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Customer Perceptions of e-Commerce in the United Arab Emirate

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Abstract

Over the last few years, the number of online retailers has steadily climbed in the region, with the United Arab Emirates (UAE) making up the biggest share of the region's e-commerce market, but still selling online in the UAE has the lowest percentage of on-line purchase world-wide. This paper investigates the perception of the UAE consumers on e-commerce purchasing process, and how it differs among individuals due to several positive and negative aspects of e-commerce. It is found that the demand for online marketing activities is increasing significantly, but some individuals are concerned about the safety during the online payment process.

Keywords: e-Commerce buying perception, e-Commerce in UAE, e-biz in UAE, e-retail in UAE, On-line Shopping Security.

Introduction

Business environment in the UAE is highly competitive, with increasing on-line internet transaction or e-commerce by the national and multinational companies (MNCs) of their products and services. Electronic Commerce is the exchange of business information and transaction using electronic methods. These include internal and external computer-connected networks such as the internet, the sending of purchase orders to suppliers via electronic data interchange (EDI), the use of telephone and fax to conduct transactions, the use of ATMs, wireless, networks and smart cards to facilitate payment and obtain digital cash. E-commerce includes all means by which activities and transactions are conducted in 'a space environment' as compared with physical 'place' environment (Burca, Fletcher and Brown; 2004).

Adoption and implementation of e-commerce business operation activities can benefit both the organizations and customers. Organizations can reduce business operation costs through the

adoption and implementation of this strategy. In addition to this, the organizations can bring efficiency in the overall business operation process as it helps to reduce the overall business operation lead time. On the other hand, customers can save their valuable consumption time and cost through online purchasing and payment process that are offered by the e-commerce organizations. On the other hand, some people try to avoid online purchasing and payment process due to some issues. However, it is true that several organizations are trying to overcome these issues in order to maintain their brand image and constant business growth rate. The perception about e-commerce buying is from individual to their individual experiences and perceptions. Recently, several organizations are shifting from the bricks-and-mortar physical stores to online e-commerce stores in order to meet current marketing preferences.

GCC e-Commerce industry is estimated to grow 35 per cent year-on-year to USD 15 billion in 2015 according to Visa International, making it the world's fastest-growing market for e-Commerce (Gulf News, March 15, 2014). The regional e-Commerce market is currently valued at USD 8 billion. According to Internet World Stats, there are over 90 million Internet users across the MENA region. Over the last few years, the number of online retailers has steadily climbed in the region, with the UAE making up the biggest share of the region's e-Commerce market, followed by Saudi Arabia.

E-Commerce in UAE is expected to reach \$ 10 billion (36.7 billion) by 2018, according to Sarvant Singh at Frost & Sullivan (Singh, 2014). Although selling online in the UAE has the lowest percentage of online purchase world-wide, e-Commerce will be growing as a main megatrend for businesses across the UAE". Currently the total value of e-commerce in the UAE is estimated at \$2.5 billion (Dh 9.2 billion), but this is expected to accelerate and create new businesses and job opportunities. There are many advantages and conveniences of e-commerce or on-line transactions, as the economics of time and costs and a wide variety of choices . In this , the UAE, as a prosperous economic region and Business place with global outreach is falling in line with the global biz-trends. What is the customer perception of e-commerce and its economics as a marketing tool? The customers with a average per capita income of \$ 48K + are among the globally high income people and enjoy the benefit of a wide range of goods and services, many

of which reputed global brands . The United Arab Emirates , a comparatively young Arab Nation founded in 1971 is made up of seven principalities, which has made it to the ranks of well-developed high income countries in about a generation time, which makes a interesting development case study.

Objectives

The objective of this research is

- i. to determine the e-commerce buying perception of the people in in the United Arab Emirates,
- ii. to probe the economics of e-commerce in terms of time, costs, convenience etc.,
- iii. to enquire into the costs and returns of e-commerce,
- iv. to make suggestions in e-biz for the customer service.

E-Biz in UAE & E-Biz Studies

The Globalization, deregulation and information technology are blurring boundaries in an increasing range of industries. There are numerous benefits of e-commerce Hamel & Prahalad (1994, pp. 39-40). It is considered as that aspect of e-business which is related to sales. It provides option to the consumers to select among a wide range of products especially in situations when the product or service is not available in local markets. It also helps consumers to save time and money. The use of online shopping has developed a lot at the national level as compared to cross-border sales. Due to this fragmentation, consumers may fail to take the advantages of e-commerce such as cheaper prices and a wide range of choices for products. The retail sector in the U.A.E. needs a better understanding of these situations such as the experience of consumers with respect to online shopping and the related internet selling and marketing strategies. The main question that is to be answered in this regard by UAE is whether e-commerce is delivering to its full potential in respect of welfare of consumer such as choice, price, adequate protection and quality. If not, then the U.A.E. has to look into the matter and find out the size of missing potential, the main barriers in

this regard and the remedies. The missing potential could be the choices that are available online to consumers regarding their products and the cheap prices.

Research by (Quelch and Klien;1996); (Ahmed, 2013a); (Poon & Swatman; 1997) concludes that the internet will revolutionize the dynamics of international commerce and, in particular, lead to the more rapid internationalization of small to medium –sized enterprises (SMEs). (Hamill,1997) concludes that the internet can prove SMEs with a low-cost gateway to global markets by helping to overcome many of the barriers to internationalization commonly experienced by small companies. The research by (Poulsen, 2001) indicates that majority of the users of the services browse for information but do not necessarily complete their transactions in the same electronic service channel, as there have been significant concerns about the security of financial transaction.

The introduction of e-retail in the U.A.E. emerge in the year 2009. It has been found that U.A.E. is one of the five countries in the world in respect of the purchasing power of consumers of luxury accessories and clothes. The U.A.E. has a population which is estimated at 8.2 million. 13.3% of the population are Emiratis, 23% non-Emiratis and the rest are from India. There are numerous companies such as Tejari.com, Souq.com, BurjMall.com, and Brownbag.ae, which have designed strategies so as to fit the needs of online consumers in the online market at U.A.E. The purchase of products online by the consumers of U.A.E. rose to 42% in the year 2010 against 29% in the year 2009. According to (Siddiqui,2008, p-.53), ten factors that are interrelated which contribute to online shopping behaviours and attitudes in the U.A.E (Siddiqui, 2008, p.53). The factors are identified as external environment, personal characteristics, demographics, product characteristics, quality of website, attitudes adopted towards shopping online, intention for online shopping, decision making, online purchasing, and customer satisfaction. External environment refers to the factors that are contextual and have a significant effect on the online shopping behaviour and attitudes of consumers. It is a three dimensional system. The legal framework is the first which protects the online buyers from any loss that may result on account of an online transaction. The second is the recognition of third party which basically deals with the

trustworthiness of vendors that operate online. The third factor refers to the number of organizations that are competing with each other. The factor demographics reveal that the online shopping market in U.A.E. is led by the age group of 25-44. Young women in the U.A.E. are resorting to the internet to purchase goods. Personal characteristics factor comprises internet knowledge of consumers, their need specifications, cultural climate, trust disposition, involvement with the product, and the extent of sharing information and values with others. Product characteristics provide information regarding the characteristics of online stores, the products that are sold by them and the support services provided to support the transactions. Website quality refers to the content of information on the company's website, its presentation, searching mechanism, navigation, security, technical features of the site, and media richness. Online shopping attitudes reflect the attitudes of consumers which affect their intention to shop online and decide whether there is a transaction ultimately. The intent to shop online refers to the willingness of consumers to make purchases online (Ayass, 2008, p.48). It also refers to the fact whether the consumer is making repeated purchases over the net and so it is also a representation of customer loyalty. The decision to shop online refers to the seeking of information, comparison of alternatives, and making choices by the consumers. Purchasing online refers to the actions of placing orders by the consumers and also paying for it. Customer satisfaction refers to the extent to which perceptions of consumers are confirmed by a favourable experience of online shopping. When the expectations of consumers are met, a high degree of satisfaction is achieved by consumers and this influences their attitudes, decisions, intentions, and the decision to shop online.

Numerous people in the U.A.E. are using their mobile phones more than their personal computers to shop online. 29% of the people who use internet in the U.A.E. have purchased products using their smart phones compared to 26% people who have resorted to personal computers to do so. Moreover to provide more security to consumers while transacting online, UAE based Emirates NBD bank has entered into a partnership with Visa to use the system of Verified by Visa which will provide additional protection to online consumers of the UAE. This partnership has lead to the launch of Double Secure service. Online bookings such as booking airline tickets over the net have proved to be very popular in the UAE. The e-banking concept has gained significant recognition in the UAE and this has resulted in increasing the trust of people

while handling their money online. This has also opened up growth opportunities in the region. The most popular product that is bought online in the Emirates is clothing. According to (Smith, 2004), (Ahmed, 2013b), UAE has seen a constant growth in sales after the introduction of e-commerce. As the consumers find a wide range of products to choose from and they also save time and money, it is very beneficial for them to buy products online. There are many companies in the UAE which have designed their strategies to suit the needs of online consumers. Every organization has to focus on e-commerce to achieve more business (Darby, 1998). It became a standardised tool for every organization to implement business. The monitoring of the e-commerce system requires an organization to measure current values against the values that are expected i.e. planned values. To achieve efficiency in this regard, the subsystems of the e-commerce system must be efficient as well. There are three measurement systems within the system of e-commerce such as performance measurement, success measurement, and the testing of usability (Paua, 2003, p.28). Performance measurement refers to the technical parameters which are to be measured such as loading time of the web page, the time taken to process user commands, and the speed of reporting, etc. Success measurement should provide a link between the e-commerce system and the company objectives. Testing of usability is done in a laboratory. The companies in UAE that are focusing on e-commerce as a means to increase profitability must also understand that there are negative aspects of e-commerce. There is a lack in security while transacting online as well as the inability of consumers to test the product before buying it can be considered as drawbacks of the e-commerce system. According to (Blythe, 2011) the organizations that are considering e-commerce as a basis for increasing their profitability must take note of the drawbacks of the e-commerce system and design their strategies accordingly. The consumers should feel free while purchasing products online. If this is achieved, the organizations will be in a much better position to take advantage of e-commerce.

According to the Sharaf, UAE's e-commerce transaction need to be regulated, There is a need to bring in specific laws to govern e-commerce transactions taking place in the UAE, especially given the volumes being shipped into this country from online vendors abroad. The UAE is on the fast track in taking to e-commerce within the region. While the ranks of locally-

based online vendors continue to grow, a significant portion of the transactions are still being done with overseas sites.

“Quite often, merchandise bought by a shopper here from an e-commerce portal outside of the country do not even get charged the customs duty here [only deliveries of a certain value and above made to do so] — it only invites a documentation charge and that’s marginal,” Mohammad Sharaf, Group CEO at DP World and chairman of Tejuri.com, the “virtual mall” which is marking its first year of operations this month, said.. (Sharaf, 2014). These e-biz studies notwithstanding, there is still scope for studies on the problem, pertaining to various aspects and its dynamics and spread over different products and services. Also, e- biz vis-à-vis across the different segments of the UAE population as the Emirates and the Non-Emirates, and different income groups . The gender angle is also an important one to probe, first hand.

In the present research undertaking, Customer/consumer understandings of e-biz are probed with the help of survey etc.

Research Methodology, Survey & Data

It is highly important for an organization or a researcher to adopt an appropriate research method in a research work in order to get a positive research outcome. Research methodology can be categorized into two parts, such as qualitative research methodology and quantitative research methodology, has its own advantages and disadvantages that need to be considered by the researchers during the application of these methodologies in the research work. Generally qualitative research methodology used to deal with inner feelings, emotions, attitudes, gestures, thoughts and behaviours of people towards the research topic. On the other hand, quantitative research objective is used to deal with the analysis and evaluation of sourced and gathered data and information. It can be considered by several organizations to adopt and implement an effective and appropriate research methodology based on the nature of the study (Maylor and Blackmon, 2005, p.21). This particular research work is exploratory in nature in which the feelings, opinions, thoughts, behaviours and attitudes of people can be considered as the source of data and information. On the other hand, qualitative research deals with the feelings, emotion, views and thoughts of people. Therefore, it can be stated that the adoption and implementation of qualitative

research will be effective in this research due to the exploratory nature of the study. It is true that the qualitative research methodology is used to focus on describing the system or process of defining and measuring several important variables.

Qualitative research methodology can be categorized into three major orientations, namely, theory building approach, interpretative approach and language orientated approach. However, researchers generally implement language oriented approach in the research method in order to execute language and meaning of the words. Interpretative approach can be considered as a throughout description and interpretation of several important social phenomena that are centrally focused (Kolb, 2008, p.17). Lastly, theory building approach generally evaluates the connection between several important social phenomena. Qualitative research methodology is implemented in this study due to the interpretative nature of the exercise.

Data analysis is an important aspect in a research work. Data collection process can be categorized into two parts, such as primary data collection process and secondary data collection process. Primary data collection is the process of sourcing and collection of raw and live data from the field works. On the other hand, secondary data collection is collection of data from several existing databases. There are several advantages and disadvantages of these two data collection processes. Primary data collection process can be considered as most important data collection process that helps the researchers to source current and up-to-date data and information that can help the researchers to enhance effective and positive research outcome. In terms of disadvantages, primary data collection process is highly cost and time consuming that can increase the research cost and research time. It can affect overall research outcome. On the other hand, a research can source effective and large number of data and information in limited time and cost that can bring efficiency in overall research process. In terms of disadvantages, validity and appropriateness of the collected data through secondary data collection process cannot be determined. Looking into the advantages and disadvantages of both the data collection process, it can be stated that the adoption of both primary and secondary data collection process will be effective. Several academic text books and the views of several authors have been considered as the effective secondary data collection sources (Lyons and Coyle, 2007, p.11). After all these methodological points, the

researchers had taken recourse to primary data collection by means of open-ended questionnaire directly from a sample of customers (50).

In terms of primary data collection process, the researcher has incorporated an open ended interview process to source and gather effective data.

Data Analysis and Findings

In the present study, 37 respondents out of 50 are buying products online. They, thereby, save buying/marketing, and execution cost and time. Their daily busy work schedule forces them to buy products and services online for which they have necessary gadgets and connectivity. On the other hand, the rest of the 13 respondents were not comfortable with the online consumption process and purchasing activities due to several associated risks. For 36, 'Yes' respondents quite happy with the organization's e-commerce business process giving them many products and services in a quick period of time compared to the traditional shopping and consumption activities. On the other hand, for the 12 'No' ones, online payment process is a problem due to the often systems breakdown. The 2 respondents had negative perceptions on the e-commerce business activities. Each and every respondent has stated that the organizations should try to ensure effective quality control in the online marketing activities. 2 respondents have experienced inadequate service quality as the organizations failed to maintain efficiency in the online order processing and online payment procedure. Adequacy and efficiency are the major aspects that need to be integrated in the e-commerce business operation process in order to enhance effective business performance. All the 50 respondents have replied that the organizations should try to hire or appoint expert technological professionals who can fix the issues and problems and ensure effective online business operation process. Order processing, order delivery and online transaction are the major characteristics of an e-commerce business operation. Therefore, it is highly important for the organizations to ensure security of the personal information of the users or business clients during the online payment process to maintain its strong brand image in the competitive market place.

In terms of economic stability, all the 50 respondents have replied that e-commerce purchasing activity can help the people to maintain their economic stability. They have replied that organizations are adopting online business operation activities due to growing market demand. In addition to this, the organizations can reduce their overall business operation cost by the adoption and implementation of e-commerce business operation strategy. Therefore, it will help the organizations to offer products at competitive and economic price level. Apart from online hacking of personal details and security issues, each and every respondent has replied that the cost reduction process will help the e-commerce organizations to offer products at economic price to grab the market share of other existing organizations (Alrawi and Sabry, 2009).

It has been discussed earlier that some respondents are unhappy with the e-commerce services of some organizations. Those unhappy respondents have replied that the e-commerce organizations should consider the customer feedback regarding the online product delivery or payment services to improve efficiency in the business operation process. Last but not the least; each and every respondent has agreed the upcoming social trend of e-commerce purchasing activity can reduce the demand of traditional shopping and consumption activities. Each and every respondent has replied that the number of internet users in UAE is increasing at a rapid pace. Therefore, recent market demand and favourable external environment for e-commerce business can abolish the demand for traditional bricks-and-mortar business operation process. In addition to this, low consumption effort can increase the demand for online e-commerce purchasing activities.

In terms of findings it can be stated that several individuals among the respondents are highly concerned about the online transaction or online order delivery process. It is true that several organizations are trying to adopt and implement effective strategies in the business operation process in order to enhance effective business performance. But, it is clear from the responses from the respondents that the organizations need to improve the security aspect of the websites during the online payment process to secure the personal information and account details of the buyers.

Discussion

It is clear from above analysis and findings that the trend of e-commerce purchasing has increased significantly among the people of UAE, with the Emirates gaining a positive economic growth, which making UAE Government to motivate several MNCs to put shop in the global market place and also with the launch of the UAE government World's first store features over 100 applications and provides services to about 700 customers in a single location. At present, several leading organizations are trying to adopt and implement advanced technological processes in the business operation activities in order to enhance effective business performance and gain potential competitive advantages. Besides, the demand for online product or service consumption is significantly increasing among the people of the UAE as it helps to reduce their consumption time and costs. It is clear from the data analysis part but, 70 per cent of the respondents are used to purchase products or services through online. But, in terms of cyber hacking and security of personal details, each and every respondent is concerned. It is the responsibility of the organizations to use effective business operation resources in the business operation activities to ensure high quality control. Therefore, it is true that several organizations need to ensure effective business operation activities to protect the information of customers and business clients to maintain their high brand images in the global market place. In addition, it is highly important to use advanced and high quality technological resources and tools in the business process to ensure effective e-commerce business operation activities (Lowe, 2012). Despite the presence of several leading multinational organizations, the leading domestic firms are also trying to implement e-commerce business operation strategies in the business process in order to grab the market share of the leading multinational organizations. However, people are only concerned about the quality of service and security of personal details. Therefore, it is quite important for each and every organization to focus on issues and overcome them to gain effective customer following.

Conclusions

UAE is still a fast developing country, young, energetic, visionary and global. This effective constant economic growth rate is motivating several organizations to enter into the emerging UAE market, brisk business and global reach. Demand for online marketing activities is

significantly increasing among the people of the UAE. Therefore, several new entrants are also following the strategies of leading multinational organizations by introducing e-commerce business operation activities. Several individuals may have either negative or positive perception about e-commerce purchasing activities. People generally prefer e-commerce purchasing process in order to reduce the consumption time and cost. On the other hand, some individuals generally have negative perceptions on e-commerce purchasing activities due to several problematic reasons and issues. It is true that, in some cases several leading organizations also face issues regarding the theft of personal information and account details of the customers and several business clients. It is highly important for the organizations to take care of the needs and demand of people. The business environment in UAE is becoming highly competitive as several organizations are trying to implement competitive strategies in the business operation processes in order to gain potential competitive advantages. Therefore, effective sustainability and assurance of high quality security can help the organization to maintain effective brand image among the target customers.

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Appendix: Interview Questions

Name:

Age:

Income:

Nationality:

1. How frequently do you purchase products through online?
2. Are you satisfied with e-commerce consumption process?
3. How do you moderate quality in the consumption process?
4. Can you recommend some aspects to enhance effective e-commerce business operation activities?
5. What are the impacts of e-commerce purchasing activity on your economic stability?
6. Do the e-commerce organizations need to focus on customer feedback during the strategy development process?
7. Does the upcoming trend of e-commerce purchasing can abolish the demand for traditional bricks-and-mortars consumption process?