when entering developing countries (e.g., Winter and Szulansky, 2001; Sanchez and Ricart, 2010; Eyring et al., 2011; Jonsson and Foss, 2011), it is not clear how developing country-based new ventures respond to institutional voids when designing their business model. We propose that firms amidst severe institutional voids (we have focused on three specific voids: infrastructural, legal/regulatory and cognitive cultural voids) are driven by a gradual business model "imitate-but-modify" process that undergoes four phases—clarification phase, legitimacy phase, localization phase, and consolidation phase—each aimed at innovatively filling specific voids and gradually allowing the new venture to consolidate its position in the business environment. Accordingly, we contribute to the growing business model innovation literature (e.g., Aspara et al., 2010; Casadesus-Masanell and Zhu, 2012; Foss and Saebi, 2017) by extending and linking it to information-based imitation theories (Lieberman and Asaba, 2006) and the institutional voids literature (e.g., Khanna, Palepu and Sinha, 2005; Khanna and Palepu, 2010; Gao et al., 2017). While studies on business model innovation have emphasized the innovative capacity of new business models and their performance implications (Aspara, Hietanen, and Tikkanen, 2010; Kim and Min 2015; Foss and Saebi, 2017), far less attention has been given to how an existing business model is in part imitated but also in part innovated by a newly established firm to fit with a new and specific context. Grounded on business model design studies of Amit and Zott (2015) and Zott and Amit (2007), our theory explains how firms need to balance both imitation and innovation upon designing their business models when entering contexts defined by institutional voids such as underdeveloped infrastructure, ineffective regulations and lack of trust (e.g., Dahan et al., 2010; Dunford et al., 2010). As such, business models that blend imitation with innovation can be defined as a form of business model innovation that involves modifying and reconfiguring the components of existing business models to meet the challenges and demands of the new environment (Zott and Amit, 2007; Eyring et al., 2011; Jonsson and Foss, 2011). We thus encourage future analyses of business model design antecedents to embrace the dynamics of business models evolution, and especially in the case of new ventures in weak institutional environments (Zott and Amit, 2007; Demil and Lecocq, 2010).

Second, we suggest that the uncertainty associated with institutional voids incentivizes firms to imitate some elements of the business models of other successful organizations, and thereby to substitute the lack of market-supporting institutions. Accordingly, we contribute to the information-based imitation studies which suggest that firms in contexts of uncertainty will tend to mimic that of their peers, and market leaders in particular, because of isomorphism or bandwagon effects (e.g., Baum et al., 2000; Henisz and Delios, 2001; Pitsakis and Giachetti, 2020). Most of the studies that have examined how firms imitate other successful firms have looked at the likelihood of adopting certain strategies previously pursued by successful competitors (e.g., Haunschild and Miner, 1997), the level of imitation (e.g., Baum et al., 2000; Ethiraj, Levinthal, and Roy, 2008; Csaszar and Siggelkow, 2010; Marquis and Tilcsik, 2016) and the speed of imitation of market leaders' innovation (e.g., Giachetti and Lanzolla, 2016). We extend this literature by arguing that the viability of successfully imitating market leaders is contingent upon the market-supporting institutions of the target market. If the target market is characterized by weak market-supporting institutions, initial attempts to imitate need to be preceded by innovation and modification. Specifically, as a firm gains experience with its modified business model and the environment, the pressure to learn vicariously from the leader is gradually substituted by the use of experiential learning facilitating innovation. Interestingly, at this stage, the firm will also be in an improved position to re-approximate and exploit central parts of the leader's business model template, especially if it was able to educate the local context. It can operate with a higher degree of self-confidence, and thus modify (but also imitate) the business model of the leader to create and extract further value. Accordingly, our model complements this literature by outlining a process that captures the stages and the mechanisms through which firms in weak institutional environments combine vicariously learning through imitation of a market leader's template with experiential learning through innovations in the process of business model design. Future research can, therefore, more systematically explore how new ventures identify imitation targets and the means through which the target is internalized in the business model.

Finally, our article makes an important contribution to the literature on business model innovation and entrepreneurship by responding to recent calls to address how business model innovation interacts with entrepreneurial practices in unstable environments. As noted by Foss and Saebi (2017: 220), "the close interrelationship between business model innovation and entrepreneurship […] has not received sufficient attention to date". We demonstrate how blending business model imitation and innovation may serve as a means for newly established firms to effectively navigate contexts where formal institutions are generally underdeveloped. In this sense, we suggest that successful entrepreneurship in the context of developing country-based new ventures can be characterized by the ability to assess the severity and strategic response to institutional voids hampering the development of a business model. Accordingly, the imitate-but-modify model exemplifies a unique process of entrepreneurship in which "imitative" and "innovative" entrepreneurs (Cliff, Jennings, and Greenwood, 2006) are not necessarily mutually exclusive within an organization, but instead interact by identifying successful business model templates for imitation and market-hampering institutional voids for innovation. Future research can, therefore, continue exploring how entrepreneurs balance the discovery of opportunities for imitation and innovation given the influence of the institutional context. Moreover, seeing institutional voids as underdeveloped (Khanna and Palepu 1997; 2010), future research can explore how new ventures contribute to institutional change through imitation and innovation. As indicated in our case, important institutions changed due to the actions of Jumia (such as how buyers and sellers interact on new platforms). Thus, future research can explore the processes of ‘institutional entrepreneurship’ (Battilana, Leca and Boxenbaum, 2009) through business model imitation and innovation.

**Managerial Implications**

Besides our theoretical implications, we also argue that our study carries important managerial and practical implications. First, although the practitioner-oriented literature put forward guidelines for managers to adapt their business model to institutional voids (e.g., Eyring et al., 2011), the “process” by which a business model emerges and evolves over a period in environments with weak market-supporting institutions is not fully known (Zott and Amit, 2010; Demil et al., 2015). As our process model testifies, purely imitating a business model designed in developed countries is not a viable option. Instead, a gradual modification to fill institutional voids is needed. In this process, firms go through distinct phases, each focused on balancing the benefits of imitating successful business models and the need to modify and innovate to ensure fit with the local context. Managers of firms operating in weak institutional contexts can, therefore, use this model to understand how to successfully adjust their business model to suit the environment.

Second, our findings are useful for managers in developing countries looking to scale up their business models from a start-up phase into a growth phase. For example, our findings suggest how entrepreneurs, teams and organizations should balance imitation and innovation, but also identify ways to strategize to fill in those institutional voids when dealing with infrastructural, regulatory and cultural voids. At the same time, we also show how senior managers from Jumia used their macro and micro business model components to conceptualize their value proposition with value capture and value delivery activities across physical and digital channels. As such, we provide managers with a system-level perspective on business model design, focused on a set of activities to create a more unified approach to grow businesses in weak institutional environments.

**Limitations and Future Research**

The contributions of this study should be assessed in light of its limitations. The first relates to the generalizability of our case study. Institutional voids vary considerably across industries and countries. Therefore, the business model evolution amidst the institutional voids that we observed in the e-commerce industry in some African countries may not hold for other industries and countries. We hope future studies may explore this issue in different industries across other countries and contexts to help further develop a better understanding of how business models emerge and evolve in different institutionally unstable environments. For example, many developing countries are seeing a growth of novel business models using digital platforms, such as banking, agriculture, healthcare, and education to name a few industries that require more “dynamic research”. Therefore, we believe that more longitudinal case studies, inductive in nature and context-specific, will be useful to understand how the business models evolve in other industries and contexts.

Second, our study focused on specific customers, employees and partners that interacted with Jumia’s business model in Nigeria and Ghana. Although our empirical setting offered a rich context for research, we also acknowledge that the generalizability of our study was limited due to the diversity of these stakeholders, especially across Africa. Drawing on George et al., (2016b), we know Africa is abundant in ethnic diversity, tribes, languages and a growing young to middle class with many opportunities and challenges coming from variations in infrastructural voids and cultural barriers. However, we did not enter the rich debates on different stakeholder communities. Therefore, more research is required in examining the impact of different stakeholders, their mechanisms of influence and the degree of community embeddedness on business model evolution. We believe that stakeholder theory is useful in integrating the business model literature with communities to understand the stakeholder relationships that shape the different business models and their design process (Freudenreich et al., 2020).

Third, it was observed that Jumia developed its business model during immense legal and regulatory uncertainties. These legal and regulatory voids, therefore, influenced Jumia's business model design process and choices compounded from the weak judicial systems in Nigeria and Ghana. These specific voids encouraged different forms of corruption from authorities. While we discuss the impact of these specific voids on value capture and delivery, we have not deeply examined the variation in these specific voids. Building on Mellahi et al. (2015), future research might consider addressing the impact of institutional corruption with diverse types of legal and regulatory voids; e.g., exploring specific civil and criminal law effects on a business model design using different theories and lenses. For example, by drawing from legal, CSR or nonmarket strategy literatures (Doh et al., 2012), future studies may explore how business models are shaped by different legal systems, regulatory agencies, and judiciaries, and how they co-evolve with different government ideologies across different countries.

**Concluding Remarks**

In conclusion, this study proposes an "imitate-but-modify" process model which explains how business models of new ventures evolve in weak institutional environments. With substantial growth opportunities offered by expanding population, raising income levels and household consumption, an increasing number of ventures are established across developing countries with weak institutional environments. Nevertheless, only a few of these may survive in such unstable contexts. Understanding how new ventures successfully design their business model is therefore particularly important. Our research suggests that successful business model design requires a deliberate blend between imitation and innovation. As research on business models is currently gaining momentum (e.g., Zott and Amit, 2007; Zott and Amit, 2010; Ritter and Lettl, 2018), we hope that our study will stimulate more research on how business models evolve in different contexts.

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**Table 1. Data Sources**

| Source of Data | Type of Data | Use in Analysis |
|---|---|---|
| Formal interviews | 14 interviews, February–March 2016 (subsidiary in Ghana)<br>13 interviews, May–June 2016 (subsidiary in Nigeria). | Gather data regarding the company's business model, strategy, structures, and practices, their origins, and evolution.<br>Trace the institutional voids present in the subsidiary's industry, identifying the company's unique imitate-but modify mechanisms to these voids. Enrich our understanding of the extent to which the company has modified components of its business model to suit the African e-commerce business environment. |
| | 11 follow-up interviews, November 2016–February 2017 (8 in Ghana and 3 in Nigeria). | Gather data to enhance our understanding of the emerging theory of business model imitation and innovation. |
| Informal interviews | 5 interviews, January–June 2016 (2 interviews in Ghana and 3 interviews in Nigeria). | Verify observations and interview responses to refine our emerging theoretical insights; contextualize the observed processes in terms of industry and design history. |
| Participant observation | Field notes, January–June 2016 (about 960 hours in both Ghana and Nigeria). | Establish and build a trusting rapport with informants, become familiar with the study context, facilitate interpretation of informants' accounts, and work at better assessing the veracity of their responses. |
| Corporate documentations | Data from company's website, presentations, training manuals, newsletters, and emails. | Reconstruction of the history of the company and triangulation of informants' responses to the interview question.<br>Track official corporate narrative and access transcripts of public communications of organizational leaders (e.g., investor meetings).<br>Track the implementation of the company's business model and triangulate informants' recollections. |
| Business press and news articles | News articles about the company, (retrieved from BBC, The Wall Street Journal, Financial Times, Reuters and Bloomberg Businessweek, among others). | Triangulate facts and observations; enhance the validity of insights; contextualize observed process in terms of industry. Track external responses to organizational actions (press, financial markets, industry observers). |
| Videos (online) | Videos of interviews with the CEO of Jumia Nigeria, Jumia Kenya, Jumia Cameroon and video commercials of Jumia. | Triangulate and validate facts and observations; gain additional understanding of the organization and the implementation strategies of the company's business model. |

**Table 2. Informants**

| Interviewee's job function | Job function description | Number of interviewees per job function | Interview codes used in text [a] |
|---|---|---|---|
| Head of seller support team | Manages and supports sellers selling on the platform | 1 | J1A, J1B |
| Head of IT team for new countries[*] | Provides IT support such as fixing bugs on the website and other software used by the new countries | 1 | J2A, J2B |
| Customer service representative | Connects with the customer to confirm their orders, place orders for them, and to respond to their concerns and feedback | 3 | J3A-C |
| Officer in charge of seller fulfillment | Manages pickups from sellers | 2 | J4A, J4B |
| Deputy head of customer service team | Liaises with the delivery team and the customers to make sure the orders and delivered on time and respond to their concerns and feedback | 1 | J5A, J5B |
| Officer in charge of inbound logistics | Oversees inventory at the warehouse | 1 | J6A, J6B |
| Country manager of AIG Express | Supervises all logistical operations in the country | 1 | J7 |
| Officer of returns & after-sales operations | Manages returned items and issues refunds to customers | 1 | J8 |
| Key account manager | Responsible for building or growing product assortment on the website. Deals directly with vendors to register different products on the website | 1 | J9 |
| Managing director for new countries[*] | Supervises Jumia's operations in the new countries; Ghana, Cameroon, Senegal, Algeria, and Tanzania | 1 | J10 |
| Business developer for fashion category | Searches for suppliers and negotiate price point and commissions | 1 | J11 |
| Head of the content team | Responsible for all the products displayed on the website | 1 | J12A, J12B |
| Manager of a pickup station | Manages delivery of packages to customers at station | 1 | J13 |
| Head of third-party logistics operation | Manages delivery operations conducted through all third-party logistics partners | 1 | J14A, J14B |
| Head of seller operations | Responsible for both forward and reverse operations with the sellers | 2 | J15A, J15B |
| Head of operation excellence | Responsible for ensuring compliance with defined procedures and processes | 1 | J16 |
| Head of Fleet Training and Delivery | Responsible for training delivery associates (drivers and riders) | 1 | J17 |
| Manager in charge of network operations | Responsible for the distribution of packages from the main warehouses to all hubs and stations across the country | 1 | J18 |
| Field trainer | Responsible for managing delivery associates | 1 | J19 |
| Manager in charge of inbound logistics | Responsible for receiving and processing items into inventory | 1 | J20 |
| Regional head for third-party logistics | Responsible for all third-party logistics across the region | 1 | J21 |
| Hub manager | Responsible for managing operations at a hub | 1 | J22 |
| Head of logistics operations | Responsible for managing all logistics operations including inbound, outbound network, and third-party logistics operations | 1 | J23A, J23B |
| Manager of application software | Responsible for managing all applications software used | 1 | J24 |
| Head of customer request & optimizations | Responsible for handling customer issues and enforcing compliance of key processes and activities | 1 | J25 |
| Acquisition and production executive | Responsible for sourcing and displaying products on the website | 1 | J26 |
| Country manager | Supervises all Jumia's operations in a country and reports to the central team | 1 | J27 |
| Founder and managing director of Jumia[**] | Established Jumia in one of the African countries and manages and controls all operations in that country | 2 | J28A, J28B |
| Country manager[**] | Supervises all Jumia's operations in a country and reports to the central team (interviewees based in Kenya or Cameroon) | 3 | J29A-F |

[a] Coded to preserve anonymity.
[*] Interviewees that oversee operations also in countries other than Nigeria or Ghana.
[**] Video interviews that were retrieved from public sources, like the Jumia's website or business-oriented online media, published in the period 2013-2016.

**Table 3. Jumia's Business Model Imitate-but-Modify Process to Fill Institutional Voids in the African Market**

| Business model macro-components [a] | Business model micro-components | Amazon business model (reference target for Jumia) | Phases of Jumia's business model imitate-but-modify process in Africa, 2012–2017 | | | |
|---|---|---|---|---|---|---|
| | | | **Clarification phase:** aimed at clarifying (testing) the core elements that will underpin the business model | **Legitimacy phase:** aimed at obtaining legitimacy among customers | **Localization phase:** aimed at meeting different local requirements | **Consolidation phase:** aimed at reinforcing the localized business model |
| | | | *Nigeria: beginning 2012; Ghana: beginning 2014* | *Nigeria: 2012—approx. 2015; Ghana: Mid-2014—approx. 2015* | *Nigeria: 2013—approx. 2015; Ghana: end-2014—approx. 2015* | *Nigeria and Ghana: approx. 2015—today (February 2017)* |
| Value proposition | ***Offering*** (the bundle of products and services that create value for customers) | A wide selection of products at low prices; user-friendly online platform; quick delivery service; secure online transactions. | A relatively narrow selection of quality products at low prices; user-friendly online platform; quick delivery service; cash on delivery. | A wide assortment of quality products at low prices; user-friendly online platform; quick delivery service; cash on delivery; free return. | A wide assortment of quality products at low prices; user-friendly online platform; quick delivery service; cash on delivery; free return. | A wide assortment of quality products at low prices; user-friendly online platform; quick delivery service; cash on delivery; free return. |
| | ***Customer segments*** (the different groups of people or organizations a company aims to reach and serve) | It operates mainly in developed economies (with the exception of China, India, and Mexico) with regular or predicted consumption patterns, whose transactional activities are supported by effective and efficient payment platforms. | It operates in African countries with little online shopping culture.<br>Buyers only in urban areas, that have PC and internet connection, but that are skeptical about doing online transactions. | It operates in African countries with little online shopping culture.<br>Buyers only in urban areas, both those that have PC and the internet, and those that are PC and internet illiterate. | It operates in African countries with little online shopping culture.<br>Buyers both in urban areas and rural areas; both those that have PC and internet, and those that are PC and internet illiterate. | It operates in African countries with little online shopping culture.<br>Buyers both in urban areas and rural areas; both those that have PC and internet, and those that are PC and internet illiterate. |
| Value creation and delivery | ***Key resources*** (the most important assets required to make a business model work) | (1) IT infrastructure and software secured by well-enforced intellectual property law and other regulations; (2) several physical warehouses with up-to-date technology to meet customers' needs; (3) established relationships with third-party logistics partners. | (1) IT infrastructure and software built to resemble those of Amazon in terms of layout and usability; (2) no warehouses but rooms in a small apartment; (3) own fleet of vehicles, though quite narrow, used by its own delivery personnel (i.e. delivery associates—DA). | It added to previous resources: (1) wider fleet of vehicles; (2) personnel trained to educate how Jumia works, i.e., J-force; (3) personnel to give technical assistance on product delivered; (4) acquisition of the first warehouses; (5) partnership with MTN to offer consumers free internet when using Jumia App and browsing on Jumia's website. | It added to previous resources: (1) relationship with indigenous people as delivery associates, mainly outside urban areas; (2) hubs and pick-up stations to facilitate delivery; (3) acquisition of other warehouses. | It added to previous resources: (1) increasing tasks assigned to third-party logistics partners to supplement the firm's own delivery; (2) mobile money payment technology as an alternative to cash-on-delivery; (3) wider number of warehouses, hubs, and pick-up stations; (4) a revised website, quite different from that of Amazon, with Jumia's innovative services advertised on the homepage. |
| | ***Activity system content, structure, and governance*** (Which are the most important activities to make the business model work, how they are linked and who perform them) [b] | <u>Content:</u><br>Order delivery and fulfillment through a network of partners, IT infrastructure development and maintenance, frequent product development and promotions.<br><u>Structure:</u><br>Activities are structured to sell and deliver a large number of products in countries with strong market-supporting | <u>Content:</u><br>IT infrastructure development; purchasing of goods up-front from independent sellers; acquisition of vehicles.<br><u>Structure:</u><br>Activities are structured: (1) to fill mainly the basic infrastructural voids to make the business model work; (2) to sell and delivers a small | <u>Content:</u><br>Advertising and promotions; purchasing of goods; sales and delivery activities of a wider number of products; after-sales services; alliance formation with actors upstream and downstream of the value chain.<br><u>Structure:</u><br>Activities are structured (1) to fill mainly cognitive cultural voids to legitimate the Jumia | <u>Content:</u><br>Sales and delivery activities of a larger number of products; advertising and promotions; after-sales services.<br><u>Structure:</u><br>Activities are structured (1) to fill legal and regulatory voids and continue filling infrastructural voids to comply with local requirements, (2) to sell and deliver a larger number of products to | <u>Content:</u><br>Adjustment and refinement of localized activities pertaining to sales and delivery activities of a large number of products, advertising, and promotions, designing activities, purchasing of stock, and after-sales services.<br><u>Structure:</u><br>Activities are structured (1) to continue responding to all types of institutional voids to solidify the |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | institutions and mature online shopping experience.<br>*Governance:*<br>Although it directly designs and manages its online platform and warehouses, it outsources most of warehousing activities to independent resellers and delivery activities to third-party logistics partners. | number of products, mainly in urban areas.<br>*Governance:*<br>Most activities are carried out in-house to ensure full control of high-quality service. | brand among African customers, (2) sell and deliver a wider number of products mainly in urban areas.<br>*Governance:*<br>Most activities are carried out in-house to ensure full control of high-quality service | consumers both in urban and rural areas.<br>*Governance:*<br>Jumia relies on the support of some third-party firms (i.e., indigenes as DA) to carry out the localized activities required to fulfill customers' orders. | established business model components, (2) to sell and deliver a larger number of products to consumers both in urban and rural areas.<br>*Governance:*<br>The adjustment and refinement of localized activities are in-house and by third-party firms. |
| | ***Channels*** (how a company communicates with and reaches its customer segments to deliver its value proposition) | *How it reaches customers:*<br>Through the website (Amazon.com) and affiliates' websites in mainly developed economies where consumers know and have access to the internet.<br>*How it delivers:*<br>Through third-party logistics firms and postal delivery services. | *How it reaches customers:*<br>Through Jumia website.<br>*How it delivers:*<br>Through its own delivery personnel and fleet of vehicles. | *How it reaches customers:*<br>Through Jumia website, J-force, and advertising.<br>*How it delivers:*<br>Through its own delivery personnel and fleet of vehicles. | *How it reaches customers:*<br>Through Jumia website, J-force, and advertising.<br>*How it delivers:*<br>Through its own delivery personnel, indigenous people as delivery associates, pick-up stations. | *How it reaches customers:*<br>Through Jumia website, J-force, and advertising.<br>*How it delivers:*<br>Through its own delivery personnel, indigenous people as delivery associates, pick-up stations, third-party logistics partners. |
| | ***Customer relationships*** (the types of relationships a company establishes with specific customer segments) | *Product choice:* self-service and automated service on Amazon website.<br>*Product payment:* automated on Amazon website.<br>*Product delivery:* indirect (third-party logistics partners). | *Product choice:* self-service and automated service on Jumia website.<br>*Product payment:* direct/personal during delivery.<br>*Product delivery:* direct/personal. | *Product choice:* both automated on Jumia website and personal/assisted via telephone or with the help of J-force.<br>*Product payment:* direct/personal during delivery.<br>*Product delivery:* direct/personal. | *Product choice:* both automated on Jumia website and personal/assisted via telephone or with the help of J-force.<br>*Product payment:* both direct/personal and indirect (by means of indigenes as DA).<br>*Product delivery:* both direct/personal (via Jumia DA and pick-up stations) and indirect (indigenes as DA). | *Product choice:* both automated on Jumia website and personal/assisted via telephone or with the help of J-force.<br>*Product payment:* both direct/personal and indirect (by means of indigenes as DA).<br>*Product delivery:* both direct/personal (via Jumia DA and pick-up stations) and indirect (indigenes as DA and third-party logistics partners). |
| Value capture | ***Revenue streams*** | Retail sales, commission on resellers' sales, prime monthly subscriptions. | Retail sales (no fee on delivery services because no partnership with sellers). | Retail sales and fee on delivery services. | Retail sales and fee on delivery services. | Retail sales and fee on delivery services. |
| | ***Cost structure*** | *Fixed costs*: IT platform improvement and maintenance; marketing; warehousing.<br>*Variable costs*: relies heavily on warehouses and delivery activities performed by independent sellers. | *Fixed costs*: IT platform development; acquisition of fleet of vehicles; goods purchased up-front from sellers; place where stock products. | In addition to costs borne in the previous phase, Jumia bore higher fixed costs in the form of advertising, J-force agents, acquisition of warehouses. | In addition to costs borne in the previous phase, Jumia bore higher fixed costs to build hubs and pick-up stations, as well as variable costs to hire indigenes as delivery associates when necessary. | With respect to the previous phase, the weight of fixed costs relative to variables costs diminished because: (1) Jumia began relying on warehouses of independent sellers (marketplace model), (2) it delivers lots of items by means of indigenes as DA and third-party logistics partners. |

[a] Based on the value-based perspective of business model proposed by Teece (2010).

[b] Based on the activity system perspective of business model proposed by Zott and Amit (2010).

**Table 4. Illustrative Quotes on Institutional Voids in the E-commerce Business Environment in Africa and Jumia's Strategies to Fill Them**

| Institutional voids | Jumia's encounters with voids | Jumia's strategies to fill voids |
|---|---|---|
| ***Infrastructural*** | | |
| *Unstable electricity supply* | "We also not have steady electricity supply." (J13) | "We've invested in things like a generator for uninterrupted power supply." (J6A) |
| *Bad roads / transportation problem.* | "Nigeria has a lot of bad roads and our roads […] you always have to go the longest route since the shortest route might not be accessible." (J21); "We don't have a very connected rail system, which is a big challenge." (J19) | "So the pickup station is one main idea that has helped us to address transportation problems because we don't have a lot of our fleet traveling on the poor road for so long to deliver to customer." (J16); "We do not rely on the local postal delivery system to deliver our product because of various reasons including inefficiencies on their part; instead, we invest in our own vehicles and motorbikes." (J6B); "Another approach to this is the use of third-party logistics firms like DHL, UPS, and FedEx. The issue is areas within the country that we feel we have transportation difficulties, we ask them to deliver for us." (J16). |
| *Poor physical address system / Buildings with no addresses.* | "[…] when you come to that, getting a specific [house] address is a very big challenge." (J16) | "We have to adapt by also looking for a landmark close to the address given by the customer […] we reach the customers on phone [and] they direct us from the landmarks they've given towards where exactly they are located." (J14A); "One of the things we've done to cater for this problem is that we've situated our hubs really close to major marketplaces within each locality so even if your house is not that easy to locate, you can still pick up your item from the hub." (J20); "Basically for areas where we don't have street names, we have business arrangement with some third-party hubs where indigenes of the area or people that know the layout of the area well owning these hubs. These people also hire indigenes of the area and when an address pops up on the system or a package, these items are gathered together per roots and then given to that person that understands that root vividly. Doing this also helps us to reduce cost because the person knows the area so well to quickly deliver the packages to the customers." (J13); "Customers are supposed to give an additional number we can reach them […]. Sometimes they might not even be at the designated location but once you are able to reach the person on phone you can deliver whereever he or she is." (J8); "We have gotten riders who know the neighborhoods very well." (J6A). |
| *Poor internet connectivity and penetration / telecommunication services.* | "Internet connectivity is a general problem across Africa." (J13); "Many people might not have a laptop, they might not have pc and Wi-Fi." (J7) | "We have a team called J-force, so they actually go out and meet people on the streets and help them to place order." (J15A); "We have the service where you can call the customer service and say 'I want to buy this item to place an order for me', and the order will be placed for you." (J15A); "It was free to use the Jumia App using an MTN mobile number, like if you are using Jumia app with MTN connected line I think you browse website with zero megabytes." (J16); "Whenever [internet] goes off, it halts the operations and so sometimes we have to make do with our phone which is not very encouraging but we have to make do so for the business can go on." (J4A) |
| *High traffic intensity.* | "There is intense traffic on the roads [in Nigeria]" (J14A) | "Traffic is not our friend here at all but our best friend is our motorbikes." (J13); "We usually use bikes for small packages and that also helps us to navigate through traffic." (J18); "Our hub managers understand the environments such that they know when and where traffic is intense. So they plan ahead on those days and times and send delivery associates very early to avoid this huge traffic. Work starts at 8 am on a normal day but delivery associates start work as early as 6 am on traffic days so that they can beat the traffic." (J13) |
| *Underdeveloped payment systems.* | "Yeah, one of the problems we are facing is related to the under-developed payment system across the country […] It happens sometimes that the systems of the banks are down." (J9) | "We have an innovative way of actually paying on delivery where you pay us on the spot which is called cash-on-delivery […] I can tell you that without cash-on-delivery it will be difficult to actually survive. […] We do mobile money payment." (J14A) |
| *Lack of reliable data about customers and suppliers.* | "We have had instances where some guys place order and put a wrong address." (J21) | "We have built our system for gathering and managing information about our customers. Initially, it was kind of difficult but our approach was that we had a lot of marketers on the field who talked to people and sold Jumia out and thereby gathering pieces of info from them […] we have a pool of data especially about our suppliers that we base our decision concerning them on." (J16); "Maybe when we call them [customers] and notice that there is an issue with his banking details, or suspect any issue of fraud we block them. Also, we have a database which shows the history of customers' orders. So when we check the history and notice that that customer has had a lot of cancellations or has never accepted any package he orders, then we block him." (J21) |
| *Fuel scarcity.* | "The biggest challenge we have is fuel and this affects us on the roads and at the hubs."(J13) | "We have negotiated specific times where we don't have to be in the queue for too long." (J17); "Our strategy is that we have good relations with managers of some fuel stations so they are able to store some fuel for us whenever available and also we make use of motorbikes more for less bulky items when fuel scarcity intensifies." (J22) |

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| ***Legal and regulatory*** | | |
| *Bureaucratic procedures to acquire licenses and certificates.* | "People [suppliers] don't understand e-commerce in general and our laws also do not bind people when it comes to defaulting contracts signed." (J1A) | "I'd say for JUMIA, it hasn't been too difficult because we have a parent company so we rely on our parent company in securing licenses and certificates of operations." (J5A) |
| *Ambiguous and/or inefficient legal system.* | "E-commerce is very new in these countries so the loose regulations regarding e-commerce are often quite undefined." (J10) | "Our main model of contract or agreement is to give an open system. So, for example, it means that if I go into an agreement with a supplier, he can leave anytime he wants, nothing binds him because that is how you get him to join you. But if you bind him by too much rules, he might not join because he feels you want to control him and then the activities he is engaged in." (J5A) |
| *Fake and imitation products.* | "[There is] a whole lot of scams and when it comes to this kind of things like anybody can come up with anything." (J16); "We have people paying with fake currency and, as usual, we bear the cost." (J6A); "We get complaints about some fake products from some sellers." (J1A) | "We've learned it's the terrain [for fake products] and we've learned to work around it perhaps by having multiple suppliers […] so that should if one [a seller] let you down you can always fall on another." (J6A); "Sometimes we get complaints about some fake products from some sellers, it is difficult going back to the seller telling them that our customers are telling us your products are fake. So our vendor managers just put these sellers offline." (J1A) |
| *High corruption.* | "One of the major factors affecting our operation is the corruption in the system at every level." (J13); "I remember for example cases where some of our deliveries associates were just stopped by the police and they won't pay anything to the police so the police will just throw them into prison […] so they will put them into prison and then ask them to call Jumia […] and wait for some kind of bribe to set them free." (J7) | "I mean the goal should definitely be to improve how business is done and to work against corruption but if you do not add some pounds you might not have the chance." (J7) |
| *Criminality/security challenges.* | "Another thing is security; most times our DA's have been attacked by robbers, [the robbers] will lure them into a secluded place and rob them." (J19) | "We have been able to manage that [by] educat[ing] our delivery associates on detective scenarios [such as robbery]. So they know [and can] suspect this [criminal acts] So that [criminal acts] has reduced, but it's still a challenge because we lost some money there." (J19); "For instance one of our hubs is getting shut down by tomorrow [due to] security reasons […] we had some of our hubs attacked." (J13) |
| ***Cognitive cultural*** | | |
| *Buyers' lack of trust in e-commerce in Africa.* | "Nigerians do not trust online platforms." (J14A); "[If] you place Amazon US and you place Jumia platform, and you tell them which one you will prefer to place an order using your card, majority of them will tell you the US platform. Why? [It] is just more about the local mentality. People tend to trust more things that are international than their own local stuff." (J16) | "You have cash-on-delivery as an option to make payment; at the same time you have a team of people that can actually meet you offline and you can easily place order for what you want." (J15A); "I think one way we are addressing this is marketing (advertisement) both online and offline. Because we are online company most of our advertisement is done online through the social media, Facebook, Twitter. I think we have marketing officers who take care of that and also on the outside sometimes we have Jumia J-force who go run to companies, schools, and other organizations to introduce jumia and also e-commerce to them and sometimes get them to order online, as in testing the system to see how it works. This is something we do to educate people about us." (J1A); "But the secret to why Jumia is still thriving even though we have these problems is communication, we try as much as possible to inform the vendors beforehand." (J9); "We guarantee you a seven-day unconditional money-back returns." (J6A) |
| *Buyers' lack of experience with e-commerce.* | "People have this fear of e-commerce. There have been so many scams in the past." (J25) | "A customer […] ordered [for] a stabilizer, the stabilizer […] does not come with its head [adaptor plug] that we use to plug into the power socket [and] so […] the customer want[ed] to return it. So we encouraged her that there is nothing wrong with the stabilizer because normally it doesn't come with head. […], so we asked her if she had a plug […] we connected it, plugged and it was working, she [and] didn't return the item again. So there are some things customers will ordinarily reject it because [of lack of technical knowledge]." (J19) |
| *African sellers lack of trust in e-commerce.* | "Once [customers] place an order […] and if what you are bringing is not exactly or maybe a slightly different than what they ordered, they will reject it. For example, a customer ordered a stabilizer, the stabilizer, of course, does not come with its head that we use to plug into the power socket. So because of that, the customer wants to return it. So when we went for retrieval, we just discovered that it is because of the head that she wants to return it."(J19) | "Many sellers or vendors do not know about e-commerce and therefore have no trust in it. We had to use various means to convince them to do business with us. […] For example we had to carry some sellers to inspect and see our warehouse and how we operate before they agreed to supply us with their products." (J4B) |

**Figure 1. Data Structure for Strategies Used by Jumia to Imitate-but-Modify Amazon's Business Model, 2012-2017**

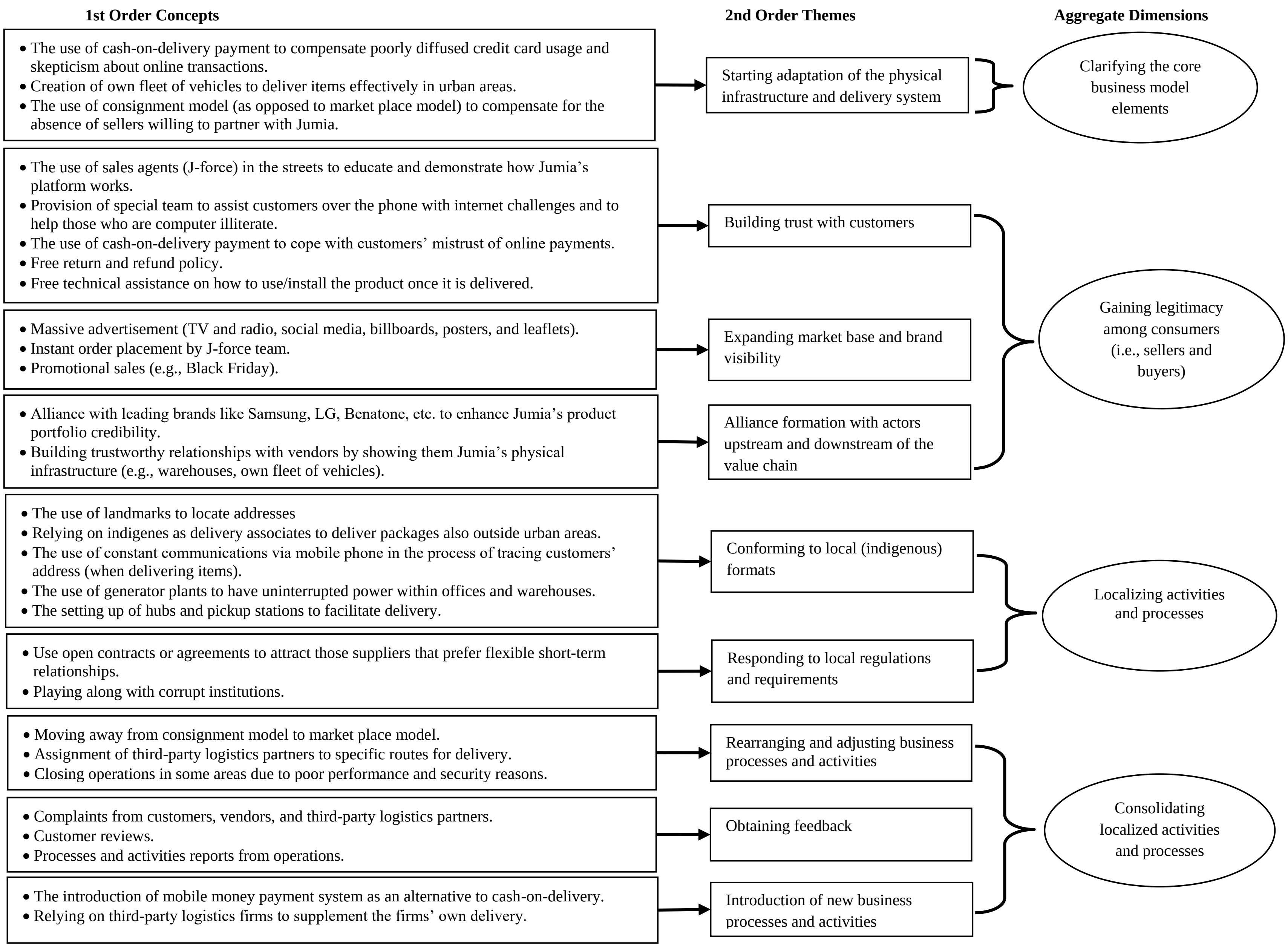
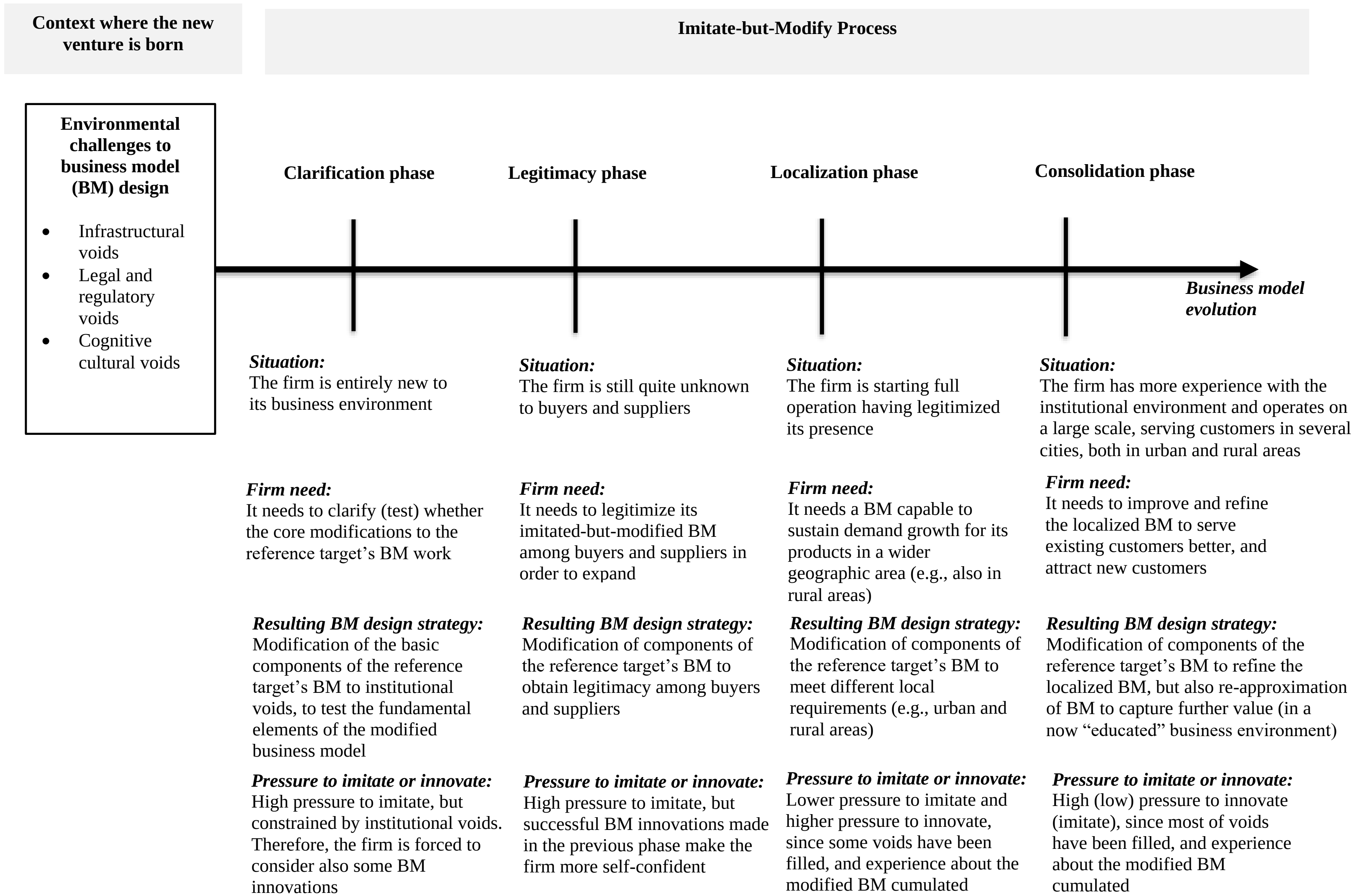
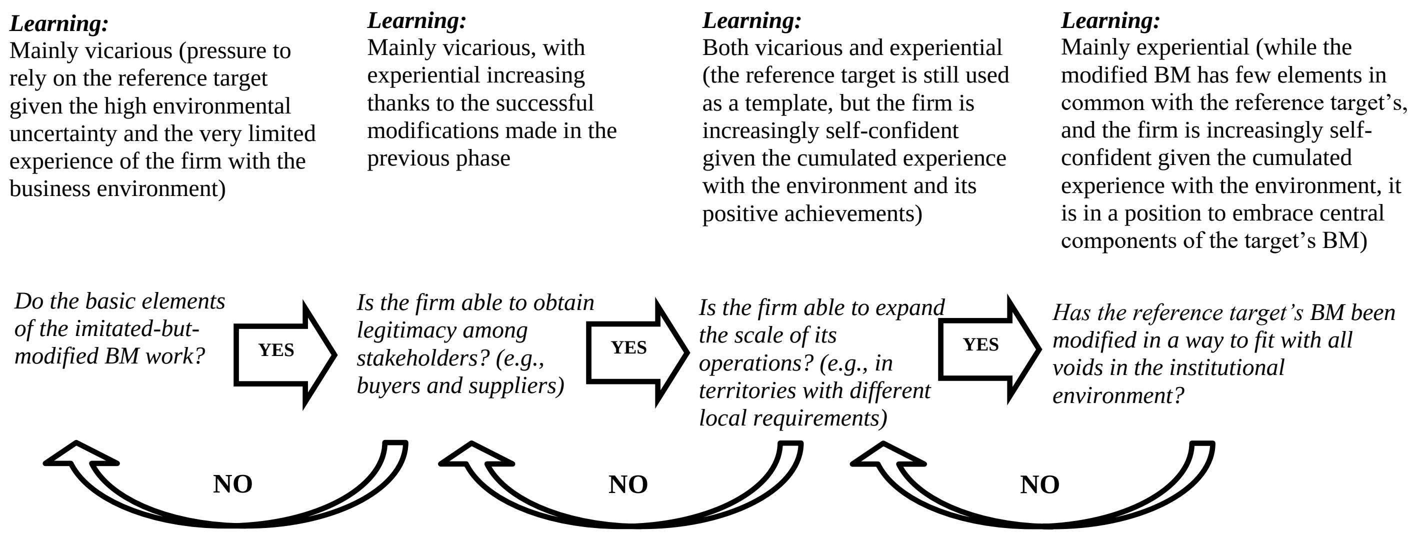


**Figure 2. New Ventures' Business Model Imitate-but-Modify Process in Weak Institutional Environments**




**Learning:**
Mainly vicarious (pressure to rely on the reference target given the high environmental uncertainty and the very limited experience of the firm with the business environment)
**Learning:**
Mainly vicarious, with experiential increasing thanks to the successful modifications made in the previous phase
**Learning:**
Both vicarious and experiential (the reference target is still used as a template, but the firm is increasingly self-confident given the cumulated experience with the environment and its positive achievements)
**Learning:**
Mainly experiential (while the modified BM has few elements in common with the reference target's, and the firm is increasingly self-confident given the cumulated experience with the environment, it is in a position to embrace central components of the target's BM)
*Do the basic elements of the imitated-but-modified BM work?*
YES
*Is the firm able to obtain legitimacy among stakeholders? (e.g., buyers and suppliers)*
YES
*Is the firm able to expand the scale of its operations? (e.g., in territories with different local requirements)*
YES
*Has the reference target's BM been modified in a way to fit with all voids in the institutional environment?*
NO
NO
NO