A Closer Look on the Egyptian E-commerce: A Case Study

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Abstract — This paper aims to give a general overview about the current status of the utilization of e-commerce in Egypt. A pilot study was conducted among 50 Egyptian consumers as to report their perspectives regarding the current barriers of electronic commerce after January 25th Revolution. Qualitative research method was adopted in the form of observation, four e-commerce consumer focus groups followed by two in-depth semi structured interviews with e-commerce experts to gain insight on the subject. Major findings revealed that the obstacles for e-commerce diffusion in Egypt crystallized around thirteen factors and the availability of two major classifications to Business-to-Consumer type of e-commerce.

Keywords- Egypt, ICT, e-commerce, Egyptian consumers

I. INTRODUCTION

The information and communication technology (ICT) evolution has affected the way businesses are managed both internally and externally by creating new goods, services, delivery channels and tools by which the organization can enhance relationships with its customers [1]; consequently, evoking the concept and practice of e-commerce. The successful presence of e-commerce through the Internet has helped to create low cost and high efficiency product and service sales through a more dynamic and interactive venue of opportunities where the world becomes the marketplace [2].

After January 25th 2011 Egyptian Revolution, there are expectations of having some changes on both the economic, political and social levels; however, because it is very early at the time being to track prospective changes, or even to evaluate effects, researchers voice a need to shed light on the overall Egypt's economic status that led to the current lagging on the diffusion and utilization of e-commerce in Egypt. Thus, the following sections will share an overview regarding e-commerce in Egypt.

The concept of electronic commerce emerged in 1970s [3], and it means the use of information technology (IT) applications in business-to-customer (B2C) or business-to-business (B2B) contexts to attract new consumers and strengthen relationships with existing ones, through improving internal processes, existing products, and enhancing consumers' experience with product delivery [4]. E-commerce has also been defined as the utilization of electronic information technology to conduct business between trading partners such as business to business or business to customer trading [5].

Precise figures for e-commerce in Egypt are elusive, but according to an online survey conducted by Arab advisors Group, 2.36 million Egyptians used e-commerce in Egypt [6]. According to Omar Soudodi, general manager of Souq.com Egypt, the biggest advantage of e-commerce in Egypt is the decentralization that is possible allowing companies to get to customers outside of Cairo and Alexandria [7]. Recent research findings concluded that 22.4% of Egyptian Internet users buy online, and pays their bills over Internet [8]; research results revealed that the most purchased product category over the Internet is electronics followed by Software applications and then the payment of bills via Internet [9].

II. STRATEGIC IMPLEMENTATION AND CURRENT SITUATION

In 2004, Egypt's government led by Prime Minister Ahmed Nazif pursued economic reforms; more than four decades ago, Egypt began its path toward democratization and a market economy with President Anwar al-Sadat’s 1974 “infitah,” or open-door policy [10]. Egypt’s economy was affected by the global economic downturn, but later it started to show signs of improvement in privatization, liberalization and furthering the rule of law. According to the IMF statement of 16 February 2010, Egypt’s economy was resilient to the crisis because of “limited direct exposure to structured products and low levels of financial integration with world financial markets” [11]. For example, Egypt is a member of the Greater Arab Free Trade Area (GAFTA) and the Common Market for Eastern and Southern Africa (COMESA), both since 1998; in addition, it is one of the four parties of the Agadir Agreement signed in 2004 to establish a free trade zone between the Arab Mediterranean nations [also includes Morocco, Tunisia, and
It has been reported that the Egyptian system lacks the political commitment and the institutional capacity to design and implement comprehensive political, economic and social reform programs [13]. However, there are major strategic priorities for the newly elected government that include:

(A) "place the accreditation of political parties and the supervision of elections back under the auspices of the independent judiciary or an independent commission"; (B) "take public and opposition demands for political, economic and social reform more seriously and make reform a shared agenda"; (C) "work against widening social gaps, and increase the allocation of resources to education for a fast-growing young population in both urban and rural areas"; (D) "pay attention to internal politics and internal developments in Egypt; (E) "support free elections"; (F) "improve communications and strengthen democratic opposition parties and civil society, (G) "foster a free press; (H) "target aid and increase development aid that targets the poor, the younger generations and Egyptian women in particular" [14]. The researchers argue that the above strategic actions can play a role in enhancing the diffusion process of e-commerce in Egypt through establishing the infrastructure and basic requirements needed to the adoption of e-commerce by consumers.

Furthermore, The Egyptian government decided to establish the law of electronic signature and activate it between its companies, institutes and the enterprises. In October 1997, the Internet Society of Egypt: E-commerce Committee (ISE/E2C) was established to catalyze and build awareness of e-commerce in Egypt. The government wanted to raise its efficiency in order to accelerate the Egyptian economic growth [15]. The former point is very significant because supportive laws positively reflect on the utilization of e-commerce as it enriches the trust relationship between consumers and merchants.

E-commerce as a medium for foreign trade is also a catalyst for export implying an increase in Egypt’s exports and balance of trade. This will subsequently have a positive impact on the national economy. It will aid in curtailing national debt and inflation rates and in increasing the gross national product. Moreover, not only will e-commerce have an indirect effect on the local economy, but it will also enable Egypt to experience a more open economy and increase its comparative advantage worldwide [16].

E-commerce also carries strong socioeconomic implications for the Egyptian citizen. On an individual level, Egyptian citizens (those having access to the technology) will be able to perform transaction worldwide and trade products across national borders elevating their own standard of living and quality of life; e-commerce may also help to create many high paid jobs in new businesses: an Egyptian entrepreneur will have the opportunity to venture and establish a small, medium or even micro-size enterprise with global market access [17].

Generally speaking the diffusion and comprehensive utilization of e-commerce is related to the growth of Internet and ICT technologies. Accordingly, the growth of the Internet depends on three factors: The first is the state of development and spread of the telecommunications infrastructure over which the Internet operates; generally, in countries with well-developed telecommunications infrastructures, the Internet tends to be growing quickly [18]; the second factor is the skill level of the population. Thirdly, but perhaps most importantly, is the demand for applications, such as electronic commerce, that run over the Internet. Such demand can only be met if there is a legal and commercial environment facilitating the development of those applications. It is apparent that e-commerce in Egypt does not yet enjoy the same conditions as the west in terms of consumer protection, privacy and security [19].

Moreover, in Egypt there are more than one entity that specializes in measuring the information society in Egypt among which are Agency for Public Mobilization And Statistics (CAPMAS);National Telecommunication Regularity Authority (NTRA); Information Technology Industry Development Agency (ITIDA) [20]; additionally, the Ministry of Communication and Information Technology conducts an annual survey to measure the different patterns of ICT usage among Egyptian households to identify major characteristics of ICT users and to identify the major obstacles that hinder ICT diffusion across Egypt.

III. E-COMMERCE IN EGYPT

Egypt as a developing country with an economy in transition, has invested in building its information technology infrastructure. In 1994, the Internet became a priority for the government and the public sector as a tool for business and socioeconomic development, which has established the base for the practice of e-commerce [21]. According to the Internet Systems Consortium, which usually surveys internet users around the world, there is a rapid increase in Internet usage. In January 2012, Egypt reached 215950 domain hosts [22].

In fact, according to the Egyptian Ministry of Communications and Information Technology (MCI), "Egypt's Internet bandwidth capacity has increased 71 percent over the past years" a matter which leads to a more faster and reliable Internet access and usage [23]. In addition, according to MCIT, mobile subscriptions increased 26 percent year-on-year to reach 80.4 million in September 2011, representing almost 100 percent penetration as Egypt was one of the first countries in Africa to launch third generation (3G) mobile services [24]. Furthermore, figure 1 shows an increase in the number of Egyptian companies working in the ICT sector, which reflects an increase in the number of companies adopting and utilizing digital and its applications, a matter...
which can lay the foundation and support the infrastructure for e-commerce in Egypt.

Figure 1: number of companies working in the information and communication technologies in Egypt [25]

IV. METHODOLOGICAL FRAMEWORK

Using a case study approach, a preliminary research study was conducted amongst forty eight Egyptian consumers to investigate the major barriers that hinder the utilization of e-commerce in Egypt from consumers' perspectives. Qualitative research method in the form of researchers' observations [26] on the state of e-commerce in Egypt; four focus groups and two semi structured interviews were carried out [27]. Each focus group consisted of twelve members of Internet users. The basic factor that qualified a respondent to be among the research sample was to be an Internet user. The research sample covered both the upper and middle classes in Egypt as they are the major segments who use e-commerce.

Following the focus groups, two in-depth semi structured interviews were conducted with e-commerce experts to gain their insight on the subject. The questions focused on the experts' perspectives regarding the overall status and conditions of the utilization of e-commerce in Egypt. Each interview lasted for an average of twenty minutes. On a further step to ensure the validity of the results, the researchers shared the findings of the focus group findings with two more interviewees. Data was analysed by applying coding and generating themes.

V. DISCUSSION ON THE MAJOR FINDINGS

Results of the researcher's preliminary study among forty eight Egyptian consumers and two experts showed that the obstacles for e-commerce diffusion crystallized around thirteen factors. It is worth mentioning that the major findings of the focus group sessions revealed the first eleven obstacles below with two further obstacles, twelve and thirteen, further identified by interviewees as the following: (1) lack of consumer's awareness; (2) companies working in the e-commerce domain are still laying the foundation for e-commerce; (3) number of Internet users are not comprehensively spread across the country; (4) the nonexistence of an appropriate and secure e-commerce-enabled environment is a disincentive to attempting e-commerce; (5) lack of secure electronic compliance; (6) lack of National strategic telecommunication planning; (7) lack of financial services and infrastructure; (8) trust; (9) resistance to change; (10) cultural factor that play a role in resisting new technological applications; improper legislation, policies and business ethics; (11) language barriers; (12) lack of a wide spread credit system usage among Egyptians;(13) unavailability of online financial information.

The former thirteen factors represents Egyptian consumers' perspectives toward what they perceive as obstacles that hinder the adoption and diffusion of e-commerce in Egypt. Based on the interviewees response, the lack of a wide spread credit card system and the unavailability of online financial information are major obstacles that require strategic long-term planning on the macro level in Egypt.

Additionally, based on researchers' general observations of the Egyptian market, there are two major classifications to Business to Consumer type of e-commerce: (1) click-and-mortars who respond consumer demand through offline and online stores; and (2) catalog firms that present their print catalogs on the web. Additionally, the availability of 'haphazard e-purchasing practices' which can be operationally defined as the availability of personal entity who advertises for their product or service on a social medium; those personal entities should not necessarily be specialized sellers, but rather a person who can ensure the availability of a specific product or service to prospect consumers [28].

As findings of focus groups showed, usually those haphazard sellers advertise for themselves on Facebook WebPages and tag certain groups or users. They post a variety of photos, and post their phone contact as a mean to be reached. In most cases, they deliver the product to the consumer prior to the payment transactions. The payment is either conducted online via credit cards prior to receiving the product or in cash when the customer gets the product. For most cases, those sellers advertise for Brand product and designers whose products and styles are not yet available in Egypt. Researchers argue that the current type of utilization acts as a sever barrier to the diffusion of formal applications.

Recently, the availability of fast Internet access and 3G mobile services have helped in the diffusion of social media access and usage, besides the increase in Internet usage in Egypt as figure 2 illustrates. Moreover, Facebook and Twitter is becoming a strong phenomenon and a vital mean of communication among Egyptians and had led to the flourishing of some forms of 'haphazard e-purchasing practices' [29]. On social media web pages, Egyptians can conduct many socialization activities: they can chat, contact friends, notify each other with updates, share photos, events, search for lost friends, and other means of communication to
the extent that it has been argued that Facebook was a vital medium that strengthen Egyptians' political engagement and played a key role in preparing for Egypt's January 25th revolution, 2011 [30]. In addition, on Facebook people can buy products, advertise and even sell some goods. According to one respondent in the focus groups, "I can easily sell products while even being at home, I can develop a Facebook group and start posting my products very easily through posting my phone number for purchasing orders."

Furthermore, it had been observed that social networks are considered an existing medium for marketing and advertising [31]. Research findings showed that there are many selling acts conducted on Facebook, which can be considered informal forms of e-commerce conduction. A specific individual can publish on a Facebook page the possibility of ordering certain products from abroad, or can announce the availability of certain products or services. Through sharing means of contacts, which in most cases are conducted via phone, the supplier can contact the seller i.e. the individual and order a specific product or service. A respondent highlighted, "no taxes or logistics are required from me just posting some images of my products and a contact number, I can sell easily on the virtual space."

In Egypt, the consumer has a preference to purchase the products either goods or services from the stores more than online [32]. The reason behind that can be due to the sensitivity of the Egyptian consumer towards the feel of risk, and what Hofstede calls uncertainty avoidance [33] towards purchasing online. In fact, although there is an increase in Internet usage in Egypt as figure 2 shows, the uncertainty avoidance by Egyptian consumers point reflects one challenge facing the diffusion of e-commerce in Egypt; and further reflects the importance of perceived behavioral control [34] as critical component of business to consumer e-commerce. One respondent at one of the focus group sessions highlighted, "for me it is a huge risk to pay prior to receiving the product, I can neither trust the seller nor the transaction."

![Figure 2: Illustrates the increase in Internet usage in Egypt [35]](image)

Another online retailer in Egypt is Otlobmall.com, which allows users to shop online for a variety of products in different categories, including electronics, mobile phones, beauty products, sports, jewelry, apparel, books and magazines and gifts. All products purchased through otlobmall.com are delivered directly to the purchaser’s home or designated delivery address and can be paid for either online or in cash on delivery [37].

Arab Advisors Group major online survey of Egypt's Internet market revealed that 34.6% of adult Internet users in Egypt use e-commerce and bill payment. The Arab Advisors Group estimates the number of Egypt Internet users who utilize e-commerce to be around 2.36 million which is around 3% of the total population in Egypt. These e-commerce users spent an estimated US$ 2.1 billion in e-commerce transactions in 2009 which includes bill payments online [38].

According to ICT Indicators Report for April 2012 published by the Ministry of Information and Communication Technology, the annual Internet penetration growth rate in Egypt is 7.15% [39]. It is worth mentioning that the report also indicated a monthly increase in the penetration rate, in fact, the latter point can be strategically benefit the diffusion of e-commerce utilization in Egypt.

E-commerce adoption is related to the level of ICT acquisition or adoption; therefore, investigation should be done with regarding factors affecting ICT [40] Generally speaking, organizations adopting e-commerce in developing countries face problems such as lack of telecommunications infrastructure, lack of qualified staff to develop and support e-commerce sites, lack of skills among consumers needed in order to use the Internet, lack of timely and reliable systems for the delivery of physical goods, low bank account and credit card penetration, low income, and low computer and Internet penetration [41].

A research conducted around thirteen years ago concluded that the main factors that are barriers to the use of e-commerce in developing countries such as Egypt are awareness and education, market size, e-commerce infrastructure, telecommunications infrastructure, legal system, government issues, affordability/cost structure and social and psychological factors [42]. Recently, Ibrahim Elbeltagi [43] argues that although there are many governmental initiatives to adopt ICT on all levels in Egypt, the reality is still far behind and there is still a lot that needs to be done from both government and the private sector to gain the benefits required. The formation of Ministry of Communications and
Information Technology (MCIT) in October 1999, was a good step, nevertheless there are still several critical factors for successful implementation of these initiatives [44].

Part of the reason for this is that Egypt does not have real credit cards system that reach out to the general public because the commercial banks offer these kinds of services to elite customers and also due to the high level of illiteracy among Egyptians [45]. Egypt also does not have effective centralized settlement system and the inherent attitude of the Egyptians people is to pay cash for what they buy [46]. The Egyptians are also reluctant to get involved in the internet banking to any great extent even if it is available at all, where most of Egyptian banks are still in the process of introducing this service [47].

In Egypt, where people are inclined to trust their locality because of the personal touch of providing the service and the social bonds that could come out of these type of transactions. In addition to the habits of paying cash for what they buy explains why smart card as an instrument for buying things is not readily popular among Egyptians, especially amongst the majority of people from lower and middle classes. Only people in high class use credit and debit cards to pay for their shopping as a way of showing their class [48].

Trust makes consumers comfortable sharing personal information, making purchases, and acting on web vendor advice, all of which are behaviors essential to widespread adoption of e-commerce; many researchers, investigating trust models, argue that there may be a relationship between trust and culture, which needs to be further investigated [49].

In relation to Egyptian consumers, El Said et al., [50] argued that the role of trust, uncertainty avoidance, internet store familiarity and reputation are the main silent factors affecting the perception of Egyptian consumers toward e-commerce. Further, "The research highlights the significant role of the internet store’s perceived familiarity and reputation as the main antecedents of online trust. The relationship between trust and its two antecedents are found to be culturally sensitive; the high uncertainty avoidance of the consumer is found to be associated with a stronger effect of the store’s reputation on trust, and a stronger effect of the store’s familiarity on trust [51].

In Egypt, majority of e-commerce conductions has only adopted basic applications. They widely adopted the most common e-commerce technologies (e-mail and Internet) as additional marketing tools to display company’s products and services information, rather than as an e-commerce platform to enable online transactions [52].

VI. CONCLUSION

This paper introduced an overview about the current barriers that Egyptian consumers are facing in relation to current utilization of e-commerce in Egypt. Those barriers should be considered with interest as to help in a proper adoption and diffusion of e-commerce as to have it an integral part of Egyptian's purchasing experience. Egyptian consumers showed that the obstacles for e-commerce diffusion are: lack of consumer's awareness; Companies working in the e-commerce domain are still laying the foundation for e-commerce; number of Internet users are not comprehensively spread across the country; the nonexistence of an appropriate and secure e-commerce-enabled environment is a disincentive to attempting e-commerce; lack of secure electronic compliance; lack of National strategic telecommunication planning; lack of financial services and infrastructure; trust; Resistance to change: cultural factor that play a role in resisting new technological applications; improper legislation, policies and business ethics; language barriers; lack of a wide spread credit system usage among Egyptians; unavailability of online financial information.

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