

# An Exploratory Study On Obstacles & Challenges Of Ecommerce Adoption In Gulf Arab States

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*Abstract: The last fifteen years witnessed a profound change and dramatic increase in the way business and trade takes place electronically. E-business continues to grow energetically in developed countries, but divergences are surfacing among developing countries.*

*In this short paper, based on an extensive review of literatures, we aim to give a brief introduction about the reality of E-Commerce in Gulf Arab States, examines the current situation the differential pattern of different states in take-up of the new technologies. Moreover, discuss the major factors that obstacle its growth and development. At the end, numbers of recommendations to the successful acceptance of e commerce websites in the gulf countries are mentioned after addressing the problems.*

**Keywords: E-business, E-Commerce, Gulf Arab States**

## I. INTRODUCTION

This paper aims at exploring the various issues that are involved in the e-Commerce adoption, in the Gulf countries that include Saudi Arabia, Qatar and Dubai. Some of the areas that will be are factors affecting e-Business adoption, barriers to the adoption of e-commerce and the future of e-commerce in the gulf countries. As such, the paper will begin by highlighting the aspect of e-business penetration in the gulf countries. Consequently, the paper will continue to address the e-business adoption in the gulf countries and factors that hinder its adoption. Lastly, the paper will continue to highlight different methods of addressing e-Commerce in the three gulf nations. E-commerce in the Middle East and Gulf countries continue to expand. Studies show that the number of individuals who use the internet is approximately 90 million (Al-Qirim, 2007). Besides, the number of businesses that have adopted this form of business is approximated to be 15% (Al-Qirim, 2007). Some of the gulf countries that have adopted the e-Business are Qatar, Saudi Arabia and Dubai among others. In relation to this, studies show that Saudi Arabia possesses the largest share of the market with an approximate of \$520

million, followed by Qatar at \$375 million and Kuwait at \$280 million (Al-Qirim, 2007). In relation to these statistics, this topic will help shed light on the areas that should be addressed for the E-commerce to achieve maximum penetration in the Middle East.

## II. E-BUSINESS PENETRATION IN THE GULF COUNTRIES

Studies show that most of the consumers who embrace online shopping in the gulf countries come from the age group that exceeds 35 years. Moreover, it is noted that 53% of these consumers have been noted to be involved in the online shopping occasionally (Al-maghrabi, 2010). This value is followed closely by consumers of the age group of 26-35 years with 52% of them admitting being involved in the occasional online shopping (Al-maghrabi, 2010). Besides, most of the e-business consumers in the gulf nations are males. It is approximated that 46% percent of males often conduct online shopping (Al-maghrabi, 2010). On the other side, the number of females who embrace online shopping is

lower than that of males and stands at 32% (Al-maghrabi, 2010). These low figures are attributed to factors such as unsuitable payment option, lack of confidence with the e-Business and credit card spending issues.

E-Commerce' penetration varies significantly across the gulf countries. Besides, the level of e-Business in these countries is still considered low. In the present time, Dubai tops the list in terms of e-Commerce penetration with 46%, while Saudi Arabia registers a value of 25% (Sabah, 2011). Qatar comes last with a value of 8% (Sabah, 2011). Thus, adequate measures need to be adopted to ensure that a high penetration of e-Business is realized in these countries.

### III. E-COMMERCE ADOPTION IN SAUDI ARABIA, QATAR AND DUBAI

In the last 25 years, the Gulf nations have made significant steps in liberalizing their economies (Sabah, 2011). Saudi Arabia is the largest area and most number of people among the six Gulf countries in the Middle East. Saudi Arabia is the largest country that exporting oil in the world which represents a significant growth in the economic wealth of Saudi Arabia. As a result, government Of Saudi Arabia is in strong fiscal position which lead to provide the opportunities and resources to support their continuous investment and development in information and communication technology (ICT) infrastructure as well as the other gulf countries Qatar and Dubai which follow Saudi Arabia in the same way(sabah,2011).

In addition, one of the mechanisms that have been employed to help these nations liberalize their economies is diversification of these countries' economies from the oil-dependent sector. These attempts are attributed to the realization of the leaders of this region that the internet era calls for countries to move towards e-Government and e-Commerce. Gulf countries are the fastest growing Internet markets in the Middle East and statistics show that more than 80% of industrial companies use computers and their applications (Sabah, 2011). Such an undertaking is believed to be essential in granting these countries a competitive advantage over other countries in the world of business. As such, these governments have been active in implementing policies that promote e-Commerce in their nations (Sabah, 2011). However, these nations continue to witness several hindrances in their adoption of the e-Business. In contrast to this, consumers' potential to adopt e-Commerce in the three countries is affected by consumer trust, perceived risk and knowledge.

### IV. FACTORS AFFECTING E-COMMERCE ADOPTION BY BUSINESSES IN THE THREE NATIONS

Being Arab nations, these three countries have similarities in language, history, and values as they. Contrastingly, these gulf nations differ from one another in terms of wealth and size. Furthermore, companies that operate in these countries have been noted to be affected by same factors in relation to the adoption of the e-Business (Solaymani, 2012). The some

principal factors that affect the ability of firms and businesses to adopt e-Business are organizational IT readiness, strategic orientation, and top management support.

#### A. ORGANIZATIONAL IT READINESS

Researchers have established that IT sophistication contribute significantly to the business' adoption of information systems (IS). IT readiness can be addressed in two aspects, which are the personnel IT knowledge and technical readiness. Personnel IT knowledge refers to the company's human resources, which acts as precursors to the innovations of the information systems (Kabasakal, 2006). On the other side, technical readiness refers to the infrastructure that is used in the accomplishment of a suitable IT base in the firm.

Many organizations in Saudi Arabia, Qatar and Dubai, have limited capacity in terms of the technical knowledge and skills, which are needed in the development process (Warf, 2008). As such, many firms have been noted to delay the adoption of innovation because they lack sufficient IT professionals and technological infrastructure, which are needed to implement and use technologies that are related to the internet.

In relation to organizational preparedness, Saudi Arabia's organizations seem to have a higher readiness to embrace the e-Business than Dubai and Qatar. In a study that was conducted in six nations concerning firms that use e-Commerce, Saudi Arabia, Dubai and Qatar registered 40.44%, 34.43% and 4.92% respectively in relation to organizational readiness to e-Business (Sabah, 2011).

#### B. STRATEGIC ORIENTATION

Successful exploitation or utilization of the information technology calls for a well-defined IT strategy that links a firm's strategy and technology that offers support to it. Besides, it calls for the management of widespread applications of ICT (Information and Communication Technology), which are integrated to facilitate an adaptive and flexible behavior to firms and workers (Hadi, 2012). Many companies in the gulf countries have been noted to lack proper strategic rationales, which can be used in assimilating e-Commerce for information and communication purposes.

#### C. TOP MANAGEMENT SUPPORT

Management support is supposed to be one of the most significant factors that affect the adoption of innovation. Supporting from top management is paramount to adopt successful innovations and integrate them with business activities and processes. However, the lack of proper top management support in gulf countries leads to poor e-commerce concept.

### V. FACTORS AFFECTING E-COMMERCE ADOPTION BY CONSUMERS IN THE THREE NATIONS

In the Gulf countries, the internet is considered a vital aspect in the societal development. On the contrary, most of

the consumers in this region lack access of internet in their homes. As such, these consumers are forced to move to internet cafes when they want to surf. This situation has led to many consumers spending limited times online. Studies indicate that the number of internet users in the gulf countries is approximately 30 million (Ali, 2011). This figure is attributed to the recent increase in ISPs (Internet Service Providers) at the national and local levels. Contrastingly, the adoption of e-Commerce in these countries still continues to face problems due to consumer-related issues. The three principle issues that have been associated with the sluggishness in the adoption of the e-Business on the part of consumers are knowledge, trust and perceived risk.

#### A. CONSUMER KNOWLEDGE

Customer's knowledge refers to the amount of information or level of awareness that consumers have in relation to the e-Commerce and internet. Consumers with varying knowledge levels in e-Commerce and internet have different levels of adoption and acceptance rates of the two aspects. Studies have demonstrated that the lack of adequate internet access to consumers in the three countries has contributed significantly to their failure to adopt the e-Business (Al-Weshah, 2012). As such, leaders of these nations should ensure that adequate IT facilities are offered so that citizens can be enlightened with IT issues.

##### a. CONSUMER TRUST

Consumers in this region are also concerned with the problem of unsuitable payment options such as lack of online retailers and unreliable deliveries. In relation to these issues, most of the consumers who embrace online shopping often use prepaid cards and credit cards as their preferred online payment methods (Rau, 2013). These methods are followed in close range by cash on delivery payment. On the contrary, the use of PayPal has not been welcomed by many consumers.

##### b. PERCEIVED RISK

Perceived risk is the uncertainty involved in the purchase environment where buyers consider the outcomes of buying and serious results that are associated with poor decisions. Customers often perceive credit card information and product performance as risky for online transactions. One of the principle problems that are hinder consumers from embracing the e-Business is the problem of cybercrime. Most users of the internet in the Middle East express worry over the threat of credit card frauds (Awamleh, 2006). Besides, this problem is compounded by the fact a third of the Middle East's population are afraid of the inability of returning goods after using credit cards in buying buy commodities. In the real sense, the problem with online shopping has been continuing in the gulf countries. Moreover, studies indicate that 46% of the internet users have no confidence in online shopping (Awamleh, 2006).

#### VI. HOW TO ADDRESS THE CHALLENGES FACING E-COMMERCE ADOPTION IN THE THREE GULF NATIONS

Addressing the problems facing consumers and businesses in adopting e-Business lies in the establishment of proper institutions and policies, which create a suitable environment for the thriving of the e-Business (Al-Fadhli, 2011). As such, the government and various stakeholders should join hands in the accomplishment of this noble course. Several measures can be adopted to help in facilitating the adoption of e-Commerce in the gulf countries.

Leaders of these governments should create policies that create favorable conditions for the thriving of e-Commerce. This undertaking should commence with the incorporation of laws that enhance the teaching of IT at the grass-root levels of the society. One of the mechanisms, which can be employed in achieving this goal, is introducing IT lessons at the lowest levels of education. This step is vital in ensuring that its citizens are made aware of IT issues at a tender age. As a result, they can grow with a positive mentality concerning IT, which is significant in making them embrace E-Commerce (Venkatesh, 2007). Besides, the government should also create laws that focus on the welfare of e-Business consumers. Some of the methods that government of these countries can adopt to create consumer trust and confidence are the development of favorable payment policies and creation of laws that advocate for compensations in case of losses. Moreover, there should be tough police that govern cyber operations to help avoid issues of cyber frauds or crimes. This undertaking should be accompanied by strict punishment to individuals who are linked to cybercrime charges.

Adequate IT resources should be provided to business to help them have robust systems of IT. Measures that aim at providing adequate trainings to the firms' personnel should be incorporated in the policies governing companies' operations (Grochal-Brejdak, 2013). Furthermore, the governments of these countries should provide IT grants to companies. This step helps in ensuring that adequate equipment of IT is made available to firms. Besides, the government can support these businesses by making the IT resources o equipment available to companies at affordable rates.

#### VII. CONCLUSION

The level of IT penetration in the gulf countries like Dubai, Saudi Arabia and Qatar is still low due to mistrust, lack of knowledge on e-Business and fear of risks associated with the e-Business.

Ali and Kurnier are right to attribute the increase on internet activities to the increase in the ISP services as these services often make internet accessible to many individuals. On the other hand, Warf is not right to state that many firms in the Middle East have limited capacity that is needed to adopt the e-commerce. In my view, I believe that an effective e-Business penetration in these countries can be accomplished through the established of robust institutional structures at the grass-root level. This step will help in strengthening the IT learning system of these countries. As such, community-based

groups and programs should be developed to help the society members who lack the opportunity to attend school learn about IT. This approach will ensure that many citizens in the gulf countries are made IT-conscious. Conversely, the governments should also divert resources towards building the IT capacities of the organization, as opposed to leaving the firms to handle this task.

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