The Adoption of Digital Purchasing in Arab Countries:
A Comparative Perspective

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Abstract—This paper gives an overview on online purchasing barriers and benefits in the Arab world. In addition, it presents comparative perspectives on the status of online purchasing in United Arab Emirates, Kingdom of Saudi Arabia, Kuwait and Egypt as the largest markets in the Arab world. (Abstract)

Keywords—On-line Purchasing, Arab Countries, B2C

I. INTRODUCTION

The evolution of Information and Communications Technology (ICT) has affected the way methods through which businesses are managed both internally and externally by creating new goods, services, delivery channels and tools by which an organisation can enhance relationships with its customers (Turban et al., 2011). Consequently, it evokes both the concept and practice of electronic commerce (e-commerce). A successful presence of e-commerce through the Internet has helped create a low cost and high efficiency for product and service sales through a more dynamic and interactive venue of opportunities, where the world becomes the marketplace (Soloman, 2015).

E-commerce is a relatively new concept that emerged in the 1970s (Laudon and Traver, 2012). So far, there are various definitions of electronic commerce and researchers have been unable to agree on a conclusive definition for the concept (Chaffey, 2011; Mesenbourg, 1999; Riggins and Rhee, 1998; Swatman, 1996; Wilkins et al., 2000).

Some definitions of e-commerce have concentrated on the business side by considering e-commerce as: (1) a business phenomenon; (2) an application of technology using the Internet; or (3) an aspect of being a tool for increasing efficiency and decreasing costs. Table (1.1) summarises the three definitions of e-commerce:

Other definitions include "all the electronically mediated information exchanges between an organisation and its external stakeholders" (Chaffey, 2011: 705). However, many researchers have highlighted that the complexity of the elements of e-commerce makes definition difficult and prompted researchers to suggest various interpretations that focus specifically on their own area of research (Wilkins et al., 2000).

Table (1.1): The three definitions of e-commerce

<table>
<thead>
<tr>
<th>E-Commerce Aspects</th>
<th>E-Commerce Definitions</th>
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<tbody>
<tr>
<td>Technology</td>
<td>E-commerce is the application of technology that is used to improve business transactions through utilising predominately Internet-based websites.</td>
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<tr>
<td>Business</td>
<td>E-commerce is used to provide the capability of buying and selling products, services, and information on predominately Internet-based websites.</td>
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<tr>
<td>Value</td>
<td>E-commerce is a tool that may be used by business customers and consumers to create value in the Internet-based transactions by increasing efficiency and cutting costs while improving the quality of goods and services.</td>
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II. BUSINESS TO CONSUMER

The B2C e-commerce can take several forms that are based on the degree of digitisation (Turban, 2001). This means the transformation from physical to digital of the product, or the service sold, the process of payment and ordering, and the delivery process. For example, purchasing a computer or a book, which is delivered physically, differs from purchasing an e-book or a software product from a website to be delivered
digitally. For the consumer, the purchasing decision will differ in these two cases. Most of the consumers would prefer to see the physical product and purchase it from the store rather than online (Turban, 2001).

Unlike traditional consumer behaviour, B2C has some key differences, which are as follows: [a] the extensive use of technology for transactions; [b] the impersonal nature of the on-line environment; [c] the ease by which information can be collected by multiple parties; [d] the uncertainty of using an open medium for transactions; and [e] the newness of the transaction medium (Pavlou, 2002).

III. BARRIERS TO B2C E-COMMERCE

Among the general broad barriers to business-to-consumer e-commerce is the perceived risk "due to the purchaser's inability to directly value product quality, the lack of personal contact with sellers, the cost of learning how to use Internet and change of channel, or the absence of any personal interaction with other buyers" (Martin, 2011: 46).

Another barrier is perceived uncertainty, according to Zhang (2011), uncertainty occurs when there are many implications to a decision; for elaboration, unlike the traditional shopping, on-line purchasing makes consumers more sensitive. In traditional shopping, consumers experience the commodities to reduce uncertainty before they make a purchase decision as they may visit the store, touch the commodity, or may seek advice from the salesperson. Physical interaction with the product prior to buying a specific product can play a role in customers' purchase decisions. Zhang (2011) argues that through B2C transactions, companies are legally registered, in such case they sell with either good or bad reputation, a factor that if known will help reduce the level of consumers' uncertainty during the B2C interactions.

It has been noted that consumers' perceived uncertainty is driven from both endogenous and exogenous uncertainty. According to Littler and Melanthiou (2006), the endogenous uncertainty is generally caused by the consumers' own reasons such as lack of knowledge, lack of experience, or inability to determine the attributes of commodities. On the other hand, exogenous uncertainty is caused by the consumers' perception of external factors, and it has two major forms: [1] perceived commodity uncertainty and; [2] uncertainty of behaviour (Chevalier and Mayzlin, 2006).

The major cause for the perceived commodity uncertainty is the type of uncertainty witnessed due to the lack of information about the attributes of commodity such as its quality, style, or cost. The other type of exogenous uncertainty is uncertainty of behaviour, which results from the consumers' inability to determine the credibility and truth of the information provided by the seller (Chevalier and Mayzlin, 2006).

The latter point may lead to the aspect of consumers' payment systems during B2C e-commerce as a mean to establish trust. According to Schneider (2011), during e-purchasing activities, consumers can use a variety of payments methods such as credit, debit, and charge cards. Electronic cash is another form of payment on the Internet. But, it is less popular due to its high cost because the cost of processing payment cards for small transactions is greater than the profit on such transactions (Schneider, 2011). Moreover, the electronic wallet provides convenience to on-line shoppers as they maintain payment card information electronic cash, and personal consumer identification (Schneider, 2011).

Consequently, this eliminates the need "to re-enter payment card and shipping information at a site's electronic checkout counter. Instead, the electronic wallet automatically fills in form information at the sites that recognise the particular software's technology" (Schneider, 2011:521). "Stored-value cards, including smart cards and magnetic strip cards, are physical devices that hold information, including cash value, for the cardholder" (Schneider, 2011:521). Unlike magnetic strip cards that have a limited capacity, smart cards can store greater amounts of data on a microchip that is embedded in the card; although trials of smart cards in the United States have not been successful, they are popular in European countries (Schneider, 2011).

Furthermore, with the use of e-commerce and accepting Internet as a source of retail channel, ethical issues prompt serious concerns about safety and ethical behaviour to consumers and create new challenges. Thus, the marketers must understand how these ethical challenges relate to dissatisfaction and distrust in the on-line retailing environment to foster further growth (Iglesisa, et al., 2013; Roman and Cuestas, 2008).

In fact, the latter presented payment patterns reflect that B2C requires a legal and financial structure and a cohesive national initiative as to make it an integral part of consumers' shopping experience and lifestyle. In Egypt, although there are many governmental initiatives to adopt ICT at all levels, the reality is still far behind and there is a lot to be done by both the government and the private sectors to gain the benefits required (El Beltagi, 2007, Journal of American Chamber, 2011).

IV. E-COMMERCE TYPES

The importance of e-commerce in general and its benefits to both buyers and sellers in terms of low transaction costs, reduced inventory, high efficiency, accessibility to more information, approaching more segments of buyers and sellers, minimised marketing costs and high percentages of sales, have all been emphasised by various literature for so many years (Amit and Zott, 2001; Baron et al., 2000; Barratt and Rosdahl, 2002; Bakos, 1991,1998; Johnston and Vitale, 1988; Laudon and Traver 2012; Malone et al., 1987; Malone et al., 1987;
Turban et al., 2006; Tumolo, 2001; Wang et al. 2008). The e-commerce applications can be classified into four categories: Business-to-Consumer (B2C), Business-to-Business (B2B), Consumer-to-Consumer (C2C) and Mobile commerce (M-commerce) (Applegate, 2006; Radovilsky, 2015).

Although the B2C is the main focus of this study, it is significant to explain the main idea of each one of the above mentioned types of e-commerce. The Business-to Business (B2B) e-commerce refers to a broad range of inter-company transactions, including wholesale trade as well as a company’s purchases of services, resources, technology, manufactured parts and components, and capital equipment. The B2B also incorporates many types of financial transactions between companies, such as re-insurance, commercial credit and electronic networks for trading bonds, securities and other financial assets (Alsaad et al., 2014; Guang et al., 2015: Lucking, 2001; Ng, 2013).

The second type of e-commerce is Business-to-Consumer (B2C) e-commerce, or commerce between companies and consumers. It involves customers gathering information, purchasing physical goods (such as books or consumer products) or information goods (goods of electronic material or digitised content, such as software, or e-books), and, for information goods, receiving products over an electronic network (Andam, 2003). The following sections present more details regarding conducted empirical research related to B2C e-commerce.

The third type of e-commerce is Consumer-to-Consumer (C2C) e-commerce. It enables the on-line transaction of goods or services between consumers through a third party. A common example is the on-line auction, in which a consumer posts an item for sale and other consumers bid to buy it (Telus, 2005). The third party generally charges a flat fee, or a commission. The websites are only intermediaries to match sellers and buyers. They do not have to check the quality of the products being offered for sale (Telus, 2005). Most existing research studies on the C2C have been interested in explaining why and how buyers use the C2C auctions to buy, how off-line and on-line purchasing behaviour are compared and how managers design on-line auction websites to attract buyers and enhance loyalty. It is worth mentioning that few studies have focused on the C2C (Papaioannou et al., 2013).

Finally, the Mobile Commerce (M-Commerce) refers to the buying and selling of goods and services through wireless handheld devices such as cellular phones and personal digital assistants, and it has become the latest trend to do business instead of e-commerce in developed countries (Cabanillas, et al., 2014; Nassoura, 2013; Yee and Chong, 2013).

The above mentioned four types of e-commerce involve the buying and selling of information, products or services (Chang et al., 2002; Cockburn and Wilson, 1996; Foley and Sutton, 1998; Gunasekaran et al., 2002; Iglesias, 2013; Micheal, 2012; Ngai and Wat, 2002; Nath et al., 1998; Phan, 2003; Poon, 1999; Vieyra and Claycomb, 2001). It incorporates all aspects of trading such as commercial market creation, ordering and the transfer of money (Gunasekaran et al., 2002, Sharma, 2002).

The e-commerce has increasingly become an important technological medium through which business owners serve their customers, expand their geographical outreach, respond to competitive pressure and reduce operational costs (Beck et al., 2005; Micheal, 2012; Martin and Matlay, 2003; Wymer and Regan, 2005). Despite the tremendous amount of growth in e-commerce adoption around the globe, there is still a significant discrepancy between nations especially the developing and developed ones (Herrera et al., 2014). After reviewing the literature, it was obvious that the majority of empirical investigations of e-commerce had focused on developed countries (Michal, 2012; Yuan, 2012) compared to the amount of research that was conducted on developing countries (Almousa, 2013; Bhowmik, 2012).

It is worth mentioning that the markets in most developing countries have not always been successful in adopting technologies (Sly, 2011). Hence studies to unveil the reasons for the lack of acceptance and adoption are highly needed nowadays. Researchers and practitioners, meanwhile, have agreed that there are still uncertainties in the significance of the e-commerce among consumers in the developing countries. Therefore, its benefits for these countries are not fully realised (Nathan, 2009). The following sections will present the e-commerce benefits and challenges.

V. B2C ADOPTION BENEFITS

Since the e-commerce concept appeared in the 1970s (Laudon and Traver, 2012), there has been many empirical research and investigations that covered the mutual benefits of e-commerce to the buyers and sellers in terms of low transaction costs, reduced inventory, high efficiency, accessibility to more information, approaching more segments of buyers and sellers, minimised marketing costs and high percentages of sales. All these benefits been emphasised by various literature for so many years (Amit and Zott, 2001; Baron et al., 2000; Barratt and Rosdahl, 2002; Bakos, 1991,1998; Johnston and Vitale, 1988; Laudon and Traver 2012; Malone et al., 1987; Malone et al., 1987; Turban et al., 2006; Tumolo, 2001; Wang et al. 2008).

The e-commerce benefits may differ according to the type of e-commerce as discussed in the previous section and whether the beneficiary is a consumer, a customer, a business or a community. But, this paper focuses only on consumers in the B2C context. The following aspects summarise the key B2C benefits to consumers (Abou-Shouk et al., 2013; Ash et al., 2011; Engelstatter and Sarbu, 2013; Jahanshahi and Zhang, 2013; Raghunath, 2013):
[1] There are no geographical or national boundaries in e-commerce as the customers can select from all potential suppliers regardless of their location;

[2] The consumers do not have to travel to a store or adjust their time in accordance with its working hours, so shopping on the Internet can save time;

[3] There is access to a wider range of information about the availability and pricing of any product;

[4] There is the opportunity to find specialty items that are not readily available in ordinary retail outlets;

[5] Consumers can access thousands of e-shopping websites to become informed about new products, and purchase everything from groceries to books to insurance policies without leaving their home or office;

[6] Payment for goods or services is made immediately;

[7] On-line customers can shop at stores inside or outside their country;

[8] Providing consumers with the opportunity for new products and services; and finally

[9] On-line customers are able to shop at any time during the day (Abou-Shouk et al., 2013; Ash et al., 2011; Engelstatter and Sarbu, 2013; Jahanshahi and Zhang, 2013; Raghunath, 2013).

The literature revealed other mutual B2C benefits to the organisations and society. For organisations, one of the most prominent benefits of e-commerce is that it expands the market from the scope of the local representative to the scope of the international scale with a few costs (Maity, 2014). Accordingly, any company can find more consumers and adequate partners in a fast and easy way as it was found that the adoption of e-commerce systems would lead to a reduction in administrative costs of the procurement process by more than 85 per cent (Efraim, 2006).

Furthermore, the e-commerce systems help all enterprises reduce inventory while following the manufacturing systems and modern distribution resource planning and needs. These systems also help business owners use the system specified timing (Mansour, 2002). In addition, the e-commerce helps venture owners dispense with intermediaries as there will be no need for their existence between the seller and the buyer in the Cyber-space (Akram, 2004).

Thus, the e-commerce enables the re-structuring of business processes, and through this means, the productivity of vendors, staffs, and administrators will increase by more than 100 per cent (Ali, 2007). The e-commerce systems, meanwhile, help reduce communications costs through the use of the International Network for Communications [Internet] (Efraim, 2006). The adoption of e-commerce, moreover, helps reduce transportation costs, especially in the case of digital products that can be transferred across the network directly, as is the case in computer programs (Efraim, 2006). In addition, the e-commerce benefit organisations through improving their image and effectiveness of customer service, finding new trading partners, facilitating transactions, reducing the time frame of sending the products and services, increasing productivity, eliminating paperwork, and finally increasing flexibility in transactions (Ali, 2007).

Regarding its benefits to the society, the B2C enables the creation of new opportunities for self-employment through the launching of small or medium-sized enterprises (SMEs) that are connected to global markets at the lowest possible cost (Al-Qeisi and Hegazy; Saied, 2003). Such ventures allow an individual to work at home, reduce the default time for shopping, which means less congestion in the streets, and consequently reducing the air pollution levels (Efraim, 2006).

Moreover, it also allows the Third World consumers to buy the products and goods that are not available in their own countries (Al-Qeisi and Hegazy, 2015; Saied, 2003). In addition to the above mentioned benefits, the e-commerce provides public services via the Internet, such as high-quality education, healthcare, and social services at the lowest possible price (Efraim, 2003).

The previous section has presented e-commerce benefits, the literature revealed that the B2C holds mutual benefits to the buyer, seller, organisations and society. The following section will present an overview of B2C adoption in the Arab world.

VI. B2C Adoption in the Arab World

The Arab World comprises 22 countries and territories of the Arab League (AL). It is an area that stretches from the Atlantic Ocean in the west to the Arabian Sea in the east, and from the Mediterranean Sea in the north to the Horn of Africa and the Indian Ocean in the southeast (UNDP, Human Development Report, 2015). It has a combined population of around 422 million people, with over half of its population under 25 years of age. The Arab countries are Algeria, Bahrain, Comoros Islands, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, the Sultanate of Oman, Palestine, Qatar, Saudi Arabia, Somalia, The Sudan, Syria, Tunisia, the United Arab Emirates (UAE) and Yemen (Sly, 2011).

The main challenges that modern organisations are facing in developing countries nowadays with regards to implementing the e-commerce applications are the factors that affect the level of usability and security of B2C applications (Almousa, 2013). Attracting on-line consumers to purchase on-line through e-commerce applications is not an easy task and many organisations in the developing countries are facing obstacles to get advantages from the adoption of e-commerce, and enhancing the trust of customers to increase on-line sales.
through the development of the usability of e-commerce applications installed in their websites (Mee and Huei, 2015).

The Arab countries share various similarities including religion, customs and values, history, and language (Nathan, 2009). However, they differ mainly in terms of wealth, size and their adoption to information technologies (Dehkordi et al., 2011). Empirical studies on the factors that affect adoption of e-commerce in some Arab countries have yielded different results (Omar, 2013). For example, results of a study that included 300 samples have revealed that knowledge is the most important factor that contributes to e-commerce adoption in Saudi Arabia, Qatar, Kuwait, United Arab Emirates and Yemen (Nathan, 2009). The results further revealed that knowledge mediates consumers’ perception of risk and trust in contributing to their e-commerce adoption (Nathan, 2009).

Unlike the developed countries, where gender mediated the B2C adoption (Hwang, 2010; Hansen and Jensen, 2009; Chiu et al., 2005), statistical analysis showed that there was no significant gender effect towards B2C among the Arab consumers in the Kingdom of Saudi Arabia, Qatar, Kuwait, United Arab Emirates and Yemen (Nathan, 2009). Results of an empirical research, which covered 300 Arab consumers regarding the effect of risk perception, trust and consumer knowledge on their adoption, have revealed that knowledge is the most important factor that contributes to e-commerce adoption and it mediates consumers’ perception of risk and trust in contributing to their e-commerce adoption (Nathan, 2009).

A recent research conducted in Saudi Arabia, has shed light on the tangible barriers facing Saudi consumers when shopping on-line, and identified key tangible barriers and their relative importance for both e-commerce adapters and non-adapters facing the oil-rich country’s consumers when shopping on-line. The study was conducted in two phases, a focus group phase and a survey phase that included among 273 respondents (Almousa, 2013).

It was found that the major factors that have the most significant impact on the adoption of e-commerce in Saudi Arabia were security, trust, cyber-law, awareness, perceived usefulness, and effectiveness of postal services, government e-readiness, adequate electronic websites, warranty, trial and experience (Alqahtani et al., 2012).

Results showed that the most serious barriers facing Saudi consumers when shopping on-line were weak or no after-sale support, followed by high international shipping cost, then fear of product un-arrival (Almousa, 2013). Further results of focus groups identified eight main obstacles, including: poor after-sale support, fear of product un-arrival, unavailability of international shipping in the vendors’ website pages, website language, un-availability of house mailing address, no previous experience regarding on-line purchasing, payment system (including not having a credit card), and high shipping costs (Almousa, 2013).

The United Arab Emirates (UAE), the Kingdom of Saudi Arabia (KSA), Kuwait, and Egypt are the region’s largest markets (PayFort Report, 2014). Within the last decade, the Arab World has witnessed an Internet revolution on a massive scale. In the beginning of 2004, the Internet was still a young technology to the region, with only 28 million people going on-line (Omar, 2013). But ten years later, the number increased by more than 400%. In 2014, there were more than 141 million Arabs people using the internet (PayFort Report, 2014).

Having presented an overview about B2C adoption in the Arab world, the following section offers a brief description regarding each country of the largest B2C markets: the United Arab Emirates, the Kingdom of Saudi Arabia, Kuwait and Egypt.

The data presented in this section has been adopted from the most recent reports about B2C status: Payfort Report (2014) regarding the state of payments in the Arab World; PayPal Report (2013), which gives insights into e-commerce in the Middle East from 2012 till 2015; and Nielsen Report. (August 2014), which tackled e-commerce evolution around the world including the Middle East region.

VII. B2C IN UNITED ARAB EMIRATES

The Emirati on-line buyers under 31 years of age represent 73% of the overall on-line transactions and make up 64% of the population. This young population is helping to increase on-line purchases in sectors like e-commerce, event tickets, and digital goods, while older age groups are contributing to the highest transacting sectors such as airline tickets, hotels, and travel (PayPal, 2013). Most on-line buyers are located in Dubai, with 60% of the population transacting within the emirate. Westerners and expats from the Indian sub-continent represent the largest groups transacting on-line with 69.7% of the on-line buyers. The remaining nationalities transacting on-line in the UAE are Arabs, including UAE nationals (PayFort Report, 2014). The Abu Dhabi and Sharjah Emirates represent 27% of the on-line buying population, with the remaining emirates making up 13% of on-line transactions (Payfort Report, 2014). The UAE population has a 70% male to 30% female ratio, the highest in the Arab World. On the other hand, the ratio of male to female transacting on-line is 60% male to 40% female and is the most gender equal on-line transaction ratio in the Gulf region (Payfort Report, 2014).

The most popular on-line shopping categories in the UAE are airline tickets, hotel bookings, and electronics, forming a total 51% of UAE on-line transactions. Other popular categories in the UAE include fashion, books, and media downloads, which
total up to 25% of all UAE online transactions (Nielsen Report, 2014).

As for the preferred payment method in UAE, the majority of consumers in the Oil-rich country still prefer to pay with cash-on-delivery versus using a credit card online. While only 22% of users pay with a credit card, this percentage represents an improvement from the cash vs. credit card split a few years ago. The cash-on-delivery rates are expected to decrease within the next few years with an increase in credit card penetration levels and alternative payment methods (Payfort Report, 2014; PayPal, 2013).

VIII. B2C IN KINGDOM OF SAUDI ARABIA

The Kingdom of Saudi Arabia (KSA) is home to over 28 million people. With a median age of 26, just under half of the nation’s population is 24 years or younger, while the majority of the people is aged 25 to 54 (Payfort Report, 2014). Despite its young population, the country has one of the lowest Internet penetration rates with only 54% of Saudi Arabia residents having access to the Internet. With approximately 15.6 million Internet users, only 3.9 million people are transacting online; however, with a larger credit card penetration rate and more affordable Internet packages, the oil rich Gulf country is expected to witness an increase in online transactions and become the highest average shopping cart size in the region (Payfort Report, 2014).

The Saudi Arabian population has a 57% male to 43% female ratio, one of the lowest among Arab countries (Nielsen Report, 2014). On the other hand, the ratio of male to female transacting online is 85% male to 15% female and is the highest online male transaction ratio in the region (Payfort Report, 2014).

The on-line buyers under 35 years of age represent 60% of overall online transactions and make up to 75% of the population (PayPal, 2013). While this young population is contributing to online transaction growth in the region, a low Internet penetration rate is preventing the country from taking off (Payfort Report, 2014; PayPal, 2013). Expatriate workers in the country represent roughly 30% of the population and contribute up to 59% of all online transactions. Arab nationalities, including Saudi Arabian and Khalejis (Gulf nationals) make up the other 41% of the online transactions. The majority of online buyers is located in the two major cities of Riyadh and Jeddah, with 61% of the population transacting within the country’s two largest cities (Payfort Report, 2014). The next three highest transacting locations are al-Dammam, Mecca, and Medinah, comprising 16% of the online transactions. The remaining cities make up four per cent, or less of the total transaction amounts (Payfort Report, 2014).

Airlines tickets, electronics, and hotel reservations are the most popular online shopping categories, which represent 56% of the kingdom’s online transactions. Fashion, the most popular female segment, makes up to 8% of online transactions, while books and media comprise up to 11% of the online transactions (Nielsen Report, 2014). As a founding member of the Gulf Co-operation Council (GCC), the KSA has the least reliance on cash-on-delivery with about 76% of online transactions. However, with the increase in credit card issuance, Saudi Arabia is expected to witness more online transactions from credit cards within the next few years (Payfort Report, 2014; Nielsen Report, 2014).

IX. B2C IN KUWAIT

With a population of 3.3 million and the highest credit card penetration in the region, Kuwait has one of the biggest online transaction potential growth rates in the whole region. Kuwait has one of the highest Internet penetration rates in the Arab World with 79% of its population having access to the Internet (Payfort Report, 2014). Of those 2.7 million Internet users, 930,000 persons are transacting online, which translates to just under one third of the population buying products and services online. The reasons behind this high rate are attributed to an ease of access to credit cards and a young population transacting Online (Payfort Report, 2014).

The Kuwaiti population has a 60% male to 40% female ratio, lower than the GCC average. The ratio of males to females transacting online is not far off from the population ratio with a 70% male to 30% female ratio. The online buyers in their thirties represent 65% of the overall online transactions and make up a little over half the population. Meanwhile, 33% of the overall online transactions are coming from those aged 40 years or older, who represent 46% of Kuwait’s total population (Payfort Report, 2014).

Unlike other GCC countries, 78% of the nationalities transacting online in Kuwait are from Arab descent, including local Kuwaiti citizens. About 20% of the online transactions are coming from other nationalities, with the remaining 2% from Western countries. Furthermore, most of the online buyers are located in Kuwait City, the capital of Kuwait, with 67% of the population transacting within the most populous city in the country. The remaining cities transacting online represent eight per cent or less each (Payfort Report, 2014).

The most popular online shopping categories in Kuwait are: airline tickets, electronics, and hotel reservations, which represent a total of 54% of online transactions (Nielsen Report, 2014). Other popular categories in Kuwait include fashion, books, media, and household products, which total 25% of all online purchases. Online credit card usage in Kuwait is the second highest in the Arab World after Saudi Arabia, with 21% of online buyers choosing to buy with credit cards online. This is largely brought on from the high

**X. B2C in Egypt**

Unlike Saudi Arabia and United Arab Emirates and Kuwait, Egypt is the most populous Arab country. About 10% of the population belong to the 55 years or higher age group while 67% belongs to the 35 years or younger age group (Payfort Report, 2014).

Egypt’s population reached 85.55 million at the beginning of 2014 (Egypt Human Development Report, 2015). The proportion of Internet users in Egypt is 30 million (The Future of the Internet Economy in Egypt, 2014). The country has the most gender equal population in the Arab World with a 51% male to 49% female ratio. However, the male to female ratio transacting on-line is almost double the population ratio with a 70% male to 30% female ratio (Payfort Report, 2014).

Furthermore, the on-line users are in their 30s or younger. They represent 75% of the overall on-line transactions, and make up over 65% of the population (Payfort Report, 2014). Egyptians at this age group are frequent customers in airline bookings, travel, e-commerce, and digital goods, which represent 40% of overall on-line transactions (Payfort Report, 2014).

With Egypt being a non-expat heavy weight regional country, 99% of the on-line transactions are made by the Egyptians and the remainder is foreigners living in the country (Payfort Report, 2014). The majority of on-line buyers in Egypt is located in Cairo with more than half of total on-line transactions. The Nile Delta, Upper Egypt, and Alexandria regions comprise around 43% of the on-line buying population, with the remainder of the on-line buyers is located in The Sinai Peninsula (Payfort Report, 2014).

The most popular on-line shopping categories in Egypt are: electronics, airline tickets, and fashion. They constitute a total 40% of Egypt’s on-line transactions; unlike other countries, hotel reservations only make up to 6% of the total of on-line transactions, while books are higher than the regional average with 8% of the total on-line transactions (Payfort Report, 2014). With only 7% of the population being banked and only eight million credit and debit cards issued, the Egyptian users are challenged when it comes to on-line payments with over 65% relying on alternative payment methods such as pre-paid cards and bill presentment services and a 80% cash-on-delivery to 20% on-line credit card ratio (Payfort Report, 2014).

**XIII. The Comparative Perspective**

A closer look at the on-line transactions by gender reflects that males adopt B2C more than females in the four Arab countries (Payfort Report, 2014). The preferred payment method in the four countries is cash-on-delivery, with a varied low rates of on-line buyers choosing to buy with credit cards on-line, which leads to have 20% of on-line transactions made with credit cards, and 80% are still made through cash-on-delivery method although cash based transactions constitute convenient payment options for those without any other alternative (Nielsen Report, 2014; Payfort Report, 2014).

The cash-on-delivery method has heavily impacted the e-commerce ecosystem (Anbari, 2013) because the merchants deal with this method as their main payment option. Costs can range from $10 to $30 per shipment due to high product returns, re-stocking and re-shelving of undelivered products, cash-handling costs, thefts, and customers abandoning payments on delivery (Anbari, 2013). Furthermore, merchants may wait weeks before they are able to settle their cash-on-delivery funds into their bank accounts (MENAP e-commerce overview, 2012).

Electronics and airline tickets were the most purchased on-line products in the four countries, which is in line with the global average for on-line buying intentions. In 2014, studies indicated that electronic equipment and airline tickets and reservations have the highest on-line buying rates among other product categories with a percentage of 48% of on-line buying is for air tickets and 34% for electronics (MENAP e-commerce overview, 2012).

**XIV. Conclusion**

It is observed that United Arab Emirates (UAE) is the most developed Arab country in relation to IT adoption (Al-Maghrabi et al., 2011) with 46 per cent of B2C e-commerce penetration, which refers to percentage of Internet user transacting on-line, followed by Kuwait (35%) and Saudi Arabia (25%) (Payfort's Middle East State of Payment report, 2014).

The UAE is one of the fastest growing countries and the most booming economy in the region. It is home to the most diverse population in the Arab World with more 200 nationalities. It is also one of the youngest nations in the region with 24.2% of its 9.3 million population being 24 years or younger. Its young population will likely contribute to its high Internet penetration rate of 85%, making it the third highest in the region (Payfort's Middle East State of Payment report, 2014). Of these 7.9 million Internet users, 3.6 million of them are transacting on-line, which means that a little more than a third of the country is purchasing on-line.

This high on-line transaction ratio is due to the presence of a large expatriate community, whose members are likely more
familiar with on-line payments, and a high credit card penetration with over five million on-line enabled cards (Payfort's Middle East State of Payment report, 2014).

In the UAE, the most popular on-line shopping categories are airline tickets, hotel reservations, and electronics, which constitute 51% of the total on-line transactions (Payfort's Middle East State of Payment report, 2014). Other popular categories in the UAE are fashion, books, and media downloads, which total 25% of all the on-line transactions (Payfort's Middle East State of Payment report, 2014). These categories are similar to the on-line shopping categories in Egypt, where the most popular on-line shopping items are electronics, airline tickets and fashion that account for a total of 40% of on-line transactions in Egypt.

In 2002, Sheikh Mohammed bin Zayed established the Dubai Technology, Electronic Commerce and Media Free Zone, which is popularly known as the ‘Dubai Internet City’ (Blythe, 2007). It is conceptually similar to the ‘Cyberport’ of Hong Kong. The idea is to place many IT firms in close proximity to help them achieve synergy (Blythe, 2007). By 2005, the Dubai Internet City became home to 650 high-tech firms employing more than 14,000 workers. In addition, Sheikh Khalifa bin Zayed Al Nahyan, the then UAE President, issued Federal Law No. 1/2006 that governs Electronic Commerce and Transactions, which enacted as an add on statute to the one that created the Dubai Internet City (Blythe, 2007).

It was surprising to find that the key challenges identified for Egypt are similar to the challenges and obstacles that had been identified for the UAE as the most advanced Arab country in IT adoption and spread, and the Middle Eastern Commercial Centre (Ahmed et al., 2006; Al Maghrabi, 2011; Shallouh, 2006). For example, the lack of trust in on-line transactions and continued reliance on the face-to-face contact during shopping are two of the main reasons for the relatively low electronic commerce adoption in Dubai (Ahmed et al., 2011; Shallouh, 2006). In addition, the preferred method of payment is similar to Egypt as the majority of people in the UAE still prefer to pay with cash-on-delivery versus using a credit card on-line. While only 22% of users pay with a credit card, this percentage represents an improvement from the cash vs. credit card split a few years ago. However, the cash-on-delivery rates are expected to decrease within the coming few years with an increase in credit card penetration levels and alternative payment methods (Payfort's Middle East State of Payment report, 2014).

In Egypt, the same payment methods are adopted only by 7% of the population, who are being banked, while only eight million credit and debit cards are issued. The Egyptian users are challenged when it comes to on-line payments with over 65% relying on alternative payment methods such as pre-paid cards and bill presentment services and a 80% cash-on-delivery to 20% on-line credit card ratio.

Accordingly, it can be concluded from the above literature that the majority of Arab countries face problems regarding the e-commerce adoption. Although the UAE can be a benchmark in relation to its integration of high-tech firms and high percentage of e-commerce (46%) in addition to its introduction of the ‘Dubai Internet City’ as a strong infrastructure for the adoption of B2C e-commerce, and is considered as the Middle East commercial centre; the consumers’ adoption of B2C is still lagging behind (Al Maghrabi et al., 2011; Al Qeisi and Hegazy, 2015; Baker et al., 2007; Dennis et al., 2011; Madiche et al. 2011; Shalhoub, 2006).

REFERENCES


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