

## Hindrances in Providing e-Commerce Services in Saudi Retailing Organizations: Some Preliminary Findings

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**Abstract - e-commerce, especially e-retail, has changed the concept of marketing and business in developed countries, where the customer does not need to go to the market to get the goods. This process is not yet successful in Arabian countries, particularly Saudi Arabia. This study aims to identify the most important obstacles that prevent enterprises from providing electronic sales to their customers. I found that 86% of facilities do not provide these services. The most important obstacles that prevented them doing so are the inefficient laws and electronic payment systems, in addition to the lack of awareness and confidence of consumers in these services. Upon conducting a survey, we estimate that 86% of businesses do not provide these services. The biggest obstacles in the provision of these services are the inefficient and deficient laws and inapt electronic payment systems. In addition there is a lack of awareness and confidence amongst consumers in relation to these services**

**Index Terms – E-Commerce, Retailers, e-Tailers, Saudi Arabia.**

### 1.0 INTRODUCTION

Information technology is no longer just a tool to use but has become a work environment characterized by rapid and successive developments and competitive advantages. The start of the revolution of information technology is electronic data exchange (EDI) within organizations and between them as an initial step to entering the field of e-commerce. The significant growth in the volume of international business with globalization encourages organizations to use e-commerce to sell their products and makes countries keen to develop laws for these new styles of trade patterns. The term "e-commerce" is related to terms such as "e-business," "e-management," and "e-market," and with other concepts produced by the digital economy of the Internet and the information base and networks.

E-commerce, and particularly electronic sales and purchase, is no longer a luxury as far as it becomes a necessity for the society as a result of the openness to trade of developed countries trade which offer these kind of services. In any commercial transaction, there are two main parties: business organizations, in particular retailers, and consumers. Undoubtedly, each of them desires to excel in the provision of

services but both of them encounter considerable obstacles in the way of adoption and use of e-commerce. In the research leading to this article, we were mainly concerned with finding revolution, face the fierce competition and meet the needs of the community. E-commerce, which means business trading. the kind of constraints that companies are facing in the way of adoption and usage of e-commerce in Saudi Arabia.

The twenty first century is the era of the Internet economy, and to be a part of this era, it becomes imperative for organizations to adopt e-commerce in order to cope with the new electronic through Internet, can have benefits for organizations as well as consumers. From the business perspectives, more transactions can be accomplished resulting in an increase in sale and cost reduction. As for the consumer, e-commerce will provide him with a better service, speed in shopping, ability to compare between products and ease in taking a purchase decision. The importance of research is an attempt to review some of the available solutions to avoid obstacles of adopting e-commerce by organizations and consumers in order to increase the benefits for both parties.

Businesses strive for increased revenue. For achieving this crucial objective, they expand and create innovations in their businesses. Obviously e-Commerce is a new paradigm which businesses find very cost effective to provide. So, the business can raise much needed revenue by spending relatively small amount of money as e-Commerce economizes on resources such as infrastructure and workforce. So, more and more revenue is generated as a result of customer transactions of e-Commerce. On the other hand, impressed transactions result in reductions of costs by way of the economy of scale. As for the consumer, e-commerce will provide them with a hassle free and better service, reduction if time spent in e-shopping, increased ability to compare between products for making an informed decision. As an important step in our research is an attempt to review some of the available solutions to avoid prevailing obstacles of adopting e-commerce by organizations and consumers in order to increase the benefits for both parties. In our research, we have chosen the case of a well-known Middle Eastern and Arabian country namely, Saudi Arabia

### 2.0 BACKGROUND

The rapid development of technology, and particularly the unveil of Internet in the beginning of the nineties, has contributed to the emersion of e-commerce, which offers many business opportunities and hence having a great impact on countries' economic future development and international competitiveness. The amount of goods and services purchased online has increased considerably. The last ten years has seen a

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proliferation in B2C e-commerce, which is rapidly changing. For this reason, there are opportunities for, retailers and researchers to better understand how and why customers are involved in e-commerce and continue to mutually interact. Online shopping is a growing trend all over the world, as is the same in the Kingdom of Saudi Arabia, since online shopping is a very easy and convenient way to buy.

Surprisingly, there is a lack of Arabian studies, especially Saudi studies, compared to research and studies in developed countries. Of the Arab research studies on the e-commerce, most were concerned with the electronic trading between businesses (B2B) instead of between businesses and customers (B2C). By contrast, the electronic libraries of developed countries are filled with studies, articles, and reports related to all aspects of e-commerce, from obstacles and solutions, customer satisfaction and the extent of their loyalty, to e-shops and consumer behavior on websites. The review of the literature allowed us to formulate questions and identify the most important obstacles behind the lack of e-commerce in KSA.

This is the age of communication. The numbers of Internet users around the world grew to 1,966,514,816 in 2010. The concept of electronic commerce (e-commerce) has grown accordingly.

There are multiple definitions of e-commerce due to the multifaceted concept. E-commerce can be defined as the purchase or sale of goods and services over computer networks[1] and [2].

Increase in the supply of goods and services worldwide have pushed organizations for adapting e-commerce business models, consequently removing the barriers between companies, supplier, and customers. There are several benefits of e-commerce, including reduced cost and time, and achieving higher returns. E-commerce also provides the opportunity for small and medium-sized organizations to enter new markets and it thus increasing competitiveness. E-commerce increase selling and buying process, decrease cost of operations and facilitate communication between buyers and sellers. There are also disadvantages and constraints, like the absence of legal frameworks governing e-transactions and the difficulty of providing worker safety, confidentiality, and privacy.

The most important step in the stages of e-commerce is electronic payment, often involving e-payment methods such as credit card, smart cards, and e-cash. This is the most dangerous stage, and it is very important to consider safety in the operations of e-payment and compliance with all laws designed for e-commerce. These laws can be difficult to apply because of the lack of geographical boundaries on the Internet.

### 2.1 E-retail

The term "e-retail"[3] is defined as doing business directly with the individuals buying and selling through the World Wide Web (Internet), taking into account the fact that buying and selling here includes goods, services and intellectual property rights. There has been large recent interest in electronic retailing because the commercial use of the Internet by e-

retailers has witnessed steady growth: e-retailing in the USA in 2008 was \$142 billion, approximately 4% of the country's total retail sales.

E-retail constitutes a small, but growing portion of retail activities [4]. Competing in this dynamic and technologically complex retail environment is a challenge for retail companies which may have broad impact on their organizational and spatial structure, as well as shopping models. Diversifying their activities by adding an online model to their existing business models consisting of stores, catalogs, and direct marketing seems to be indispensable to keep up with the competition.

E-retailing gives customers options that are not available in traditional trade, such as rapidly moving from one location to another, reviewing commodity profiles, and comparing prices and quality between goods all at once. Even consumer behavior is different in the procurement process via the Internet. Some of the elements that affect the decisions in the e-shopping include the buyer's personality, age, gender, and culture.

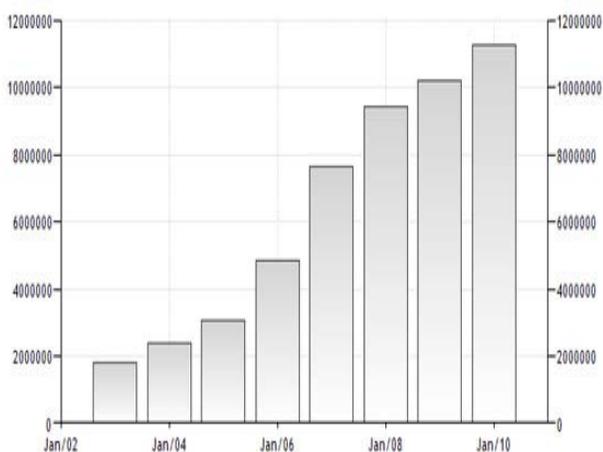
There are four types of traders who predominate in the e-retail market: traders versed in the real world, visual, brokers, and manufacturers. Most successful traders in this area have places or markets in the real world. The reason for their success is because they have experience in the field of trade and trading in general.

### 2.2 E-Commerce in Saudi Arabia

In 1999 a royal order established the Permanent Technical Committee of E-commerce to monitor developments and identify the needs of the communication infrastructure and technical requirements, security, legal requirements, and the Commission is composed of a group of government agencies. The use of information technology in the Kingdom of Saudi Arabia had a major shift from 2001 to 2009, with a four-fold increase in spending on information technology products and services by the government, corporations, and individuals; the annual growth rate was 18.5%. This made the KSA the largest spender on communications and information technology in the Middle East.

Because of this interest in IT, the number of Internet users in the kingdom is increasing at the individual and commercial levels. The number of Internet users in the kingdom was 5% in 2001, and then reached 41% in 2010. The kingdom ranked as 38th in 2009-2010 in terms of e-readiness, while it was ranked 45 in 2003. The Saudi Post has recently launched E-Mall site that specializes in selling online. Also, the banking sector in KSA is a pioneer in e-commerce and has established all e-banking services for their customers. Since e-Commerce is a byproduct of internet, therefore, the health of e-commerce can be determined to an extent by looking at the usage of the internet. Figure 1 (<http://www.tradingeconomics.com/saudi-arabia/internet-users-wb-data.html>) shows the number of internet users in Saudi Arabia which has been growing steadily. According to a daily newspaper of Saudi Arabia, Arab News (<http://www.arabnews.com/news/463005>), the value of the Saudi Arabian e-Commerce is about fifteen billion dollars annually.

The Kingdom of Saudi Arabia (KSA) has registered a record overall growth of 43% in e-Commerce in Q1 of 2014 compared to the same period last year, making it the highest growth rate in the MENA region, according to estimates by Visa, one of the world's largest retail electronic payments networks. For details, see [5]. However, despite all the development and growth in IT in the kingdom, there are still challenges and obstacles [6], such as a lack of human skills. E-commerce still has a low level of implementation, especially in retail sectors. The use of e-commerce is primarily confined to large enterprises such as SABIC and Saudi Aramco in their e-transactions (B2B). But there is a dearth of sites that offer goods for consumers, despite the growth of the traditional retail sector in the kingdom, where reports predict the annual growth of major stores and shops, by 4.4% and 7.2%, and up to 24.2 billion RS and 18.7 billion, respectively.



**Figure 1: Internet users in Saudi Arabia**

Technological, social and economic activates have a natural link with E-commerce. Therefore, it may be useful to mention some details of studies already conducted in these areas. Indeed there are a number of studies available on various aspects of Saudi Arabia. For example, Mohammad Yamin [7] and [8] has provided an insight into the annual pilgrimage known as Hajj and associated issues like health, safety and economic activities of Saudi Arabia. Basahel [9] has provided details of some educational aspects of the women in Saudi Arabia. Yamin and Huddoff [10], and Yamin and Makrami [11] have researched various technological aspects and their impacts into Saudi Arabian society and economy.

**3.0 RESEARCH METHOD**

The study is based on the descriptive analytical approach in a manner consistent with the nature and goal of the problem. Data was collected using a questionnaire containing questions related to the problem and then distributed to the retailers in Saudi Arabia. The study sample is composed of 50 retailers in different activity domains in different regions in Saudi Arabia. The purpose of the present study was to assess the difficulties and obstacles retailers are facing to adopt e-commerce. In the present study, we addressed four research questions:

- 1) Does the lack of supporting technologies inhibit providing e-commerce service in KSA?
- 2) Does the weakness of laws and regulations impede the provision of e-commerce service?
- 3) Does the nature of the Saudi consumer hinder the provision of e-commerce service?
- 4) Does the capacity of the facilities hamper e-commerce services?

Each of the previous questions had been provided with three options in the survey. Table 1 shows the responses of the sample.

**Table 1**

Obstacles	Average	Standard Deviation	Degree of approval
Limitation of electronic payment systems in the Kingdom of Saudi Arabia	3.63	1.474	Agree
The inefficiency of the current laws of electronic selling	3.63	1.159	Agree
Lack of support from government agencies related to issues of electronic sale	3.60	1.329	Agree
Lack of trust of consumers to purchase from the Internet	3.57	1.251	Agree
Electronic signatures/seals are not widespread in the region.	3.53	1.332	Agree
There are no laws and rules to organize the electronic trade.	3.47	1.167	Agree
A lack of awareness among Saudi Arabia's consumers about purchases via the Internet	3.47	1.167	Agree
Difficult to acquire credit cards for all consumers to make electronic payments	3.33	1.422	Neutral
Most consumers do not have not a mailing address, which will hinder the delivery process.	3.33	1.493	Neutral
Poor telecommunications infrastructure in the kingdom prevents the company from selling online.	2.87	1.383	Neutral

The difficulty of providing confidentiality and safety factors in electronic payment	2.87	1.502	Neutral
The lack of specialized staff and expert employees in the IT field in the company	2.80	1.270	Disagree
Refusal from senior management to activate this function for consumers	2.70	1.149	Disagree
The number of Internet users in the kingdom is too small for the company to provide this service.	2.60	1.221	Disagree
The nature of the product prohibits its sale via the Internet.	2.47	0.999	Disagree
The size of the company does not allow it to offer electronic sales.	2.43	1.145	Disagree

As shown in the table, the limitation of electronic payment systems and the inefficiency of the current laws were most cited as the obstacles and challenges that hinder the sale of products electronically through the Internet (M = 3.63 for each).

When I asked enterprises to mention some of the methods to develop e-commerce, their answers revolved around the following:

- Activating the laws relating to e-commerce, to protect all parties of the process.
- Improving the awareness of the consumer and businesses about the importance of electronic commerce.
- Facilitating the procurement methods through diversification to make electronic payments to be available to all.
- Activating the concept of an electronic signature or seal for orders.
- Numbering buildings, blocks, and streets to ease the delivery process, perhaps introducing a ZIP code system.

**4.0 CONCLUSIONS**

The literature review and the results of this study revealed several ways to reduce the impact of current constraints on e-commerce in the Kingdom of Saudi Arabia, as follows:

- Those responsible for e-commerce in the Kingdom should enact clear and explicit laws regarding e-transactions to ensure the rights of all parties; these laws should benefit from the experiences of other countries that have preceded the KSA in this area.
- The Chambers of Commerce administration should raise the awareness of the importance, advantages, and benefits of electronic retail services to encourage facilities to take this step.

- The Ministry of Trade and Chambers of Commerce should support the businesses to activate these kinds of services, and encourage and create collaborations and alliances between the parties that could contribute to the development of this aspect.
- Saudi Arabian Monetary agency (SAMA) should cooperate with the banks to introduce electronic payment systems accessible to all segments of society, so as to ensure the ability of customers and businesses to complete this type of purchase.
- Other agencies should emulate Saudi Postal and develop e-mails and similar projects or portals to increase and spread e-services in Saudi society.

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