

# A NEW HORIZON BECKONS FOR SAUDI ARABIA IN THE TECHNOLOGICAL AGE OF E-COMMERCE & ON-LINE SHOPPING

Khalid Al-Diri, Dave Hobbs  
*Informatics school, Bradford University, Bradford, UK*

Rami Qahwaji  
*Informatics school, Bradford University, Bradford, UK*

Keywords: E-Commerce, E-Vendor, Internet, Online Shopping, Saudi Arabia.

Abstract: Electronic commerce is a worldwide phenomenon. Its diffusion has apparently taken different paths in different nations. This is partially because of the significant differing characteristics of national infrastructural and the political and socio-economic environments for e-commerce adoption. The growing use of the Internet in Saudi Arabia provides a developing prospect for e-shopping. Despite the high potential of online shopping in Saudi Arabia, there is still a lack of understanding concerning the subject matter and its potential impact on consumer. This paper is part of larger study, and aims to establish a preliminary assessment, evaluation and understanding of the characteristics of online shopping in Saudi Arabia, based on a sample of 144 Internet users, it explores their information-seeking patterns as well as their motivations and concerns for online shopping. Consumers in Saudi Arabia still lack of trust in the vendors' websites when utilizing the Internet as a shopping channel. They are mainly concerned about issues related to security and privacy when dealing with online vendors, and also about issues regarding the Saudi Internet network, English language as a dominant Internet language. While the most motivators for Saudis to utilize the online shopping were convenience, product/service not available offline, and the price respectively. We present and discuss our findings, and identify changes that will be required for broader acceptance and diffusion of online shopping in Saudi Arabia.

## 1 INTRODUCTION

The arrival of the Internet has affected today's world in the same way that the industrial revolution affected the societies of previous centuries. The role of new information and communication technologies (ICT) and e-commerce in driving the global economy is widely recognized. ICT and the Internet reach many people, have a wide geographical coverage and are efficient in terms of time and cost. They facilitate access to markets, commercial information, new processing technologies and knowledge; they helped foster an environment that promotes the globalization of markets throughout the world.

Most of the research relating to e-commerce has been carried out in the West, mainly in the US.

Despite its growing importance, academic research in this area is particularly lacking in Saudi Arabia.

Considering that online shopping in the context of Saudi Arabia is still at the early stage of development, little is known about consumer attitudes toward adopting this new shopping channel and factors that influence their attitudes towards it. Therefore, this study, part of a larger investigation of Saudi Internet users, aimed to examine the current users of online shopping in Saudi Arabia with the intention of establishing a preliminary assessment, evaluation and understanding of the characteristics of online shoppers in Saudi Arabia. Towards this end, the study was carried out to try to establish the extent of the use of Internet technology by Saudi people, the motivating factors for using online shopping, the barriers that prevent Saudi users from using Internet technology for their shopping, the

most trusted online shopping sites (Arabic or foreign).

## **2 LITERATURE REVIEW**

### **2.1 Profiles of Online Shoppers**

Demographics and lifestyle characteristics play an important role in customer buying habits and in on-line shopping behaviour. Many Internet studies (Swinyard and Smith, 2003, Bellman, Lohse, and Johnson, 1999) show that the on-line population is relatively younger, more educated, and wealthier than the general population, more computer literate and more likely to spend time on the computer, and more likely to find online shopping to be easy and entertaining. This profile is not very different from Internet shoppers in Asian regions (Technowledge Asia, 2000). Finally, one must reckon with the influence of cultural variables, as exemplified by the tremendous differences between the on-line shopping behaviour of customers in developed and developing countries.

### **2.2 Motivation Factors for E-Shopping**

#### **2.2.1 Price**

The first dominant factor that influences consumers to shop online is the competitive prices and deals offered by online vendors (Lorek, 2003; Magee, 2003; Maloy, 2003; Retail Merchandiser, 2003; Starkov & Price, 2003, Rowley and Okelberry, 2000). Online retailers are able to offer cheaper prices because of the shrinking cost of information processing, lower operating costs and global reach provided by the Internet (Rowley, 2000). Other reasons for competitive prices online are competitive pressure, especially from new online retailers who can use price as a main competitive tactic to attract customers (Hanson, 1999), and the facility afforded by the Internet for efficient price searching and comparison (Haubl and Trifts, 2000).

#### **2.2.2 Convenience**

Consumers can save time and find shopping more convenient by using online merchants to service their needs personally. The issue of convenience and speed seem to be the most obvious reasons why shoppers prefer online shopping in contrast to 'offline' traditional bricks-and-mortar shopping (Starkov & Price, 2003), (Rohm & Swaminathan,

2004). Consumers have been described as time savers; thus they prefer the immediacy of online shopping (Parsons, 2002). The 24-hour, 7 days per week availability, location and purchasing processes through the Internet are much superior to other traditional shopping methods (Alreck and Settle, 2002, Bhatnagar et al., 2000). There are many types of convenience such as time saving, time flexibility, physical effort saving etc. Many studies cite convenience, as the key reason for the increase in online shopping (Lorek, 2003; Magee, 2003; Maloy, 2003; Retail Merchandiser, 2003; Rowley and Okelberry, 2000).

#### **2.2.3 Ease of Gathering Product Information**

Gathering product-service information easily is one of the factors that motivates consumers to shop online. In online shopping, searching for product information is much more effective and efficient as compared to traditional channels. This is achieved by employing browser and intelligent search agents that make the searching process on the Internet much simpler for consumers (Lorek, 2003; Magee, 2003; Maloy, 2003; Retail Merchandiser, 2003; Rowley and Okelberry, 2000, Rowley, 2000).

#### **2.2.4 The Wider Availability of Product Choices**

Another factor that motivates online consumers to use online shopping over the Internet is the good selection and wider availability of product and service choices offered by online vendors (Rohm & Swaminathan, 2004). Online vendors are able to provide wide ranging collections of products as there is no storage limitation compared to traditional shopping. There are many examples, like e-Bay, Yahoo.com, and Amazon.com, who are able to offer their customers millions of products and services on their websites. Furthermore, the number of shopping sites that consumers are able to visit online far exceeds that of physical stores, thus, providing them with a wider selection and choices.

### **2.3 Obstacles for E-Shopping**

#### **2.3.1 Trust**

In spite of the many motivators for Internet shopping, many consumers are still wary of shopping online. Trust in online shopping still represents a significant barrier for Internet users impeding the growth the e-commerce environment

(Wang, et al. 2006).

Trust is even more important in e-commerce than in traditional commerce because of the paucity of rules and customs regulating e-commerce, since online services and products typically are not immediately verifiable (Gefen and Straub 2004). Furthermore, online transactions lack the assurance provided in traditional settings through formal proceedings and receipts (Gefen 2000). In the traditional bricks-and-mortar world, consumers may examine a merchant's credentials and reputation in assessing the degree to which they could trust the vendor. In Asia, as mentioned in Wee and Ramachandra's (2000) study, the reasons cited for not buying online were similar – lack of security, lack of physical contact, uncertainty about product quality and distrust of retailer. It is therefore obvious that establishing consumer trust or feeling of security is an integral part for successful online marketing. On the other hand, privacy has been of great concern for Internet shoppers (Grabner-Kraeuter, 2002, Yianakos, 2002). Another type of risk in online shopping according to Bhatnagar *et al.* (2000) is that consumers may not be buying due to the risks associated with Internet shopping, such as the inability to touch or feel something before buying it, including the problems when returning products that fail to meet expectations.

### 2.3.2 English language

It was recently estimated that more than 60% of the content of the Internet is in languages other than English. It was also suggested that at least 30% of web users prefer to conduct their on-line activities in non-English languages, and that only one-third of Internet businesses use English for on-line communication ([www.saudinic.net.sa](http://www.saudinic.net.sa)). One of the obstacles facing the growth of this penetration is the English language barrier ([www.saudinic.net.sa](http://www.saudinic.net.sa)) since few web users will possess the linguistic skills to cope with information in all these languages. Linguistic incompatibility between the information seeker and the information provider can adversely affect interface mastery, selection of search terms and browsing through hypertext links, as well as reading any actual information retrieved. The English-speaking world does dominate the Web, but non-English speakers are joining the Web faster than English speakers; the usage growth from 2000-2007 is 240.7% and they have grown to represent a 35.6 % of the world usage in 2007 ([internetworldstats.com](http://internetworldstats.com)).

In this situation, language itself may become a barrier to full exploitation of web resources. Surveys

carried out in non-English countries, for instance in China (CNNIC, 2001), support the criticism that the Internet is too English. This begs the question whether the English language has been the obstacle to Saudi Arabia's Internet use in this English-dominated country. In order to explore this and the previously raised issues in respect of Saudi Arabia a dedicated and targeted large-scale study was carried out.

## 3 METHODOLOGY

### 3.1 Research Design

A descriptive design was used in this study, chosen because it would help describe the current status, and the nature and the scope of Internet use in shopping. A survey was used to collect the data for this study, and provided a basis for the subsequent generalisation of the results to the whole population.

### 3.2 Population and Sample

A total of 144 responses were used for the final analysis. Of these, 72 were from males and 72 were from females.

Sampling was used to collect data from the current Internet users in Riyadh, the capital of Saudi Arabia, which has the highest concentration of Internet users. The research focused on IT training institutes, chosen because of the good mix of major groups and levels of education and income distribution which could affect the attitude towards Internet usage and online purchasing. The sampling frame targeted an equal distribution of the sexes.

## 4 RESULTS AND DISCUSSION

### 4.1 Participants Profile

The SPSS statistical analysis computer package was used to analyse participants' responses. A variety of statistical methods were used to analyse the data collected in this study. Subject ages ranged from 18 to above 50 years, the majority of people being between 18 and 25 (43.1%) followed closely by those between 26 and 35 years (39.6%). Only 2.8% were below 18, and no one was over 50 years. In terms of the respondent's level of education, 43.1% of respondents held a bachelor's degree, 29.9% held a two year college diploma or less, and 14.6%

held a master's degree while 11.8% held high school degrees, and one participant (0.7%) held a doctoral degree.

## 4.2 Internet Usage

The first research question was designed to provide information on the current status of Internet use among the Saudi people in Riyadh. All 144 respondents indicated that they had access to the Internet technology, 80.6% used the Internet frequently, against 19.4% who used it occasionally. In terms of time, 41.7% spent 1-5 hrs per week on the Internet, 27.8% spend 6-10 hrs, 14.6% spent between 11-20 hrs and 16.8% spent more than 20 hrs. Overall, the 144 study participants had easy access to Internet enabling technology (i.e. . PC and telecommunication connection to an ISP). All participants were asked to rank several objectives of using the Internet in terms of their importance to them using the Likert scale from 1 to 5 (1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly Agree). The results showed that electronic mail (e-mail), searching for information, online banking, and online shopping were the most frequently used Internet tasks carried out by the participants, with a slight difference between male and female in the rank of their usage. The three most popular Internet based activities were: e-mail (mean 4.49 out of 5), searching for information (4.44), online banking (3.56), while online shopping was ranked fourth (2.95). When analysing the differences in responses to the objectives of using the Internet among participants' gender, age, and educational levels, Friedman two-way ANOVA indicated that the differences were significant at the .05 level of significance between gender, age, educational levels and the main objectives of using the Internet. It was clear that the majority of participants, regardless of their gender or age or educational levels, tended to make very high usage of the Internet for activities such as e-mail, and information gathering. Using the Internet for more advanced applications such as online banking was increasing among participants and tends to be high usage, while for the online shopping the results indicated only a moderate usage. In general, the respondents' usage for online games, chatting and forums was low.

## 4.3 Motivation Factors for E-Shopping

All participants were asked to rank several reasons for using online shopping in terms of their

importance to them with 1 being most important and 5 being least important. Collectively, the main reason given for using online shopping was 'convenience'. 'Unavailability of product or service offline' was the second main reason given, while 'better prices' was the third. 'Curiosity' was the least important reason for conducting online shopping from the perspective of participants. These findings are consistent with those of previous studies (Grunert and Ramus, 2005; Keh and Shieh, 2001), where convenience was also the most cited reason for Internet shopping. But in contrast with other studies (Starkov & Price, 2003, Lorek, 2003; Magee, 2003) the current study found unavailability of products or services offline to be the second most important reason, possibly explainable by the fact that Saudi Arabia is a developing country with limited markets. In consequence, some of the internationally famous brands may not exist yet in the conventional shops, resulting in consumers turning to online shopping to widen their choice. With respect to 'price', which came in third place, this result may be due to Saudi Arabia having a strong economy with a relatively higher GDP than that of other Middle East countries so that its shoppers can afford better quality products. When analysing the differences in responses for online shopping among participants' gender, age, educational levels, and time spent on the Internet, Friedman two-way ANOVA indicated that the differences were significant at the .05 level of significance.. This finding is consistent with other studies (Swinyard and Smith, 2003) where online shoppers were also younger, wealthier, better educated, more computer literate, more likely to spend time on the computer and more likely to find online shopping to be easy.

## 4.4 E-Shopping Obstacles

A mean scores analysis was utilised to ascertain consumer attitudes toward factors impeding or hindering online purchasing. The degree of barrier effect was again measured on a five-point Likert scale from 1 to 5 (Strongly Disagree - Strongly Agree). Overall, the respondents indicated they had various concerns regarding the trustworthiness of vendors' websites, including issues related to security, privacy, complexity of the websites, complexity of instructions and applications forms, and information overload. This finding is consistent with much research (e.g. Wang, et al.2006, (Krauter, et al.2006) that emphasises the great importance of trust. A high mean score with regard to not feeling

secure and in respect of privacy concerns when buying online are in line with the findings of other studies (e.g. Magee, 2003; Grabner-Kraeuter, 2002; Yianakos, 2002; Morganosky and Cude, 2000) who found that many of their respondents also had concerns about the security and privacy of online buying transactions. The findings also reveal respondents' concerns about the cost and reliability of the Saudi Internet network and communication problems, since dial-up access is still one of the major ways for citizens to access the Internet in Saudi Arabia. Many of them cannot receive interactive online shopping advertisements due to limitations on bandwidth and the slow speed of connection. Many other studies confirm that the quality of Internet service providers (ISPs) has a significant effect on Internet shopping experience (Chen, Chang, 2003). English language problems also showed a high level of importance (mean = 3.71) which is understandable given that English was not the subjects' native language. Thus the use of the English language may represent an obstacle for the Internet and its applications in Saudi Arabia.

#### 4.5 The Most Trusted Shopping Sites

The data showed that 52.8% of male respondents trusted the foreign website used in the study, while 47.2% of them trusted the Arabic website. In contrast, 55.6% female respondents trusted the foreign website, while 44.4% of them trusted the Arabic website. Since e-commerce has been initially created in developed countries, specifically in the US, these countries have had more time to establish the protocols and procedures, both legal and financial, which control this kind of application. Most of the online shopping companies are in these countries, and therefore it is not surprising that they are more trusted than Arabic shopping sites that are still in their early stages in developing countries.

## 5 CONCLUSIONS

Despite the growth of e-commerce and its applications such as online shopping in Saudi Arabia, there is still a lack of understanding concerning the characteristics of online shoppers in this country and its potential impact on consumer marketing. This may be attributable to the fact that online shopping in Saudi Arabia is still in its infancy and the volume of Internet buying is still too low to assure that profitable growth will occur in the long run. In this study, empirical research on online

shopping was analysed, and many important variables were investigated. In order to support the development of online shopping and attract customers to buy online, there was a need to understand the dynamics of the adoption of online shopping in order to benefit its promotion and help in the transition to a society more heavily involved in electronic commerce. In profiling the characteristics of online shopping users in Saudi Arabia, the study revealed that online shoppers are younger, wealthier, better educated, have higher computer literacy, and spend more time on their computer, and on the Internet. Information from this kind of study can be usefully employed by online vendors to develop different marketing programs targeting this segment of society and devise marketing strategies accordingly. One objective of the study was to establish online shopping users' preferences in choosing online shopping. The findings suggested that consumers are influenced by convenience when they shop online, searching for products and services that are not available offline, looking for cheaper prices, and more expecting greater privacy, especially in the case of female consumers, making these the dominant factors that motivate online consumers in Saudi Arabia to shop online. Based on the survey data, these motivating factors for online shopping appear similar to those for globally surveyed online shoppers. The next objective of the study was to identify and examine the major areas of concern and issues currently faced by users of online shopping, since barriers are different in different countries. In line with much research into the factors that impede consumers from online purchasing, the results particularly found that lack of trust of vendors' website, issues relating to the cost and quality of service of the Saudi Internet network, and problems concerning the use of English language, to be in respectively the dominant factors which discourage consumers from online purchasing. The findings of the study imply that the lack of trust in vendors' websites was the biggest barrier to online shopping, which includes: security concerns associated with online purchasing, privacy concerns, complexity of the web sites, the complexity of instructions and applications forms and general information overload problems. An interesting and important finding was that the majority of respondents trusted the foreign website more than the Arabic website. Finally most of the respondents expressed positive views about the future of e-commerce and its applications in Saudi Arabia.

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