
Strategic Thinking as a Catalyst for Entrepreneurial Resilience in Post Covid-19 Recovery: A case of LUKHU Fashion Digital Strategy

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Abstract

Covid-19 has created new vulnerabilities alongside emerging opportunities for strategically thinking organizations. The pandemic has propelled value-chain partners, customers, and employees to increase use of technology, which has bridged barriers to digital disruption and paved the way for rapid technology-driven changes. Corporate recovery from the Covid-19 crisis demands a strong technology foundation with strategic thinkers who make bold investments in technology and capabilities to equip their businesses to outperform competitors and rivals in a rapidly evolving and dynamic industry landscape. Strategic thinking refers to the rational and intentional thought process that centers on the analysis of critical variables that may influence current and future success of a business. This paper assesses the potential of LUKHU Fashion Digital platform in the Kenyan Market. The research problem is centered on the fact that many business have been closing every time a pandemic like Covid 19 strikes. The digital platform, LUKHU, has been established to create an interconnected fashion community that supports creativity, sustainability, economic and social empowerment in Africa, through technology. The platform makes it simple, convenient, and affordable to buy, sell and discover fashion online. This study is anchored on the Resource Based View (RBV). A survey tool was used with a landing page website to organically gather data from online users in Kenya. Descriptive analysis was undertaken to assess the viability and usability potential. Results show that the majority (70%) of buyer respondents were skewed around price points and ease of access as the major determinant of purchase dynamics. The key deliverables from the survey on sellers' operational ecosystem were: product sourcing and stocking based on a fragmented supply chain. This affects price points. The study recommends that enterprises in the line of fashion, should monitor customer cycle and tailor product offerings uniquely to target set of customers in an efficient and effective manner and that online platforms should be fully embraced to attain Covid-19 resilience.

Keywords: Digital platform, strategic thinking, Fashion, Covid-19 pandemic, Resilience.

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INTRODUCTION

Many organizations are missing opportunities to invest in the areas of core business models due to the risk of digital disruption (Bradley, *et al.*, 2018). In Kenya, and in many parts of the world, a number of companies shut down during the Covid-19 crisis. The pandemic conspicuously exposed organizations that are not techno-savvy. The

global health safety call for people to work from home and keep physical distance has had far-reaching implications on enterprises that largely rely on face-to-face interaction modes of buying and selling for commodities such as textile and footwear (Katebi, *et al.*, 2022). The whole world moved dramatically toward online channels to cope with pandemic challenges. The textile industry has

however been dragging in terms of digitization of supply and distribution chain platforms (Qalati, *et al*, 2021). Garments utilization has expanded globally over the years due to the dynamic fashions. According to Zide *et al* (2021), high-income earners readily afford new clothes, get rid of outgrown ones, unfashionable or worn-out garments, and discard them as waste, or dispose of them for recycling or donation in the case of philanthropists. This has prompted an overwhelming supply than demand, hence the need to exchange the merchandise across nations (strata data, 2022). Apparently, 70% of these global donations end up in Africa. According to the African development bank group report (2016), the fashion market in Africa is worth \$31 billion.

Kenya has a long history of sustained demand for used clothing and footwear items for use by its citizens, with imports of about 100,000 tons of secondhand clothes annually (Dadhich *et al*, 2022). In Kenya, 91.5% of households buy second-hand clothes worth Ksh 1000(\$10) and below, and 8.5% buy second-hand clothes worth Ksh 1000 (\$10) and above (Statista report, 2020). In order to keep this massive business alive, digital platforms have become key enablers of remote business transactions to optimize efficiency and effectiveness.

Going digital in entrepreneurship is a major strategic driver of enhanced business performance, supply chain resilience, and social change. According to Goldman (2009), strategic thinking contributes to broad overarching concepts that mostly focus on the future direction of an organization, based on anticipated critical environmental conditions. It refers to the rational and intentional thought process that center on the analysis of critical variables that may influence the current and future success of a business, product or service. Online platforms have become pivotal in the wide application of innovative tools for entrepreneurial survival, business continuity during the COVID-19 crisis, and for building

back better in managing the aftermath of the pandemic. Covid-19 has shaken the world, setting in motion unavoidable waves of change, with a wide range of uncertain trajectories in the future. Only strategic thinkers manage to survive during such a crisis and provide the way forward for future survival. According to Mukherjee, *et al* (2022), the whole world has moved dramatically toward online channels to cope with pandemic challenges. The textile industry has however been dragging in terms of digitization of supply and distribution chain platforms. Garments utilization has expanded globally over the years due to the dynamic fashions. Statista report of 2020 shows that 91.5% of households in Kenya buy second-hand clothes worth Ksh 1000(\$10) and below, and 8.5% buy second-hand clothes worth Ksh 1000 (\$10) and above. In order to keep this massive business alive, digital platforms have become key enablers of remote business transactions to optimize efficiency and effectiveness (Radu *et al*, 2021). Lukhu, an e-commerce fashion platform for buying and selling second-hand merchandise, was born out of a need to solve the eminent challenges that sellers and buyers face in the thrift industry, aggravated by COVID 19 crisis that emerged with restrictions on movement and the call to work from home.

LITERATURE REVIEW

According to Goldman (2009), strategic thinking deals with the critical analysis of threats, opportunities, and challenges from a comprehensive review and takes into account, the possible consequences of organizational actions and the emerging changes in the organizational environment. Strategic thinkers have a focused trajectory and depict the future image.

This study is anchored on the Resource Based View (RBV). RBV recognizes organizational resources as the blueprint driver of sustainable competitive advantage. Strategic thinkers pragmatically and proactively approach challenges and daily

matters so as to avoid firefighting and getting overwhelmed by risky threats. Successful organizations emphasize strategic thinking and create major capabilities that facilitate robust learning and productivity across functional areas and strategic business units (Feyzollah and Saeid, 2015). Strategic thinking is an approach that is critical in decision-making when uncertainty confronts an organization. It is premised on the principle that effective and responsible decision-making requires preparation for a variety of possible future eventualities and their consequences (Eniola and Entebang, 2015). Strategic thinkers believe that narrow assumptions about the future may prove counterproductive and ineffective in the phase of eminent changes such as the impact of the Covid-19 pandemic. Evaluation of how proposed policies would perform under dynamic future conditions is pivotal in formulating more robust and adaptive strategies. During and post Covid-19, strategic thinking is centered on internet technology to counter movement and face to face restrictions.

According to Lee and Jin Ma (2012), internet usage continues to increase leading to a corresponding increase in online shopping, more so in those organizations whose online marketing infrastructures are well developed. People can buy and sell any time since they have online access to products that may not be available in their geographic region or due to physical movement restrictions. Trading online has even been made easier through hand gadgets such as mobile phones, tablets, and other computer devices and applications such as MobileApps, which people can connect to the internet and use flexibly regardless of the location. Other catalysts of online buying and selling include increasing consumer competence, lower connection costs and high-speed Internet access connections. No need to emphasize that the Covid-19 pandemic has adversely affected many organizations around the world and the fashion industry is no exception.

The disruption of the pandemic on supply chains across the globe and its effects on businesses is quite impactful. As companies shut their doors, borders closed, and movement restricted, supply chains get interrupted as workers lose their jobs, and the most vulnerable people in the fashion supply chain are consequently exposed to the worst effects (Faruk, 2021). Nevertheless, activities of the high-end fashion business have embraced remote solutions to sustain operations through emerging online platforms, which support fashion brand access by customers (Sarpong et al, 2011). This paper establishes digital online fashion as the most effective solution for online business hence neutralizing the negative effects of Covid-19.

METHODOLOGY

In order to create an interconnected fashion community that supports creativity, sustainability, economic and social empowerment through technology, Lukhu conducted a cross-sectional survey to establish the extent of access and usability potential among online users. The specific objective of the survey was to establish the potential of LUKHU Fashion Digital platform in the Kenyan Market. The survey had three main variables; Resident County, Seller, and Buyer. The survey used a landing page website and organically gathered data from users online in Kenya. Descriptive analysis was undertaken to assess the viability and usability potential. Data were categorized per county and whether the respondent is a buyer or a seller. Lukhu is positioned as a marketplace open for both sellers and buyers, with an agenda of sustainable consumption of fashion whilst democratizing access to high-level quality products for buyers and a sustainable extensive online market for sellers.

Lukhu targets sellers of fashion pieces as a business and those selling fashion as an

ethical approach to promoting fashion upcycling. Sellers are the key drivers of the supply chain and therefore the objective for targeting sellers in the survey was to explore the different marketing channels used to reach customers, their product sourcing channels, and the selling experience extended to customers in regard to payment and delivery. All this information would inform product stocking strategy and pricing points to be adopted. Buyers are normally aggressive in their purchase quest. Thus, the survey targeted aspects such as frequency of purchase, price point effect on purchase decision, tastes, preference dynamics, the channels used to buy products, the quality and accessibility effects on their purchasing decision.

Overall, the survey sought online commerce adoption by both buyers and sellers. The survey adopted both online and offline mediums to gather insights from sellers and buyers. The survey tool adopted a mix of both online questionnaires using google form with a set of specific leading questions designed to explore respondents' fashion interests and Lukhu website landing page where it was possible to convert significant pipeline leads while searching organically online. The whole build up to aggregating responses from the different counties of interest was done online. The responses were not all from targeted groups of interest but clustered in the markets.

RESULTS AND DISCUSSION

Table 1 shows the number of sellers and buyers who participated in the study. Out of the 47 Counties in Kenya, responses were given from 12 Counties. From the 154 individuals who responded, 58 (38%) were potential sellers while 96 (62%) were

potential buyers. The majority (70%) of respondents are from Nairobi County, followed by Kiambu County at 14%. The least responses were from Busia, Kirinyaga, Machakos and Laikipia at less than 1%. The majority (70%) of buyer respondents were skewed around price points and ease of access as the major determinant of purchase dynamics. The key deliverables from the survey on sellers' operational ecosystem were: product sourcing and stocking based on a fragmented supply chain. This affects price points. It also came out that quality from existing ecosystem suppliers is not controlled, and lacks predictability. Seventy-six percent (76%) of sellers lacked the mechanism of reaching their online customers through social media channels and that fashion products are not adequately aggregated in the market.

Table 1 Number of Buyers and Sellers per County

Resident County	No. of Sellers	No. of Buyers	Total
Nairobi	45	63	108
Bungoma	1	2	3
Kakamega	2	0	2
Kiambu	7	14	21
Nakuru	1	1	2
Trans Nzoia	2	0	2
Busia	0	1	1
Kajiado	0	8	8
Laikipia	0	1	1
Machakos	0	4	4
Mombasa	0	1	1
Kirinyaga	0	1	1
Total	58	96	154

Selling decision parameters: Sellers are the key drivers of supply chain and therefore the study targeted them in the survey to explore the different marketing channels used to reach customers, their product sourcing channels, and the selling experience extended to customers in regard to payment and delivery of goods.

Table 2 Results on Selling Decision Parameters

Sellers County	Marketing Channels		Product Sourcing Channels		Payment Modes		Delivery Channels	
	Online	Physical	Online	Physical	Online	Physical	Online	Physical
Nairobi	11%	89%	2%	100%	71%	29%	2%	100%
Bungoma	0%	100%	0%	100%	0%	100%	0%	100%
Kakamega	0%	100%	0%	100%	50%	50%	0%	100%
Kiambu	14%	86%	14%	86%	82%	18%	14%	86%
Nakuru	0%	100%	0%	100%	0%	100%	0%	100%
Trans Nzoia	0%	100%	0%	100%	50%	50%	0%	100%
Average	4%	96%	3%	98%	42%	58%	3%	98%

From Table 2, it can be observed that physical trade is much higher than online trade within the counties under the study. Only 4% out of the 58 sellers interviewed were using online marketing channels, only 3% using online product sourcing channels and only 3% using online delivery channels. However, 42% out of 58 sellers indicated that they use online payment modes. This was attributed to the dominance of mobile and online banking technology that are currently penetrating most parts of the country.

Specifically, Kiambu had the highest representation of online traders. Although only 7 responses were gathered from Kiambu, compared to 45 responses from Nairobi, the percentage representation of the respondents from Kiambu (lowest being 14% and the highest being 82%) are generally higher than Nairobi (lowest being 2% and the highest being 71%). In overall, online product sourcing channels and online delivery channels scored the lowest at 3%, followed by online marketing channels and of course the highest percentage being online

payment mode which is not necessarily attributed to digital business platforms but to mobile and online banking technology penetration.

Buying decision parameters: Buyers are normally aggressive in their purchase quest. Thus, the survey targeted aspects such as frequency of purchase, price point effect on purchase decision, tastes, preference dynamics, the channels used to buy products, the quality and accessibility effects on their purchasing decision. The respondents were asked to rate the frequency of the aspects under the study in a scale of 1 to 4, where 1= rarely, 2= occasionally, 3 = frequently, 4 =very frequently. The scores were analyzed by computing the average percentage score for all responses categorized under each parameter. The Results were presented in Table 3.

Table 3: Results on Buying Decision Parameters

Parameter	Rarely= 1	Occasionally =2	Frequently =3	Very Frequently =4
Frequency of online purchase of fashion goods	31%	40%	17%	12%
Extent to which price points affect fashion purchase decision	5%	5%	8%	72%
Frequency with which online purchased fashion goods meet buyer quality requirements	8%	13%	52%	27%
Frequency with which online purchased fashion goods meet buyer taste and preferences	9%	14%	55%	22%

From Table 3, majority (40%) of the buyers who participated in the study indicated that they occasionally purchase fashion goods online. The least (12%) indicated that they purchase fashion goods online very frequently. This implies that online buying is steadily picking up among buyers in the study counties although not yet as frequent. On the issue of price point and its effect on buying decision, it came out that a big majority (72%) base their online buying decision on price points. This has implication on the sellers to ensure that online pricing is competitive enough to justify the need to buy online goods and not physically.

About a half of the respondents (52%) and (55%) indicated that goods purchased online meet their quality expectations, tastes and preferences respectively. These aspects on quality, taste and preference were included in the study to examine the level of confidence the buyers have on online purchased goods. The results imply that a half of the respondents had confidence in quality and taste of online purchased goods.

CONCLUSION

From the findings, online trade is gaining ground but not yet a common practice among many buyers and sellers. With the Covid-19 challenges and other potential pandemics, it is critical to strategically focus on online platforms as a solution to restricted physical interactions. Lukhu is committed to solving core inefficiencies in the fashion value chain, with a mission pegged on easing access to fashion products and markets by buyers and sellers. It has significantly differentiated product positioning where products are aggregated in markets. Trust and affordability are harnessed through an inbuilt marketplace escrow and a well-managed logistical infrastructure. The sellers'

concerns are addressed by enabling them to reach their online customers using the available social media channels which were not earlier built to facilitate ecommerce.

Implication of the study and Recommendations:

For businesses in the line of fashion, it is important to monitor customer cycle and tailor product offerings uniquely to target set of customers in an efficient and effective manner. Currently the market is fragmented and clustered with sellers sourcing products from various wholesalers and brokers. There is no underlying market oversight available and the risk of losses from low-quality products is relatively high. The purchase intention of customers depends on the product quality and has a significant impact on their preferences. Technology has greatly redefined consumer behavior especially during and post Covid-19. According to Meng *et al.*, (2021), stakeholders in the fashion industry should heavily leverage digital platforms and ensure they are able to cope with trends that drive consumption patterns. Reviewing and adopting policies that facilitate sustainable digitization of legislations that support digital adoption would be key in unlocking the potential available in e-commerce by promoting interoperability, and product access, as well as addressing frictions and regulatory gaps associated with the digital payment for trade. Regulations along digital commerce should be able to support the healthy and orderly development of e-commerce, focus on innovation and effectiveness, as well as the development of technical standards. Key areas include research to accelerate the transformation of the e-commerce market, efforts to popularize and deepen e-commerce applications, the creation of a strong institutional and social environment to support e-commerce security,

and improving the efficiency of resource allocation.

Lukhu's marketplace is tailored to match the current sellers' and buyers' experiences using such channels and optimized for trade to offer more visibility and unlock potential for online commerce in the fashion space. Currently, Lukhu has 1,013 active customers, out of which 628 are sellers. Organically every week, Lukhu has upwards of 8,600 engagements with over 300 daily active sellers and new buyers in the pipeline. Lukhu has so far made 176 deliveries with zero marketing and, more than 5000 products listed in the marketplace with a gross merchandise value of Ksh. 625,000. Lukhu aims at changing the traditional shopping habits of walking to overcrowded markets to purchase second-hand clothing. Goods sold are distributed through vetted electric bicycle riders who distribute the goods to customers' doorsteps as well as pickup and drop-off from and to outlet distribution stores. Lukhu offers both eco-friendly and decent packaging materials. It offers shipping and fulfillment services that ensure smooth returns and refunds when needed, as well as an Escrow Wallet that guarantees secure and confidential transactions. It allows buyers to upcycle their fashion and create value in their closets while conserving the environment from fashion pollution. Lukhu targets 14% of the available market (\$ 210M), having successfully tested the platform, which can currently be downloaded on the handset play store. The core positioning is centered on discovery and payment which make transactions possible in a largely informal market. They have integrated escrow functionality in the marketplace which makes it easy for sellers to be guaranteed payment of goods purchased in the marketplace and buyers securely transact with a piece of mind.

Access to quality and variety of product has been a pain point for most buyers, most markets are noticeably clustered. Sellers are stuck in a cycle of subsistence retail with significant barriers to break of it. Lines between buying online and in person are blurring, customers want to check-out products online but return to buy at a physical store or look at a product in store but buy it online. Re-assessing supply chain to build resilience, reduce carbon emission and get products to customers faster. Ecommerce is an attractive alternative to the general lack of organized retail outlets, the ability of consumers to access a variety of goods at favorable market prices. Lukhu proprietary technology ensures an end-to-end process optimization from discovery, payment and delivery with full visibility over the package journey. Product geo-location capability ensures buyers are able to discover sellers within their locality and leveraging on neighborhood stores to act as pick-up and drop points makes it easy to make fast and affordable deliveries. A large number of sellers in our marketplace and the pricing transparency that is inherent to our platform, lead to competitive pricing among sellers and attractive prices for our consumers.

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