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Exploring the Characteristics of the E-commerce Marketplace in Saudi Arabia

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Abstract

Most of the research in the area of consumer e-commerce has centered on factors which attempt to measure shoppers' motivations to adopt and use Internet shopping. This body of research which emanated from the developed countries is now being conducted in countries with emerging and developing economies. While assumptions are implicit, researchers have tended to ignore the vast differences in market structure between developed economies and emerging or developing, viewing all e-commerce markets as having similar website characteristics and/or the same level of development. For example, in highly developed markets *transactional* websites tend to dominate the landscape, though there are still many *informational* websites. The reasons that transaction sites dominate the marketplace of developed economies are numerous. In a stage process vendors come realise the full marketing potential of e-commerce that transactional sites create over informational sites, while at the same time customers become more accustomed to Internet shopping and completing their purchases in real time, abetted by the convenience of making after-hours purchases. Finally, transactional site shoppers can have their purchases shipped to home or office. The current study suggests that the development stage of the e-commerce market will directly reflect the amount of adoption and usage by shoppers. To test this proposition several Internet activity indices and reports on were investigated, referenced and cross-checked to ascertain statistical comparisons. World Bank (2013-14) report and other studies indicate wide differences exist between the developed United Kingdom (UK) and developing Kingdom of Saudi Arabia (KSA) e-commerce markets: UK-KSA: 90%-37% e-commerce usage, and 82%-15% e-commerce purchases and show that 59%-14% of SME's using websites in their businesses. Thus, the adoption and usage of e-commerce is related to the market development by SME's that in-turn make Internet services available to consumers.

Keywords: E-commerce, SMEs, Saudi Arabia.

1. Introduction

The concept of e-commerce emerged in the early-1990s with the promise of expanded business operations and advantages for many types of companies. While there was quite a bit of early research on the Internet, not much research was done in the areas comprising Internet commerce until after many e-commerce organizations went bankrupt during the dotcom-bubble-era of 1998 to 2000. From the carnage created by the many failed "dot.com" enterprises, managers of these organizations began to realise that in addition to having a seemingly plausible idea, like an on-line grocery delivery service or a direct-to-customer computer manufacturer, they also needed fully developed business models with a meaningful customer value propositions, and the means to conduct business in cyberspace (Rappa, 2004; Turban *et al.*, 2004). Many of the early e-commerce failures were the result of not developing a sound business model or having developed a flawed business model (Vickers, 2000). By the way, while Webvan the e-grocery company with 1 billion USD capitalization ultimately failed, the computer company Dell went on to create a very successful e-commerce business model (Laseter *et al.*, 2003; Laudon and Traver, 2006). After the dotcom-bubble burst a flurry of research was conducted that was aimed at determining the factors which could lead customers to consider on-line shopping along with or as an alternative to visiting "brick and mortar" malls and shopping centers. In 2001, Weill and Vitale defined the e-business model as a set of the roles and practices among a company's suppliers, affiliates, and customers that portrays the flow of parts and supplies, products and information, and finally sales proceeds to model participants. Chaudhury and Kuilboer (2002) described the *who*, *what*, and *how* as they defined the e-commerce model as the buying, selling or exchanging of goods, services or information using electronic networks, such as the Internet.

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From the early 2000's and on, a wave of consumer behavior research began to surface that sought to identify factors believed to motivate consumers to consider e-commerce over their established comforts formed from visiting physical stores. Among the factors researched such as perceived benefits and perceived risk, the element of convenience made its way into much of the research (e.g. (Torkzadeh and Dhillon, 2002; Yang and Jun, 2002; Hertzum *et al.*, 2004; Javadi *et al.*, 2012; Khan and Chavan, 2015)). However, understanding the motivations for consumers to consider on-line shopping while necessary is not sufficient for organizations to reap the benefits of e-commerce. In a 2008 study, Wilson, Daniel and Davies reporting on the results of a Small Enterprise Research Report (SER Team (The Small Enterprise Research Team), 2005) found that while 87% of participant firms used email and over 66% used Internet web pages as information sourcing or advertising/promoting products and services, only 11% of these SMEs had employed the technology to process on-line payments. Thus, beyond having an understanding of the motivations that could drive consumers to adopt and the desire to implement e-commerce, organisations also need to incorporate e-commerce practices into their business models and these organizations must have the ability to conduct business and close sales using Internet tools. This means that businesses and other organizations that seek to participate in e-commerce by creating offerings for their customers have to understand the digital nature of e-commerce, acquire the requisite IT skills and invest in the technologies required to conduct on-line buying and selling of goods and services. Because digital components need to coexist with the physical dimensions within an organization and throughout the firm's supply chain, management's focus needs to go beyond the elements that increase customers' interest in the e-commerce process. Managers' concentration must be to create greater customer value by leveraging information sources, capitalizing on the firm's business model and the unique structures of the Internet and on-line commerce (Lee *et al.*, 2006).The purposes of this paper are threefold and will be presented in three brief discussions of the adoption of e-commerce by SMEs in emerging and developing economies: first is to present a summary of business models and various forms of e-commerce business structures; second to present the requirements necessary to develop successful business model strategies, third to offer and discuss interactive strategies that could impact the adoption of e-commerce by SMEs in countries with developing economies, of which Saudi Arabia is an example.

2. Why SMEs

Prior research documented that small and medium sized enterprises (SMEs) play a key role in countries with emerging and developing economies (Wilson *et al.*, 2008; Lohrke *et al.*, 2009). SMEs typically account for more than 90% of all firms outside the agricultural sector, constitute a major source of employment and generate significant domestic and export earnings (OECD (Organisation for Economic Co-operation and Development), 2004). As such, the development of SMEs emerges as a key instrument in poverty reduction efforts and overall economic stability. As a result, the economic performance of the nation can be related to the performance of the SME sector. E-commerce may benefit SMEs by reducing market entry costs, lowering channels of distribution costs and the ability to reach more customers be they consumers or businesses (Santarelli and D'Altri, 2003; Wilson *et al.*, 2008). Some studies suggest that much of the perceived importance of e-commerce to SMEs is strongly related to the communications goals of these firms (e.g. (Chappell and Feindt, 2000; Sadowski *et al.*, 2002; Grandon and Pearson, 2004)). Other research suggests that the key benefit the Internet gives to SMEs is the power to correspond directly with customers and suppliers (e.g. (Dholakia and Kshetri, 2004; Wilson *et al.*, 2008)). Thus, SMEs which would otherwise incur high costs to develop and maintain traditional channels of distribution would benefit from streamlining distribution and dealing direct with customers, and/or re-sellers, in both B2C and B2B market settings. However, along with potential benefits, some research shows that lack of Internet experience, poor access to IT infrastructure, and the high costs associated with e-commerce technology serve as barriers − slowing the rate of adoption of e-commerce by many SMEs (CITC (Communications and Information Technology Commission), 2011). This situation creates a "wait-and-see" attitude among many SMEs toward the adoption of e-commerce and other Internet-related technologies that may lead firm managers to formulating defensive rather than innovative strategies (Santarelli and D'Altri, 2003; Wilson *et al.*, 2008; Gustafsson and Schwarz, 2013). The last section of this paper discusses some low-cost strategies, many with interactive features, which SMEs can employ in developing in developing e-commerce websites to communicate with customers and other businesses.

3. The Electronic Mail Order Business

In 1872, from an office crowded with linens and assorted millinery items on North Clark Street, in Chicago, Illinois, Aaron 'Montgomery Ward' launched the world's first mail order company by sending flyer ads and eventually catalogs offering merchandise to farmer's cooperatives to meet the needs of households across the rural USA (Wilson, 2005). Using the Internet in combination with postal and other delivery services, today's modern e-commerce firms are basically an electronic version of the mail order business

pioneered by the retailers of yesteryear (Timmers, 1998; Santarelli and D'Altri, 2003). Quite a bit of research has been written in the area of consumer e-commerce, the shopping by individuals using the Internet. Much of this body of research has been centered on measuring the factors which researchers believe to measure consumer motivations to adopt and use this form of Internet technology to satisfy their needs and wants in the marketplace (e.g. (Liu and Arnett, 2000; Wang *et al.*, 2001; Chaing and Dholakia, 2003; Zhou *et al.*, 2007; Kim *et al.*, 2012; Jiang *et al.*, 2013). However, King and Liou (2004) discussed a two-level e-commerce framework consisting of the business-level and the customer/user-level. There have also been a number of researchers investigating the business side of e-commerce, a focus of this paper (e.g. (Alt and Zimmermann, 2001; Rappa, 2004; Tavlaki and Loukis, 2005; Lee *et al.*, 2006; Wilson *et al.*, 2008)). This latter wave of research which originally began in countries with developed economies is now routinely being conducted by researchers in countries where the economies are emerging and developing. While assumptions surrounding business-to-consumer models and purchasing behavior are implicit, the research has tended to ignore some structural differences between the various levels of economic development (Gustafsson and Schwarz, 2013). Instead, most research views all e-commerce markets as having essentially the same market characteristics. However, as discussed above there are vast differences between the e-commerce markets in countries with developed economies and those in emerging and developing economies (Santarelli and D'Altri, 2003; Wilson *et al.*, 2008; CITC, 2011; Gustafsson and Schwarz, 2013).Regardless of economic status, SMEs entertaining the idea of incorporating e-commerce into the business schema must rethink the traditional ways of developing consumer-oriented marketing plans and formulating business strategies. The typical goal for most e-commerce firms is to be able to transact sales and deliver products using on-line methods and delivery services to create an enjoyable convenient shopping alternative for customers, who would normally visit stores at malls and commercial centers. The primary goal for firms seeking to be involved in e-commerce is determining an appropriate business model and designing a website to successfully accomplish its goals. While there are many e-commerce models discussed in the professional and academic literature, several of which are discussed in the next segment, there are only 2 basic types of web sites: *informational* and *transactional*. All business models operate using *informational* or *transactional* websites, however, many incorporate features such as audio and video to create various hybrids. Designing a successful website means that management needs to focus the firm's resources into communications and information technology to develop business plans that will attract customers and support the organization's e-commerce goals at the same (Turban *et al.*, 2004; Tavlaki and Loukis, 2005; Lee *et al.*, 2006; Wilson *et al.*, 2008; Gustafsson and Schwarz, 2013). Thus, managers must review their current traditional business models as they contemplate the steps in building websites and, perhaps going beyond.

For example, transactional-type websites create cyber "stores" or places where purchasers can not only look at and compare services and product options on-line, but where they can also complete their purchase transactions as well (e.g. (Chaing and Dholakia, 2003; Kim *et al.*, 2012; Jiang *et al.*, 2013). Though there are still many informational websites, it is not surprising that transactional websites dominate the e-commerce markets in highly developed countries. There are several reasons for the dominance of transaction sites. First, e-commerce at any level requires Internet infrastructure, access to an Internet service provider (ISP), a personal computer (PC) or hand-held device (HHT) and the working knowledge of computers and the Internet. And, this requirement is necessary for both sellers, the businesses that host shopping websites, and for consumers, the customers whom would use the Internet to satisfy their purchase needs. In many instances, informational websites are used when new e-commerce markets develop as they require less technology and do not require computerized payment services. However, as on-line markets continue developing, becoming more popular as a form of alternative shopping, customers who shop in e-commerce markets desire to complete their purchases in real time. Also, there is the element of convenience of being able to make after-hours purchases. Another element of convenience available to e-commerce shoppers in developed countries is that businesses using transactional sites are able to ship through established channels of distribution to deliver products directly to their customers, and also to receive returned merchandise. Thus, customers can have purchased goods shipped, receive customer service on-line, and make product returns all from the comfort of their homes or offices. However, transactional websites require features such as high personnel knowledge and confidence in levels of technology, state-of-the-art Internet infrastructure, and readily available IT and Internet expertise that is often not initially present in countries with emerging or developing economies (Kapurubandara and Lawson, 2008; Alwahaishi *et al.*, 2009; Alfarraj *et al.*, 2010).

4. Business Models

Business models are perhaps the most discussed and perhaps least understood in terms of the purposes and aspects of e-commerce marketplaces (Alt and Zimmermann, 2001). A lot of the current discussion centers on how traditional *brick and mortar* business

models are being changed by the advent of online e-commerce business models. Despite a somewhat widespread understanding of the basic tenets of e-commerce, more thorough investigation reveals that oftentimes SMEs share a confusing and incomplete perception of the dimensions, goals, and core issues of developing these business models (Kapurubandara and Lawson, 2008; Alwahaishi *et al.*, 2009). The research readings both professional and academic, have presented a broad variety of the considerations for adopting and developing different types and e-commerce models (e.g. (Timmers, 1998; Alt and Zimmermann, 2001; Rayport and Jaworski, 2001; Chesbrough and Rosenbloom, 2002; Dubosson-Torbay *et al.*, 2002; Lee *et al.*, 2006; Wilson *et al.*, 2008; Alwahaishi *et al.*, 2009; Gustafsson and Schwarz, 2013)). Chesbrough and Rosenbloom (2002) suggest a seven part description of e-commerce business models that should comprise the following: a value proposition that creates customer value through technology; an identified market segment with specifics for generating revenue; a defined value chain created to promote and distribute the offering; a detailed revenue mechanism by which the firm will be paid for the offering; an analysis of the cost structure and profit potential; a description of the firm's position of within the value chain network which links suppliers and customers; a formulated competitive strategy by which the innovating firm can gain and hold advantage over rivals. While some researchers of e-commerce business models would advocate for a variety of minor differences the description as articulated above by Chesbrough and Rosenbloom (2002) provides an adequate basis for e-commerce discussion.For example, SMEs wanting to extend their business operations to the e-commerce marketplace would need to acquire an understanding the underlying strategies for employing various models such as online auctions, B2B or B2C as business models; vertical portals; subscription-based models; revenue generating model business models, e-procurement models, fully-integrated business models that encompass all related value chain functions from suppliers to customers (Turban *et al.*, 2004; Alwahaishi *et al.*, 2009). Beyond the basic structure of the e-commerce business model researchers have commented on the various forms of models for conducting electronic commerce (e.g. (Timmers, 1998; Alt and Zimmermann, 2001; Turban *et al.*, 2004; Rappa, 2010)). While there are many discussions on e-commerce business models, Rappa (2004) provides a suitable taxonomy of nine basic Internet business models with an extended discussion that encompasses 41 different applications within the nine models. While Rappa (2004) attempts to be explicit with respect to defining business models the descriptions for the *Brokerage model* could easily be confused with the *metamediary* role performed under the *Infomediary model* were it not for the few words "without actually being involved in the transaction." In other words, in all other respects the *metamediary* like the *broker* is compensated for bringing buyers and sellers together. The reader is directed to an updated online version of *Managing the Digital Enterprise*, complete with a podcast by Professor Rappa (2010) that provides a more expansive discussion of his taxonomy of e-commerce business models and examples, parts of which are reproduced here for illustrative purposes, see Table 1.

Table-1. Revenue models and descriptions: "Adapted from *Managing the Digital Enterprise* by Professor (Rappa, 2010)"

Brokerage model	Brokers bring buyers and sellers together and facilitate transactions, usually for a fee or commission. Buy/Sell Fulfillment -- takes customer orders to buy or sell a product or service, including terms like price and delivery. Transaction Broker -- provides a third-party payment mechanism for buyers and sellers to settle a transaction. Search Agent -- a software agent or "robot" used to search-out the price and availability for a good or service specified by the buyer, or to locate hard to find information.
Advertising model	The web site provider provides content (usually, but not necessarily, for free) and services (such as email or blogs) mixed with advertising messages in the form of banner ads.
Infomediary model	Infomediaries collect [all sorts of] information, e.g. information about consumers and their consumption habits, or information about producers and their products useful to consumers when considering a purchase. The infomediary then acts as an information intermediary. Metamediary – firm that facilitates transactions between buyer and sellers by providing comprehensive information and ancillary services, without being involved in the actual exchange of goods or services between the parties.
Merchant model wholesalers and retailers of goods and services.	Sales may be made based on list prices or through auction.
The manufacturer or 'direct model'	Allows a manufacturer to reach buyers directly and thereby compress the distribution channel.
Affiliate model	The affiliate model offers financial incentives (in the form of a percentage of revenue) to affiliated partner sites. The affiliates provide purchase-point click-through to the merchant. It is a pay-for-performance model - if an affiliate does not generate sales, it represents no cost to the merchant.
Community model	The viability of the community model is based on user loyalty. Users have a high investment in both time and emotion. Revenue can be based on the sale of ancillary products and services or voluntary contributions; or revenue may be tied to contextual advertising and subscriptions for premium services.
Subscription model	Users are charged a periodic fee to subscribe to a service. It is not uncommon for sites to combine free content with 'premium' (i.e., subscriber- or member-only) content. Subscription fees are incurred irrespective of actual usage rates.
Utility model	The utility or 'on-demand' model is based on metering usage, or a 'pay as you go' approach. Unlike subscriber services, metered services are based on actual usage.

5. Discussion of E-Commerce Business Model Examples

The examples in the following discussion serve to demonstrate applications of how some of Rappa (2004) nine e-commerce models work. In today's fast paced society,

information can be a source of value to customers and others who are lacking specific information or are too time-challenged to conduct an exhaustive search to find it Lee *et al.* (2006). For example, travelers in need of driving directions can go to, among other sources, Rand-McNally.com (a traditional map publishing company with a website) and Mapquest.com (an exclusively on-line firm) and receive free driving directions. Neither website is *transactional* both are *informational*, such that they operate in what Rappa (2004) refers to as the *Infomediary model* − providing information that travelers are seeking. However, it does not end there, as each operates as a *metamediary*, where both sites participate in a form of *affiliate marketing*. Many travelers who desire driving directions also have needs for information about locating lodging and restaurants. To meet the information needs of travelers in addition to driving directions, Rand-McNally.com and Mapquest.com, through affiliate marketing arrangements, allow other e-commerce firms to post lodging and restaurant information, on their websites. Thus, Rand-McNally.com and Mapquest.com can profit from "referral" fees if customers also visit and book business through these affiliate companies ads. So Rand-McNally.com and Mapquest.com benefit from providing "free" driving directions for travelers, and these travelers are exposed to ads for lodging and restaurants, sight-seeing and other travel-related information sponsored by companies with affiliate relationships. Thus by designing *informational* web sites these organizations allow customers obtain free information, and also familiarise with other products, do comparative pricing, locate near-by retailers, and a host of other information. Informational sites can be used to create opportunities for firms to develop new relationships with customers, and to also profit from affiliate relationships with other businesses. If however, the organisation's goals are designed to take customers through the whole purchase process, then the business model would involve a *transactional* web site, using a business model that can create direct exchanges in addition to providing information, typically Rappa (2004) *Brokerage* or *Affiliate* models.

In the United Kingdom for example, Edmunds.uk.com and Autonation.uk.com both offer automobile purchasers a full range of assistance from model selection to financing to delivery throughout the entire buying process. This means that Edmunds.uk and Autonation.uk supply information that aids purchasers (*Infomediary model*) in determining the best model automobile for their driving needs, various plans for financing their purchase through financial institutions (*Affiliate model*), and completing the purchase transaction by assisting the customer in taking delivery of the automobile (*Brokerage or Affiliate model*).

In the above discussion, the examples for Rappa (2004) *Infomediary*, *Brokerage* and *Affiliate* models delivery of the product or service did not require the goods to be delivered to the customer's home or office. In the first example, travelers can merely print out directions and information for making lodging reservations and/or restaurant inquiries. In the case of the on-line automobile purchase customers would have to go to the dealership to take physical delivery of the automobile. However, in developed countries e-commerce shoppers using transactional sites can have their purchases shipped to their homes or offices. The delivery linkages for e-commerce markets are more established in developed economies, than those in emerging or developing (Kapurubandara and Lawson, 2008; Alwahaishi *et al.*, 2009). In many instances, personalised delivery options have become necessary but not sufficient requirements for transaction websites to flourish, as customers become more and more experienced with on-line shopping they begin to expect goods to be delivered to their homes or offices. Thus, the inability for SMEs in developing countries to complete on-line purchase transactions and deliver merchandise directly to customers becomes a major barrier to the adoption of e-commerce business plans, and impediments to potential customers (Kapurubandara and Lawson, 2008; Alwahaishi *et al.*, 2009; Alshehri and Drew, 2010). Customer motivations to use e-commerce services provided by SMEs in developing economies where the e-commerce markets are in early stages of development are still fairly similar to what consumers in developed markets might expect. Chief among them are the enjoyment from shopping on-line, after-sale customer service (responsiveness) and the convenience aspects, tempered by security and transactions risks (e.g. (Chaing and Dholakia, 2003; Kim *et al.*, 2012; Jiang *et al.*, 2013)). Security of transactions is a critical element for the success of SMEs engaged in e-commerce, particularly in developing economies, with less regulation and market order. Customers will not subscribe to services or purchase products over the Internet if they do not feel secure when transmitting their personal and financial information. "However, security is only a necessary but not a sufficient condition of designing a successful Web site: a secure Web market does not guarantee customers" (Liu and Arnett, 2000). As the state of technology continues to improve it has served to reduce risk factors and in most developed markets e-commerce is thriving. However, risk is a prevalent barrier to adoption of e-commerce in developing markets. In a recent study in Saudi Arabia, Almousa (2014) reports that the most significant risk factors negatively affecting consumers' adoption and usage of e-commerce are perceived privacy concerns, psychological risks, performance risk (concerns of whether or not the vendor will satisfactorily fulfill its obligations) and financial risks. Research shows that in countries with emerging and developing economies such as India, Malaysia, Saudi Arabia, Singapore, and Sri Lanka, governments have stepped in to create initiatives to aid SMEs and even MNCs in the development of particular markets like e-

commerce for the overall benefit of the national economy (e.g. (Kendall *et al.*, 2001; Kapurubandara and Lawson, 2008; Alwahaishi *et al.*, 2009; Alfarraj *et al.*, 2010; Alriyadh, 2010)). Some initiatives served as a means of reducing barriers of B2C and B2B e-commerce and increasing adoption by SMEs by introducing e-government and enhanced Internet capabilities (Alwahaishi *et al.*, 2009; Alfarraj *et al.*, 2010; Alriyadh, 2010; Alshehri and Drew, 2010).

The following section discusses government initiatives instituted in the Kingdom of Saudi Arabia to help to reduce the barriers to the adoption of e-commerce by businesses and consumers.

6. Government Initiatives and E-Commerce in Saudi Arabia

Since 2004, the Saudi Government has developed a series of initiatives through several governmental ministries. These initiatives have played a role in helping to promote e-commerce growth through more efficient banking, better postal operations and delivery services, and more responsive Information and Communications Technology, including e-learning, e-government and e-commerce (e.g. (MCIT (Saudi) Ministry of Communication and Information Technology, 2006; Saudi Post, 2008; 2012; Enzer, 2010; Saudi Gazette, 2013).

In October 2004, the Saudi Arabian Monetary Authority (SAMA) launched SADAD Payment System to serve as the electronic bill-payment and funds transfer system for the kingdom. This initiative served to reduce transaction and privacy risks (Waseem, 2014)**.** SADAD provides direct on-line system with a high degree of confidence, security and confidentiality, and bill paying support that is free to users. Thus, the SADAD system facilitates the payment of high-volume periodic bills (such as utility and phone bills) as well as payments for customer-initiated bills, like e-commerce purchases. While SADAD addresses the payment portion of e-commerce, there remained the problem of the shipping and delivery of merchandise to customers and businesses that shopped on-line, a function of Saudi Post delivery services.

The Postal System in Saudi Arabia: As with in other member countries of the Gulf Cooperation Council (GCC) Saudi Arabia's mail delivery system has traditionally consisted of individuals and businesses renting post office (PO) boxes rather than direct delivery to an individual's or business' property addresses. The major barrier to home/office mail delivery was a lack of a uniform street addressing system. In addition, mail sorting and delivery services were compounded by the need for postal workers to read Arabic and English addresses simultaneously as 30-40 % of the mail volume is addressed in Arabic and the balance in English (Saudi Post, 2008; 2012). In Saudi Arabia, in addition to SAMA introduced on-line banking developments, the Saudi Post between 2005 and 2010 has instituted several major mail delivery and e-commerce developments (Saudi Post, 2008; 2012).

To address prior delivery shortcomings and improve delivery services Saudi Post developed and began implementation of WASEL (meaning "direct delivery" address), an electronic delivery method based on geographical information system (GIS) and global positioning satellite (GPS) mapping technologies. When complete, the WASEL system will specify a numerical postal code for each individual building using GIS to collate all delivery information into a national database. Through a set of inter-connected technologies, WASEL will provide direct home/business delivery service in the kingdom based on using the GIS/GPS systems, automated vehicle [location] (AVL) tracking system and handheld devices (HHT) designed to be integrated with Saudi Post mail delivery and mail sorting (MDMS) systems (Saudi Post, 2012; Ministry of Economy and Planning (Saudi Arabia), 2013). For example, HHT devices will be used to read addresses from the intelligent radio frequency (RFI) tags which are fastened to postal boxes allowing postal personnel to make accurate delivery (Saudi Post, 2012).

Other Developments: Saudi Post's modernisation campaign did not stop with the implementation of WASEL. In 2010, Saudi Post launched a new e-shopping portal in Saudi Arabia − the largest and most comprehensive virtual e-mall ever developed and designed by LINK Development (Enzer, 2010). The new portal is bi-lingual (Arabic and English) with a built-in billing system. The e-commerce portal is designed to allow customers to track their on-line purchases, and provides bill presentment and payment options with a gateway for credit card users, as well for customers' wishing to make cash payments through SADAD (PRNewswire, 2014). The new e-mall provides SMEs the opportunity to retail their products online, develop customer profiles, and also benefit from low-cost delivery (Enzer, 2010). The new portal enables Saudi Post and vendors to track and audit financial transactions and delivery details. The virtual mall initiative seems in keeping with Saudi Post's goal of increasing consumers' adoption of e-commerce as well as a way of encouraging more residents to subscribe to their home mailbox delivery service. Presented next are two sets of findings from a recent ICT survey to partially analyse the efficacy of these measures (CITC, 2010; 2014a).

7. Market Structure Dynamics in Saudi Arabia (Example of an Emerging/Developing Economy)

The current study presents two sets of findings pertinent to the characteristics of the e-commerce marketplace in Saudi Arabia. Focusing on small and medium sized enterprises (SME's) the first set of findings relates to those firms that operate as vendors in e-commerce. Based on a (CITC, 2009) government study, a survey showed only 14% of SME's were using websites in their businesses. The top reason stated by 76% for not using a B2B website was the difficulty in registering domain names. Of the 14% of SME's using B2B websites 55% reported using informational websites, while just 12% were transaction websites, the remaining 33% only provided a company web-page and general firm information. Of this user group of SMEs 88% did not provide e-payment services so that shoppers could complete on-line purchase transactions. Of the 88% of SMEs that reported not providing on-line payment services, 37% stated there was no need; another 26% cited trust issues pertaining to on-line payments; while 22% lacked education or expertise to devise e-payment systems. The paucity of these figures regarding business operations and websites usage suggests that there is great potential for individuals and firms with website expertise to help many SMEs gain a greater understanding of the benefits of e-commerce activities that provide on-line sales and purchasing capabilities to their customers.

CITC (2014b) commissioned another study of ICT trends of 1500 KSA entities − 75% were business firms, and 80% or approximately 900 were SMEs. While not specifically addressed by the survey questionnaire, some improvement in e-commerce activity may be attributed to KSA government initiatives discussed above. The following discussion details the changes in ICT trends, specifically related to B2B e-commerce. This report shows that website use by SMEs has grown from about 15% in 2009 to over 33%, with 16% now reporting the use of social media in their e-commerce configurations (CITC, 2014b). Chief among the reasons for not having a company website 62% (335 firms) non-users listed no perceived need and unsure of the benefits. Similarly, non-users of social media 88% (470 firms) stated the same reasons; no perceived need and unsure of the benefits. However, a 2012 Boston Consulting Group (BCG) G-20 Internet commerce study showed compelling results from SMEs using web-sites. BCG reported in 11 of the G-20 countries that SMEs classified as "high web-site users" grew revenues by as much as 22% higher over the past three years when compared to those with low/no Internet use (Dean *et al.*, 2012). Interestingly, 64% (512 firms) of all SMEs in a later CITC study (CITC, 2014a) reported using some on-line services (e.g. selling/receiving /paying for orders, customer service, etc.) as a regular part of their basic business models. This further demonstrates the need for SMEs to fully integrate their web-site strategies.

Businesses represent only one side of the e-commerce equation, the second side is comprised of consumers, B2C e-commerce. The motivations to use e-commerce services in Saudi Arabia where the e-commerce market is in an early stage of development are fairly similar to consumers in most developed markets. Chief among them are the enjoyment from shopping on-line, after-sale customer service (responsiveness) and the convenience aspects, tempered by security and transactions risks. The state of technology has served to reduce risk factors and in most developed markets e-commerce is thriving. Thus, the second group of findings pertains to Saudi Arabian consumers' interactions in the e-commerce marketplace based on data collected in 2009-2010 from two survey sources: an on-line survey; and a field survey (CITC, 2010). Of those consumers surveyed electronically on-line 96% reported owning computers; 93% reported in-home broadband usage; 76% reported using wireless routers; 84% use on-line e-commerce services, while 57% actually reported buying products through completed transactions using e-commerce services. To be certain, the same CITC group conducted field surveys of the general public (typical man/woman on the street survey) finding 58% owned computers, 55% listed in-home broadband, 48% indicated wireless router usage, and 37% stated e-commerce usage (CITC, 2010). However, unlike the 57% in the electronic group, only 15% of the general population surveyed reported making e-commerce purchases. Thus, in 2009-2010 only a small fraction of the overall population surveyed reported actually buying on-line.

The differences in B2C results of these two CITC surveys could be somewhat intuitive, as one might expect the Internet-user respondents to have a greater identification with B2C e-commerce. And, from a practical point of view, being an e-commerce consumer requires investments in the ownership of a computer and also an Internet connection. Data collected in 2012, shows the rate of those admitting to on-line purchases increased 43% to 21.5% from 15% in 2010 (Pupic, 2014; CITC, 2014c).

E-commerce is burgeoning in Saudi Arabia, with a reported yearly growth rate of nearly 40% between 2012 and 2015, expected (PRNewswire, 2014). However, B2C shopping has not taken off in Saudi Arabia when compared with developing countries in other parts of the world. Some research suggests obstacles to greater e-commerce adoption include the low adoption of the B2C retail channel by Saudi Arabian SMEs, the predominance of cash on delivery payments, user language difficulties, and despite advances by SAMA and Saudi Poste, some persistent security risks and shipping and delivery issues (IORMA (International Omni Retailing Members Association), 2013; Ystats, 2014). Also, consumer acceptance of online shopping is low relative to international

benchmarks, because Saudi Arabian women consider shopping as an outlet and form of entertainment, preferring to visit shopping centers and malls. However, in the BCG study Dean *et al.* (2012) suggest that off-line retail accounting for 4.7% in aggregate sales in 2011 was augmented by ROPO (researched on-line, purchased off-line) which many Saudi consumers use. Again, from the B2C results presented here there appears to be ample opportunities for local SMEs to use websites to further connect with consumers and better satisfy the shopping needs of their customers. From the findings stated above for SMEs and consumers participating in e-commerce the managerial implications are clear. Saudi Arabian SMEs need to gain a greater understanding of Internet marketplace dynamics and develop a better understanding of the capabilities of using website technologies to attract and satisfy their customers' needs.

Size of E-Commerce Market: Since discussing the specifics of an example of a country with developing/emerging economic characteristics, it is perhaps instructive to discuss the actual size of the retail and e-commerce markets in Saudi Arabia compared with the size of the overall retail markets in several G-20 countries.

Variations in the characteristics of developing environments, both in terms of infrastructure and socio-economics, have shown significant differences in levels of adoption and growth of e-commerce business models by SMEs in various regions around the globe (Kapurubandara and Lawson, 2008; Alwahaishi *et al.*, 2009). In the aggregate, the value of e-commerce sales is still a relatively small component by comparison to overall retail sales in all global markets. For example, the 2014 total retail sales in the UK were £ 387.3 billion (577 USD) whereas business to consumer (B2C) on-line sales totaled £ 44.8 billion (66.8 USD) or about 10.4% (Centre for Retail Research, 2014; Office for National Statistics, 2014) and, the UK is the leading country in the European Union in terms of sales on the Internet. In the United States where the size of the total retail market sales are above 4.5 trillion USD, B2C Internet sales for 2014 topped 300 billion USD or about 6.7%, (eMarketer, 2015; Statistica, 2015). By comparison, in Saudi Arabia, a country with a developing economy, according to a research report by ACG (Alpen Capital Group) (2015) total retail sales were above 98 billion USD in 2014, and B2C Internet sales were 1.05 billion, a little over 1% of retail sales (Pivac, 2014; ACG, 2015). However, total e-commerce sales in Saudi Arabia, growing exponentially, are estimated to top 13.5 billion USD in 2015 a figure that represents about 8-10% of total retail sales. However, according to some research B2C sales only accounts for about 1 to 1.5% of total retail sales, thus, the bulk of e-commerce in Saudi Arabia is in the B2B sector (Pupic, 2014; ACG, 2015). Thus, while e-commerce is growing and in some areas actually thriving, much opportunity still remains for innovative SMEs around the world to profit from adding B2C e-commerce strategy to their market plans.

SMEs as intermediaries for e-commerce need to recognize that web-site integration is a key variable. Thus, while many local Saudi SMEs have successfully developed B2B e-commerce relationships with their suppliers, most have not understood the importance of using the Internet as a tool for communicating with their customers. Surprisingly, senior managers in 26% of 99 SMEs surveyed by Oracle (2013a) indicated that over 50% of their revenues are generated through B2C e-commerce sales. A similar study with a consumer focus showed that *customer experience* has continued to be the main investment driver for increasing future B2C e-commerce revenues (Oracle, 2013b).

The marketing value of customer interaction with products probably surfaced in the middle ages when vendors took their wares from village to village and let customers interact with products. Customer interaction has long been recognized as a marketing technique to increase *customer experience* and generate greater product sales (McCarthy Jerome, 1971). There are abundant and relatively inexpensive mobile web-site tactics for enhancing customer experience utilising social media and employing interactive techniques — mobile friendly, feedback options, content sharing, and email auto-responders (Alqahtani and Goodwin, 2012; Bradley, 2015; Walters, 2015).

Saudi Arabia has one of the most integrated mobile device (Smartphones and tablets) markets in the GCC and Middle east overall. By 2013, mobile broadband subscriptions had reached 14.3 million representing penetration rate of 48.5% of the population, up from 42.1% a year earlier (CITC, 2014a). The Saudi mobile broadband market continues to gain momentum strong telecommunications competition, a healthy growth rate of Smartphones and tablets, and the availability of mixed mobile data packages (CITC, 2014c). With mobile market penetration of nearly 170%, it has become easier for Saudis to access the Internet via mobile devices such as Smartphones and tablets, than using PC's (Dean *et al.*, 2012). Thus, by using customer awareness techniques and employing interactive mobile methods SMEs in Saudi Arabia can tap into the wealth of mobile Internet-users to enhance their customers' on-line experiences. Though some research suggests that sales conversion rates are lower on mobile devices than on PCs, customer interaction and website advertising are effective methods for building brand awareness among on-the-go shoppers. This could be especially useful in Saudi Arabia where many potential customers make purchases by ROPO (researched on-line, purchased off-line), preferring to visit stores in person. The next section of this paper discusses several types of mobile e-commerce

strategies and the importance each can have in helping SMEs to better identify their brands with customers, while creating greater customer experience.

Mobile E-commerce Strategy: For SME's in developing countries like Saudi Arabia to reap the benefits as leading global marketers they have to employ B2C e-commerce business plans with broader cross-channel initiatives — aligning mobile marketing, managing mobile email and SMS text messaging combined with location-based communications, and, finally, building on customer experience. "At the end of the day, customer experience is about human interaction and creating a bond between the user and the brand. It's about making a commitment to understanding how your product positively impacts the lives of your users, and actively seeking out opportunities to maximize those benefits" (Carpenter, 2014). The following discussion briefly summarises several among a virtual endless array of mobile e-commerce tactics that can be employed to build brand awareness and enhance customer experience.

Mobile friendly: Since a lot of consumers visit websites using their Smartphones or tablets, it is necessary SMEs to build a mobile website experience that is good as or better than the browsing experience of the firm's desktop. The main advantage to having a mobile friendly website is that it opens a vast array of communications methods. For example, the firm can follow-up with a purchase and/or shipping conformation from an order placed on a PC to that customers mobile phone, or vice versa. Mobile applications create after-purchase opportunities, as shoppers can show others what they purchased on their Smartphones or tablets. Mobile friendly makes the website more interactive to a wider audience, who would otherwise be unable to reach (Huang and Benyoucef, 2013; Hsu and Lin, 2015). There are many services for updating websites such Google.com and other search engine operators that supply basic specifications and many are free or very low cost. There are hosts of mobile bloggers that post software solutions and even text applications, as well as many suppliers that provide software to re-seller SMEs (Alqahtani and Goodwin, 2012; Bradley, 2015). For example, readily available CSS (cascading style sheets) allows SMEs to specify the font settings for the webpage, the text size, whether the page is to have 2 columns (1 column works better in most mobile apps), the text appearance be it bold, shadowed or italics, and many other text options. Of course, a firm could decide to build a mobile application from the ground up with many options and the costs could be higher.

Feedback options: To continue to build customer experience, e-commerce marketers must ask questions of website visitors like "What questions may customers still have after visiting the site?" And/or "How can the site be made more user friendly, delivering a better customer experience?" For questions like this and others, having customer feedback is crucial. It is not good marketing if a customer leaves the website with product questions or not understanding what the firm does (Ueland, 2011). The options for SMEs to create feedback opportunities from customers are many, ranging from free sites like Facebook.com and firms like Rating-System.com to more costly sites that create elaborate feedback communications networks with a myriad of data options (Smith, 2013).

Chat: Depending on the size of SMEs sales staff live chat features allow potential customers to immediately communicate with sales representatives or customer support personnel. The cost to add a simple live chat button somewhere on the firm's website is very nominal, from many software suppliers (e.g. whoson.com; livechatinc.com, zopim.com) and a great way for customers to interact easily with the brand. Adding live chat is a simple, yet effective demonstration of the SMEs customer service focus without creating additional webpage clutter.

Content sharing: SMEs that make it easy for customers to share their content with other potential buyers increase their opportunities to make sales. Social media buttons (e.g. Facebook.com and Twitter.com) can easily be incorporated into SMEs websites so visitors clicking on these icons can automatically be added to the firm's accounts. Repeat customers or even new visitors can sign up for these sites and be instantly notified of new developments product updates whenever they log on (Smith, 2013; Bradley, 2015).

Email Auto-Responders: An email auto responder allows you to communicate with customers automatically by sending email messages. Many are used to let customers know that an order has been completed and shipped, or that a back-ordered product is in stock. Email auto responders can be part of the marketing plan as well and be used every day or every few days to direct customers to specific pages with product content within the website. This type of mobile option has the ability to generate key performance indicators (KPIs) by logging such items as the ratio of sales to website visits (Meher, 2011; Smith, 2013). From a marketing perspective the beauty of this method is that the firm can set the email program rate and then forget it.

Avoid creating spam: Any mobile strategy the SME employs should be designed to attract customers — some advocate that the best mobile strategy is a carefully selected number of techniques used to create better customer experience but one that does not overwhelm with voluminous destinations and product offerings or create unwanted email (Ehlinger, 2012; Bhatia, 2013; Barbara *et al.*, 2014). For example, once the mobile strategy takes off, a percentage of the user base, say 30%, migrates to the website and now the brand has email and the potential for sales push notification capabilities. At the same time,

KPIs may indicate that the email marketing channel is lacking in performance because fewer people are opening emails. However, this makes the 30% of customers who are now actively using the app and are also receiving push notifications (Kumar, 2014). Typically, to catch up with the perceived low performance the SME responds by more aggressively pushing the brand with more email. This strategy move can backfire creating unwanted email instead of enhancing customer experience, the original goal of the mobile strategy.

8. Summary

The current study presented several sets of research findings pertinent to the characteristics of the e-commerce marketplace by SMEs in Saudi Arabia, a country with a developing economy. E-commerce holds out enormous possibilities for SMEs in developing countries — creating easier access to the markets of developed countries especially B2C, and higher potential revenues resulting from developing new trading opportunities.

Despite government increased IT infrastructure and initiatives by SAMA and Saudi Poste designed to support e-commerce, and the apparent benefits derivable from e-commerce adoption and use, research shows SMEs in Saudi Arabia as in other developing countries have shown a slower propensity to adopt the needed technology compared to their larger business counterparts. Additionally, in Saudi Arabia where e-commerce appears to now be thriving, the bulk of e-commerce sales are in the B2B sector, and not B2C. This B2C shortfall could be the results of several barriers not addressed in the present report, but which could have a significant effect on e-commerce adoption and usage. Some barriers to B2C e-commerce not discussed are: Saudis view the Internet as a place to find product and retail store information; a preference for face-to-face shopping, the perceived high costs to establish a B2C website; and resistance to change. More investigation is needed, and new research should address these factors.

For SMEs currently involved in B2B e-commerce, the paper presented several low cost mobile strategies that can help these firms make an easier transition into B2C e-commerce and at the same time build brand awareness and enhance customer experience.

This study contributes in the existing literature by demonstrating that the adoption and usage of e-commerce is related to the stage of market development by SME's that in-turn make Internet services available to consumers.

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