

E-Commerce and Economy: A Case Study of Saudi Arabia

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Abstract –Evolution of E-commerce has revolutionized the business world. As in many great discoveries and innovations, initially there was a lot of skepticism about the concept and the details of its implementation. It took a while for the masses to embrace the concept and start buying online. Of course, E-Commerce is a byproduct of internet, which became available to the public in 1991.Immediatly after the availability of internet to public; the concept of e-Commerce was mooted which was embraced by some businesses. In the beginning, the response internet usage was slow and that too was the case with e-Commerce as well. Today the number of internet users exceeds three billion and those of the e-Commerce buyers are around one and a quarter billion. Economic impact of e-Commerce on global and national economies has been tremendous. According to market, research, projected revenue from e-Commerce sales in 2015 is expected top 24 trillion dollars. About two thirds of the internet users come from developed world; and so, it is natural to expect that the bulk of e-Commerce buyers also come from developed world. The aim of this research is to study the extent of E-Commerce in Saudi Arabia and its impact to the Saudi economy. In the course of this study, we shall outline the underlying factors in the development and progress of E-commerce in Saudi Arabia.

Index Terms – E-Commerce, Web 2.0, Saudi Arabia Saudi Economy, Saudi Business

1.0 INTRODUCTION

Commercial E-Commerce started soon after the introduction of internet in 1991. Emergence of internet has revolutionized many facets of life. In particular, internet has changed the ways of transacting business,removing many formalities and setting new rules of trade. E-Commerce has transformed the world into a global business village. In the process it has and continues to have a profound impact on the world and regional economies. E-Commerce revolution continues as it embraces new technologies and extends itself to more countries and regions. As expected, the affluent societies, who could afford internet at its early availability are excelling in and benefiting from the E-Commerce. This is evident from the available data. Saudi Arabia, a major exporter of oil, is one of the G20 countries. Saudi Arabia is also a regional power in the Middle East and the Arab world. The aim of this study is to explore the extent of

E-Commerce activity in Saudi Arabia and its impact on Saudi Economy.

2.0 AN OVERVIEW OF E-COMMERCE

E-Commerce is a bye product of Internet. Up until the eighties of 20th century we hadn't imagined buying items of our daily needs without viewing and checking them physically. It was unimaginable to think of buying commodities like flowers and fragrances without smelling and looking at them physically. With the invention of internet, we now indulge in purchasing almost everything online, not only is what available locally but also from the national and international markets, demolishing the age old boundaries and barricades. Like in many other cases, e-commerce has had its journey to the current level of acceptance as a way of shopping. With a hesitant start in the early nineties of the last century, the e-commerce has now become a way of life in the developed countries. Even in the developing countries, more and more people are embracing the travel and hassle free way of shopping. More importantly, the E-commerce has defined a new paradigm for global trade, making it possible for individuals to make purchases globally and receive their purchased items as shipments from almost anywhere in the world. The number of e-commerce participants, both the traders and buyers is steadily increasing. Many innovations are being explored to make e-commerce even more attractive. Indeed, buying online reduces, in some cases drastically, prices of many items. E-commerce is now a well-developed field of study and is taught in most of the educational institutes around the world. Most of the details can be found in any standard text on the same topic, for example [1].

2.1 E-Commerce Statistics

According to [2], the number of internet users worldwide in May 2015 was over 3.1 billion. About 66% of these users were from developed countries and only 34% are from developing countries. From the Unites States of America (USA) alone, the number of internet users was about 2.1 billion, accounting for 75% of the total customer market. With the growth of Web 2.0, the number of e-Commerce first grew exponentially and now has sustained a steady increase. According to[3], the total number of E-Commerce buyers in the world in 2015 is estimated to be 1.2 billion. According to [4], the number of digital buyers in the USA in 2014 was over 140 million. This is just about 12% of the total number of e-commerce customers worldwide, suggesting that the USA has a fairly low percentage of the e-commerce buyers worldwide which is somewhat surprising. The total number of buyers in the world and the USA, and their future projection are shown in Fig 1 and Fig 2.

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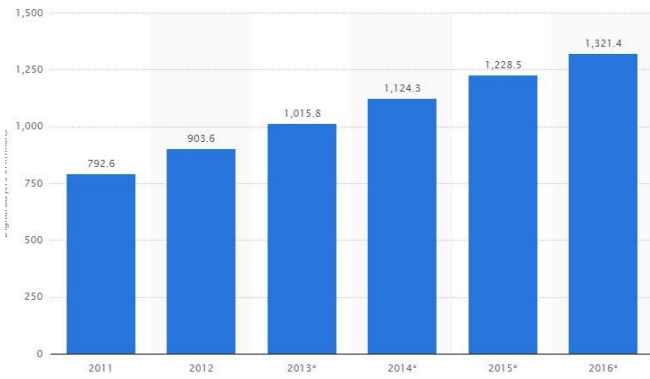


Figure 1: Number of E-Commerce buyers globally

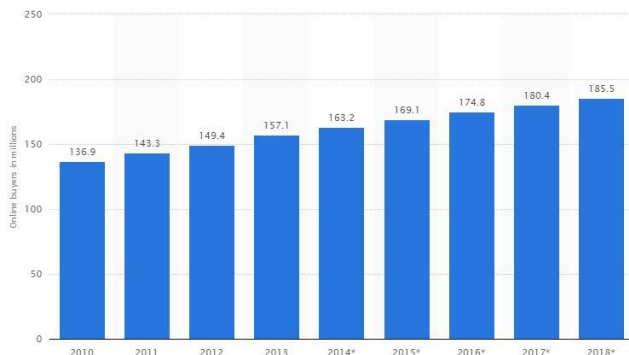


Figure 2: Number of E-Commerce buyers in USA

The growth of e-commerce has been exponential since its early days in 1995. The projections for retail sales, as seen in fig.3, are somewhat staggering. It is expected that the retail Sales worldwide will top to twenty two Trillion this Year [5]. Another source [6] puts this figure to 25 trillion.

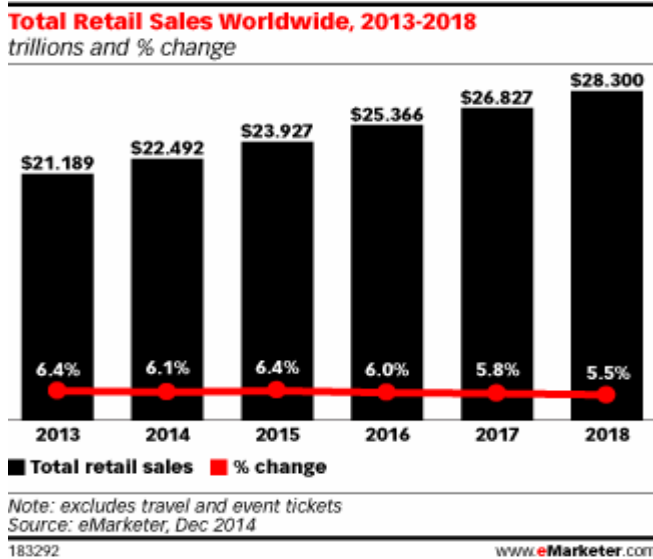


Figure 3

Since its commercial availability, the internet has provided huge opportunities and benefits to the society and businesses

alike by simplifying its accessibility and processes. From e-commerce point of view, the world has now become a virtual village. Nations, regions and societies around the world are benefiting from globalization of the e-commerce. More than half of the world population is yet to benefit from the revolution of internet and its fruits like e-commerce, e-business, e-learning etc. The reasons for the inability of these societies to acquire connections and indulge in e-commerce are political, economic, educational and social. For example, if a government of particular country doesn't provide infrastructure and delays enacting laws, the people themselves can do nothing. Other hurdles in the way of making e-Commerce within a common man's reach submerged in the poverty. Many countries in Asia and Africa are still struggling for basic needs of livelihood like food, drinking water and healthcare. For these societies e-Commerce is still a distant dream. Due to their economic condition, these societies and their governments are bound to take a much longer time to make e-Commerce a common man's choice.

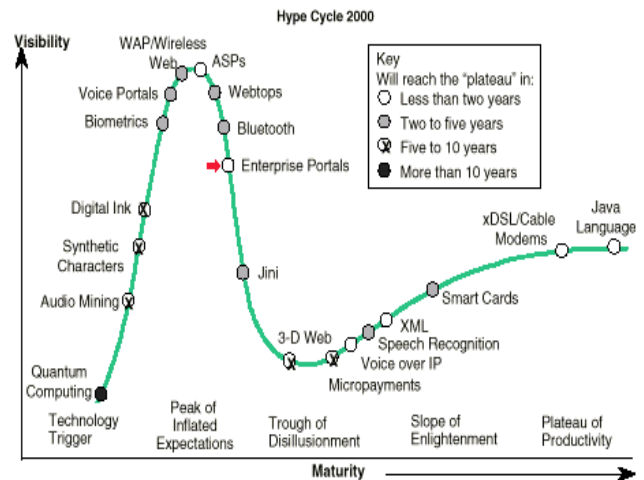


Figure 4: Technology Hype Cycle 2000

Gartner Hype Cycles [7] have been monitoring the pulse of technologies globally. In particular, Gartner Hype Cycles provide emerging technologies and their trends. Hype Cycles help enterprises evaluate the suitability of various e-commerce technology capabilities hyped in the market and understand their maturity and business value. Figures 4-9 [7], depict e-commerce in the midst of technological advancement. In the year 2000, e-commerce as seen in Fig 4, when still in infancy, e-commerce emerged as a one of the technology or service of the overall technological developments of the time. Since availability of internet and associated technologies are the main sources and media for the provision of E-Commerce, gradual emergence of these technologies is noticeable in the Hype Cycles. As we can see in Fig 5, it was, much later, in year 2010, when the first dedicated Hype Cycle emerged solely for e-commerce. Since then Garner have regularly provided E-Commerce Hype Cycles as can be seen in Fig 6-9. In other words the e-commerce has now become a well-establish and

into m-commerce. As seen in Fig 10, taken from [8], m-commerce.

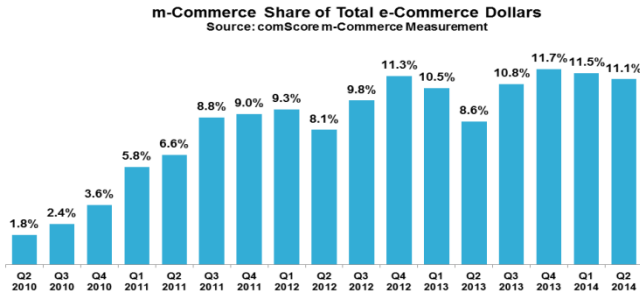


Figure 10: Percentage of m-commerce in e-commerce

commerce is becoming more and more popular. As the mobile technology becomes more refined, m-commerce is expected to swallow a much larger share of the e-commerce and traditional way of commerce.

3.0 SAUDI ARABIA: ECONOMICAL AND SOCIAL BACKGROUND

Saudi Arabia is a major producer and exporter fossil fuel and is a member of G20. In terms of industry, especially small and medium scale industries, it is regarded as a developing country.

Questions	Average	Questions	Average
Question 1	5	Question 8	4
Question 2	4	Question 9	4
Question 3	4	Question 10	4
Question 4	4	Question 11	4.3
Question 5	4	Question 12	4.1
Question 6	4	Question 13	4.7
Question 7	4		

For a detailed discussion of Saudi industrial activity, please see [9] and [10]. Per capita GDP of Saudi Arabia is shown in Fig 11, taken from [11].



Figure11: Per capita GDP of Saudi Arabia

According to [13], “Saudi Arabia is the largest economy in the entire Arab world. It has the largest IT market in the region and has a very high youth It has biggest retail market in the Middle East. Saudi Arabian population’s usage of internet is growing

exponentially as can be seen in Fig 12. According to [14], Saudi Arabia has registered the MENA’s (Middle East and North Africa) highest e-commerce growth rate in Q1 2014, according to the latest analysis by Visa. The kingdom saw an estimated 43 percent overall e-commerce growth, comparing 2013 and 2014 data, the retail electronic payments network’s study revealed. The Q1 2014 growth was driven by increases in both domestic and cross-border e-commerce, which saw a 67 percent and 36 percent growth over the same period last year, respectively. Emerging as the leading categories for spending were general department store and airline transactions, followed by travel agencies, financial services and fashion retail.” The kingdom has been one of the leading markets in the GCC to have embraced electronic payments alongside rapid internet and broadband penetration, which has resulted in greater adoption of financial cards for e-commerce transactions [14].

There are social and religious factors which play significant part in the business and commerce activity of Saudi Arabia. Makkah in Saudi Arabia houses sacred Kaaba, which is visited by an estimated 15 million people in a year, which generates a significant amount of revenue [15]. The well-known activity of hajj takes place every year in Saudi Arabia, which is regarded as the seat of Islam in the same manner as Vatican.

4.0 OUR SURVEY

In order to gauge the e-commerce activity and participation of SMEs in Saudi Arabia, we have conducted a survey on the West coast of Saudi Arabia, mainly in the port city of Jeddah, which regarded to be a centre of Saudi Trade and commerce. The aim of our survey was to find out involvement of SMEs in e-commerce acquisition and provision. The following are the questions, which were provided response by 97 participating sanitary ware SMEs.

1. My company doesn’t have an Accounting & Sales system and that makes hard to manage the business
2. I have an Accounting & Sales system and it is suitable for my company needs
3. An Accounting & Sales system is required for smooth functioning of my company
4. My Accounting & Sales comes with functions that exceed my company needs.
5. Working with my Accounting & Sales system requires little or no training to use it
6. There are privacy issues with my Accounting & Sales in relation to customer data
7. There are privacy issues with my Accounting & Sales in relation to enterprise data
8. There are data security issues associated with my Accounting & Sales system
9. My Accounting & Sales system is missing some important functionalities
10. My enterprise lacks qualified staff to use an Accounting & Sales system
11. My enterprise has adequate IT facilities to deal with the requirements of my Accounting & Sales system

- 12. Frequency of technical support required by my Accounting & Sales exceeds my expectations
- 13. I am satisfied with the performance of my system

Survey used a scale of five choices: 1 for highly disagree, 2 for disagree, 3 for neutral, 4 for agree and 5 for highly agree. After carefully analyzing the survey responses of ninety seven companies, the averages of their responses are provided in the following Table 3.

Analysis of the surveys

From the results of the survey it is evident that a vast majority of sanitary ware industries in Jeddah and the surrounding areas do not use management and accounting systems. Many of the managers of these companies have admitted to the fact that if they were using MIS systems, they would be indulging in e-commerce. If this is taken as a guide, we can say that small hardware industry is far from being close to embracing and providing e-commerce platforms. The Saudi Arabian government has been providing all what is required for businesses to enter into the e-commerce [16]. Therefore, there are no excuses for not using or implementing IT systems and tools which would enable e-commerce activity in these SMEs.

Table 3: Survey Results

Questions	Average	Questions	Average
Question 1	5	Question 8	4
Question 2	4	Question 9	4
Question 3	4	Question 10	4
Question 4	4	Question 11	4.3
Question 5	4	Question 12	4.1
Question 6	4	Question 13	4.7
Question 7	4		

5.0 CONCLUSION

From the discussion and survey results, it is evident that Saudi Arabia has a significant amount of e-commerce activity, and is a leader in the region, GCC, the Middle East and the Arab world. The most of e-commerce activity appears to be in big companies in the sector of communication, civil aviation and large industries. However, there is negligible amount of participation by SMEs in the e-commerce. There is ample evidence that the government of Saudi Arabia has been proactive in making internet available to most of its people even in the remote regions. It is high time for the SMEs to realise the power and benefits of e-commerce and hence pave the way to participate in this model of business.

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